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RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Balance Sheets at 31 December 2009 and 2008
(Thousand Euros)

ASSETS	Note	At 31 December 2009	At 31 December 2008
Non-current assets			
Property, plant and equipment	7	1,274	63,743
Intangible assets	6	1,967	2,211
Investments in associates	8	162	407
Long-term receivables	9	13,667	22,290
Available-for-sale financial assets	11.1	1,019	6,572
Deferred tax assets	19	46,147	41,425
Total non-current assets		**64,236**	**136,648**
Current assets			
Inventories	12	270,728	642,687
Trade and other receivables	9	32,135	41,862
Loans and amounts due to related parties	34	253	5
Derivative financial instruments	10	81	-
Financial assets held to maturity	11.2	2,814	24,741
Cash and cash equivalents	13	22,038	2,311
Total current assets		**328,049**	**711,606**
Total assets		**392,285**	**848,254**

The accompanying notes on pages 7 to 76 are an integral part of these consolidated annual accounts.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Balance Sheets at 31 December 2009 and 2008
(Thousand Euros)

LIABILITIES AND NET EQUITY	Note	At 31 December 2009	At 31 December 2008
Capital and reserves attributable to the equity holders of the Company			
Capital	14	110,268	105,448
Treasury shares	14	(4,052)	(6,003)
Cumulative translation difference	15	(6,295)	(6,726)
Retained earnings y other reserves	16	(3,255)	109,621
Profit (loss) for the year attributed to the parent Company	16	(54,486)	(111,532)
Total net equity		**42,180**	**90,808**
LIABILITIES			
Non-current liabilities			
Provision for liabilities and charges	32	7,864	3,869
Deferred taxes	19	1,866	7,687
Trade and other payables	17	19,873	3,313
Borrowings	18	258,730	-
		288,333	**14,869**
Current liabilities			
Trade and other payables	17	17,734	73,677
Borrowings	18	44,038	662,647
Derivative financial instruments	10	-	6,253
Total current liabilities		**61,772**	**742,577**
Total liabilities		**350,105**	**757,446**
Total net equity and liabilities		**392,285**	**848,254**

The accompanying notes on pages 7 to 76 are an integral part of these consolidated annual accounts

RENTA CORPORACIÓN REAL ESTATE, S.A.

Consolidated Income Statements for the Years Ended 31 December 2009 and 2008
(Thousand Euros)

	Note	Year Ended 31 December	
		2009	**2008**
Ordinary income	20.1	360,172	244,133
Other operating income	20.2	12,257	19,736
Consumption of goods for resale	21	(377,822)	(312,400)
Employee benefits	24	(9,223)	(20,918)
External expenses	23.1	(13,484)	(45,596)
Other taxes	23.2	(7,260)	(5,186)
Depreciation and loss on assets	22	(18,155)	(5,461)
Results of sale of fixed assets	22	1,319	-
Consolidated operating profit (loss)		**(52,196)**	**(125,692)**
Net financial cost	26	(16,566)	(44,002)
Share in profits from associates	8	(54)	18,534
Consolidated profit (loss) before tax		**(68,816)**	**(151,160)**
Income tax	27	14,330	39,628
Consolidated profit (loss) for the year		**(54,486)**	**(111,532)**
Attributable to:			
Equity holders of the Company		(54,486)	(111,532)
Gains/(losses) per share for the profit attributable to the equity holders of the Company during the year			
(in Euros per share)			
- Basic	29	(2.21)	(4.51)
- Diluted	29	(2.21)	(4.51)

The accompanying notes on pages 7 to 76 are an integral part of these consolidated annual accounts.

RENTA CORPORACIÓN REAL ESTATE, S.A.

Consolidated Statements of Comprehensive Income for the Years Ended
31 December 2009 and 2008
(Thousand Euros)

	Note	Year Ended 31 December	
		2009	**2008**
Net income and expenses		**(54,486)**	**(111,532)**
Other comprehensive income			
Expenses for capital increases of subsidiaries	14	-	(253)
Cash flow hedging instruments	16	(310)	(1,477)
Available-for-sale financial assets	11.1	(1,105)	701
Exchange differences	15	431	(4,630)
Other comprehensive income net of tax		**(984)**	**(5,659)**
Total comprehensive income for the year		**(55,470)**	**(117,191)**
Attributable to:			
-equity holders of the company		(55,470)	(117,191)
Total comprehensive income for the year		**(55,470)**	**(117,191)**

The accompanying notes on pages 7 to 76 are an integral part of these consolidated annual accounts

RENTA CORPORACIÓN REAL ESTATE, S.A.

Consolidated Statements of Changes in Net Equity for the Years Ended
31 December 2009 and 2008
(Thousand Euros)

		Attributable to the equity Holders of the Company				
	Notes	**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)**	**Total net equity**
Balance at 31 December 2007		**105,448**	**(5,570)**	**(2,096)**	**122,832**	**220,614**
Hedging instruments for cash flows	**16**					
- Gross		-	-	-	(2,110)	(2,110)
- Tax effect		-	-	-	633	633
Available-for-sale financial assets	**11.1**					
- Gross		-	-	-	1,002	1,002
- Tax effect		-	-	-	(301)	(301)
Expenses for capital increase of subsidiaries		-	-	-	(253)	(253)
Translation differences	**15**	-	-	(4,630)	-	(4,630)
Profit (loss) for the year	**16**	-	-	-	(111,532)	(111,532)
Total income and expenses for the year		-	-	(4,630)	(112,561)	(117,191)
Share plan reserve	**35**	-	-	-	209	209
Acquisition of treasury shares	**14.2**	-	(990)	-	-	(990)
Sale of treasury shares	**14.2**	-	557	-	-	557
Distribution of dividends	**16**	-	-	-	(10,606)	(10,606)
Variation in shareholdings of associates	**16**				(1,785)	(1,785)
Balance at 31 December 2008		**105,448**	**(6,003)**	**(6,726)**	**(1,911)**	**90,808**
Hedging instruments for cash flows	**16**					
- Gross		-	-	-	(419)	(419)
- Tax effect		-	-	-	109	109
Available-for-sale financial assets	**11.1**					
- Gross		-	-	-	(1,578)	(1,578)
- Tax effect		-	-	-	473	473
Translation differences	**15**	-	-	431	-	431
Others		-	-	-		
Net income for the year	**16**	-	-	-	(54,486)	(54,486)
Total income and expenses for the year		-	-	431	(55,901)	(55,470)
Capital increase	**14**	4,944	-	-	-	4,944
Capital increase expenses						
- Gross		(177)	-	-	-	(177)
- Tax effect		53	-	-	-	53
Share plan reserve	**35**	-	-	-	(220)	(220)
Acquisition of treasury shares		-	-	-	-	-
Sale of treasury shares	**14.2**	-	1,951	-	-	1,951
Distribution of dividends		-	-	-	-	-
Other variations		-	-	-	291	291
Balance at 31 December 2009		110,268	(4,052)	(6,295)	(57,741)	42,180

The accompanying notes on pages 7 to 76 are an integral part of these consolidated annual accounts

RENTA CORPORACIÓN REAL ESTATE, S.A.

Consolidated Statements of Cash Flows for the Years Ended
31 December 2009 and 2008
(Thousand Euros)

		Year Ended 31 December	
	Notes	**2009**	**2008**
Cash flows from operations			
Cash used in operations	**31**	292,697	139,077
Interest paid	**26**	(34,492)	(55,300)
Taxes (paid)/refunded		-	9,847
Net cash used in operations		258,205	93,624
Cash flows from investments			
Acquisition of property, plant and equipment	**7**	(611)	(1,075)
Income from the sale of property, plant and equipment	**7 & 22**	63,044	-
Acquisition of intangible assets	**6**	(459)	(2,048)
Loans a related parties	**34,6**	(248)	-
Acquisition of financial investments		-	(27,278)
Income from the sale of financial investments		-	24,804
Repayments of loans to related parties		-	600
Deposits and guarantee deposits	**9**	(193)	(833)
Redemption of deposits and guarantee deposits	**9**	345	1,018
Financial assets held to maturity	**11.2**	21,927	-
Variation in financial discounting of accounts receivable	**26**	(1,643)	-
Interest received	**26**	514	10,529
Net cash (used in)/generated from investments		82,676	5,717
Cash flows from financing			
Acquisition of treasury shares		-	(990)
Disposal of treasury shares	**14.2**	1,951	557
Issue of equity instruments	**14**	4,944	-
Expenses for issues of ordinary shares of subsidiaries	**14**	(177)	(253)
Borrowings obtained	**18**	275,006	137,916
Repayment of financing	**18**	(615,998)	(226,029)
Payment of financial instruments	**10 & 26**	(6.753)	-
Dividends paid to equity holders of the Company		-	(10,606)
VAT deferral	**17**	19,873	-
Net cash generated from financing		(321,154)	(99,405)
Movements not affecting cash and cash equivalents		-	(362)
Cash and cash equivalents at the beginning of the year	**13**	2,311	2,737
Cash and cash equivalents at the year end	**13**	22,038	2,311
Net (decrease)/increase in cash and cash equivalents		**19,727**	**(426)**

The accompanying notes on pages 7 to 76 are an integral part of these consolidated annual accounts.

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 20 companies: Renta Corporación Real Estate, S.A., as parent Company, 18 subsidiaries and 1 associate. Appendices I and II to these 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 Luxemburg, to wit: 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 Corporacion Real Estate, S.A. incorporated the company Renta Corporation (USA) 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 7 April 2008, the subsidiary company Renta 1001 (UK), Limited was incorporated. This also involved its consolidation as from that date.

On 2 November 2006, the subsidiary company Winterley Properties 3, Unlimited was incorporated and consolidated as from 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. (merging company), Renta Corporación Real Estate R.A., S.A.U. and Renta Corporación Real Estate G.O., S.L.U. (merged companies) authorising the takeover merger by the former of the latter two companies, which were wound up, effective for accounting purposes retroactively as at 31 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 1 November 2008 the Luxembourg companies Norfeu, S.a.r.l. and Fedra, S.a.r.l. were merged by Renta Corporación Luxembourg, S.a.r.l., and the merging company.

On 12 March 2009, Palmerston and Compton Ltd was incorporated in London and consolidated as from that date.

On 24 June 2009 in Paris the company Renta Corporación Real Estate France, S.A.S.U. was incorporated, and consolidated as from that date, to carry out the Group's business in France, replacing Groupe Immobilier Renta Corporación, S.A.S.U.

In 2009 the shareholding percentages in the companies Groupe Inmobilier Renta Corporación, S.A.S.U. changed from 100% at 31 December 2008 to 99.9% at 31 December 2009 and in Tanit Corporation Luxembourg, S.à.r.l. from 100% at 31 December 2008 to 0.09% at 31 December 2009. The other stakes up to 100% in both companies have been transferred to Grupo Renta Corporación Real Estate ES, S.A.U. and Renta Corporación Real Estate Finance, S.L.U., respectively.

We describe below the capital increases that have taken place in 2009:

- On 7 April 2009 Palmerston & Compton Ltd. increased capital by £35,655,240. (Euros 39,390 thousand).

- On 30 June 2009 Tanit Corporation S.à.r.l. increased capital by Euros 13,825 thousand, as mentioned above.

- On 18 August 2009 Renta Corporation (USA) increased capital by USD 8,500,000 (Euros 6,040 thousand).

- On 28 December 2009 Renta Corporación Real Estate France S.A.S.U. increased capital by Euros 3,000 thousand.

- On 30 December 2009 Renta Corporación Real Estate S.A. increased capital through a preferred subscription totalling Euros 4,944,002.80 by issuing 2,247,274 ordinary shares with a par value of Euros 1 each. This increase includes a share premium of Euros 2,697 thousand and capital increase expenses of Euros 124 thousand.

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., is located in Vía Augusta, 252-260, Barcelona, and its Taxpayer ID nº is A-62.385.729.

The group divides its activity into two business units: buildings and land as follows:

- **Buildings.** This classification basically contains two types of operations: the acquisition of residential buildings and large urban buildings, normally for office or industrial use, for transformation and later sale. This transformation may consist of changes in use, physical restoration of the buildings and repositioning in the market through improvement in profitability.

- **Land.** Acquisition of large real estate complexes for transformation and subsequent sale. The transformation phase consists in the design and subsequent legal processing of modifications in use of the building and/or current zoning, for the purpose of creating land that can be built up for subsequent construction and sale.

The two business units carry out the same business and apply practically the same business 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 the United States of America.

These consolidated financial statements were formulated by the Board of Directors on 24 March 2010.

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.

2.1 Basis of presentation

The consolidated annual accounts have been prepared on the basis of the accounting records of Renta Corporación Real Estate, S.A. and subsidiary companies and include the adjustments and reclassifications for standardisation of valuation with the parent Company. These consolidated annual accounts of the group at 31 December 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and approved by the Regulations of the European Commission (IFRS-EU) and are in force at 31 December 2009.

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:

- IFRS-8 “Operating Segments”.
- IAS-23 (modified), “Borrowing Costs”.
- IAS-1 (revised) “Presentation of Financial Statements”.
- IFRS-2 (modified) “Share-based Payments”.
- IAS-32 (modified) “Financial instruments: Presentation”.
- IFRS-1 (revised) “First-time Adoption of IFRS”.
- IAS-27 (modified) “Consolidated and Separate Financial Statements”.
- IFRS 7 (modified) “Financial Instruments: Disclosure”.

The Group has analysed the possible impacts on its financial statements at 31 December 2009 and has concluded that there are no significant impacts.

In 2009 the following new IFRS and IFRIC have been published in the Official Gazette of the European Union, which came into force for the years beginning 1 January 2010 and which had not been adopted in advance:

- IFRS 3 (Revised), “Business Combinations”.
- IAS 27 (Revised), “Consolidated and Separate Financial Statements”.
- IFRS 5 (modified), “Non-current assets held for sale and discontinued activities” (and the respective modification of IFRS 1 “First-time Adoption of IFRS”).
- Improvements to the International Financial Reporting Standards.
- IFRS 1 (Revised), “First-time Adoption of IFRS”.
- IFRIC 17, “Distributions of non-cash assets to owners”.
- IFRIC 18, “Transfers of Assets from Customers”.
- IAS 32 (modified) “Classification of Emissions Rights”
- IAS 39 (modified) “Items eligible for hedge accounting”
- IFRIC 15 “Agreements for the construction of real estate”.

On the basis of an analysis of these new accounting standards and interpretations to be applied in the years beginning 1 January 2010, the Group does not expect their application to have significant effects on the consolidated annual accounts.

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-UE in which certain assets and liabilities are stated at fair value.

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 aggregates in the documents comprising these consolidated annual accounts (balance sheet, income statement, statement of changes in net equity, the consolidated statement of recognise income and expenses, 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, except for Groupe Immobilier Renta Corporación,S.A.S.U., which closes its year at 31 March.

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 particulars of the subsidiaries in the consolidation scope that are fully consolidated.

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 Intangible assets

Intangible assets include computer programs, spanning 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).

2.4 Property, plant and equipment

Property, plant and equipment are recognized at acquisition price or cost of production, less the accumulated depreciation and respective accumulated impairment, except for land, which is presented net of impairment, since it is not depreciated.

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	25-35
Plant	10
Furniture	10
Computer hardware	4
Vehicles	6,25
Other PPE	10 - 12

The residual values and the useful lives of the assets 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 2.6).

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.

2.5 Borrowing costs

The financial expenses directly attributed to the acquisition or construction of fixed assets that require more than one year in order to be brought into use are recorded at cost until they are available for use.

2.6. Impairment of non-financial assets

At each balance sheet date the Group evaluates whether there are any indications of asset impairment. If there is, the Group 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), these being the two business units in which they operate: Buildings and Land.

2.7 Financial assets

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.

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.

These financial assets are initially stated at their fair value, including the directly attributable transaction costs, and later stated at their amortised cost, recognising the interest accrued based on their effective interest rate, understood as the revaluation rate equalises the carrying value of the instrument to all its estimated cash flows until maturity. Notwithstanding the above, trade debtors falling due in no more than one year are stated at the time of initial recognition and afterwards at their nominal value provided that the effect of not restating the flows is insignificant.

Provisions required for impairment are recorded at least at the year end if there is objective proof that the outstanding amounts will not be received.

The amount of the value impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate when initially recognised. The amount of the provision is recognised in the income statement.

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 significant 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. In the event that equity instruments that are measured at cost because their fair value cannot be determined, the provision is determined in the same way as for equity investments in group and multi-group companies and associates.

2.8 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 net realisable value is the sale price estimated in the normal course of business less the variable costs of sale. When the net realisable value of inventories is lower than their cost, provisions are recorded and recognised as an expense in the income statement. If the circumstances that gave rise to the provision no longer exist, the provision is reversed and recognised as income for the year. At each year end the net realisation value of inventories is tested. The Group asks for appraisals and/or valuations from independent experts several times during the year in order to ascertain the reasonable value of its inventories and to evaluate the possible provision for their impairment.

The borrowing costs from bank financing, both generic financing (syndicated loan) and specific financing (syndicated loan), 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.

2.9 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.

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.

2.10 Cash and cash equivalents

Cash and cash equivalents includes the cash and balances in current accounts at banks.

2.11 Net equity

Share capital is represented by ordinary shares.

The cost of the issue of new shares or share options is presented directly against net equity, as less reserves.

In the event of the acquisition of treasury shares the consideration paid, including any directly attributable incremental cost, is subtracted from net equity until cancellation, issue of new shares or sale. When these shares are sold or reissued afterwards, any amount received, net of any directly attributable incremental costs of the transaction, is included in net equity.

2.12 Financial liabilities

This account includes trade and non-trade creditor operations. These borrowed funds are classified as current liabilities, unless the Company has an unconditional right to defer settlement during at least 12 months after the balance sheet date.

Financial liabilities are initially recognised at fair value adjusted by the directly attributable transaction costs, and later recognised at their amortised cost using the effective interest rate method. This effective interest is the revaluation rate that equalises the carrying value of the instruments to the expected flow of future payments expected until the maturity of the liability.

2.13 Current and deferred tax

The income tax expense (income) is the amount which, for this item, accrues during the year and comprises both the expense (income) for current taxes and deferred taxes.

Both the current and deferred income tax expense (income) is recorded in the income statement. However, the tax effect related to items that are recorded directly in net equity are recognised in net equity.

The current tax assets and liabilities will be stated at the amounts expected to be paid or refunded from the tax authorities, in accordance with current legislation and legislation pending enactment at the year end.

The deferred tax is calculated using the liability method on the basis of the temporary differences that arise between the tax bases of the assets and liabilities and their carrying value. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction does not affect either accounting profit or taxable income, it is not recognised. The deferred tax is determined by applying the legislation and tax rates in force or about to come into force on the balance sheet date and which is expected to be applied when the respective deferred tax asset is realised or the deferred tax liability is settled.

The deferred tax assets are recognised to the extent that it is probable that there will be future tax profits with which to offset the temporary differences. Each year the Group evaluates the recoverability of those that have not been capitalised.

Deferred income tax is recognised for temporary differences arising on investments in subsidiaries and associates, except where it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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 ES, S.A.U. as from 2001 is subject to the special prorated VAT regime.

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.

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

Groupe Immobilier Renta Corporación, S.A.S.U. and Renta Corporación France, S.A.S.U. are taxed under the French *marchand de biens* VAT regime.

Renta Properties (UK), Ltd. and RC Real Estate Deutschland GmbH are taxed under the prorated regime as per the specific legislation of the country.

2.14 Employee benefits

a) 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).

b) Severance indemnities

Severance indemnities are paid to employees as a result of a Group decision to rescind their employment contract before the normal retirement age or when the employee agrees to voluntarily resign in exchange for these benefits. The Company recognises these benefits when it has demonstrably shown its commitment to dismiss the workers, on the basis of a formal detailed plan that cannot be withdrawn, or to provide indemnities for dismissals as a result of an offer to encourage workers to resign voluntarily. The benefits that are not going to be paid in the next twelve months as from the balance sheet date are discounted from their current value.

c) Profit-sharing and bonus plans

The Group recognises a liability and expense for bonuses and profit sharing based on a formula that takes into account the profit attributable to the shareholders after certain adjustments. The Company recognises a provision when it has a contractual obligation or when past practice has created a tacit obligation.

2.15 Provisions and contingent liabilities

Provisions for litigation are recognised when the Group has a present legal or implicit obligation as a result of past events, which will likely lead to an outflow of funds in order to meet the obligation, and when the amount can be reliably estimated.

Provisions are stated at the current value of the disbursements that are expected to be necessary to settle the liability using a pre-tax rate reflecting the current market valuations of the temporary value of money and the specific risks to the liability. The adjustments to the provision due to the restatement are recognised as a financial expense as they accrue.

The provisions expiring in less than or equal to than one year, with an insignificant financial effect, are not discounted.

Contingent liabilities are those possible liabilities arising as a result of past events, whose materialisation depends on whether future events occur or not that are beyond the control of the Group (Note 32).

2.16 Recognition of income and expenses

Income is recorded at the fair value of the consideration to be received and represents the amounts receivable for goods delivered and services rendered during the Company's normal course of business, minus returns, price reductions, discounts and value added tax.

The Group recognises income when it can be reliably measured, and when it is probable that future economic profit will be generated for the Company and the specific conditions for each activity undermentioned are met. Income cannot be reliably valuated until all the contingencies related to a sale have been resolved.

a) Sale of goods and services

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 reinvoiced, 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 deeded, 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 deeded.

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.

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.

b) Interest income

Interest income is recognised using the effective interest rate method. When an account receivable has been impaired, the Company lowers the carrying value to its recoverable amount, discounting the future cash flows estimated at the original effective interest rate of the instrument and continues to subtract the discount from income. Interest income from impaired loans is recognised using the effective interest rate method.

c) Dividend income

Dividend income is recognised as income on the income statement when the right to receive the dividend is established. However, if the dividends paid out are from earnings generated prior to the acquisition date, they are not recognised as income, and the carrying value of the investment is decreased.

2.17 Leases

a) When a Group company is the lessee – Operating lease

Leases in which the lessor substantially retains a large part of the risks and rewards of ownership are classified as operating leases. The operating lease payments (net of any incentives received from the lessor) are charged to the income statement for the year in which they accrue on a straight-line basis over the lease periods.

b) When a Group company is the lessor – Operating lease

When the assets are leased under an operating lease, the asset is included in the balance sheet in accordance with its nature. The income generated from the lease is recognised on a straight-line basis over the term of the lease.

2.18 Transactions in foreign currency

a) Functional and presentation currency

The Group's annual accounts are stated in Euros, which is its functional and presentation and currency.

b) Transactions and balances

Transactions in foreign currency are translated into the functional currency using the exchange rates in force on the date of the transactions. The gains and losses in foreign currency that arise from the settlement of these transactions and the translation at closing exchange rates of the monetary assets and liabilities denominated in foreign currency are recognised in the income statement, unless they are differentiated in net equity as qualifying cash flow hedges and qualifying cash flow hedges.

Translation differences of non-monetary items, such as equity instruments held at fair value through profit and loss, are presented as part of the gain or loss in fair value. The translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in net equity.

c) Group companies

The results and financial position of Renta Properties (UK), Ltd. and Renta Corporation (USA) and their group companies, which have a functional currency that differs from the Group's, are translated into the presentation currency as follows:

(i) The assets and liabilities of each balance sheet are translated at the exchange rate at the balance sheet date;

(ii) Income and expenses of each income statement are translated at average exchange rates for the year (unless this average is not a reasonable approximation of the cumulated effect of the existing rates on the transaction dates, in which case the income and expenses are translated on the transaction dates); and

(iii) All the exchange differences generated are recognised as a separate item in net equity.

2.19 Transactions with related parties

In general, operations between group companies are recorded initially at their fair value. However, if the price agreed differs from fair value, the difference is recorded taking into account the economic substance of the operation. The subsequent valuation is made in accordance with the provisions of respective legislation.

However, in mergers, demergers or non-cash contributions of a business, the Company uses the following criteria:

a) In operations between Group companies in which the parent Company of the group or the parent company of a subgroup and its subsidiary intervenes directly or indirectly, the assets and liabilities of the business acquired are stated at the amount at which they are recorded in the consolidated annual accounts of the group after the operations have been concluded.

b) In the case of operations between group companies, the assets and liabilities of the business are stated at their carrying values in their individual accounts prior to the operation. The difference that could come to light is recorded under Reserves.

2.20 Distribution of dividends

The distribution of dividends to the shareholders is recognised in the consolidated annual accounts of the Group in the year in which the distribution has been agreed.

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.

3 Financial 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 as exchange rate risk the negative effect that the fluctuation in exchange rates can have on the results of its companies, Group equity or cash flows.

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 2009 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.

With regards to the USD, and after an appreciation in the first two months of the year, there was a clear trend towards depreciation against the Euro, which meant a net exchange loss on this currency of Euros 0.07 million. Throughout 2009 the Euro has gone from USD 1.392 per euro at the end of 2008 to USD 1.441 at 31 December 2009.

The situation of the GBP has been diametrically opposed. It has been characterised by a stiff volatility in the first few months with a trend towards depreciation against the Euro, especially in the first half of the year, reaching levels of 0.84. In the second half of the year this trend was reversed but in no case did we see a return to the levels at the beginning of the year. The GBP exchange rate against the Euro at the 2008 year end was GBP 0.953 per Euro, the exchange rate at the end of 2009 was GBP 0.888. As a result, the group at the year end has had a net positive result for the exchange differences in this currency of Euros 2.3 million.

Market risk: interest rate risk

External financing is contracted at floating interest rates. In 2009 the average interest rate on borrowing has been 3.1%, with a differential estimated on the Euribor of 1.25%. This represents a reduction of 223 basis point against last year.

Due to the new accounting standards, the Company must defer its financial expense for the Syndicated Loan, using an average spread over its term (7 years). In other words, 2.01% instead of 1.25% currently in force under the agreement. This spread represents an overprice of Euros 991 thousand in 2009, which has led to an increase in the average interest rate on the debt by 0.24% as a result of the same on the spread.

The interest rate risk control policy of the Group is managed in line with the policies approved by the Board of Directors, in which there is a need to hold hedging instruments that minimise the impact of interest rate volatility in order to cover 30% of the total debt drawn down at a fixed interest rate.

As a result of the new Syndicated Loan arranged in May 2009, the interest rate hedging instruments that covered part of the refinanced debt were cancelled.

Although the Group has no operations currently underway, it evaluates the usefulness of contracting hedges adapted to the financial structure in an ongoing way, provided that the conditions for contracting these hedges are favourable to the Company.

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 sales in which the collection of all or part of the purchase price is made after the transfer of title to the new owner, 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.

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 2009 this target has continued to be 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.

Accordingly, the Group has in the first half of 2009 successfully completed the restructuring of practically its entire financial borrowings, reducing them through the sale of assets to the financial entities in the syndicate, and by refinancing the remaining debt. This process has been motivated mainly by the need to adapt the terms and conditions of the Group debt to the negative evolution of its results, to its new revised Business plan, and to the recession in the real estate and financial market impacting nationally and internationally. This has allowed the Group to obtain longer-term financing and new liquidity lines required to meet its treasury needs. Accordingly, practically the entire debt matures in more than two years and 65% matures in more than four, with a average term of debt of 5.75 years.

The restructured financial borrowings are basically due to the syndicated loan mentioned above. Furthermore, the Group's debt from certain bi-lateral financing agreements, various lines of guarantees and various interest rate hedging contracts have also been restructured with banks in the syndicate.

The signing of the new syndicated loan for refinancing gives the Group stability and the necessary balance to face the current environment over the next few years.

At the 2009 year end the Group's net financial borrowings totalled Euros 277,582 million, a reduction of Euros 363,977 thousand against last year (57% decrease).

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.

At 31 December 2009 (thousand)	**Less than one year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**More than 5 years**
Bank loans	44,038	27,525	76,454	154,751
Derivative financial instruments	-	-	-	-
Trade and other payables	17,734	15,789	4,084	-

At 31 December 2008 (thousand)	**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	-	-

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.

Thus, the Group on 30 December 2009 increased capital by Euros 4,944 thousand in order to meet its commitments acquired under the financing process and to reinforce the structure of its Group equity. This capital increase involved the issue of 2,247,274 ordinary shares with a par value of Euro one. The new shares were issued at a price of Euros 2.20 per share.

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 2009 and 2008 were as follows:

	2009	2008
Borrowings and derivative financial instruments	302,768	668,900
Less: Cash and cash equivalents plus other current deposits	25,186	27,341
Net debt	277,582	641,559
Net equity	42,180	90,808
Total capital	319,762	732,367
Leverage index	86.81%	87.60%

The average balance of the net debt for the year totals Euros 381,555 thousand (Euros 661,143 thousand in 2008), which represents a significant decrease of approximately 40%.

Net debt at the year end, for its part, totals Euros 277,582 thousand, a decrease of Euros 363,977 thousand against 31 December 2008. The leverage ratio is 86.81%, having decreased slight against 2008 because, in spite of the stiff reduction in the debt there has also been a significant reduction in Net equity.

4. Accounting estimates and judgements

The preparation of the annual accounts requires the Company's use of certain estimates and judgements in relation to the future that are evaluated continuously and are based on historical experience and other factors, including the expectations of future success that are considered reasonable under the circumstances.

The resulting accounting estimates, by definition, will rarely equal actual results, although the Directors believe that there are no estimates or judgements that have a significant chance of giving rise to a material adjustment to the carrying values of the assets and liabilities within the next financial year.

Inventories: Inventories are stated at their net realisable value defined as the sale price estimated over the normal course of business, less the variable costs of sale. The market prices of the buildings are analysed in each location along with the main costs of sale, basically commissions that are agreed for each building.

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

Loans 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.

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 fair value of financial instruments that are traded on official markets (such as the available-for-sale instruments) is based on market prices at the balance sheet date. The market price that is used for financial assets is the current buyer price.

The fair value of the financial instruments that are not traded on an official market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on existing market conditions on each of the balance sheet dates.

In order to determine the fair value of the other financial instruments other techniques are used, such as estimated discounted cash flows.

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.

4.2 Going concern

At 31 December 2009 the Group has positive working capital of Euros 266,277 thousand and positive net equity of Euros 42,180 thousand.

On 26 May 2009 the Group signed a refinancing agreement for its syndicated loan. The most relevant features of the agreement are, on the one hand, the long-term refinancing under new terms and conditions adapted to the current circumstances of the market. On the other hand, the agreement to seel assets has allowed the group to significantly reduce its debt.

The Group presents its annual accounts on the going concern principle, in the understanding that it will be able to realise its assets and settle its liabilities in the amounts and as classified in the annual accounts.

4.3 Grouping of items

In order to facilitate the understanding of the balance sheet, income statement, statement of changes in net equity, the consolidated statement of recognised income and expenses, and the statement of cash flows, these statements have been grouped, and the analysis required is set out in the respective notes to the accounts.

4.4 Comparability

The aggregates in the documents comparing these annual accounts (balance sheet, income statement, statement of changes in net equity, the consolidated statement of recognised income and expenses, the statement of cash flows and the notes to the annual accounts) are fully comparable with those of last year and are stated in thousand Euros.

5. Segment reporting

5.1. Primary format of presentation segment reporting: business segments

At 31 December 2009, the Group is organised globally into two main business units.

(i) Buildings
(ii) Land

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

Account	Buildings	Land	Not assigned	Total Consolidation
Ordinary income (Note 20.1)	247,206	(3,073)	-	244,133
- External	247,206	(3,073)	-	244,133
- Other segments	-	-	-	-
Goods for resale	(299,356)	(13,044)	-	(312,400)
Gross margin	(52,149)	(16,117)	-	(68,266)
Total assets	373,859	371,419	102,976	848,254
Total liabilities	469,567	251,115	36,764	757,446

The main accounts for the year ended 31 December 2009 are:

Account	Buildings	Land	Not assigned	Total Consolidation
Ordinary income (Note 20.1)	233,387	126,785	-	360,172
- External	233,387	126,785	-	360,172
- Other segments	-	-	-	-
Goods for resale	(259,958)	(117,864)	-	(377,822)
Gross margin	(26,571)	8,921	-	(17,650)
Total assets	209,846	151,563	30,876	392,285
Total liabilities	236,155	89,577	24,373	350,105

Ordinary income from land in 2008 basically includes the return of a sale while the consumption of goods for resale in that segment includes the impairment of those inventories.

In 2009 a significant part of the ordinary income has been the result of sales to financial entities due to the refinancing arrangements.

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

Spain is the country of origin of the Group, and it is the main geographic area in which it operates, although in 2009 sales have been almost similar in the domestic and international markets.

ORDINARY INCOME	2009	2008
Domestic	186,280	202,200
International	173,892	41,933
	360,172	**244,133**

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

ASSETS	2009	2008
Domestic	380,830	712,960
International	11,455	135,294
	392,285	**848,254**

Total assets are assigned based on their location.

Analysis of sales by business and geographic segment:

	2009		2008	
	Domestic	International	Domestic	International
Buildings	59,496	173,892	205,273	41,933
Land	126,784	-	(3,073)	-
	186,280	**173,892**	**202,200**	**41,933**

6. 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 2008				
Cost	16	547	-	563
Accumulated amortisation	-	(156)	-	(156)
Net book value at 1.1.08	16	391	-	407
Year ended 31 December 2008				
Net book value at 1.1.08	16	391	-	407
Additions	-	201	1,847	2,048
Disposals	(16)	-	-	(16)
Transfers	-	799	(799)	-
Amortisation allowance	-	(228)	-	(228)
Net book value at 31.12.08	-	1,163	1,048	2,211
At 31 December 2008				
Cost	-	1,547	1,048	2,595
Accumulated amortisation	-	(384)	-	(384)
Net book value at 31.12.08	-	1,163	1,048	2,211
Year ended 31 December 2009				
Net book value at 31.12.08	-	1,163	1,048	2,211
Additions	-	309	150	459
Disposals	-	-	(268)	(268)
Transfers	-	519	(519)	-
Amortisation allowance	-	(435)	-	(435)
Net book value at 31.12.09	-	1,556	411	1,967
At 31 December 2009				
Cost	-	2,375	411	2,786
Accumulated amortisation	-	(819)	-	(819)
Net book value at 31.12.09	-	1,556	411	1,967

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

a) Fully amortised intangible assets

At 31 December 2009 fully amortised intangible assets still in use total Euros 162 thousand (2008: Euros 50 thousand).

b) Assets pledged as guarantees and restrictions on ownership

At 31 December 2009 and 2008 there are no significant intangible assets subject to restrictions on ownership or pignorated as guarantees for liabilities.

7. 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 2008	**Land and buildings**	**Other plant and furniture**	**Other PPE**	**Total**
Cost	58,369	8,268	1,202	67,839
Accumulated depreciation	(166)	(259)	(500)	(925)
Net book value at 1.1.08	58,203	8,009	702	66,914
Year ended 31 December 2008				
Net book value at 1.1.08	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)
Net book value at 31.12.08	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 book value at 31.12.08	55,170	7,949	624	63,743
Year ended 31 December 2009				
Net book value at 31.12.08	55,170	7,949	624	63,743
Additions	1	11	599	611
Disposals	(58,356)	(8,343)	(190)	(66,889)
Exchange differences	-	1	1	2
Impairment / reversals	2,379	-	(100)	2,279
Disposals - depreciation	1,078	1,258	107	2,443
Depreciation allowance	(261)	(433)	(221)	(915)
Net book value at 31.12.09	11	443	820	1,274
At 31 December 2009				
Cost	14	716	1,732	2,462
Accumulated depreciation and impairment	(3)	(273)	(912)	(1,188)
Net book value at 31.12.09	11	443	820	1,274

The movement in Land and buildings and Other plant and furniture basically include the sale of the Group's head office in 2009 for Euros 63 million, as part of the refinancing agreement of the Group bank debt (note 18). Additionally, and included in the purchase and sale agreement, the Group has acquired a building purchase right for Euros 500 thousand, exercisable at a certain price until 2012. However, the Group can assign this option if it decides not to exercise it.

a) Impairment loss

In 2009 the impairment recorded in 2008 totalling Euros 2,379 thousand, due to the sale of the head office under the refinancing agreement, was reversed.

b) Fully depreciated assets

At 31 December 2009 fully depreciated property, plant and equipment still in use totals Euros 356 thousand (2008: Euros 318 thousand).

c) Assets under operating leases

"Buildings and plant" included until May 2009 the Group head office building rented to third parties under an operating lease. The net carrying value at that date totalled Euros 61,613 thousand.

The lease of this property, plant and equipment has generated rental income for the period from January to May 2009 of Euros 993 thousand (2008: Euros 2,247 thousand).

d) Insurance

The company has taken out several insurance policies to cover the risks faced by its property, plant and equipment. The coverage of these policies is considered sufficient.

e) Property, plant and equipment located abroad

The net carrying value of PPE located outside Spain total Euros 122 thousand and Euros 157 thousand at 31 December 2009 and 2008, respectively.

8. Investments in associates

The movement of investment in associates is set out below:

	Masella Oeste, S.L.	Mixta África, S.A.	Total
At 1 January 2008	**399**	**11,096**	**11,495**
Participation in equity	-	(1,785)	(1,785)
Participation in results	8	4,943	4,951
Sales	-	(11,221)	(11,221)
Reclassification as available-for-sale financial assets	-	(3,033)	(3,033)
At 31 December 2008	**407**	**-**	**407**
Participation in equity	(168)	-	(168)
Participation in results	(77)	-	(77)
At 31 December 2009	**162**	**-**	**162**

The main aggregates of the Group's shareholdings in Masella Oeste, S.L. are:

Name	Country of incorporation	share-holding %	Assets	Liabilities	Ordinary income	Profit (loss)
2009						
Masella Oeste, S.L. (1)	España	40%	461	115	-	(193)
2008						
Masella Oeste, S.L. (1)	España	40%	1,027	9	-	21

(1) Figures relating to annual accounts. The company is not obligated to be audited.

The company is not listed on a stock exchange.

In 2009 and 2008 no significant transactions with Masella Oeste, S.L. have taken place.

9. Loans and other accounts receivable

At 31 December 2009 Loans and other accounts receivable is as follows:

	2009	2008
Sales and services	26,240	31,317
Other accounts receivable	3,687	5,383
Current deposits and guarantee deposits	107	255
Taxes refundable	2,101	4,907
Total current accounts receivable	**32,135**	**41,862**
Non-current deposits and guarantee deposits	377	381
Sales and services	12,515	21,133
Other non-current investments	776	776
Total non-current accounts receivable	**13,667**	**22,290**

The balance of "Non-current sales and services" relates to the outstanding receivable (not fallen due and restated at fair value) with a customer, guaranteed by a mortgage, given that the Town Zoning Plan of the city in which the property subject to the transaction is located is pending adoption. However, the Directors have recorded an impairment provision of Euros 10,261 thousand, given the financial situation in which this customer finds itself.

The most significant balance under "Current sales and services" includes an impairment provision of Euros 5,531 thousand in receivables past due with another customer, which the Group considers non-recoverable. Of this balance Euros 25,170 thousand is covered by a mortgage-backed guarantee in favour of the Group, and the mortgage is currently being executed.

At 31 December 2009 the ageing analysis of the receivables is as follows:

	Thousand Euros	
	2009	**2008**
Balance not fallen due	86	8,380
Falling due from 1 to 90 days	9,003	245
Falling due from 91 to 180 days	62	22,525
Falling due in more than 180 days	22,764	514
Impairment provision	(5,675)	(347)
Total Receivables	**26,240**	**31,317**

The movement in guarantee deposits and deposits given is as follows:

	Non-current	Current	Total
Opening balance at 1 January 2008	**335**	**486**	**821**
Increases	552	281	833
Decreases	(506)	(512)	(1,018)
Closing balance at 31 December 2008	**381**	**255**	**636**
Increases	103	90	193
Decreases	(107)	(238)	(345)
Closing balance at 31 December 2009	**377**	**107**	**484**

The breakdown of Tax refundable is as follows:

	2009	2008
VAT refundable	1,834	4,710
Tax refundable for sundry items	267	197
	2,101	**4,907**

The tax credits for offsetting tax losses relate to the tax rate in each country applied to the losses incurred by certain Group subsidiaries that the Group expects to be able to offset with the profit in future years. In 2009 they have been classified as non-current deferred tax assets.

10. Derivative financial instruments

The breakdown of the fair value of derivative financial instruments at the end of 2009 and 2008 is as follows:

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	-	-	6,253
Total non-current part	**-**	**-**	**-**	**6,253**
Foreign currency forward contracts – cash flow hedges	81	-	-	-
Total current part	**81**	**-**	**-**	**6,253**

Foreign currency forward contract

The Group has two foreign currency forward contracts (one USD put/EUR call and the other a EUR call/GBP put), in conformity with the financial risk management policies described in Note 3.1 to these annual accounts.

At 31 December 2009 the contract on the USD has an outstanding notional amount of Euros 65 thousand.

At 31 December 2009, the strike price is USD 1.39/EUR. The transaction matures on 9 March 2010. The loss recognised in Reserves has been Euros 25 thousand.

Additionally, the amount of the principal on the derivative contract on GBP outstanding at 31 December 2009 totals GBP 7,500 thousand. The contract matures on 11 March 2010.

11. Available-for-sale/held to maturity financial assets

11.1 Available-for-sale financial assets

On 26 April 2007 a Rental Services Consultancy Contract was entered into by Renta Corporación Real Estate S.A. and Mixta África, S.A., with a duration of one year, extendible tacitly. In 2008 and 2009 no fees have accrued for these services.

On 1 August 2008 a lease services advisory and external communication management contract was entered into by Renta Corporación Real Estate, S.A. and Mixta Africa, S.A. The amount invoiced under this contract by Renta Corporación Real Estate, S.A. in 2009 has totalled Euros 10 thousand. On 31 March 2009 the contract was terminated. At 31 December 2009 there was no outstanding balance pending payment for this item by Renta Corporación Real Estate, S.A.

	2009	2008
Opening balance	6,572	-
Reclassification of shareholdings accounted for by equity accounting	-	3,033
Additions	-	2,537
Net gains/(losses) in net equity	(1,578)	1,002
Gains/(losses) in income statement (Note 26)	(3,975)	-
Closing balance	1,019	6,572

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

The valuation of these shareholdings in Mixta Africa en 2008 was made at the price agreed in the last purchase-sale transaction made with a third party in December 2008.

In 2009 there has been impairment of an available-for-sale fixed asset due mainly to adjustments in the valuation of inventories booked by Mixta Africa, S.A. at 31 December 2009.

On 28 January 2010, the shareholders of the company Mixta Africa, S.A., including companies in the Renta Corporación Group, signed a loan agreement up to a maximum of Euros 6 million, of which Euros 2.5 million have already been disbursed by companies in the Renta Corporación Group and the outstanding amount up to a maximum amount by the other shareholders at the date of formuation of these annual accounts, in order to provide financial assistance to Mixta Africa, S.A. These borrowings are duly backed by a mortgage guarantee.

11.2 Financial assets held to maturity

At the December 2008 close this account included Government debt securities totalling Euros 8,241 thousand, remunerated at a variable interest rate pegged to the Euribor, as well as other short-term deposits remunerated at fixed interest totalling Euros 16,500 thousand, with maturites set in 2009. In 2009 the balance is mainly made up of short-term deposits totalling Euros 2,814 thousand.

12. Inventories

	2009	2008
Land and plots	109,752	305,008
Buildings acquired for restoration and/or transformation	199,057	385,587
Work in progress	801	2,548
Purchase options	3,514	6,338
Provisions	(42,396)	(56,794)
	270,728	**642,687**

The decrease in the inventories balance against last year is due to the sales for the year, together with the reduction in the level of new investment, resulting from the very selective investment policy of the Group and the strategy of acquiring assets that decrease the use of borrowings. The sales for the period arise basically from the bank debt refinancing (Note 18) indicating the sale of a series of inventories to various financial entities.

The cost of inventories recognised as an expense and included in consumption of goods for resale at 31 December 2009 and 2008 totals Euros 377,822 and Euros 312,400 thousand, respectively (Note 21).

Under Inventories, accumulated capitalised interest at 31 December 2009 and 2008 total Euros:

	2009	2008
Capitalised interest	20,631	33,761

The capitalisation rate used to determine the interest costs arising from the generic Financing is approximately 3.9% (5.5% in 2008).

"Buildings and land" at 31 December 2009 and 2008 related to mortgage-backed loans carried under Borrowings (in current liabilities) totals Euros:

	2009	2008
Inventories related to mortgage-backed loans	63,991	122,206
Mortgage-backed loans (See Note 18)	41,000	71,664

a) Purchase options

The net balance of purchase options recorded relates to operations that are thoroughly studied, and which are discussed by Group Management after maturity in relation to the continuity of the project based on its adaptation to market conditions. The purpose of the purchase options is to acquire buildings or land that will be used in the business.

The purchase options recorded at 31 December 2009 (Euros 3,514 thousand) are made up of amount given as option premiums (Euros 6,000 thousand), less the provision for possible loss on unmatured purchase options (Euros 2,486 thousand). Of the total premiums, Euros 1,635 thousand mature 2010. The amount of the underlying assets for all the net options at 31 December 2009 (Euros 3,514 thousand) totals Euros 79,411 thousand (against Euros 73,557 thousand at 31 December 2008), of which the realisation of Euros 29,781 thousand is estimated in period longer than one year.

Of the amount of total underlying assets optioned at 31 December 2009 (Euros 79,411 thousand), 44%, i.e., Euros 34,630 thousand, relate to new transactions, with a minimum use of external borrowings, acquired in 2009.

The balance of purchase options recorded at 31 December 2008 totalling Euros 6,338 thousand was made up of Euros 14,699 thousand in option premiums, less the provision for possible loss on purchase options of Euros 8,361 thousand.

b) Impairment of inventories

Inventories are stated at net realisation value. The net carrying value of those that include an impairment loss total Euros 152,278 thousand at 31 December 2009.

The impairment of inventories booked in the income statement for the year ended 31 December 2008 total Euros 57,406 thousand, while in 2009 there has been a positive impact of Euros 15,876 thousand (the result of the utilisation of part of these provisions).

The impairment of inventories has been determined on the basis of the valuations and appraisals made by experts at 30 November 2009, as well as on the basis of non-binding offers for certain assets from independent third parties. However, had such valuations been made at 31 December 2009, they would not have differed significantly from the others.

13. Cash and other cash equivalents

	2009	2008
Cash and banks	22,038	2,311

The balance at 31 December 2009 and 2008 is made up entirely of cash and current bank accounts.

Of the cash at the 2009 year end, a total of Euros 3,931 thousand is not available under the requirements of the syndicated loan.

14. Capital and share premium

	Capital (Note 14.2)	Treasury shares (Note 14.3)	Share premium (Note 14.5)	Total
At 1 January 2008	25,029	(5,570)	80,419	99,878
At 31 December 2008	25,029	(6,003)	80,419	99,445
At 31 December 2009	27,276	(4,052)	82,992	106,216

On 30 December 2009 there was a capital increase with a preferred subscription right totalling Euros 4,944 thousand through the issue and circulation of 2,247,274 ordinary shares with a par value of Euro 1 each. This capital increase has a share premium of Euros 2,697 thousand and capital increase expenses of Euros 124 thousand.

At 31 December 2009 the Group has net equity of Euros 42,180 thousand. On 13 December 2008 RDL 10/2008/12 December was promulgated, which adopted financial measures to improve the liquidity of companies, amongst others. This RDL includes provisions affecting the calculations to determine whether a company must reduce share capital and to limit the items that make up net equity in that case and in relation to the obligatory winding up of companies due to losses.

The RDL firstly stipulates that in the next two years the impairment of property, plant and equipment, investment property and inventories will not be included in the calculation for determining the losses required for the obligatory reduction of share capital and for winding up a company under the current public limited and limited liability companies act. Secondly, art. 36 of the Commercial Code was modified so that for the purposes of the distribution of profits, the obligatory reduction of share capital and the obligatory winding up due to loss under the provisions of current public limited and limited liability companies law, the adjustments due to changes in value arising from cash flow hedges to be charged to the income statement will not be considered net equity.

Consequently, within the framework of prior legislation, Net Equity should not include an amount of Euros 38,850 thousand (43,507 thousand gross and Euros 4,657 thousand due to the tax effect) relating to the impairment of inventories for the years 2008 and 2009, and, accordingly, Net Equity of the Group totals Euros 81,030 thousand.

14.1 Movement in the number of shares

	Ordinary shares Nominal	Treasury shares Nominal	Total
At 1 January 2008	24,830	199	25,029
Acquisitions (Note 14.3)	(198)	198	-
Sales (Note 14.3)	19	(19)	-
Balance at 31 December 2008	**24,651**	**378**	**25,029**
Issue (Note 14)	2,247	-	2,247
Sales (Note 14.3)	68	(68)	-
Balance at 31 December 2009	**26,966**	**310**	**27,276**

The number of shares at 31 December 2009 totals Euros 27,276,575 fully subscribed and paid, authorised, ordinary, registered shares, all with the same rights (Note 14).

The par value of each share in 2009 and 2008 has been Euro 1.

The parent company was listed on 5 April 2006.

14.2 Transactions with treasury shares

The movements in the accounts under Treasury shares in 2009 and 2008 have been as follows:

	Number	Nominal	Average price of acquisition/ sale	Cost	Total
Balance at 01.01.08	198,755	(199)		(5,570)	(5,570)
Acquisitions	198,544	(199)	4,99	(990)	(990)
Sales	(19,532)	20	28,50	557	557
Balance at 31.12.08	377,767	(378)		(6,003)	(6,003)
Acquisitions	-	-	-	-	-
Sales	68,490	68	28,50	1,951	1,951
Balance at 31.12.09	309,277	(310)		(4,052)	(4,052)

At 31 December 2009 the Company has two specific share repurchase plans, in order to meet the needs of an employee and management incentive plan and to give shares to the Directors. The purpose of these schemes is to motivate their beneficiaries and foster loyalty to the Group and to give the employees the status of shareholders in the Company.

In addition to the share repurchase plan there is also a derivative acquisition of treasury shares up to 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' meetings of 14 June 2006, 21 February 2007, 20 February 2008 and 29 April 2009, and ratified by the General Meetings of Shareholders of 29 March 2007, 25 April 2008 and 10 June 2009.

14.3 Share transfer regime

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, UNICEF-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.

14.4 Share premium

	Capital increase expenses	Share premium	Total
Balance at 1 January 2008	(6,304)	86,723	80,419
Balance at 31 December 2008	(6,304)	86,723	80,419
Capital increase	(124)	2,697	2,573
Balance at 31 December 2009	(6,428)	89,420	82,992

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.

14.5 Main shareholders of the Company at 31 December 2009

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

Name	Percentage number of shares		
	Direct	Indirect	Total
Mr. Luis Rodolfo Hernández de Cabanyes	1.118%	38.151%	39.269%
Wilcox Corporacion Financiera, S.L. (*)	3.666%	1.844%	5.510%
Mr. Blas Herrero Fernández	-	7.935%	7.935%

(*) Formerly Durango Different, S.L.

15. Cumulative translation difference

The differences in this account are mainly due to the shareholding in Renta Properties UK, Ltd. and its sub-group and Renta Corporation (USA) and its sub-group. The movement in 2009 and 2008 is as follows:

	Translation
1 January 2008	(2,096)
Translation differences:	
– Group	(4,630)
31 December 2008	(6,726)
Translation differences:	
– Group	431
31 December 2009	(6,295)

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	Results attributed to the parent company	Total Retained earnings and other reserves
Balance at 31 December 2007	**4,682**	**17,394**	**64,442**	**962**	**35,352**	**122,832**
Distribution of 2007 net income	325	193	29,018	5,816	(35,352)	-
Dividends	-	7,310	(17,916)	-	-	(10,606)
Share plan reserve allowance	-	1,015	-	-	-	1,015
Plan shares awarded	-	(537)	-	-	-	(537)
Others variations in the Share Plan	-	(268)	-	-	-	(268)
Variation of shareholdings in Associates	-	4,710	-	(6,495)	-	(1,785)
Cash flow hedging instruments	-	-	(1,477)	-	-	(1,477)
Financial assets available for sale	-	701	-	-	-	701
Capital increase of subsidiaries (related expenses)	-	-	(254)	-	-	(254)
Net income for the year	-	-	-	-	(111,532)	(111,532)
Balance at 31 December 2008	**5,007**	**30,518**	**73,813**	**283**	**(111,532)**	**(1,911)**
Distribution of 2008 net income	-	7,879	(119,419)	8	111,532	-
Share plan reserve allowance		743	-	-	-	743
Plan shares awarded	-	(963)	-	-	-	(963)
Others variations in Equity	-	-	291	-	-	291
Available-for-sale financial assets		(1,105)				(1,105)
Cash flow hedging Instruments	-	-	(310)	-	-	(310)
Net income for the year	-	-	-	-	(54,486)	(54,486)
Balance at 31 December 2009	**5,007**	**37,072**	**(45,625)**	**291**	**(54,486)**	**(57,741)**

16.1 Movements in reserves and retained earnings during 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.

This reserve cannot be distributed and if it is used to offset losses, if there are no other sufficient reserves available to do so, it must be replenished with future profit.

Other reserves of the parent company

The reserves of the parent company increased in 2008 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 General Meeting of Shareholders of 25 April 2008 and proposed by the Board of Directors of 20 February 2008.

These reserves are voluntary and freely available for distribution.

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	ES merger	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)	(6,704)	-	-	-
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	(598)	(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

Reserves in companies consolidated by equity accounting

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

	Masella Oeste, S.L.	Mixta África, S.A.	Total
Balance at 31.12.2007	285	677	962
Inclusion of profit (loss)/variation in interest in equity for the year 2008	(2)	5,818	5,816
Decrease in shareholding	-	(6,495)	(6,495)
Balance at 31.12.2008	283	-	283

16.2 Movements in reserves and retained earnings during the year 2009

Legal reserve

Appropriations to the legal reserve are made in compliance with Article 214 of the Spanish Companies Act, which stipulates that 10% of the profits must be transferred to this reserve until it represents at least 20% of share capital.

This reserve cannot be distributed and if it is used to offset losses, if there are no other sufficient reserves available to do so, it must be replenished with future profit.

There have been no movements in 2009.

Other reserves of the parent company

The reserves of the parent company have been increased as a result of the inclusion the net income distributed last year totalling Euros 7,879 thousand and the 2009 Share Plan allowance of Euros 743 thousand (Note 24), and have decreased due to the hand over of the Share Plan for 2009 totalling Euros 963 thousand and the variation in the fair value of available-for-sale financial assets totalling Euros 1,105 thousand.

These reserves are voluntary and freely available for distribution.

Reserves in fully consolidated companies

The movement as a whole in the Reserves in fully consolidated companies during the year 2009 have been as follows:

	Balance at 31.12.2008	Inclusion of 2008 results	Others movements	Cash flow hedging instruments	Balance at 31.12.2009
Renta Corporación Real Estate ES., S.A.U.	39.248	(55.418)	-	-	(16.170)
Groupe Immobilier Renta Corporación, S.A.S.U	9.174	(13.485)	-	-	(4.311)
Renta Corporación Real Estate Finance, S.L.U.	18.115	(3.585)	-	(25)	14.505
Renta Properties (UK) Limited	(3.355)	(32.173)	291	(285)	(35.522)
Renta Corporación Luxembourg	11.686	(2.418)	-	-	9.268
RC Real Estate Deutschland	(305)	(4.345)	-	-	(4.650)
Renta Corporation	(750)	(7.995)	-	-	(8.745)
Total	**73.813**	**(119.419)**	**291**	**(310)**	**45.625**

Reserves in companies consolidated by equity accounting

The movement as a whole in Reserves in companies consolidated by equity accounting during the year 2009 has been as follows:

	Masella Oeste, S.L.	**Total**
Balance at 31.12.2008	283	283
Inclusion of results/variation in shareholding in equity in 2009	8	8
Balance at 31.12.2009	291	291

16.3 Reserves in fully consolidated companies

Reserves in fully consolidated companies include restricted reserves (since they are legal reserves) for 2009 and 2008, as shown below:

	2009	**2008**
Renta Corporación Real Estate ES, S.A.U.	24	24
Groupe Immobilier Renta Corporación, S.A.S.U.	-	4
Renta Corporación Real Estate Finance, S.L.U.	1	1
Renta Corporación Luxembourg, S.ar.l.	1	1
	26	**30**

Freely distributable reserves of the individual companies as well as net income for the year have no limitations on their distribution since they have no restrictions.

16.4 Reserves in companies consolidated by equity accounting

Includes restricted legal reserves totalling Euros 23 thousand at 31 December 2009 and 2008.

16.5 Consolidated net income for the year

The contribution of each company in the consolidation scope to consolidated income, including consolidation adjustments, is as follows:

Company	2009 Consolidated net income	2008 Consolidated net income
Renta Corporación Real Estate, S.A.	(10,613)	7,879
Renta Corporación Real Estate ES, S.A.U.	(25,434)	(55,418)
Groupe Immobilier Renta Corporación, S.A.S.U.	(6,216)	(13,485)
Renta Corporación Real Estate Finance, S.L.U.	13,252	(3,585)
Renta Properties (UK), Limited	(2,019)	(32,173)
Renta Corporación Luxembourg, S.á.r.l	(13,323)	(2,418)
RC Real Estate Deutschland GmbH	(4,309)	(4,345)
Renta Corporation (USA)	(5,747)	(7,995)
Masella Oeste, S.L.	(77)	8
	(54,486)	**(111,532)**

The proposed distribution of 2009 results and other reserves of the parent Company to be presented to the General Meeting of Shareholders, as well as the adopted distribution for 2008 is as follows:

	2009	2008
Basis of distribution		
Income (loss) for the year	(54,486)	(111,532)
Distribution		
Loss brought forward	(54,486)	(111,532)
	(54,486)	**(111,532)**

17. Debits and other payables

The breakdown of trade and other payables at 31 December 2009 and 2008 is as follows:

	2009		2008	
	Current	Non-current	Current	Non-current
Trade payables	9,887	-	50,157	3,313
Accrued wages and salaries	781	-	2,133	-
Deferred income	1,153	-	568	-
Other accounts payable	84	19,873	1,742	-
Deposits received from customers (earnest money)	485	-	18,062	-
Social Security and other taxes	5,344	-	1,015	-
	17,734	**19,873**	**73,677**	**3,313**

"Other accounts payable, non-current" for 2009 includes the long-term maturity of the VAT deferral granted by the Public Treasury to be paid over 4 years. The interest accrued and not paid at 31 December 2009 totals Euros 765 thousand, which is recorded under short-term interest payable (Note 18).

18. Borrowings

The breakdown of borrowings at 31 December 2009 and 2008 is as follows:

	2009	2008
Current		
Bank loans	-	25,121
Mortgage-backed loans (Note 12)	41,000	124,854
Syndicated loan	-	500,000
Interest debt	3,038	12,672
	44,038	662,647
Non-current		
Syndicated loan	250,471	-
Mortgage-backed loans	8,259	-
	258,730	-
Total borrowings	302,768	662,647

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.

The movement in borrowings during 2009 and 2008 has been as follows:

	Loans from financial institutions	Mortgage Backed loans	Interest debt	Syndicated loan	Total
At 1 January 2008	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	25,121	124,854	12,672	500,000	662,647
Financing	-	15,282	-	259,724	275,006
Cancellation of financing	(25,121)	(90,877)	-	(500,000)	(615,998)
Interest charged	-	-	14,319	1,286	15,605
Interest paid	-	-	(23,953)	(10,539)	(34,492)
Balance at 31 December 2009	-	49,259	3,038	250,471	302,768

On 15 February 2007 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. This operation was the Company's first in structured financing. The transaction was led by Banco Santander Central Hispano, Eurohypo, Fortis Bank and BBVA as director and insurer entities. 21 other domestic and international entities were also involved in the bank syndicate.

On 8 August 2008 the Group obtained a temporary waiver from the majority of the financial institutions participating in the syndicated loan in order to bring the covenants in the agreement into line at the end of 2009 with the new market situation.

Given the crisis in the financial markets, on 3 October 2008 the Group asked the financial entities participating in the syndicated loan to review the terms of the waiver granted on 8 August 2008 and to begin conversations to bring the covenants and other terms of the syndicated loan into line with the impact of the exceptional temporary situation in the markets.

Since that time, negotiations have begun with these entities to restructure its financial debt and to adapt it to the current economic conjuncture.

On 26 May 2009 the Group signed a refinancing agreement with the financial entities which, in February 2007, entered into the syndicated loan agreement. Furthermore, the Group's debt stemming from bilateral borrowing contracts, sundry guarantee lines and various interest rate hedging agreements have all been restructured with the entities in the syndicate.

The debt restructuring agreement reached unanimously with the creditor entities of the bank syndicate has been arranged around the following points:

- Group borrowings have been cut overall by Euros 366 million, and the amount obtained from the sale of real estate assets to these entities (or to third parties designated by the latter) which showed an interest in their acquisition, was used for this purpose.

- A new syndicated loan agreement for the Group totalling Euros 254 million (tranche A) has been agreed, in order to refinance the uncancelled loan through the sale of the real estate assets mentioned above.

- The new loan agreement in which 17 entities have intervened has a term of 7 years and includes an initial grace period of 2 years and a repayment of the principal over 5 years at the rate of 10% in 2012 and 30% in 2013, 2015 and 2016.

- The applicable interest rate is the Euribor plus a spread of 125 basis points for the first two years, 175 for the following year and 250 as from 2012.

- The loan is made up of four tranches (i) 254 million for the partial refinancing of the former syndicated loan; (ii) 22 million for the financing of general treasury needs and working capital of the Group for the first 2 years, through a credit facility up to a maximum of Euros 22 million of which Euros 18.6 million are through a syndicated credit line and the other Euros 3.5 million through liquidity obtained by the Group in asset sale transactions through cash contributions; (iii) to the financing of the interest from the new loan agreement for the first 2 years, provided that there is no cash available to do so; and (iv) a credit facility of Euros 5 million for the financing of certain guarantees given to the Group prior to the new loan agreement.

- The new syndicated loan agreement includes the normal contents of financing contracts in terms of covenants and other obligations of the borrowers.

The access to long-term financing allows for improvements in management, significant cost savings due to lower formalisation costs, and the application by Renta Corporación of interest risk management policies, which have been more difficult until now to arrange due to the high level of turnover of financing operations.

The Group does not have credit facilities at 31 December 2009. The amount drawn down at 31 December 2008 was the following:

2008	
Amount drawn down	**Maximum limit**
25,121	25,121

The amount relating to mortgage-backed loans is guaranteed by buildings owned by different Group companies and recorded under Inventories (Note 12). Additionally, in 2008 there was a mortgage-backed loan totalling Euros 53,190 thousand which was guaranteed by the Group's head office, classified under property, plant and equipment.

For borrowings as a whole in 2009 the average interest rate was 3.09% p.a., while in 2008 it was 5.3%.

The interest accrued and not paid at the 2009 and 2008 year end totals Euros 2,273 and 12,672 thousand, respectively.

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

	2009	2008
Euro	294,509	662,647
GBP	8,259	-
	302,768	662,647

19. Deferred tax

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

	2009	2008
Opening balance	41,425	583
Receipt of tax credits (*)	(3,625)	-
(Charge)/Credit in the income statement	8,509	39,262
(Charge)/Credit in net equity	(162)	(112)
Reclassification tax credits	-	1,692
Closing balance	46,147	41,425

(*) Relates to the receipt of tax credits from one of the Group companies incorporated in France.

The movements in the accounts under Deferred tax assets have been as follows:

Deferred tax assets	Tax credits	Prepaid expenses for sales commissions	Prepaid expenses generated from amortisations	Others	Total
At 1 January 2008	**-**	(5)	2	586	583
(Charge) / credit to the income statement	39,262	-	-	-	39,262
(Charge) / credit to net equity	-	-	-	(112)	(112)
Reclassification of tax credits	1,692	-	-	-	1,692
At 31 December 2008	**40,954**	(5)	2	474	41,425
Receipt of tax credits	(3,625)	-	-	-	(3,652)
(Charge) / credit to the income statement	8,509	-	-	-	8,509
(Charge) / credit to net equity	-	-	-	(162)	(162)
At 31 December 2009	**45,838**	(5)	2	312	46,147

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

	2009	2008
Opening balance	7,687	11,505
(Charge) / credit to the income statement	(473)	(332)
(Charge) / credit to net equity (Note 27)	(5,348)	(1,077)
Offset with deferred tax assets	-	(2,409)
Closing balance	1,866	7,687

The movements in the accounts under 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 controlling shareholdings	Total
At 1 January 2008	(4,319)	(4,144)	(633)	(2,409)	(11,505)
(Charge) / credit to equity	(301)	-	633	-	332
(Charge) / credit to the income statement	3,427	(2,350)	-	-	1,077
Offset with deferred tax assets	-	-	-	2,409	2,409
At 31 December 2008	(1,193)	(6,494)	-	-	(7,687)
(Charge) / credit to equity	473	-	-	-	473
(Charge) / credit to the income statement	1,021	4,327	-	-	5,348
Offset with deferred tax assets	-	-	-	-	-
At 31 December 2009	301	(2,167)	-	-	(1,866)

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

20. Ordinary income and other operating income

20.1 Ordinary income

The breakdown of ordinary income is as follows:

	2009	2008
Sale of assets (Note 5)	360,172	244,133
Total ordinary income	360,172	244,133

20.2 Other operating income

The breakdown of Other operating income is as follows:

	2009	2008
Income from operating leases	6,011	15,615
Other income	6,246	4,121
Total other operating income	12,257	19,736

21. Consumption of goods for resale

The breakdown of Supplies is as follows:

	2009	2008
Purchases of buildings and transformation costs	(6,472)	(130,101)
Variation in building inventories	(387,226)	(124,893)
Variation in provision for inventories	15,876	(57,406)
Total consumption of goods for resale (Note 12)	(377,822)	(312,400)

"Variation in building inventories" in 2009 includes Euros (3,693) thousand for the effect of the application of the year end exchange rate on inventories (Note 12) and the average exchange rate on consumption due to consolidation. "Variation in provision for inventories" also includes Euros 1,478 thousand for the same reason.

22. Asset depreciation and impairment

The breakdown of asset depreciation and impairment is as follows:

	2009	2008
Charge for depreciation of property, plant and equipment	(915)	(1,763)
Charge impairment/reversal of property, plant and equipment	(100)	(2,379)
Charge amortisation of intangible assets	(435)	(228)
Losses on disposal of property, plant and equipment and intangible assets	(608)	(96)
Losses on bad debts	(16,097)	(995)
	(18,155)	(5,461)

"Loss on bad debts" includes significant balances totalling Euros 10,261 thousand for the outstanding account receivable (not due and restated at fair value) with a customer, guaranteed by a mortgage, given that the Town Zoning Plan of the city in which the property subject to the transactions is located is pending adoption, and an amount of Euros 5,531 thousand for receivables past due with another customer, which the Company considers to be unrecoverable (Note 9).

23. Expenses for external services and other taxes

23.1. Expenses for external services

The breakdown of Other operating expenses is as follows:

	2009	**2008**
Leases and royalties	(992)	(700)
Repairs and maintenance	(629)	(2,065)
Professional and brokering services	(5,000)	(11,096)
Insurance premiums	(410)	(1,025)
Banking and the like	(165)	(1,610)
Publicity, advertising and public relations	(1,133)	(3,175)
Supplies	(788)	(1,251)
Other services	(4,367)	(24,674)
	(13,484)	(45,596)

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

"Other services" mainly includes unexercised purchase options totalling Euros 3,839 thousand (2008: Euros 22,814 thousand) (See Note 33).

23.2 Others taxes

Other taxes basically include special municipal taxes totalling Euros 1,520 thousand, and non-deductible Value-Added Tax totalling Euros 1,181 thousand, Euros 3,931 thousand to cover possible contingencies, and other local taxes totalling Euros 628 thousand.

24. Employee benefits

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

	2009	**2008**
Wages, salaries and severance payments	(7,287)	(17,813)
Social Security expenses	(1,026)	(1,653)
Other social welfare expenses	(117)	(359)
Contributions to the share plan	(50)	(78)
Share-based payment (note 35)	(743)	(1,015)
	(9,223)	(20,918)

The severance indemnities have decreased against 2008, a year in which there was a major restructuring of staff due to the adjustment plan put in motion by the Group. At 31 December 2009 severance indemnities have totalled Euros 381 thousand (2008: Euros 4,348 thousand).

In 2009, as a result of the cost-savings policy, salaries of the management team have decreased and those of the rest of staff have been frozen.

25. Operating lease

The minimum future uncancellable operating lease payments are as follows:

	2009	2008
Less than 1 year	898	601
Between 1 and 5 years	2,495	1,130
More than 5 years	94	-
	3,487	1,731

The expense recognised in the profit and loss account for the year relating to operating leases totals Euros 964 thousand (2007: Euros 652 thousand).

In the operating lease agreements executed by different Group companies, the assets leased relate to buildings in which the offices of national and foreign branches are located. The main information on these agreements is as follows:

Group company	Asset leased	Location	Maturity of the lease contract	Monthly rental payment (Thousand Euros)
Renta Corporación Real Estate , S.A.	Branch	Barcelona	26/05/2014	44
Renta Corporación Real Estate ES, S.A.U.	Branch	Madrid	31/12/2017	3
Renta Corporación Real Estate France, S.A.U.	Branch	Paris	28/02/2011	6
Renta Properties (UK), Limited	Branch	London	27/01/2012	3
RC Real Estate Deutschland GmbH	Branch	Berlin	31/12/2012	2
Renta Corporation (USA)	Branch	New York	31/12/2013	17

The parent company included until May 2009 under “Buildings and constructions” the building housing the head office that it rented to third parties under operating leases. The lease of this property, plant and equipment has generated rental income from January to May 2009 of Euros 993 thousand (2008: Euros 2,247 thousand).

26. Net borrowing costs

The breakdown of this account is as follows:

	2009	2008
Financial expenses:		
– Interest on bank loans	(12,056)	(31,059)
– Variation in fair value of derivatives	(4,619)	(6,253)
– Variation in fair value of available-for-sale financial assets	(3,975)	-
– Exchange differences (Note 28)	(6,698)	(17,223)
	(27,348)	**(54,535)**
Financial income:		
– Other financial income	1,868	1,630
– Exchange differences (Note 28)	8,914	8,903
	10,782	**10,533**
Net financing costs	**(16,566)**	**(44,002)**

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

	2009	2008
Interest expense	12,056	48,282
Provision for interest accrued and not paid at the beginning of the year	12,672	3,317
Provision for interest accrued and not paid at the end of the year	(3,038)	(12,672)
Interest capitalised under inventories	3,550	16,373
Interest charged/(paid) on syndicated loan	9,252	-
	34,492	**55,300**

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

	2009	2008
Interest expense	1,868	10,532
Provision for interest accrued and not received at the beginning of the year	289	286
Provision for interest accrued and not received at the end of the year	-	(289)
Variation in financial discount of non-current accounts receivable	(1,643)	-
	514	**10,529**

27. Corporate income tax

The expense/(income) from corporate income tax breaks down as follows:

	2009	2008
Current tax	-	711
Others	(473)	-
Deferred tax	(13,857)	(40,339)
	(14,330)	**(39,628)**

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

	2009	2008
Consolidated profit (loss) before income tax	(68,816)	(151,160)
Theoretical tax rate	30%	30%
Theoretical tax expense / (income)	(20,645)	(45,348)
Receipt of tax credits (Note 19)	(3,625)	-
Non-deductible expenses	10,985	(97)
Differences for using different tax rates	(513)	6,515
Deductions	(59)	(698)
Real income tax expense / (income)	**(13,857)**	**(39,628)**

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 Este Finance, S.L.U. As from 1 January 2008, due to 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.

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% for the years 2009 and 2008 respectively, of the taxable income for corporate income tax purposes less the respective deductions:

	2009	2008
Taxable income (profit/loss)	(78,340)	(146,676)
Tax rate	30%	30%
Tax	(23,502)	(44,003)
Professional training deduction	-	(8)
Deduction for contribution to Fundación Privada Renta Corporación	(3)	(30)
Deduction for reinvestment of extraordinary profit	(56)	(660)
Current tax charge/ credit	(23,443)	(44,701)

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

	2009	2008
Withholding	112	246
Payment on account of corporate income tax		-

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 in 2009 of Euros 56 thousand (2008: Euros 660 thousand) for the reinvestment of profit from the sale of shares in an associate.

At 31 December 2009 and 2008 the parent Company has outstanding deductions for the same item described in the preceding paragraph totalling Euros 2,234 and Euros 2,290 thousand, respectively, which it can use in 2010.

At 31 December 2009 the Group has tax loss carryforwards available for offset Euros 298,738 thousand. These break down by year of generation as follows:

	Thousand Euros	
Year of generation	**Tax loss carryforward**	**Final year available for offset**
2009	108,978	2024
2008	169,064	2023
2007	6,881	2022
2006	12,615	2021
2005	1,200	2020
	298,738	

27.2 Others matters

All the companies in the consolidation scope are open to inspection by the tax authorities for the last four years for the main taxes, except for Groupe Immobilier Renta Corporación, S.A.S.U., which was inspected for the years 2003 to 2005 but did not generate significant liabilities, said years being closed to new tax audits. Furthermore, a tax field audit was initiated at the end of March 2009 by the French tax authorities in relation to transactions in Paris carried out by a Luxembourg subsidiary (Norfeu, S.a.r.l., merged and taken over by Renta Corporación Luxembourg, S.a.r.l.).

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 income statement include the following items and amounts:

	2009	2008
Exchange losses	(6,698)	(17,223)
Exchange gains	8,914	8,903
	2,216	(8,320)

These differences have been generated by the Group's operations in GBP and USD. During 2009 and 2008 the Group has had 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 "Net borrowing costs" (Note 26).

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 14.1).

	2009	2008
Profit/(loss) attributable to the Company's shareholders (Thousand Euros)	(54,486)	(111,532)
Average number of ordinary shares in circulation	24,686,496	24,732,338
Basic earnings per share (€ per share)	(2.21)	(4.51)

29.2 Diluted

Diluted earnings per share are calculated by adjusting the profit attributable to the equity holders of the Company and 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 2009 and 2008 are as follows:

	2009	2008
Dividends paid (thousand Euros)	-	10,606
Dividend per share (€ per share)	-	0.42

The General Meeting of Shareholders of 25 April 2008 adopted a resolution to pay out a dividend of Euros 0.42 per share for 2007. On 7 May 2008 the Company paid this dividend.

Loss for the year in 2009 was allocated to loss brought forward.

31. Cash generated from operations

	2009	2008
Profit (loss) for the year attributable to the parent Company	(54,486)	(111,532)
Adjustments for:		
– Taxes	(13,857)	(39,628)
– Depreciation and impairment of property, plant and equipment	1,015	4,142
– Amortisation of intangible assets	435	228
– (Profit)/loss on the disposal of property, plant and equipment and intangible assets	(711)	(13,470)
– Loss on bad debts	16,097	-
– Variation in fair value of financial instruments	3,975	-
– Interest income	(514)	(10,532)
– Interest expense	12,056	54,535
– Allowance / (utilisation) provision for liabilities and charges	3,995	(67)
- Allowance to share plan	(220)	1,015
– Participation in the loss / (profit) of associates	77	(4,951)
Variations in working capital		
– Inventories	375,509	232,580
– Exchange differences in working capital	431	(4,623)
– Trade and other receivables	3,800	54,899
– Trade and other payables - non-current	(3,313)	(6,300)
– Trade and other payables - current	(55,217)	(17,219)
– Taxes refunded	3,625	-
Cash absorbed by operations	**292,697**	**139,077**

32. Contingencies/provisions

Contingencies

There are no, nor have there been, any governmental, legal, judicial or arbitrational 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.

In those cases in which the sales of buildings by the Group have not been paid in cash upon transfer of ownership, the receivable is guaranteed generally by a mortgage-backed guarantee, bank guarantee or guarantees *in rem*. The Group is now executing a mortgage for a debt of Euros 25.2 million that is carried under Accounts receivables, and it can claim the outstanding amount in the courts, if necessary (Note 9).

Provisions

At 31 December 2009 Group Management has recorded a provision covering liabilities for litigation and other claims, and, as the case may be, present obligations, contingent liabilities and commitments it must face, classified under non-current provisions for liabilities and charges.

The provision for liabilities and charges is to cover liabilities and obligations for claims and litigation underway before the competent administrative and court authorities. These arise from possible different interpretations of tax law. On the one hand, in relation to the application of the Transfer Tax (ITP) and to the calculation of the tax on buildings, installations and works (ICIO), and, on the other hand, in relation to tax inspections.

The Company considers that the application of this provision cannot be determined for a specific time and, in any case, will be greater than one year. It is not clear when the provision will lapse since that depends on external factors, such as how quickly the competent Authorities and the Courts expedite matters.

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

The balance of this provision at 31 December 2009 totals Euros 7,864 thousand (2008: Euros 3,869 thousand), including an additional posting of Euros 3,931 thousand (Note 23.2) for possible contingencies arising from the initiation of a tax field audit. The future contingencies that could arise from this inspection cannot at the date of formulation of these annual accounts be determined insofar as the Tax Authorities have yet to issue their respective tax assessment.

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 2009 the Group has given guarantees in favour of third parties and financial entities totalling Euros 3,032 thousand (2008: Euros 84,037 thousand). These guarantees were allocated in 2008 for the most part to guarantee amounts received during the pre-sale of buildings and are included in current liabilities of the Group under Trade payables and other accounts payable, as well as to guarantee the payment obligations contracted in the purchase of buildings with deferred payment. In 2009 they basically guarantee payment obligations to the Government.

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:

	2009	2008
Number of options	20	6
Option premiums	3,514	6,338
Investment rights of purchase options	79,411	73,557

In 2009 three purchase options were rejected during the year. The losses on these unexercised options totalled Euros 3,839 thousand and are related to underlying assets options totalling Euros 25,860 thousand.

At 31 December 2009 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.

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	Executive
Mr. Juan Velayos Lluis	Chief Executive Officer	Executive
Mrs. Esther Elisa Giménez Arribas	Director	Executive
Mr. Juan Gallostra Isern	Director	External independent
Mr. Carlos Tusquets Trías de Bes	Director	External independent
Mr. Ramchand Wadhumal Bhavnani	Director	External independent
Mr. Blas Herrero Fernández	Director	Significant shareholder
Mr. César A. Gibernau Ausió	Director	Other external director
Mrs. Elena Hernández de Cabanyes	Director	Other external director
Mr. Javier Carrasco Brugada	Non-Member Secretary	-

34.1.2 Key management of the Company

In 2009, 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 2009:

Name	**Percentage of shares**		
	Direct	**Indirect**	**Total**
Mr. Luis Hernández de Cabanyes	1.118%	38.151%	39.269%
Mr. David Vila Balta	0.521%	-	0.521%
Mr. Juan Velayos Lluis	0.088%	-	0.088%
Mrs. Esther Elisa Gimenez Arribas	0.007%	2.036%	2.043%
Mr. Juan Gallostra Isem	-	-	-
Mr. Carlos Tusquets Trias de Bes	-	0.400%	0.400%
Mr. Ramchand Wadhumal Bhavnani	-	1.542%	1.542%
Mr. Blas Herrero Fernandez	-	7.935%	7.935%
Mr. Cesar. A. Gibernau Ausio	0.247%	-	0.247%
Mrs. Elena Hernandez de Cabanyes	2.255%	-	2.255%

34.2 Sales of assets, provision of service and financial income

	2009	**2008**
Sale of assets:		
Companies related by a common shareholder		
- Sunpeak, S.L.	672	-
Key management and directors	-	8,000
Total sale of assets	**672**	**8,000**

	2009	**2008**
Provision of services:		
Companies related by a common shareholder		
- Mixta Africa, S.A. (Note 8)	10	22
- Fundación Privada Renta Corporación	16	27
	26	**49**
Key management and directors	-	-
Total services provided:	**26**	**49**

Additionally, in 2009 earnest money for the acquisition of assets from related companies totalling Euros 75 thousand was paid to the Group.

34.3 Purchases of assets, services received and financial expenses

	2009	2008
Services received:		
Companies related by a common shareholder		
- Second House, S.A.	398	24
- Second House Rehabilitación, S.L.U.	13	121
- Closa Asociados. Correduría de Seguros, S.L.	316	858
- Fundación Privada Renta Corporación (donation)	5	90
- Gibernau & Plana Asociados, S.L.	105	130
- Instituto Internacional de Finanzas, S.L.	-	50
- Near Technologies, S.L.	-	155
- Servei de Documentació i Gestió	1	1
- Pentalin 2000, S.L.	-	-
- Aladin Capital, S.L.	-	88
- Test Tecnología de Sistemas, S.L.	2	9
- Dinomen, S.L.	75	-
- Juan Ignacio Cabrera Marrero	10	-
- Tizzano Novara, S.L.	3	-
- Iglú Verde, S.L.	3	-
	931	**1,526**
Key management directors and others	75	16
Total services received:	**1,006**	**1,542**

The meeting of the Board of Directors of 29 April 2009 decided to void the Master Agreement entered into by Renta Corporación Real Estate, S.A. and Second House, S.A., which regulated the collaborative commercial and contractual relations between both parties, the brokering of sales, consultancy on high end product design, the purchase of buildings and recruitment transactions.

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 2009 and 2008:

Concept	2009	2008
Attendance at meetings of the Board of Directors / Delegated Committees	169	449

In 2009 the remuneration received by the directors for attending meetings of the Board decreased against 2008. Since February 2008 the executive officers and the non-member secretary waived receipt of any remuneration for attending meetings.

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 8 thousand (2008: Euros 11 thousand) and Euros 74 thousand (2008: Euros 74 thousand), respectively. Furthermore, the total amount of medical insurance premiums paid by the Company for top management and executive directors of the Company total Euros 4 thousand (2008: Euros 3 thousand).

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

	2009	2008
Salaries and other contributions to Executive Board Members	1,406	4,828
Salaries and other remuneration to the rest of key management	422	1,123
	1,828	5,951

The remuneration of Executive Officers and the other key management includes the expense accrued for the share plan (Note 24), which totals Euros 235 thousand (2008: Euros 218 thousand) and Euros 43 thousand (2008: Euros 98 thousand), respectively. In 2008 the remuneration of Executive Officers included the non-recurrent expenses totalling Euros 3,575 thousand for salaries, severance payments and other benefits of Executive Officers who left the Company during that year.

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

	2009	2008
Accounts receivable		
Companies related by a common shareholder		
- Fundación Privada Renta Corporación	3	5
- Mixta Africa, S.A	250	-
Total accounts receivable	**253**	**5**

In 2009, the parent Company received a participating loan from its main shareholder, through Dinomen, S.L. totalling Euros 4,000 thousand. At the 2009 year end this loan was capitalised as part of the capital increase carried out by the parent Company. The financial expenses accrued in 2009 from the participating loan totalled Euros 53 thousand.

Additionally, the Group company Renta Corporación Real Estate Finance, S.L. has extended a loan in 2009 totalling Euros 250 thousand to the related company Mixta África, S.A. in order to provide it with financial support to meet its treasury needs (Note 11.1).

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	Company name	Shareholding	Office or duties
Mr. Luis Hernández de Cabanyes	SECOND HOUSE, S.A.	47.5%	-
	FINANTING 2001, S.L.	63.15%	Sole Administrator
	AURODOC 75, S.L.	69.13%	Sole Administrator
	TOGA 20, S.L.	63.15%	Sole Administrator
	SDEEGTUTERS, S.L.	63.15%	Sole Administrator
	DINOMEN, S.L.	62.04%	Sole Administrator
	ALDERAMIN STAR, S.L.	62.04%	Sole Administrator
	MALAREN BAY, S.L.	49.95%	-
	MIXTA AFRICA, S.A.	14.59%	Director
Mr. David Vila Balta	SECOND HOUSE, S.A.	0.53%	-
	MIXTA AFRICA, S.A.	0.22%	Director
Mr. Juan Velayos Lluis	MIXTA AFRICA, S.A.	0.14%	Non-Member Secretary
	JUCARIN,S.L.	50%	Sole Administrator
Mrs. 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 Director Fundación Privada Renta
	TIZZANO NOVARA, S.L.	50%	Several Administrator
	TRACENLIT WORLD, S.L.	50%	-
Mr. Juan Gallostra Isern	GRUPO 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%	-
Mr. Ramchand Wadhumal 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 INVERSIONES INMOBILIARIAS, S.A.	47.89%	Director
	BARANDON INVERSIONES, S.L.	13.77%	Joint Administrator
	UNITS 3501/3503 FBII, LLC	98.35%	Director
	INMOBILIARIA PORCEYO, S.A.	51%	Joint Administrator
	INVERSIONES 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 Administrator
	BVCR TITULOS, S.L.	50%	Several Administrator
Mr. César A. Gibernau Ausió	SECOND HOUSE, S.A.	1.05%	-
	CHARCEBOY, S.L.	10.91%	-
	GP CONSULTING, SL.	11.52%	General Power
	MIXTA AFRICA, S.A.	0.22%	Director
Mrs. Elena Hernández de Cabanyes	SECOND HOUSE, S.A.	3.66%	Sole Administrator
	MIXTA AFRICA, S.A.	0.87%	-
	PROMOTORA DE INDUSTRIAS GRÁFICAS, S.A.	5%	-
	IGLU VERDE, S.L.	50%	Several Administrator
	INMO ERCINA, S.L.	50%	Several Administrator

35. Share based payments

The Company did not implement new share plan scheme in 2009. The existing schemes relate to 2008, 2007 and 2006, and exist in order to motivate loyalty and the retention of the receivers and beneficiaries of the plan by granting employees the status of Company shareholders. The plans consist 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, of the Holding Company.

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

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 charge to the income statement under Staff costs and the respective counter-entry under Net equity, specifically under Share Plan Reserves.

The expense accrued at 31 December 2009 for the schemes for 2008, 2007 and 2006 total Euros 743 thousand (Note 24). The expense at 31 December 2008 totalled Euros 1,015 thousand.

During 2009 the shares for the last tranche of the plan begun in 2006 have been distributed as well as the second tranche of the share plan begun in 2007 and the third tranche begun in 2008.

36. Subsequent events

There have been no relevant post-balance sheet events to be disclosed in these annual accounts.

37. Other information

37.1 Average number of Group employees by job category

	2009			2008		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Managers	-	4	4	1	4	5
Sales personnel	17	10	27	26	17	43
Administrative personnel	38	2	40	48	6	54
Skilled experts	2	3	5	2	10	12
Legal personnel	6	-	6	8	-	8
Services personnel	2	3	5	3	4	7
TOTAL	65	22	87	88	41	129

37.2 Average number of Group employees by gender

	2009	**2008**
Men	21	26
Women	60	76
	81	102

37.3 Audit fees

The fees accrued to PricewaterhouseCoopers Auditores, S.L. and other companies in its network for current auditing services for all the Group companies for the years ended 31 December 2009 and 2008 total Euros 243 and Euros 251 thousand, respectively.

In 2009 no other fees have accrued to PricewaterhouseCoopers for additional services.

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.

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Appendix I

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2009
(in Thousand Euros)

Subsidiary companies in the consolidation scope

Registered name	Registered office	Shareholding		Company holding title	Consolidation method	Activity	Auditor
		Cost in thousand Euros	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	(3)	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 Trémoille Paris (France)	6,820	99,9%	Renta Corporación Real Estate, S.A.	Full consolidation	(1)-(4)	PwC
Renta Corporación Real Estate France, S.A.S.U.	26, Rue de Trémoille Paris (France)	3,050	100%	Renta Corporación Real Estate, S.A.	Full consolidation	(1)	PwC
Renta Properties (UK), Limited	74 Grafton Street London (UK)	79,416	100%	Renta Corporación Real Estate, S.A.	Full consolidation	(1)	PwC
Winterley Properties 3, Unlimited	74 Grafton Street London (UK)		100%	Renta Properties (UK), Limited	Full consolidation	(1)	PwC
Renta 1001 (UK) Limited	19 Cavendish Square London (UK)		100%	Renta Properties (UK), Limited	Full consolidation	(1)	Unaudited
Palmerston and Compton, Ltd.	74 Grafton Street London (UK)		100%	Renta Properties (UK), Limited	Full consolidation	(1)	PwC
RC Real Estate Deutschland GmbH	Friederichstrasse, 58 Berlin (Germany)	25,025	100%	Renta Corporación Real Estate, S.A.	Full consolidation	(1)	PwC
Renta Corporación Luxembourg, S.a.r.l.	12 rue Guillaume Kroll, L-1882 Luxembourg (Luxembourg)	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 (Luxembourg)		0,09%	Renta Corporación Luxembourg, S.a.r.l.	Full consolidation	(1)-(5)	Unaudited
Medas Corporation, S.a.r.l.	12 rue Guillaume Kroll, L-1882 Luxembourg (Luxembourg		100%	Renta Corporación Luxembourg, S.a.r.l.	Full consolidation	(1)	Unaudited
Renta Corporation	1240 Avenue of the Americas New York (USA)	27,423	100%	Renta Corporación Real Estate, S.A.	Full consolidation	(1)	Unaudited
RC1, LLC	1240 Avenue of the Americas New York (USA)		100%	Renta Corporation	Full consolidation	(1)	Unaudited
RC2, LLC	1240 Avenue of the Americas New York (USA)		100%	Renta Corporation	Full consolidation	(1)	Unaudited

RCIII, LLC	1240 Avenue of the Americas New York (USA)		100%	Renta Corporation	Full consolidation	(1)	Unaudited
RCIV, LLC	1240 Avenue of the Americas New York (USA)		100%	Renta Corporation	Full consolidation	(1)	Unaudited
RCV, LLC	1240 Avenue of the Americas New York (USA)		100%	Renta Corporation	Full consolidation	(1)	Unaudited

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

Activity:

(1) Building business.
(2) Building and land business.
(3) Real estate business and services.
(4) In the process of liquidation as part of the commitment acquired with the sale of assets to financial entities. Renta Corporación Real Estate France, S.A.S.U. will be the company through which the Company will undertake its business in France, replacing Groupe Immobilier Renta Corporación, S.A.S.U.
(5) In the process of liquidation as part of the commitment acquired with the sale of assets to the financial entities.

Appendix II

RENTA CORPORACIÓN REAL ESTATE, S.A.
Notes to the Consolidated Annual Accounts for 2009
(in Thousand Euros)

Associates in the consolidation scope

Registered name	Registered office	Shareholding		Company holding title	Consolidation method	Registered name	Auditor
		Cost in thousand Euros	Cost in thousand Euros				
Masella Oeste, S.L.	Via Augusta 252-260 Barcelona (Spain)	162	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) Development of new construction.

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Directors' Report for 2009

1. Evolution of the business and situation of the Company

2009 was tremendously impacted by the world economic recession and an adverse market environment with few transactions. The financial recession that began in the second half of 2007 has translated into a market lacking liquidity that is affecting both the volume of operations and their size. Although indicators point to a certain stabilisation, especially in the case of the residential market, investors in general are still being very prudent when making new transactions.

In the face of this situation of uncertainty, the management of the company has been a crucial factor in facing 2009 and closing the year under better circumstances that those of the preceding year. The restructuring plan that began at the end of 2008 has allowed the group to control its costs, strengthen its financial structure and successfully hurdle the lack of liquidity that has so negatively affected the market in general.

In 2009 the Renta Corporación Group has focussed on its financial stability, which culminated in the refinancing of the syndicated loan and decreasing its debt while turning its balance sheet around.

Within this general context, the Group closed 2009 with total revenues of Euros 360,172 thousand, against Euros 244,133 thousand last year, which represents a growth of 48%. Although it is true that the prioritisation of liquidity has in certain cases penalised the profitability of certain transactions, these revenues have enabled the Company to improve its cash flows and sell off parts of its old portfolio that were acquired under conditions substantially different from today's. Of special note in these revenues are the sales in the domestic and international markets made as part of the refinancing process that totalled Euros 288 million, 42% and 58% respectively.

In terms of geographic distribution, total sales have been almost equal between Spain and the international market, with 52% in the domestic market.

Also of special note this year is the agreement of 26 May 2009 with the different financial entities that has allowed the Group to refinance is debt and adapt its borrowings both to the specific needs of the Group and the new circumstances of the market. Accordingly, financial borrowings have dropped from Euros 662,647 thousand at the 2008 year end to Euros 302,768 thousand at the end of 2009, i.e., 54% lower. The new debt has been renegotiated for a period of 7 years and has been classified as long-term on the balance sheet.

This reduction in debt, together with the decrease in interest rates, has had a direct impact on the financial expenses, which total Euros 12,056 thousand at the end of 2009, i.e., 61% lower than in 2008. This refinancing agreement has undoubtedly been a success for the Group and has placed it in a privileged, stable situation vis-à-vis future years.

As last year, and out of prudence, Management have adjusted the value of assets to current market prices. This adjustment has led to a variation in the provision for impairment of inventories of Euros 15,876 thousand.

Furthermore, as a result of the turn around of the balance sheet, net operating income has decreased due to the recording of Euros 16,097 thousand for the risk related to deferred payments of sales, and to an additional provision of Euros 3,931 thousand to cover possible contingencies arising from the instigation of tax field audits.

On the other hand, employee benefit expenses in 2009 total Euros 9,223 thousand against Euros 20,918 thousand in 2008. This decrease is part of the restructuring plan of the Group and is the result of the staff reduction plan that began at the end of 2008, as well as a series of salary policies implemented in 2009, which have reduced the salaries of the management team and have frozen those of the rest of staff.

The Group has continued it very selective investment policy, limiting itself solely to assets that are highly attractive, both due to their location and their profitability. This selective investment policy together with the strategy of obtaining assets that can minimize the use of external borrowings, has materialised in a net investment figure for 2009 of Euros 8,687 thousand, significantly below the aggregate for 2008 (Euros 130,101 thousand).

Consolidated net income for the year totals losses of Euros 54,486 thousand. Attributable earnings per share have fallen from Euros (4.51) in 2008 to Euros (2.21) per share in 2009.

Total assets of the company have fallen by 54% against last year. Inventories total Euros 270,728 thousand. The decrease in inventories against last year by 58% is due to sales in 2009 and the decrease in investment during the year.

On 30 December 2009, and as reported to the CNMV (Comisión Nacional del Mercado de Valores), the holding company of the Group, Renta Corporación Real Estate, S.A., carried out a capital increase totalling Euros 4,944 thousand through the issue of 2,247,274 shares with a par value of Euro 1 each.

On the other hand, the share price, after a downward trend of the entire market in 2008, ended the year 2008 at Euros 1.84 per share. In 2009 the share has been bullish throughout the year and closed the year at Euros 2.95 per share. This has meant a share price revaluation of 60%.

2. Outlook

In the last part of 2009 there have emerged symptoms of improvement in some market niches in which the Group trades. In fact, in 2009 the Group has carried out a total of 27 new transactions of which 10 have been completed in their transformation phase as well as sales in the same year with positive margins. However, and in spite of the indications of improvement in the world economy, the actual turning point is still uncertain in terms of the recovery of demand. However, the signing of the syndicated loan in May 2009 has provided the Group with the stability and balance required to face the current situation and centre its effort on three main areas: old portfolio, new portfolio and costs.

- **Old portfolio:** mainly centres on land transactions. The main goal is to identify the best strategy to contribute value and liquidity in order to divest the assets in the manner most beneficial to the Group.

- **New portfolio:** identification of transactions adapted to the current environment that are of interest to the market. Accordingly, the Group will continue its policy of highly selective investments, centering its resources on products that are truly appealing. In general, the transactions sought will be those that require a total investment of Euros 2-5 million, in the residential market, located where the Group currently operates, seeking always to maximise profitability through transformations made there.

- **Costs:** Given the current market situation, it is still indispensable for the Group to maintain its overheads control policy that was begun last year as part of the Group restructuring plan. Accordingly, the Group will continue working along these lines.

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 Group carries out its activity in the Euro zone, as well as the UK and the USA. In these two countries the Group has contracted financial derivatives in order to reduce or minimise the exchange rat risk in their currencies. It has also capitalized debt or the contracting of debt in local currency as additional means to minimise this risk.

- The Group has established interest rate risk control policies in accordance with the policies adopted by the Board of Directors in which there is a need to maintain hedging instruments to minimise the impact of the volatility in interest rates. As a result of the refinancing of the debt in May 2009, the interest rate hedges covering part of the refinanced debt were cancelled. The Company evaluates on an ongoing basis the suitability of contracting hedges adapted to the financing structure, provided that the conditions for contracting these instruments are favourable to the Group.

- Most sales of buildings made by the Group are settled in cash at the time of the transfer of title involve a bank guarantee or 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 quality of the Group's assets are also a good guarantee of its debt.

4. Research and development

Due to the nature of the Group's activity, it does not make any investments in research and development, although the Group allocates a major part of its budget to employee training in order to boost work quality and facilitate professional development.

5. Treasury shares

In 2009 the parent Company sold 68,490 treasury shares, all of which were given to its employees as part of the Incentive Plan.

The parent company at 31 December 2009 holds 309,277 shares. The par value of these shares totals Euros 310 thousand.

The parent Company has booked a Treasury shares reserve at 31 December 2009.

6. Subsequent events

Since 31 December 2009 and until the date of formulation of these annual accounts, there have been no relevant post-balance sheet events to be disclosed in these annual accounts.

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.

8. Environment

The Group 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. During the year the Group did not consider it necessary to make environment-related investments or incur expenses to protect and improve the environment as there are no contingencies related to the protection and improvement of the environment or liabilities of an environmental nature.

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-seven million two hundred and seventy-six thousand five hundred and seventy-five (€ 27,276,575), divided into 27,276,575 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 27,276,575, 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, UNICEF-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 entered into a shareholders agreement that regulates certain restrictions on the transferability of shares, which materialized in a preferential acquisition right on the transfer of company shares amongst the signatories of the agreement. This agreement was cancelled in February 2010 as the conditions that gave rise to it did not arise.

c) The significant direct and indirect shareholdings in the parent Company at 31 December 2009 are as follows:

Name	Percentage shareholding		
	Direct	**Indirect**	**Total**
Luis Hernández de Cabanyes	1.118%	38.151%	**39.269%**
Fundación Privada Renta Corporacion	4.597%	0.000%	**4.597%**
Wilcox Corporación Financiera, S.L.	3.666%	1.844%	**5.510%**
Blas Herrero Fernández	0%	7.935 %	**7.935%**

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 are 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 Lluis (Chief Executive Officer), Mr. Javier Carrasco Brugada (non-voting Secretary) and Mrs. Esther Giménez Arrivas (HR Director) have sufficient, economically limited powers, to carry out the day-to-day corporate purposes of Renta Corporación.

Furthermore, the General Meeting of Shareholders of 10 June 2009 empowers the Board of Directors to:

a) allow the parent Company to 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 25 April 2008.

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 25 April 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.

   Additionally, all the directors indicated above and the secretary of the Board of Directors, have Powers to purchase, sell, pignorate, swap and redeem securities and collect their interest, dividends, premiums and redemptions; administrate, monitor and dispose of Funds of all types, especially Investment Funds, and their participations, by contributing amounts to the same and receiving their interest and redemptions, as the case may be, up to a several limit of Euros 1,000,000 and jointly with another power up to Euros 3,000,000, except for Mr. Luis Hernández de Cabanyes, upon whom there is no economic limit, notwithstanding the transactions which, due to their relevance, must be submitted to prior approval by the Board of Directors.

h) 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.

10. Annual Corporate Governance Report

Set out further below please find the Annual Corporate Governance Report, set out on 79 pages, numbered 1 to 79, both inclusive.

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RENTA CORPORACIÓN REAL ESTATE, S.A.
Formulation of the Consolidated Annual Accounts

On 24 March 2010 the Board of Directors of Renta Corporación Real Estate, S.A., in compliance with the requirements laid down by article 171 of the Spanish Companies Act and article 37 of the Commercial Code, have formulated the consolidated annual accounts of Renta Corporación Real Estate, S.A. and its subsidiary companies, and the Directors' Report for the year beginning 1 January 2009 and ending 31 December 2009, which comprise the foregoing documents, numbered correlatively from 1 to 76 both inclusive, and from 1 to 79, both inclusive, signed, for identification purposes by the Secretary of the Board of Directors of the Company, Mr. Javier Carrasco Brugada.

SIGNATORIES:

Mr. Luis Hernández de Cabanyes
Chairman and Chief Executive Officer

Mr. David Vila Balta
Vice-Chairman

Mr. Juan Velayos Lluis
Chief Executive Officer

Mrs. Esther Elisa Giménez Arribas
Director

Mrs. Elena Hernández de Cabanyes
Director

Mr. Juan Gallostra Isern
Director

Mr. Carlos Tusquets Trias de Bes
Director

Mr. Ramchand Wadhumal Bhavnani
Director

Mr. Blas Herrero Fernández
Director

Mr. César A. Gibernau Ausió
Director

Mr. Javier Carrasco Brugada
Non-Member Secretary