6 Consolidated Annual Accounts 2006

a. Audit Report

PRICEWATERHOUSECOOPERS

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Free translation of the auditor's report on the consolidated annual accounts originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the shareholders of Renta Corporación Real Estate, S.A.

1. We have audited the consolidated annual accounts of Renta Corporación Real Estate, S.A. (Parent Company) and its subsidiaries (the Group) consisting of the consolidated balance sheet as at 31 December 2006, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Parent Company. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

2. For comparative purposes and in accordance with Spanish Corporate Law, the Parent Company's Directors have presented for each item in the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts, the corresponding amounts for the previous year as well as the amounts for 2006. Our opinion refers solely to the 2006 consolidated annual accounts. On 13 February 2006 we issued our audit report on the consolidated annual accounts for 2005 in which we expressed an unqualified opinion.

3. In our opinion, the accompanying consolidated annual accounts for 2006 present fairly, in all material respects, the consolidated financial position of Renta Corporación Real Estate, S.A. and its subsidiaries as at 31 December 2006 and the consolidated results of their operations, changes in consolidated net equity and consolidated cash flows for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards as adopted by the European Union, applied on a basis consistent with the preceding year.

PricewaterhouseCoopers Auditores, S.L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

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4. The accompanying consolidated Directors' Report for 2006 contains the information that the Parent Company's Directors consider relevant to the Group's position, the evolution of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report coincides with that of the consolidated annual accounts for 2006. Our work as auditors is limited to checking the consolidated Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the accounting records of Renta Corporación Real Estate, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Manuel Valls Morató
Audit Partner

22 February 2007

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b. Annual Accounts

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A free translation of the consolidated annual accounts originally issued in Spanish and prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU). In the event of a discrepancy, the Spanish language version prevails.

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RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Balance Sheet at 31 December
(in thousand euros)

ASSETS	Nota	2006	2005
Non-current assets			
Property, plant and equipment	6	1,198	1,027
Intangible assets	7	182	131
Investments in associates	8	4,254	495
Long-term receivables	9	1,100	142
Long-term prepayments	9	70	245
Deferred income tax assetss	18	1,420	195
Total non-current assets		**8,224**	**2,235**
Current assets			
Inventories	10	710,194	323,534
Trade and other receivables	9	163,536	64,247
Loans and receivables with related parties	33	1,275	1,094
Cash and cash equivalents	11	6,071	3,180
Total current assets		**881,076**	**392,055**
Total assets		**889,300**	**394,290**

EQUITY AND LIABILITIES	Nota	2006	2005
Share capital and reserves attributable to equity holders of the company			
Share capital	12	102,689	21,427
Cumulative translation adjustment	13	(29)	(7)
Retained earnings and other reserves	14	101,239	62,970
		203,899	84,390
Minority interests	15	-	604
Total equity		**203,899**	**84,994**
LIABILITIES			
Non-current liabilities			
Provisions for liabilities and charges	31	4,660	-
Deferred tax liabilities	18	1,124	-
Trade and other payables	16	-	27
		5,784	**27**
Current liabilities			
Trade and other payables	16	157,717	81,218
Borrowings	17	507,313	216,129
Current income tax liabilities	26	14,587	11,922
Total current liabilities		**679,617**	**309,269**
Total liabilities		**685,401**	**309,296**
Total equity and liabilities		**889,300**	**394,290**

The notes on pages 92 to 128 form an integral part of these consolidated financial statements

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Income Statement
Year ended 31 December
(in thousand euros)

	Nota	2006	2005
Revenue	**19.1**	590,035	320,843
Other Income	**19.2**	6,172	3,258
Purchase costs and changes in inventories	**20**	(468,675)	(242,692)
Employee benefit expense	**23**	(15,181)	(9,125)
Amortisation, depreciation and impairment losses	**21**	(336)	(290)
Other external expenses	**22.1**	(20,466)	(13,525)
Local taxes	**22.2**	(14,535)	(4,780)
Operating profit		**77,014**	**53,689**
Financial expenses	**25**	(9,767)	(4,907)
Share of profit / (loss) of associates	**8**	3,671	(41)
Profit before income tax		**70,918**	**48,741**
Income tax expense	**26**	(23,417)	(16,105)
Profit for the year		**47,501**	**32,636**
Attributable to:			
Company shareholders		47,501	32,502
Minority interests		-	134
Earnings per share for profit attributable to the equity holders during the year			
(in euros per share)			
- Basic		1.97	1.48
- Diluted		1.97	1.48

The notes on pages 92 to 128 form an integral part of these consolidated financial statements

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Statement of Changes in Equity
(in thousand euros)

		Attributable to equity holders of the company				
	Notes	Share capital (Note 12)	Cumulative translation adjustment (Note 13)	Retained earnings and other reserves (Note 14)	Minority interests (Note 15)	Total net equity
Balance at 1 January 2005		**21,464**	-	**33,351**	**470**	**55,285**
Profit for the year		-	-	32,502	134	**32,636**
Total recognised income and expense for the period		-	-	32,502	134	**32,636**
Purchase of treasury shares	**12,3**	(94)	-	-	-	**(94)**
Cumulative translation adjustment	**13**	-	(7)	-	-	**(7)**
Dividends paid	**14**	-	-	(2,987)	-	**(2,987)**
Sale of treasury shares	**12,3**	57	-	104	-	161
Saldo a 31 de diciembre de 2005		**21,427**	**(7)**	**62,970**	**604**	**84,994**
Capital increase expenses	**12,5**					
- gross		(8,298)	-	-	-	(8,298)
- tax effect		2,904	-	-	-	2,904
Profit for the year		-	-	47,501	-	47,501
Total recognised income and expense for the period		(5,394)	-	47,501	-	**42,107**
Capital increase	**12**	89,320	-	-	-	89,320
Purchase of treasury shares	**12,3**	(3,790)	-	-	-	(3,790)
Sale of treasury shares	**12,3**	1,126	-	662	-	1,788
Cumulative translation adjustment	**13**	-	(22)	-	-	(22)
Shares reserve plan	**34**	-	-	359	-	359
Dividends paid	**14**	-	-	(10,086)	-	(10,086)
Purchases of minority interests	**15**	-	-	-	(604)	(604)
Variation in investment in associates	**14**	-	-	(167)	-	(167)
Balance at 31 December 2006		**102,689**	**(29)**	**101,239**	-	**203,899**

The notes on pages 92 to 128 form an integral part of these consolidated financial statements

RENTA CORPORACIÓN REAL ESTATE, S.A.
Consolidated Cash Flow Statement (presented using the indirect method)
Year ended 31 December
(in thousand euros)

	Note	2006	2005
Cash flows from operating activities			
Cash used in operations	**30**	(322,596)	(25,663)
Interest paid	**25**	(16,807)	(7,690)
Taxes paids	**26**	(20,854)	(7,506)
Net cash used in operating activities		(360,257)	(40,859)
Cash flows from investing activities			
Purchases of property, plant and equipment	**6**	(428)	(361)
Proceeds from sale of property, plant and equipment	**30**	204	-
Purchases of intangible assets	**7**	(166)	(114)
Acquisition of available-for-sale financial assets	**9**	(927)	(290)
Income from the sale of available-for-sale financial assets		-	8
Purchases of minority interests from a Group company	**15**	(604)	-
Dilution of shareholding in an associate	**8**	6	-
Loans granted to related parties	**33**	(1,275)	(700)
Repayment of loans granted to related parties	**33**	2,891	9,312
Deposits	**9**	(557)	(677)
Repayment of deposits and guarantee deposits	**9**	600	541
Interest received	**25**	1,127	399
Net cash generated from/(used in) investing activities		871	8,118
Cash flows from financing activities			
Proceeds from issuance of ordinary shares (with share premium, net of capital increase expenses)	**12**	83,927	-
Acquisition of treasury shares	**12.3**	(3,791)	(94)
Sale from treasury shares	**12.3**	1,788	161
Proceeds from borrowings	**17**	845,577	409,197
Repayment of borrowings	**17**	(555,138)	(372,589)
Dividends paid	**14**	(10,086)	(2,987)
Net cash generated from financing activities		362,277	33,688
Cash at beginning of the year	**11**	3,180	2,233
Cash at end of the year	**11**	6,071	3,180
Net (decrease)/increase in cash and cash equivalents		**2,891**	**947**

The notes on pages 92 to 128 form an integral part of these consolidated financial statements

1. General Information

Renta Corporación Real Estate, S.A. (hereon, the Company) is a real estate company which at the 2006 year end has a group (hereon, the Group), made up of 13 companies: Renta Corporación Real Estate, S.A., as the parent company, 9 subsidiaries and 3 associates. Appendices I and II to these Notes include additional information on the entities included in the consolidation scope.

For the purposes of the preparation of the consolidated financial statements, a group is understood to exist when the parent company has one or more subsidiary entities over which the parent company has either direct or indirect control. The principles applied in the preparation of the consolidated financial statements of the Group, as well as the consolidation scope, are set out in Note 2.2.

On 7 April 2005 the parent company took up a 50% shareholding in the incorporation of a Spanish company called RC Marruecos Tánger, S.A., which, on 4 November 2005 changed its registered name to Mixta África, S.A. Furthermore, on 4 November 2005, the parent company sold 2% of its shareholding, keeping 48%. During the year 2006 the shareholding in this company has decreased to 31.28%.

On 25 May 2005 RC Marruecos Tánger, S.A. fully incorporated the Moroccan company RC Fundación Marruecos Tánger, S.A.R.L. This company changed its registered name to Mixta África Maroc, S.A.R.L. on 8 December 2006.

During 2006 Mixta África, S.A. incorporated three companies in Africa, and has not undertaken any activity during the year.

On 15 June 2005 Renta Properties (UK), Limited incorporated an English company under the registered name of One Vincent Square, Limited. The share capital of this company was fully contributed by Renta Properties (UK), Limited.

On 13 July 2006 Renta Properties (UK), Limited sold One Vincent Square, Limited.

On 4 November 2005 the parent company fully acquired a German company that changed its registered name to RC Real Estate Deutschland GmbH.

On 9 January 2006 the parent company acquired the remaining 3% shareholding in Renta Corporación Real Estate Finance, S.L.U. and now holds 100% of its share capital.

On 7 November 2006 two companies were incorporated in Luxembourg, RC Real Estate Luxembourg, S.A.R.L. and Norfeu, S.A.R.L.

The central offices of Renta Corporación Real Estate, S.A. for administrative and tax purposes are located in Barcelona in Avenida Diagonal, 449, 2º and its Tax Identification Number (C.I.F.) is A-62.385.729.

The Group divides its activities into three business areas: residential refurbishment, transformation of buildings and transformation of land, including the following tasks:

- **Residential refurbishment**: acquisition of residential buildings or buildings with mixed uses, for their renovation and later sale, normally by units.
- **Transformation of offices**: acquisition of large urban buildings, usually office or industrial buildings, for transformation and later sale. The transformation phase usually includes changes in use, physical improvements to the buildings, and market repositioning; through improvements or changes in their main uses.
- **Transformation of land**: acquisition of large building complexes for transformation and later sale. The transformation phase is carried out through the design and later processing through official channels of modifications of the use of the buildings and/or current zoning in order to create development land for construction or sale thereafter.

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

These processes include acting on the different elements 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 and Germany.

These consolidated financial statements were formulated by the Board of Directors on 21 February 2007.

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

2. Summary of significant accounting policies

Set out below are the main accounting policies applied in the preparation of the consolidated financial statements. These policies have been applied consistently throughout all the years presented, unless otherwise stated.

2.1. Basis of presentation

The consolidated financial statements have been prepared on the basis of the accounting records of Renta Corporación Real Estate, S.A. and its consolidated companies and include the adjustments and reclassifications necessary for homogenisation with the parent Company. These consolidated annual accounts of the Group at 31 December 2005 and 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the IASB and IFRIC and adopted by the European Union and approved by the Regulations of the European Commission.

IASB and IFRIC have issued the following standards and interpretations which have application in years subsequent to the one started 1 January 2006: IFRS-7 "Financial Instruments: disclosures", IFRS-8 "Operating Segments", IFRIC Interpretation 7 "Applying the Restatement Approach under IAS-29 Financial Reporting in Hyperinflationary Economies", IFRIC Interpretation 8 "Scope of IFRS-2", IFRIC Interpretation 9 "Reassessment of Embedded Derivates", IFRIC Interpretation 10 "Interim Financial Reporting and Impairment", IFRIC Interpretation 11 "IFRS-2 Group and Treasury Share Transactions" and IFRIC Interpretation 12 "Service Concession Arrangements" (IFRS-8, IFRIC Interpretation 10, 11 and 12 have still not been adopted by the European Union). The Group has performed an analysis of possible impact on the financial statements at 31 December 2006 and has concluded that there are no significant impacts in the financial statements.

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements.

The consolidated financial statements have been prepared using the historical cost convention.

The preparation of consolidated financial statements compliant with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company´s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4.

The requirements of the standards mentioned above have been fully met and, therefore, the financial statements present a true and fair view of the assets, financial position and results of the operations of the Group.

The figures set out in the documents that make up these consolidated financial statements (balance sheet, profit and loss account, statement of changes in shareholders' equity, cash flow statements and notes to the financial statements) are stated in thousands of euros, and can be compared with last year's figures.

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

2.2. Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies. Control is assumed to exist when the shareholding constitutes more than half of the voting rights, unless control is limited by contractual agreements or other circumstances. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing control over another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Appendix I to these Notes contains the information on all the fully consolidated subsidiaries.

b) Associates

Associates are all entities over which the Group has significant influence but not control. Significant influence is presumed when the parent company holds between 20% and 50% of the voting rights or when other circumstances demonstrate the existence of significant influence. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised 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. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.3. Segment reporting

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

a) Primary format of segment reporting: business segments

· **Residential refurbishment:** acquisition of residential buildings or buildings with mixed uses, for their renovation and later sale, normally by units.
· **Transformation of offices:** acquisition of large urban buildings, usually office or industrial buildings, for transformation and later sale. The transformation phase usually includes changes in use, physical improvements to the buildings, and market repositioning; through improvements or changes in their main uses.
· **Transformation of land:** acquisition of large building complexes for transformation and later sale. The transformation phase is carried out through the design and later processing through official channels of modifications of the use of the buildings and/or current zoning in order to create development land for construction or sale thereafter.

b) Secondary format of segment reporting: geographic segments

Following criteria based on the location of assets,

· Domestic
· Foreign

2.4. Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in euros, which is the Group's presentation currency (thousands of euros)

b) Transactions and balances

Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The translation differences from non-monetary items, such as equity instruments kept at fair value impacting results for the year, are presented as profit or loss of fair value. The translation differences from non-monetary items, such as equity instruments classified as available-for-sale financial assets, are carried under net equity in the revaluation reserve.

c) Group companies

The results and financial position of Renta Properties (UK), Ltd., and Mixta África Maroc, S.A.R.L., which have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates of the year (unless this average is not a reasonable approximation of the accumulated effect of the rates on the dates of the transaction, in which case the income and expense are translated at the date of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

2.5. Property, plant and equipment

All property, plant and equipment are presented at cost less accumulated depreciation and impairment, except land, which is presented net of impairment, since it is not depreciated.

The historical cost includes expenses directly attributable to the acquisition of the assets.

Improvements which extend or improve the useful lives of existing assets are capitalised, provided that it is probable that they will generate future economic benefits and their cost can be reasonably estimated. Repair and maintenance costs are expensed in the year in which they are incurred.

Land is not depreciated. Other assets, deducted their residual value, are depreciated using the straight-line method, over their estimated useful lives and bearing in mind their respective residual values as follows:

	Years
Buildings	50
Plant	10
Furniture	10
Computer equipment	4
Vehicles	6.25
Other property, plant and equipment	10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.6. Intangible assets

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives (four years).

2.7. Impairment of non-financial assets

At the balance sheet dates the Group evaluates whether there is any indication of impairment of an asset. If so, the Group estimates its recoverable amount.

Assets that are subject to amortisation are tested for impairment whenever internal or external events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit and loss for the difference between the asset's carrying amount and its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8. Financial assets

The Group classifies its financial assets as follows: assets at fair value recorded in the profit and loss account, investments held to maturity, loans and accounts receivable, available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

The Group does not have assets at fair value recorded in the profit and loss account or assets held to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group supplies money, goods or services directly to a debtor with no intention of trading with the account receivable. They are included in current assets in "Trade and other receivables", except for maturities greater than 12 months after the balance sheet date, which are classified as non-current.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They basically include the shareholdings in entities that are neither associates nor subsidiaries. These financial assets are stated at fair value and the variations in fair value are debited to a net equity account until the disposal of the investment, at which time the investments are taken to profit and loss.

2.9. Inventories

Inventories include buildings, land and plots and are measured at the lower of cost and net realisable value. Cost of inventories includes the cost of purchase and all additional costs necessary to bring the assets in their present condition and location, such as refurbishments, improvements, and unrefundable taxes, amongst others. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Net realisable value is assessed at every year-end.

Interest expense from borrowings directly attributable to the acquisition and transformation of a qualified property as well as other costs incurred in connection with the borrowing arrangements, are capitalised as a part of the cost of the property over the period of time necessary to complete and prepare the asset for its designed use. A qualified property is an asset that is expected to need a transformation period longer than 12 months as from its date of acquisition. Other interest costs are expensed.

The specific cost identification method is used, i.e., only the costs incurred that can be accurately assigned to each product in inventories are capitalised.

The amounts disbursed for premiums on purchase options on properties (generally buildings and land) are stated at their cost under inventories. The payment of purchase options constitutes the normal way through which the group undertakes the first phase of the property acquisition, prior to the final deeding of the purchase.

2.10. Trade and other receivables

Trade receivables are recognised initially at fair value. After initial recognition, they are measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate (see note 3.2). The amount of the provision is recognised in the income statement.

Cash received in advance from customers is presented as a liability in the balance sheet at the amount actually received.

2.11. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.12. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of any tax effect, as the case may be.

When a Group entity acquires shares in the Company (treasury shares), the consideration paid, including any directly attributable incremental cost (net of tax on profit) is deducted from the equity attributable to the Company's shareholders until its cancellation or disposal. When these shares are sold, any amount received, net of any directly attributable incremental cost of the transaction and the respective income tax effects, are included in the net equity attributable to the Company's equity holders.

2.13. Borrowings

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

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

2.14. Deferred income tax

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

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

2.15. Income tax and other taxes

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

The Group company Renta Corporación Real Estate Finance, S.L.U. is taxed under the general income tax regime. On 4 December 2006, this Company chose to be taxed under special the tax consolidation regime as per RD 4/2004/5 March, which adopted the Corporate Income Tax Act, and will be applied for fiscal year 2007.

Corporate income tax expense is recognised based on the reported profit as adjusted for permanent differences between reported and taxable profits, and the effects of any tax credits and deductions to which the Group companies are entitled.

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

Renta Corporación Real Estate Finance, S.L.U., Renta Corporación Real Estate G.O., S.L.U. and Renta Corporación Real Estate O.N., S.A.U. as from 2004 are subject to the special prorated VAT regime.

Rental Corporación Real Estate, S.A., Renta Properties UK (Ltd.), and Masella Oesta, S.L. are subject to the general prorated VAT regime.

Groupe Immobilier Renta Corporación, S.A.S.U. ix taxed under the marchand de biens VAT regime.

RC Real Estate Deutschland GmbH is taxed under the prorated regime in accordance with the specific German legislation.

2.16. Provisions

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

2.17. Revenue and expense recognition

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

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

On some occasions the Group managed 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 suspensive conditions to either the sales and swaps, the recognition of income will be deferred until these are completed and the swap or sale is finally concluded.

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

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

2.18. Leases

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

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

2.19. Related party transactions

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

2.20. Dividends

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

2.21. Environment

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

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

2.22. Employee benefits

Share-based compensation

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.

3. Management of financial risk

3.1. Financial risk factors

Credit risks

The Group faces risks relating to accounts receivables: almost all of the Group sales of property are settled in cash at the time of transfer of title. Occasionally, payment of all or part of the purchase price may be made subsequent to the transfer of title to the property. In these cases, the payment due to the Group is ordinarily guaranteed by a bank or through a domain reserve agreement or similar guarantees that allow the Group to recover the ownership of the building in the event of a default on payment of the price. Notwithstanding the above, on certain occasions, with recurrent customers, the Group has received an uninsured personal guarantee. The Group has not experienced difficulties in the past relating to the collection of the Group accounts receivable for sales of this type.

Liquidity risks

Decreases in the liquidity of the real estate market: the Group is engaged in the purchases, transformation and sale of real estate assets with high turnovers. The target inventory turnover is under one year, which requires dynamic asset management. The high quality of the assets, their location and easy access to the mortgage finance market ensures a high degree of flexible, assured coverage of its needs.

Financing of the acquisition of real estate: the acquisition of real estate and renovation and transformation activity is financed by debt, mainly mortgage-backed loans and other bank facilities. As a result, the Group is subject to the risk normally related to debt financing, including the risk that the cash flow from the real estate may be insufficient to repay the financing obtained. The loans obtained by the Group are guaranted by mortgages on the buildings acquired. These operations are mainly carried out at the same time as the purchases of the asset, without bridge loans, and the liability is cancelled as soon as the sale is made, as the price is collected immediately, since, in many cases, the debt is subrogated by the buyer.

Moreover, the Group has excellent access to the bank market for credit facilities, which allow it to fulfill its other financing needs efficiently, flexibly, and especially for the purchases of investment options on assets.

Interest rate risks

Increase in interest rates: external financing is contracted at variable interest rates. At their current level and forecast on the variations that could arise in reference rates, and considering the foreseeable evolution of debt, the estimate is that the variations that could arise as a result of the evolution of this market will have a moderate effect on net results, and, accordingly, no derivative instruments are used to manage interest rate risk.

Exchange rate risk

The Group carries out its activity in the Euro zone, except for the UK. In this market direct access to local mortgage-backed financing allows for a natural hedge of exchange rate risk through the value of the asset. Exchange rate exposure is limited to the amount contributed by the parent company to the British subsidiary. The Company does not contract hedges for this risk given the small amount involved in relation to the consolidated figures.

3.2. Fair value estimation

The nominal value of trade receivables (deducted impairment losses) and payables does not differ significantly from their fair value, being their expiration date in the short term.

The fair value of financial liabilities is estimated discounting the cash flows contractually agreed at the market interest rate available for similar financial instruments.

(in thousand euros)

4. Accounting estimates and judgements

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

The estimates made by Group management are as follows:

Inventories: the recoverable amount of inventories has been calculated on an individual basis with reference to their net realisable value (estimated selling price in the ordinary course of business less estimated selling costs). The market prices are analysed for buildings in each location as well as the main costs of sale, which are basically commissions agreed for each estate.

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

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

Property, plant and equipment: The useful lives of fixed assets are calculated using the estimate of the period in which the assets will generate profit for the Group. These useful lives are reviewed at the year end, and, if expectations differ from pevious estimates, the changes are booked as a change in accounting estimates.

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.

5. Segment information

5.1. Primary format of presentation segment reporting: business segments

At 31 December 2006, the Group is organised European-wide into three main business segments.

(i) Residential refurbishment
(ii) Office transformation
(iii) Land transformation

The main accounts for the year ended 31 December 2005 are:

Account	Residential refurbishment	Office transformation	Land transformation	Not assigned	Total Consolidation
Revenue (Note 19.1)	171,065	103,140	46,638	-	320,843
- External	171,065	103,140	46,638	-	320,843
- Other segments	-	-	-	-	-
Purchase costs and changes in inventories	(140,804)	(79,265)	(22,623)	-	(242,692)
Gross margin	30,261	23,875	24,015	-	78,151
Total assets	134,066	84,063	160,981	15,180	394,290
Total liabilities	113,419	69,201	104,296	22,380	309,296

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

Account	Residential refurbishment	Office transformation	Land transformation	Not assigned	Total Consolidation
Revenue (Note 19.1)	306,427	203,959	79,649	-	590,035
- External	306,427	203,959	79,649	-	590,035
- Other segments	-	-	-	-	-
Purchase costs and changes in inventories	(259,812)	(150,243)	(58,620)	-	(468,675)
Gross margin	46,615	53,716	21,029	-	121,360
Total assets	219,405	282,502	375,195	12,198	889,300
Total liabilities	155,859	180,779	282,774	65,989	685,401

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

5.2. Secondary format of presentation segment information: geographic segments

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

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

REVENEUE	2006	2005
Domestic	377,789	296,769
Foreign	212,246	24,074
	590,035	320,843

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

ASSETS	2006	2005
Domestic	757,212	305,094
Foreign	132,088	89,196
	889,300	394,290

Total assets are assigned on the basis of the location of the assets.

Breakdown of revenue by segment of activity and geography:

	2006		2005	
	Domestic	Foreign	Domestic	Foreign
Residential refurbishment	114,864	191,563	146,991	24,074
Office transformation	183,276	20,683	103,140	-
Land transformation	79,649	-	46,638	-
	377,789	212,246	296,769	24,074

(in thousand euros)

6. Property, plant and equipment

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

	Land and buildings	Other plant, tools and furniture	Other fixed assets	Total
At 1 January 2005				
Cost	51	709	391	1,151
Accumulated depreciation	(5)	(122)	(183)	(310)
Net book value	46	587	208	841
Year ended 31 December 2005				
Opening net book value	46	587	208	841
Additions	-	218	143	361
Depreciation charges	(1)	(85)	(89)	(175)
Closing net book value	45	720	262	1,027
At 31 December 2005				
Cost	51	927	534	1,512
Accumulated depreciation	(6)	(207)	(272)	(485)
Net book value	45	720	262	1,027
Year ended 31 December 2006				
Opening net book value	45	720	262	1,027
Additions	-	290	138	428
Disposals	(33)	(4)	(5)	(42)
Depreciation charge	(1)	(109)	(105)	(215)
Closing Net book value	11	897	290	1,198
At 31 December 2006				
Cost	13	1,209	660	1,882
Accumulated depreciation	(2)	(312)	(370)	(684)
Net book value	11	897	290	1,198

The book value of tangible assets fully depreciated totals euros 229 thousand and euros 64 thousand at 31 December 2006 and 2005, respectively.

Assets located outside Spain total euros 92 thousand and euros 74 thousand at 31 December 2006 and 2005, respectively.

The Group holds proper title to all the assets carried in its books, which are free of liens, charges and mortgages, and, which are, therefore, freely available.

7. Intangible assets

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

	Total Computer Software
At 1 January 2005	
Cost	50
Accumulated amortisation	(17)
Net book value	33
Year ended 31 December 2005	
Additions	114
Amortisation charge	(16)
At 31 December 2005	131
Cost	164
Accumulated amortisation	(33)
Net book value	131

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	Total Computer Software
Year ended 31 December 2006	
Additions	166
Disposals	(74)
Amortisation charge	(41)
At 31 December 2006	**182**
Cost	256
Accumulated depreciation	(74)
Net book value	182

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 2005	246	-	246
Participation in equity	-	290	290
Participation in results	231	(272)	(41)
At 31 December 2005	477	18	495
Participation in equity	-	88	88
Participation in results	(76)	3,747	3,671
At 31 December 2006	401	3,853	4,254

The increase in participation in results of Mixta África, S.A. is basically due to the capital increase with share premium that this company performed during the year, after deducting its loss for the year.

The shareholdings of the Group in these non-listed companies are as follows:

Name	Country of incorporation	% Shareholding	Assets	Liabilities	Operating Income	Profit (Loss)
2005						
Masella Oeste, S.L.	Spain	40%	1,953	757	6,069	578
Mixta Africa, S.A.	Spain	48%	3,653	3,600	-	(547)
Mixta Africa Maroc, S.A.R.L.	Morocco	(1)	3,222	2,969	-	(20)
2006						
Masella Oeste, S.L.	Spain	40%	1,419	416	-	(193)
Mixta Africa, S.A.	Spain	31.28%	32,219	12,284	338	(2,179)
Mixta Africa Maroc, S.A.R.L.	Morocco	(1)	35,033	35,088		(1,216)

(1) Fully owned by Mixta África, S.A.

(in thousand euros)

The Group has not carried out any transactions with Masella Oeste, S.L. during the years 2005 and 2006. The volume of transactions with Mixta África, S.A and Mixta África Maroc, S.A.R.L. in 2005 and 2006 is as follows:

	Mixta África, S.A		Mixta África Maroc, S.A.R.L.		Total	
	2006	2005	2006	2005	2006	2005
Rendering of services	242	434	-	-	242	434
Financial income	99	-	-	7	99	7

The balances at the 2005 and 2006 year end arising from loans are as follows:

	Masella Oeste, S.L		Mixta África, S.A		Mixta África Maroc, S.A.R.L.	
	2006	2005	2006	2005	2006	2005
Loans granted (note 9)	-	-	95	1,797	-	-

On 31 May 2005 a credit facility agreement was entered into by virtue of which Renta Corporación Real Estate, S.A. undertakes to provide Mixta África, S.A. a loan up to euros 3,000 thousand. The initial term of the agreement was one year, extendible for new terms of one year each. The interest rate is set at Euribor at 3 months plus 0.75%. In 2006 the entire amount drawn down was cancelled, and the interest accrued is pending payment.

9. Trade and other receivables

	2006	2005
Trade debtors for sales and services	87,285	41,881
Loans to associates (note 8)	95	1,797
Other accounts receivable	27,031	5,887
Deposits - short term	400	474
Public Administration tax receivables	48,725	14,208
Total short-term receivable	163,536	64,247
Deposits- long-term	173	142
Other long-term investments	927	-
Long-term prepayments	70	245
Total long-term receivables	1,170	387

-

Trade debtors for sales and services mainly includes sales made during the last period of the year. The increase in this amount is due to the increase in the size of operations in 2006 against last year. These sales are duly guaranteed.

Other accounts receivable basically carries provisions for taxes, notaries and solicitors.

Long-term prepayments includes the transfer rights on operating rental contracts to be deferred over the term of the rental contract.

The increase in Public Administrations tax receivables against last year is mainly due to the VAT available for offset in future years and refundable VAT for operations. In 2006 the VAT for last year totalling euros 9,818 thousand has been refunded.

The movement in deposits is as follows:

	Non-current	Current	Total
Opening balance at 1 January 2005	**77**	**403**	**480**
Increases	84	593	677
Decreases	(19)	(522)	(541)
Closing balance at 31 December 2005	**142**	**474**	**616**
Increases	86	471	557
Decreases	(55)	(545)	(600)
Closing balance at 31 December 2006	**173**	**400**	**573**

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The breakdown of VAT and other tax receivables is as follows:

	2006	2005
VAT receivables	47,199	13,772
Public Treasury taxes	758	1
Tax credit for tax loss carryforwards	768	435
	48,725	14,208

The tax credit for tax loss carryforwards to be offset relate to 30% of the losses incurred by the subsidiary Renta Properties (UK), Limited, which the Group expects to be able to offset with the profit of future years.

There is no credit risk concentration in the debtor accounts for sales and services, given that the Group collects in cash on almost all its operations when the public deed is executed. Notwithstanding the above, during the year losses for bad debts of euros 80 thousand have been recorded (2005: euros 99 thousand).

10. Inventories

	2006	2005
Land and plots	320,927	106,805
Building acquired for refurbishment and construction	380,687	198,745
Works in progress	844	1,343
Purchase options	7,756	16,680
Provisions	(20)	(39)
	710,194	323,534

The increase in inventories in 2006 against last year reflects the high level of investment of the Group, the result of its growth, basically, boosted by the larger dimension of the operations.

The cost of inventories recognised as expense and included in purchase costs and changes in inventories at 31 December 2005 and 2006 totals euros 242,692 thousand and euros 468,675 thousand, respectively. (Note 20)

Inventories at 31 December 2005 and 2006 includes interest capitalised in the amount of:

	2006	2005
Interest capitalised	6,306	3,190

Inventories at 31 December 2005 and 2006 include buildings and land under mortgage-backed loans carried under Borrowings (in current liabilities) totalling:

	2006	2005
Inventories under mortgage-backed loans	492,537	231,163
Mortgage-backed loans (See Note 17)	316,732	163,280

The options carried at 31 December 2006 relate to operations that will be undertaken from 2007 to 2009. The premiums on the purchase options at 31 December 2006 maturing 2008 and 2009 total euros 2,107 thousand and euros 200 thousand, respectively. The amount of the underlying asset optioned totals euros 385,465 thousand, euros 120,647 of which mature initially in 2008 and euros 6,306 thousand in 2009.

The purpose of the purchase options is the acquisition of buildings that will become part of the Group's activity.

The loss on impairment of inventories stated in the profit and loss account for the year ended 31 December 2006 total euros 19 thousand.

On 1 December 2005 Renta Corporación Real Estate ON, S.A.U. and the city council of Barcelona signed a protocol for the urban development of the area of the former factory of Coats Fabra, located in Sant Andreu and the surrounding area.

In the protocol the parties agreed that the Group will bear the expenses related with the urbanisation and restructuring of the buildings located in the area of Coats Fabra. The Group will also have to pay an amount of euros 4,178 thousand when the resubdivision is carried out.

(in thousand euros)

In the first phase, in December 2005 the Group exchanged part of the land of the factory with other properties owned by the city council of Barcelona.

In the second phase, on 27 December 2006, Renta Corporación Real Estate ON, S.A.U. transferred its buildings to the city council of Barcelona in exchange for other buildings and building rights, subject to final zoning approval.

Finally, the Company sold a building with a surface area of 3,592 square meters and 14,368 square meters of building surface area.

The income statement also includes the income from inventories (buildings) leased to third parties provisionally until they can be sold. The leases total euros 4,967 thousand (2005: euros 2,535 thousand). (Note 19.2)

11. Cash and cash equivalents

	2006	2005
Cash and banks	6,071	3,180

The balance at 31 December 2005 and 2006 is entirely made up of cash at hand and deposits in current accounts in banks.

12. Share capital

	Capital (Note 12.2)	Treasury shares (Note 12.3)	Share premium reserve (Nota 12.5)	Total
At 1 January 2005	8,381	(57)	13,140	21,464
Balance at 31 December 2005	21,949	(94)	(428)	21,427
Balance at 31 December 2006	25,029	(2,759)	80,419	102,689

12.1. Movement in the number of shares

The movement in the number of shares has been as follows:

	Number of ordinary shares
At 1 January 2005	1,995,391
Split of number of shares	19,953,910
At 31 December 2005	21,949,301
Increase in capital through cash contribution	2,000,000
Increase in capital through cash contribution (green-shoe)	1,080,000
Balance at 31 December 2006	25,029,301

All shares are fully subscribed and paid and enjoy the same rights.

The par value of each share in 2005 and 2006 has been as follows:

From	To	Par value (euros)
1-1-04	22-04-05	4.20
22-04-05	31-12-05	1.00
31-12-05	31-12-06	1.00

(in thousand euros)

12.2. Movement in share capital

	Ordinary shares Par value	Treasury shares Par value	Total
At 1 January 2005	8,371	10	8,381
Increase in share capital against the share premium reserve	13,552	16	13,568
Acquisitions (Note 12.3)	(21)	21	-
Sales (Note 12.3)	18	(18)	-
Balance at 31 December 2005	21,920	29	21,949
Increase in capital	3,080	-	3,080
Acquisitions (Note 12.3)	(141)	141	-
Sales (Note 12.3)	68	(68)	-
Balance at 31 December 2006	24,927	102	25,029

On 22 April 2005 the Extraordinary General Meeting of Shareholders agreed to increase the share capital of the Company by raising the par value of the shares by euros 6.80 each, charged against the share premium reserve, and maintaining the same number of shares, so that the share capital after the increase came to euros 21,949 thousand, with the number of shares in circulation totalling 1,995,391, with a par value of euros 11 each.

After the above-mentioned capital increase was adopted, and on the same day, it was agreed to split the number of shares by decreasing the par value to Euro 1, in order to obtain a larger number of shares. The share capital and net equity remain unchanged, and the only thing that has increased is the number of shares in circulation. Thus, 11 new shares for each old share were issued, and share capital was set at euros 21,949 thousand while the number of shares in circulation was set at 21,949,301 with a par value of Euro 1 each.

On 9 February 2006, the Extraordinary General Meeting of Shareholders adopted a resolution to trade all the Company's shares on the Barcelona and Madrid Stock Exchanges. It was also agreed to make an Initial Public Offering of shares at the same time as the Public Offering of Sale.

On 9 March 2006 the Board of Directors adopted the following resolution:

- To increase capital by euros 2,000 thousand through the issuing of 2,000,000 new ordinary shares with a par value of euros 1 each and waive the right to preferential subscription on the part of the former shareholders. This increase was carried out with a share premium of euros 28 per share, and, accordingly, a share premium of euros 56,000 thousand was generated. All the shares were fully subscribed and paid..

- And to increase share capital by euros 1,080 thousand through the issuing of 1,080,000 new ordinary shares with a par value of Euro 1 each, allocated to use, as the case may be, in exercising the subscription option (Green-shoe) that is given to global initial public offer coordinating entities. This increase took place on 7 April 2006, with a share premium of euros 28 per share, generating a share premium of euros 30,240 thousand. All the shares were fully subscribed and paid.

Trading of Company shares on the stock exchanges began on 5 April 2006.

12.3. Operation with treasury shares and purchase options

	Treasury shares	Total
At 1 January 2005	(57)	(57)
Balance at 31 December 2005	(94)	(94)
Balance at 31 December 2006	(2,759)	(2,759)

(in thousand euros)

The movement in treasury shares during 2005 and 2006 has been as follows:

	Number	Par value	Average adquisition / sale price	Cost	Total
Balance at 01.01.05	2,304	(10)	-	(57)	(57)
Acquisitions	1,926	(21)	0.0489	(94)	(94)
Balance before the capital increase by increasing the par value of the shares charged to the share premium reserve	4,230	(31)	-	(151)	(151)
Balance after the capital increase by increasing the par value of the shares charged to the share premium reserve	4,230	(47)	-	(151)	(151)
Balance after the split of the par value of the shares	46,530	(47)	-	(151)	(151)
Sales	(17,560)	18	0.00325	57	57
Balance at 31.12.05	28,970	(29)	-	(94)	(94)
Acquisitions	141,008	(141)	26.89	(3,792)	(3,792)
Sales	(67,504)	68	16.69	1,127	1,127
Balance at 31.12.06	102,474	(102)	-	(2,759)	(2,759)

The Board of Directors of the Company on 14 June 2006 adopted a specific treasury share repurchase plan to meet the needs arising from the employee and executive incentive plan and hand over shares to the directors. This plan is designed to motivate and foster permanence of its beneficiaries in the Group and grant employees the status of shareholders in the Company.

In addition to the share repurchase program the Board adopted a resolution to acquire of treasury shares up to a maximum overall limit of 5% of share capital in order to contribute to the liquidity of its shares in the market.

12.4. Rules on the transfer of shares

Article 13 of the Articles of Association now in force does not lay down any restrictions on the free transfer of shares, although there are two para-social 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.

12.5. Share premium reserve

	Capital Increase expenses	Share premium reserve	Total
At 1 January 2005	(911)	14,051	13,140
Capital increase charged against the share premium reserve	-	(13,568)	(13,568)
Balance at 31 December 2005	(911)	483	(428)
Increase in capital with share premium	(5,393)	86,240	80,847
Balance at 31 December 2006	(6,304)	86,723	80,419

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

As indicated in Note 12.2, share capital has been increased as a result of the increase of the par value of the shares in 2006 against the share premium reserve.

(in thousand euros)

12.6 . Main shareholders

The Company's main shareholders at 31 December 2006 holding more than 5% direct or indirect control are as follows:

Name	Number of shares		
	Direct	Indirect	Total
Mr. Luis Rodolfo Hernández de Cabanyes	1.077%	34.411%	35.488%
Fundación Renta Corporación	5.010%	-	5.010%

13. Cumulative translation adjustment

The differences in this account are mainly due to the shareholding in Renta Properties UK, Ltd. The movement in 2006 has been as follows:

	Translation
31 December 2005	(7)
Translation adjustments:	
– Group	(22)
– Associates	-
31 December 2006	(29)

14. Retained earnings and other reserves

	Legal reserve	Other reserves of the parent company	Reserves in fully consolidated companies	Reserves in companies consolidated by the equity method	Retained earnings	Total Retained earnings and other reserves
Balance at 1January 2005	**1,618**	**13,333**	**(1,596)**	**47**	**19,949**	**33,351**
Distribution of 2004 Income	59	(1,007)	20,813	84	(19,949)	-
Dividends	-	4,313	(7,300)	-	-	(2,987)
Profit from treasury shares	-	104	-	-	-	104
Income for the year	-	-	-	-	32,502	32,502
Balance at 31 December 2005	**1,677**	**16,743**	**11,917**	**131**	**32,502**	**62,970**
Distribution 2005 income	1,299	(4,173)	35,417	(41)	(32,502)	-
Dividends	-	(3,086)	(7,000)	-	-	(10,086)
Profit from treasury shares	-	662	-	-	-	662
Share Plan Reserve Allowance	-	359	-	-	-	359
Variation in shareholding in associates	-	(262)	-	95	-	(167)
Income for the year	-	-	-	-	47,501	47,501
Balance at 31 December 2006	**2,976**	**10,243**	**40,334**	**185**	**47,501**	**101,239**

14.1. Movements in reserves and retained earnings during 2005

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 59 thousand of 2004 profit to it until it reached 20% of share capital.

Other reserves of the parent company

The reserves of the parent company have been increased as a result of the receipt of dividends from its subsidiaries totalling euros 7,300 thousand, and have decreased as a result of the distribution of a dividend of euros 2,987 thousand, adopted by the General Meeting of Shareholders of 3 March 2005 and proposed by the Board of Directors of 4 February 2005. In accordance with current legislation in Spain, the parent Company has a treasury shares reserve totalling euros 94 thousand.

(in thousand euros)

During the year treasury shares have been sold from which a profit of euros 104 thousand has been generated, which has increased the reserves of the parent Company by this amount.

Reserves in fully consolidated companies

The movement in Reserves in fully consolidated companies in 2005 has been as follows:

	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.	Groupe Immobilier Renta Corporación, S.A.S.U.	Renta Corporación Real Estate Finance, S.L.U.	Renta Properties (UK) Limited	Total
Balance at 1.01.2005	(143)	(2,031)	107	(182)	653	-	(1,596)
Inclusion of 2004 results	4,599	288	989	556	14,394	(13)	20,813
Reclassification of 2005 dividends	(3,000)	(2,800)	(1,500)	-	-	-	(7,300)
Saldo al 31.12.2005	1,456	(4,543)	(404)	374	15,047	(13)	11,917

Reserves in companies consolidated by the equity accounting

The movement in Reserves in companies consolidated by equity accounting in 2005 has been as follows:

	Masella Oeste, S.L.	Total
Balance at 01.01.2005	47	47
Inclusion of 2004 results	84	84
Balance at 31.12.2005	131	131

14.2. Movement in retained earnings and reserves in 2006

Legal reserve

Due to the fact that the legal reserve as per article 214 of the Spanish Companies Act was not fully constituted, the parent Company allocated euros 1,299 thousand of 2005 profit to this reserve.

Other reserves of the parent company

The reserves of the parent company have been increased as a result of the receipt of dividends from its subsidiaries totalling euros 7,000 thousand, and have decreased as a result of the distribution of an extraordinary dividend charged against reserves of euros 10.086 thousand, adopted by the Extraordinary General Meeting of Shareholders of 9 February 2006, which had been proposedby the Board of Directors on 27 December 2005. In accordance with current legislation in Spain, the parent Company has a treasury shares reserve totalling euros 2,759 thousand.

The parent company has sold treasury shares for a profit amounting to euros 662 thousand, increasing its reserves in the same amount.

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Reserves in fully consolidated companies

The movement in Reserves in fully consolidated companies in 2006 has been as follows:

	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.	Groupe Immobilier Renta Corporación, S.A.S.U.	Renta Corporación Real Estate Finance, S.L.U.	Renta Properties (UK) Limited	Total
Balance at 31.12.2005	1,456	(4,543)	(404)	374	15,047	(13)	11,917
Inclusion of 2005 results	7,049	12,329	12,054	718	3,756	(491)	35,417
Reclassification of dividends for the year 2006	(5,000)	(2,000)	-	-	-	-	(7,000)
Balance at 31.12.2006	3,505	5,786	11,650	1,092	18,803	(504)	40,334

Reserves in companies consolidated by the equity method

The movement in Reserves in companies consolidated by equity accounting in 2006 has been as follows:

	Masella Oeste, S.L.	Mixta Africa, S.A.	Total
Balance at 31.12.2005	131	-	131
Inclusion of 2005 results	231	(272)	(41)
Decrease in shareholdings	-	95	95
Balance at 31.12.2006	362	(177)	185

14.3. Legal reserve

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

14.4. Other reserves of the parent company

Under Spanish legislation, the Company must set up a treasury shares reserve in an amount equal to the amount paid for the acquisition of the treasury shares. The remainder is allocated to voluntary reserves, which are freely available for distribution.

14.5. Reserves in fully consolidated companies

Includes restricted reserves (as they are legal reserves) for 2005 and 2006 as follows:

Renta Corporación Real Estate R.A., S.A.U.	100
Renta Corporación Real Estate G.O., S.L.U.	37
Renta Corporación Real Estate O.N., S.A.U.	24
Groupe Immobilier Renta Corporación, S.A.S.U.	4
Renta Corporación Real Estate Finance, S.L.U.	1
Renta Properties UK, Ltd.	-
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The individual reserves of each company, as well as results for the year, are freely distributable, due to the fact that there are no restrictions on their distribution.

14.6. Reserves in companies consolidated by the equity method

Includes restricted legal reserves totalling euros 38 thousand in 2005 and euros 58 thousand in 2006.

(in thousand euros)

14.7. Profit for the year

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

	2006		2005	
Company	**Consolidated income**	**Income attributed to minority interests**	**Consolidated income**	**Income attributed to minority interests**
Renta Corporación Real Estate, S.A.	2,324	-	(2,872)	-
Renta Corporación Real Estate R.A., S.A.U.	4,895	-	7,049	-
Renta Corporación Real Estate G.O., S.L.U.	19,628	-	12,329	-
Renta Corporación Real Estate O.N., S.A.U.	3,727	-	12,054	-
Groupe Immobilier Renta Corporación, S.A.S.U	10,358	-	718	-
Renta Corporación Real Estate Finance, S.L.U.	462	-	3,756	134
Renta Properties (UK), Limited	(94)	-	(491)	-
Masella Oeste, S.L.	(77)	-	231	-
Renta Corporación Luxembourg, S.á.r.l	3,550	-	-	-
RC Real Estate Deutschland GmbH	105	-	-	-
Mixta África, S.A.	2,623	-	(272)	-
	47,501	**-**	**32,502**	**134**

The proposed distribution of 2006 results and other reserves of the parent Company to be presented to the General Meeting of Shareholders, as well as the adopted distribution for 2005 is as follows:

	2006	**2005**
Basis of distribution		
Income for the year	17,054	12,995
Distribution		
Legal reserve	1,706	1,300
Voluntary reserves	1,098	1,609
Dividends	14,250	10,086
	17,054	**12,995**

15. Minority interests

	Renta Corporación Real Estate Finance, S.L.U.
1 January 2005	470
Share in income	134
31 December 2005	604
Acquisition of minority interests	(604)
31 December 2006	-

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16. Trade and other payables

	2006		2005	
	Current	**Non-current**	**Current**	**Non-current**
Trade creditors	127,438	-	58,916	-
Amounts owing to related parties (note 33)	172	-	629	-
Outstanding remuneration	1,799	-	819	-
Other payables	186	-	527	27
Deferred income	-	-	6,000	-
Deposits received from customers	20,671	-	11,362	-
Social Security and other taxes	7,451	-	2,965	-
	157,717	**-**	**81,218**	**27**

For the year ending 31 December 2005, current deferred income includes the income deferred for a sale that accrued in 2006.

Other payables for the year 2006 includes short-term deposits and guarantee deposits received.

17. Borrowings

	2006	2005
Current		
Loans/credit facilities with financial institutions	188,805	51,118
Mortgage-backed loans	316,732	163,280
Amounts owing to third parties	-	700
Interest debt	1,776	1,031
Total borrowings	**507,313**	**216,129**

Although the maturity of certain financial payables is not current, they are classified as current, as is the asset financed, since they offset each other when the asset is sold.

The movement in borrowings during 2005 and 2006 have been as follows:

	Loans from finantial institutions	mortgage Backed loans	Amounts owing to third parties	Interest debt	Total
At 1 January 2005	18,474	159,356	660	430	178,920
Financing	261,830	146,667	700	-	409,197
Cancellation of financing	(229,186)	(142,743)	(660)	-	(372,589)
Interest charged	-	-	-	7,501	7,501
Interest paid	-	-	-	(6,900)	(6,900)
Balance at 31 December 2005	51,118	163,280	700	1,031	216,129
Financing	409,709	435,868	-	-	845,577
Cancellation of financing	(272,022)	(282,416)	(700)	-	(555,138)
Interest charged	-	-	-	5,278	5,278
Interest paid	-	-	-	(4,533)	(4,533)
Balance at 31 December 2006	188,805	316,732	-	1,776	507,313

The Group has credit facilities with the following amounts drawn and not drawn down and maximum credit limits at 31 December 2005 and 2006.

2006		2005	
Amount drawn down	**Maximum credit limit**	**Amount drawn down**	**Maximum credit limit**
188,805	273,122	51,118	75,207

(in thousand euros)

Mortgage-backed loans are guaranteed by buildings owned by different Group companies and carried under inventories (Note 10).

The average interest rate obtained during 2005 was 3% p.a., while in 2006 the average interest rate has been 3.7 %p.a.

Borrowings, at 31 December 2005 included the amounts received from Shonan Investments, S.L. totalling euros 700 thousand. This loan was fully cancelled and repaid at the beginning of 2006.

Interest accrued and not settled at the year 2005 and 2006 end totals euros 1,031 thousand and euros 1,776 thousand, respectively.

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

	2006	2005
euros	502,601	203,582
Pounds Sterling	4,712	12,547
	507,313	216,129

18. Deferred income tax

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

	2006	2005
Opening balance	195	3,378
Charge to income	1,225	(3,183)
Closing balance	1,420	195

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

Deferred tax assets	Prepaid expenses for sales commissions	Prepaid expenses generated from amortisations	Deferral of income	Others	Total
At 1 January 2005	202	196	2,975	5	3,378
(Charge) / credit to income	(202)	(17)	(2,975)	11	(3,183)
At 31 December 2005	-	179	-	16	195
(Charge) / credit to income	(5)	(154)	1,204	180	1,225
At 31 December 2006	(5)	25	1,204	196	1,420

The gross movement in the deferred tax liability account has been as follows:

	2006	2005
Opening balance	-	-
Charge to income (Note 26)	1,124	-
Closing balance	1,124	-

There are no significant unrecognised deferred tax assets or liabilities.

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19. Revenue and other income

19.1. Revenue

The breakdown of revenue is as follows:

	2006	2005
Sales (Note 5)	590,035	320,843
Revenue	590,035	320,843

19.2. Other income

The breakdown of other income is as follows:

	2006	2005
Income from operating leases (Note 10)	4,967	2,535
Other income	1,205	723
Total other income	6,172	3,258

20. Purchase costs and changes in inventories

The breakdown of this account is as follows:

	2006	2005
Purchases of buildings and refurbishment costs	864,251	330,577
Variation in inventories of buildings	(395,557)	(87,635)
Variation in provision for inventories	(19)	(250)
Total consumption of goods sold (Note 10)	468,675	242,692

21. Amortisation, depreciation and impairment for losses

The breakdown is as follows:

	2006	2005
Depreciation of property, plant and equipment	215	175
Amortisation of intangible assets	41	16
Loss on uncollectible loans	80	99
	336	290

22. Other operating expenses and local taxes

22.1. Other operating expenses

The breakdown of this account is as follows:

	2006	2005
Leases	683	585
Repairs and maintenance	335	210
Professional and brokering services	8,188	6,979
Insurance premiums	796	330
Banking services	1,111	645
Publicity, advertising and public relations	4,024	2,664
Supplies	570	409
Other services	4,759	1,703
	20,466	13,525

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

Other services mainly includes unexercised purchase options.

22.2. Local taxes

Local taxes basically include special local taxes and non-refundable Value-Added Tax.

23. Employee benefit expense

The breakdown of employee benefit expense is as follows:

	2006	2005
Wages, salaries and severance payments (2005: euros 40 thousand and 2006 euros 49 thousand)	13,268	7,964
Social Security expenses	1,311	976
Other social expenses	214	159
Defined contribution plan	29	26
Share-based payment (note 34)	359	-
	15,181	9,125

24. Operating leases

The minimum future payables for irrevocable operating leases are as follows:

	2006	2005
Less than 1 year	683	392
Between 1 and 5 years	1,165	562
More than 5 years	-	-
	1,848	954

The expense recognised in the profit and loss account for the year relating to operating leases totals euros 651 thousand (2005: euros 577 thousand).

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

Group Company	Asset leased	Location	Expiry of rental agreement	Monthly rental payment (thousand euros)
Renta Corporación Real Estate , S.A.	Head Office	Barcelona	01/09/2007	2
Renta Corporación Real Estate , S.A.	Head Office	Barcelona	01/01/2008	2
Renta Corporación Real Estate , S.A.	Head Office	Barcelona	20/01/2008	3
Renta Corporación Real Estate , S.A.	Head Office	Barcelona	01/01/2008	3
Renta Corporación Real Estate , S.A.	Head Office	Barcelona	01/03/2008	8
Renta Corporación Real Estate , S.A.	Head Office	Barcelona	01/03/2008	7
Renta Corporación Real Estate , S.A.	Head Office	Barcelona	14/12/2011	12
Renta Corporación Real Estate , S.A.	Branch	Madrid	31/08/2008	5
Renta Corporación Real Estate , S.A.	Branch	Palma	05/10/2011	1
Renta Corporación Real Estate , S.A.	Branch	Malaga	30/09/2010	1
Renta Corporación Real Estate , S.A.	Branch	Sevilla	01/08/2007	1
Groupe Immobilier Renta Antigua, S.A.S.U.	Branch	Paris	28/02/2011	6
Renta Properties (UK), Limited	Branch	London	27/01/2010	4
RC Real Estate Deutschland GmbH	Branch	Berlin	12/12/2009	3

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25. Financial expense

The breakdown of Net financial expense is as follows:

	2006	2005
Interest expense:		
- Bank loans	(11,245)	(5,101)
- Other	-	-
	(11,245)	**(5,101)**
Interest income:		
- Other	1,215	80
- Loans to related parties (Note 33)	1	114
	1,216	**194**
- Other financial income	**262**	**-**
Net financial expense	**(9,767)**	**(4,907)**

In the cash flow statement, interest paid includes:

	2006	2005
Interest on bank loans	11,246	5,101
Provision for interest accrued and not paid at the beginning of the year	1,031	430
Provision for interest accrued and not paid at the end of the year	(1,776)	(1,031)
Interest capitalised in inventories	6,306	3,190
	16,807	7,690

In the cash flow statement, interest received includes:

	2006	2005
Interest income	1,216	194
Provision for interest accrued and not collected at the beginning of the year	6	211
Provision for interest accrued and not collected at the end of the year	(95)	(6)
	1,127	399

26. Income tax

The income tax for the year is broken down as follows:

	2006	2005
Current tax	23,519	12,922
Deferred tax	(102)	3,183
	23,417	16,105

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

	2006	2005
Consolidated profit before income tax	70,918	48,741
Theoretical tax rate	35%	35%
Theoretical tax expense	24,821	17,059
Non-deductible expenses	39	(23)
Differences for using different tax rates	(1,328)	(822)
Deductions	(115)	(109)
Income tax for the year	23,417	16,105

(in thousand euros)

The current tax charge is made up as follows:

	2006	2005
Current tax of companies taxed under the consolidation tax regime	14,960	12,453
Current tax of Renta Corporación Real Estate Finance, S.L.U.	249	739
Current tax of Groupe Immobilier Renta Corporacion, S.A.S.U.	5,661	165
RC Real Estate Deutschland GmbH	78	-
Current tax of Renta Properties (UK) Ltd	(333)	(435)
Other movements	2,904	-
	23,519	12,922

The current tax liability is broken down as follows:

	2006	2005
Charge for current tax	23,519	12,922
Withholding and payments on account of corporate income tax of companies taxed under the consolidation tax regime	(5,949)	(625)
Withholding and payments on account of corporate income tax of Renta Corporación Real Estate Finance, S.L.U.	(249)	(645)
Withholding and payments on account of corporate income tax of Groupe Immobilier Renta Corporacion, S.A.S.U	(163)	(165)
Tax credit for tax loss carryforwards	333	435
Other movements	(2,904)	-
	14,587	11,922

In the cash flow statement, taxed paid include:

	2006	2005
Tax accrued	23,519	12,922
Current tax liability at beginning of the year	11,922	6,506
Current tax liability at the year end	(14,587)	(11,922)
	20,854	7,506

26.1. Consolidated taxation

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. and Renta Corporación Real Estate O.N., S.A.U.

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 reconciliation between accounting profit and taxable income for corporate income tax purposes is as follows:

	2006	2005
Consolidated profit	47,501	32,636
Deferred tax	(102)	3,183
Current tax	23,519	12,922
Results before tax	70,918	48,741
Difference in profit between IFRS – local GAAP	(8,250)	(9,109)

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	2006	2005
Elimination of results of companies not belonging to the tax consolidation group		
-Renta Corporación Real Estate Finance, S.L.U.	(711)	(5,141)
-Groupe Immobilier Renta Corporación, S.A.S.U.	(15,969)	(393)
-RC Real Estate Deutschland, GmbH.	(183)	-
-Renta Properties (UK) Limited	63	1,860
-Share in the profits of Masella Oeste, S.L. (equity method)	77	(231)
-Share in the losses of Mixta África, S.A. (equity method)	(3,748)	272
-RC Real Estate Luxembourg, S.a.r.l.	(5,461)	-
Permanent differences for consolidation adjustments	2,286	(396)
Permanent differences for individual companies		
-Non-deductible expenses	7	1
-Donations to Fundación Privada Renta Corporación	288	288
-Other differences	(262)	-
Timing differences for individual companies		
- asset swap	4,015	-
Taxable income	43,070	35,892

The current income tax charge comes to 35% of the taxable income for corporate income tax purposes less the respective deductions:

	2006	2005
Taxable income	43,070	35,892
Tax rate	35%	35%
Tax	15,075	12,562
Professional training deduction	14	8
Deduction for contribution to Fundación Privada Renta Corporación	101	101
Current tax charge	14,960	12,453

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

	2006	2005
Withholding tax	491	100
Payments on account of corporate income tax	5,458	524

At 31 December 2005 and 2006, neither the parent company nor its subsidiaries have outstanding deductions available for offset.

26.2. Renta Corporación Real Estate Finance, S.L.

The Group company Renta Corporación Real Estate Finance, S.L.U. has availed itself of the tax regime for investment entities until FY 2005.

The reconciliation between accounting profit and taxable income is as follows:

	2006	2005
Results of Renta Corporación Real Estate Finance, S.L.U.	462	4,403
Corporate income tax	249	739
Results before tax	711	5,142
Non-tax deductible expenses	-	(307)
Taxable income	711	4,835

The current income tax charge for 2005 and 2006 is as follows:

	2006		2005		
		Total			**Total**
Taxable income	711	**711**	4,779	56	**4,835**
Tax rate	35%	35%	15%	40%	
Tax	249	**249**	717	22	**739**

Renta Corporación Real Estate Finance, S.L.U. has withheld and paid corporate taxes on account as follows:

	2006	2005
Withholding tax	335	-
Payments on account of corporate income tax	129	645

26.3. Other aspects

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

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

27. Net profit / (loss) on exchange

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

	2006	2005
Loss on exchange	470	59
Gains on exchange	(518)	(4)
	(48)	55

28. Earnings per share

28.1. Basic

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the average weighted number of ordinary shares in circulation during the year, excluding treasury shares acquired by the Company (Note 12.3).

	2006	2005
Profit attributable to the Company's shareholders (Thousand euros)	47,501	32,502
Average number of ordinary shares in circulation	24,170,832	21,911,437
Basic earnings per share (€ per share)	1.97	1.48

28.2. Diluted

Diluted earnings per share are calculated by adjusting the average weighted number of ordinary shares in circulation in order to reflect the conversion of all the potential dilusive ordinary shares.

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	2006	2005
Profit attributable to the Company's shareholders (thousand euros)	47,501	32,502
Average weighted number of ordinary shares in circulation	24,170,832	21,911,437
Average weighted number of ordinary shares for the purposes of calculating diluted earnings per share	24,170,832	21,911,437
Diluted earnings per share (€ per share)	1.97	1.48

29. Dividends per share

Dividends paid in 2005 and 2006 are as follows:

	2006	2005
Dividends paid (thousand euros)	10,086	2,987
Dividend per share (€ per share)	0.46	1.5

The Extraordinary General Meeting of Shareholders of 3 March 2005 adopted a resolution to pay an extraordinary dividend against voluntary reserves made up of undistributed profit totalling euros 2,987 thousand, which is a dividend of euros 1.5 per share. At that time there were 1,991,161 shares with the right to receive the dividend.

The General Meeting of Shareholders of 9 February 2006 adopted a resolution to pay out a dividend of euros 0.46 per share for 2005.

On 22 April 2005 the Extraordinary General Meeting of Shareholders agreed to increase the share capital of the Company by raising the par value of the shares by euros 6.80 each, charged against the share premium reserve, and maintaining the same number of shares, so that the share capital after the increase came to euros 21,949 thousand, with the number of shares in circulation totalling 1,995,391, with a par value of euros 11 each. In comparative terms, the dividend per share on the results for the year ended 31 December 2004 paid out in 2005 would amount to euros 0.14 per share.

30. Cash generated from operations

	Note	2006	2005
Profit for the year attributable to the parent company		47,501	32,502
Minority interests		-	134
Consolidated profit for the year		47,501	32,636
Adjustments for:			
– Taxes	26	23,417	16,105
– Depreciation of property, plant and equipment	6	215	175
– Amortisation of intangible assets	7	41	16
– (Profit)/loss on the disposal of property, plant and equipment (see below)		(88)	-
– Interest income	25	(1,216)	(194)
– Interest expense	25	11,246	5,101
- Other financial income	25	(260)	-
– Provision for liabilities and charges	31	4,660	-
- Allowance to share plan	23	359	-
– Participation in the loss / (profit) of associates	8	(3,671)	41
– Cumulative translation adjustment	13	(22)	(7)
Variations in working capital			
– Inventories		(386,660)	(96,316)
– Interest capitalised in inventories		6,306	3,190
– Trade and other accounts receivable		(101,071)	(36,810)
– Prepayments		175	(54)
– Trade and other payables - long-term		(27)	(650)
– Trade and other payables		76,499	51,104
Cash used in operations		(322,596)	(25,663)

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

	2006	2005
Book value (Notes 6 and 7)	116	-
Profit / (loss) on the disposal of property, plant and equipment	88	-
Amount collected from the disposal of property, plant and equipment	204	-

31. 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.

Group Management have decided to set up a provision in 2006 to cover the liability for litigation and other claims, and, as the case may be, the current obligations, contingent liabilities and commitments the Group must face, classified under provisions for liabilities and charges and non-current expenses, in the amount of euros 4,660 thousand.

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

32. Commitments

Because of the Group's activity, the tangible assets balance is not significant, as the buildings it acquires are generally accounted for as inventories.

Given the little relevance of the investments in fixed assets, there are no specific investments in relation to which the governing bodies have made commitments.

At 31 December 2006, the Group is the guarantor to third parties and banks for guarantees amounting to euros 81,796 thousand, and to associates for guarantees up to a maximum amount of euros 180 thousand. These guarantees are basically required to guarantee the deposits received from customers and are carried under Trade and other payables. They are also required to guarantee future payments on purchases with deferred payment.

At 31 December 2006 the parent Company is the guarantor for Group companies for credit facilities totalling a maximum of euros 65,502 thousand. At the same time it has received guarantees from Renta Corporación Real Estate R.A., S.A. for credit facilities totalling a maximum of euros 2,000 thousand.

At 31 December 2006 the parent Company has given personal guarantees to third parties totalling euros 8,951 thousand, mostly to guarantee purchases made through deferred payment.

"Inventories" includes the premiums on the purchase options paid by the Group for the acquisition of real estate. Purchase options at 31 December 2006 and 2005 are broken down in the following table:

(in thousand euros)	2006	2005
Number of purchase options	25	29
Premium on purchase options	7,756	16,680
Investment rights for purchase options	385,465	517,764

During 2006 5 purchase options vested and were not executed at maturity, with an associated loss of euros 2,778 thousand.

At 31 December 2006 there are no relevant third party contracts outside the scope of the Company's business or 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.

(in thousand euros)

33. Related party transactions

33.1. Identification of related companies and parties

33.1.1. 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 Rodolfo Hernández de Cabanyes	Chairman	Executive
Ms. Anna M. Birulés Bertran	Vice-Chairwoman	Executive
Mr. Josep Maria Farré Viader	Chief Executive Officer	Executive
Ms. Esther Elisa Giménez Arribas	Secretary	Executive
Mr. Carlos Solchaga Catalán	Director	External independent
Mr. Juan Gallostra Isern	Director	External independent
Mr. Carlos Tusquets Trías de Bes	Director	External independent
Mr. Pedro Nueno Iniesta	Director	Other external
Ms. Elena Hernández de Cabanyes	Director	Other external
Mr. César A. Gibernau Ausió	Director	Other external

33.1.2. Key Company Directors

The key Company directors are those persons who form part of the management committee, as well as the internal auditor, in accordance with the definition of top management set out in the Unified Code of Good Governance. There are 19 key Company directors, including the four former executive officers.

33.1.3. 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 2006:

Name	Number of shares		
	Direct	Indirect	Total
Mr. Luis Rodolfo Hernández de Cabanyes	1.077%	34.411%	35.488%
Ms. Anna M. Birulés Bertran	1.195%	-	1.195%
Mr. Josep Maria Farré Viader	0.100%	4.098%	4.198%
Ms. Esther Elisa Giménez Arribas	0.004%	3.418%	3.422%
Mr. Carlos Solchaga Catalán	-	-	-
Mr. Juan Gallostra Isern	-	-	-
Mr. Carlos Tusquets Trias de Bes	-	0.400%	0.400%
Mr. Pedro Nueno Iniesta	-	-	-
Ms. Elena Hernández de Cabanyes	1.431%	-	1.431%
Mr. César A. Gibernau Ausió	0.651%	0.120%	0.771%

33.2. Sales of inventories, rendering of services and financial income

	2006	2005
Sale of inventories:		
Companies related by common shareholders		
- Second House Rehabilitación, S.L.U.	2,396	7,589
- Alta Business Serveis, S.L.	360	278
- Alderamin Star, S.L.	5,659	-
	8,415	**7,867**
Key management personnel and directors	959	1,060
Total sale of assets	**9,374**	**8,927**

(in thousand euros)

Additionally, Alderamin Star, S.L. in 2005 paid deposits for the acquisition of flats from the Group in the amount of euros 296 thousand.

	2006	2005
Rendering of services:		
Companies related by common shareholders		
- Second House, S.L.	129	1,851
- Alderamin Star, S.L.	-	255
	129	**2,106**
Key management personnel and directors	-	-
Total rendering of services:	**129**	**2,106**

Services rendered to Second House, S.L. include the reinvoicing of building transformations managed by the Group.

	2006	2005
Financial income:		
Companies related by common shareholders		
- Second House, S.L.	-	56
- Lueco, S.A.	-	53
- Shonan Investments, S.L.	1	5
	1	**114**
Key management personnel and directors	-	-
Total financial income:	**1**	**114**

33.3. Purchases of assets, services received and financial expenses

	2006	2005
Services received:		
Companies related by common shareholders		
- Second House, S.L.	1,174	1,339
- Second House Rehabilitación, S.L.U.	-	315
- Shonan Investments, S.L.	-	410
- Closa Asociados. Correduría de Seguros, S.L.	789	315
- Fundación Privada Renta Corporación (donation)	288	288
- Gibernau & Plana Asociados, S.L.	180	140
- Instituto Internacional de Finanzas, S.L.	-	96
- Lueco, S.A.	2	39
- Near Technologies, S.L.	54	38
- GP Consulting, S.L.	-	14
- GP Laboral, S.C.P.	3	
	2,490	**2,994**
Key management personnel and directors	-	-
Total services received:	**2,490**	**2,994**

On 12 December 2005 the Board of Directors adopted a resolution to formalise the criteria being followed in commercial relations between Renta Corporación Real Estate, S.A. and Second House, S.L. To this purpose, on 28 December 2005 the respective agreement was entered into by these parties, which regulates in detail the commercial relations between the two companies in order to guarantee maximum transparency and the application of market prices to operations undertaken between them.

	2006	2005
Financial expense:		
Key management personnel and directors	-	5
Total financial expenses:	**-**	**5**

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(in thousand euros)

33.4. 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 2006 and 2005:

Description	2006	2005
Attendance at meetings of the Board of Directors / Delegated Committees	489	142

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 top managers totals euros 1 thousand and euros 93 thousand, respectively, in 2006. Furthermore, the total amount of medical insurance premiums paid by the Company for top management and executive directors of the Company total euros 1 thousand.

33.5. Salaries and other contributions of key management and Members of the Board

	2006	2005
Salaries and other contributions to Executive Board Members	2,354	1,916
Salaries and other remuneration to the rest of key directors management	2,910	1,918
	5,264	3,834

Salaries and other contributions to Executive Board Members and to the other executives includes the expense accrued for the share plan (note 34), which totals euros 112 thousand and euros 104 thousand, respectively.

There is a golden parachute clause for a key manager which sets down an additional amount over and above the legal indemnity in the event of involuntary removal from office in the first eight years. This amount is equal to euros 625,000 minus the amount stipulated by law.

33.6. Year end balances arising from sales and purchases of assets and services

	2006	2005
Accounts receivable		
Companies related by common shareholders		
- Second House Rehabilitación, S.L.U.	1,263	-
	1,263	**-**
Key management personnel and directors	12	250
Total accounts receivable	**1,275**	**250**

	2006	2005
Accounts payable		
Companies related by common shareholders		
- Second House, S.L.	78	619
- Near Technologies, S.L.	9	4
- Gibernau & Plana Asociados, S.L.	85	-
- Lueco, S.A.	-	6
	172	**629**
Key management personnel and directors	-	-
Total accounts payable	**172**	**629**

(in thousand euros)

33.7. Loans to related parties

Loans granted to related parties in years prior to 2005, which balances totals euros 79 thousand at 31 December 2005, have been fully cancelled in 2006.

33.8. Shareholdings of the Members of the Board of Directors

In accordance with the provisions of article 127 ter.4 of the Spanish Companies Act, introduced by Law 26/2003 of 17 July, which modified the Stock Exchange Act, Law 24/1988, of 28 July and the Spanish Companies Act, in order to reinforce the transparency of public limited companies, we set out below the companies with the same, analogous or complementary activity as that which constitutes the corporate purpose of the Company in which Members of the Board of Directors hold an interest, including the shareholdings that they hold in group companies and the offices and functions, as the case may be, they hold therein:

Name	Name of company	Shareholding	Office or functions
Mr. Luis Rodolfo Hernández de Cabanyes	SECOND HOUSE, S.L.	6.73% direct 40.77% indirect	-
	FINANTING 2001, S.L.	43.15% direct 20% indirect	Sole Administrator
	AURODOC 75, S.L.	36.13% direct 14.76% indirect	Sole Administrator
	TOGA 20, S.L.	43.15% direct 20% indirect	Sole Administrator
	SDEEGTUTERS, S.L.	43.15% direct 20% indirect	Sole Administrator
	DINOMEN, S.L.	44.44% direct 17.60% indirect	Sole Administrator
	ALDERAMIN STAR, S.L.	100% owned by DINOMEN. S.L. %	Sole Administrator
	MIXTA ÁFRICA, S.A.	2.24% direct 16.78% indirect	Physical representative of the Chairman, which is Fundación Privada Renta Corporación.
Ms. Anna M. Birulés Bertran	SECOND HOUSE, S.L.	1.50%	-
	MIXTA ÁFRICA, S.A.	0.46% indirect	-
Mr. Josep Maria Farré Viader	SECOND HOUSE, S.L.	3.73% direct 1.95% indirect	-
	SHONAN INVESTMENTS, S.L.	74.71%	-
Ms. Esther Elisa Giménez Arribas	SECOND HOUSE, S.L.	4.13%	-
	ANPOL CAPITAL, S.L.	48.387%	Several Administrator
	MIXTA ÁFRICA, S.A.	0.30% direct	Director
Ms. Elena Hernández de Cabanyes	SECOND HOUSE, S.L.	3.66%	Sole Administrator
	SECOND HOUSE REHABILITACION, S.L.U.	-	Sole Administrator
	PROMOTORA DE INDUSTRIAS GRÁFICAS, S.A.	5.00%	-
	MIXTA ÁFRICA, S.A.	1.82% direct	-
Mr. César A. Gibernau Ausió	SECOND HOUSE, S.L.	1.05%	-
	CHARCEBOY, S.L.	10.91%	-
	GP CONSULTING, SL.	18.70% indirect	-
	MIXTA ÁFRICA, S.A.	0.46% indirect	Secretary
Mr. Carlos Tusquets Trias de Bes	LIFE MARINA IBIZA, S.L.	6.54%	-
Mr. Juan Gallostra Isern	GRUPO JG INGENIEROS CONSULTORES DE PROYECTOS, S.A.	5%	Chief Executive Officer

(in thousand euros)

34. Share-based payments

The Company has decided to set up a share plan in 2006 to provide incentives for its beneficiaries to remain in the company and grant its employees the status of shareholders in the Company. It consists in giving them shares over 3 years that accrue annually on the basis of a fixed percentage at 12 and 24 months, and the rest up until the end of the third year. The accrual is generated over these periods. The number of shares was set on 30 June 2006, date of the commencement of the plan, based on the salary conditions of each executive and/or employee, and considering the average weighted quotation in the month of June 2006 of the Company's shares.

The expense accrued at 31 December 2006 totals euros 359 thousand (see note 23).

35. Subsequent events

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

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

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

36. Other information

36.1. Average number of employees of the Group by category

	2006	2005
Managers	5	3
Sales personnel	45	39
Administrative personnel	36	29
Skilled experts	11	7
Legal personnel	6	7
Services personnel	5	3
TOTAL	108	88

36.2. Audit fees

The fees accrued to PricewaterhouseCoopers Auditores, S.L. for current auditing services for al the Group companies for the years ended 31 December 2005 and 2006 total euros 191 and euros 181 thousand, respectively.

37. 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.

APPENDIX I

Subsidiaries included in the consolidation

Registered name	Registered office	Shareholding		Company holding title	Consolidated method	Activity	Auditor
		Cost in € thousands	% over face value				
Renta Corporación Real Estate R.A., S.A.U.	Avda. Diagonal 449, Barcelona (Spain)	1,346	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(1)	PwC
Renta Corporación Real Estate G.O., S.L.U.	Avda. Diagonal 449, Barcelona (Spain)	183	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(2)	PwC
Renta Corporación Real Estate Finance, S.L.U.	Avda. Diagonal 449, Barcelona (Spain)	607	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(4)	PwC
Renta Corporación Real Estate O.N., S.A.U.	Avda. Diagonal 449, Barcelona (Spain)	546	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(3)	PwC
Groupe Immobilier Renta Corporación, S.A.S.U.	26, Rue de Trémoille Paris (France)	38	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(1)	PwC
Renta Properties (UK), Limited	74 Grafton Street London (Great Britain)	01	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(2)	PwC
RC Real Estate Deutschland GmbH	Friederich Strasse, 58 Berlín (Germany)	25	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(1)	Unaudited
Renta Corporación Luxemburgo, S.a.r.l.	8-10 Mathias Hardt Luxembourg (Luxembourg)	100	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(1)	Unaudited
Norfeu, S.a.r.l.	8-10 Mathias Hardt Luxembourg (Luxembourg)		100%	Renta Corporación Luxemburgo, S.a.r.l.	Fully consolidated	(1)	Unaudited

The date of the closing of the finanancial statements is 31 December.

Activity:

(1) Residential refurbishment
(2) Office transformation.
(3) Land transformation.
(4) Real estate business and services

APPENDIX II

Associates included in the consolidation

Registered name	Registered office	Shareholding		Company holding title	Consolidation method (a)	Activity	Auditor
		Cost in € thousands	% over face value				
Masella Oeste, S.L.	Avda. Diagonal 449, 2º Barcelona (Spain)	116	40%	Renta Corporación Real Estate O.N., S.A.U.	Equity accounting	(7)	Unaudited
Mixta África, S.A.	Avda. Diagonal 443, Barcelona (Spain)	281	31,28%	Renta Corporación Real Estate, S.A.	Equity accounting	(5)	Unaudited
Mixta África Maroc SARL	Rue du Liban, 43 Tánger (Morocco)	1,201	100%	Mixta África, S.A.	Equity accounting	(6)	Unaudited

The date of the closing of the financial statements is 31 December.

Activity:

(5) Holding company.
(6) Company engaged in the construction of social housing.
(7) New buildings promotion.

c. Consolidated Directors' Report

1. Evolution of the business

Throughout 2006 Renta Corporación has kept to its strategic growth and expansion plan, reporting results that confirm the positive evolution of its business model.

2006 has been a year of stiff growth for Renta Corporación. The solid implementation of its business activity has boosted an increase in both turnover and asset volume.

Throughout 2006 the Company has expanded its field of operations, both in terms of the types of product it acquires and promoting its international expansion in Paris and London, while starting up activity in Berlin, a clear growth market.

Ordinary income totals euros 590,035 thousand, an increase on 2005 of euros 269,192 thousand, or 84%.

Consolidated operating profit has totalled euros 77,014 thousand, an increase above 43%, while consolidated profit for the year attributable to shareholders has totalled euros 47,501 thousand, an increase of 46% on last year.

Expansion of the company has brought with it an increase in the number of employees, and, therefore, staff costs, although these are below the growth rates in business volume.

In the face of this growth, the governing bodies of the Company decided to apply for admission to the Stock Exchange, which materialised on 5 April of last year with the listing of the Company on the Madrid and Barcelona Stock Markets. The stock exchange listing included the issuing of new shares, which contributing to recruiting the funds necessary to drive the growth plan. The listing has also led to an increase in the Company's visibility in the national and international markets.

The increase in consolidated profit attributable to shareholders has led to a substantial improvement in basic earnings per share, rising from euros 1.48 to euros 1.97 per share, even with the presence of a larger number of shares in circulation.

The growth in assets managed by the group is reflected in the main balance sheet figures, which reflect an increase in total assets of euros 495,010 thousand against 2005.

2006 has been a year of stiff investment, which is reflected in the figure of euros 710,194 thousand in buildings, land and plots carried under Inventories. This substantial growth, which doubled the figure for Inventories lat year, shows the effect of the purchases of buildings throughout 2006, which, at the year end, are in the transformation phase. The same heading carries the amounts paid for the acquisition of investment rights on buildings totalling euros 7,756 thousand.

This investment has been mostly backed by the funds generated by the listing of the Company, representing a significant increase in Net Equity, which totals euros 203,899 thousand, an increase of euros 118,905 thousand on 2005, also supported by the reinvestment of retained earnings.

The increase in Net Equity has led to a significant increase in external borrowing, which has risen from euros 216,129 thousand to euros 507,313 thousand, which has contributed decisively to the increase in the assets managed by the Company.

The Company's directors believe that the business is not facing any significant risks and uncertainties.

2. Business outlook

The consolidation of the activity and positioning of Renta Corporación and its successful orientation towards stiff growth and profitability constitute the basis of its future development plans.

The availability of a top, professional team that is constantly evolving and a growing borrowing capacity are the keys to its development plans.

The Group plans to continue applying these strategies over the next few years in order to favour growth in the Spanish market while maintaining and boosting in the medium-term its business capacity in certain large, liquid international urban markets.

3. Research and development

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

4. Treasury shares

During 2006 the company has acquired and sold 141,008 and 67,504 treasury shares, respectively.

At 31 December 2006 the parent company held a total of 102,474 treasury shares, representing 0.41% of share capital. The par value of these shares totals euros 102 thousand.

The parent company has set up the respective treasury share reserve at 31 December 2006.

5. Subsequent events

On 15 February 2007 Renta Corporación entered into a syndicated loan agreement for euros 500 million 21 national and international banking entities are participating in the bank syndicate.

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

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

6. Human Resources

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

The typical key director is a young, diverse, highly qualified professional with a broad range of professional experiences. Of special note is the major presence of women in general and in positions of responsibility.

The positive evolution of 2006 earnings has also led to an increase in the number of employees. At the 2006 year end staff totals 115 persons, which represents an increase of 21% on 2005

7. Environment

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

The impact of the construction of a building on the environment begins with the manufacture of materials and ends with the management of the waste generated by its demolition, with various phases of construction and use in between. The activity of Renta Corporación is based on the transformation of real estate assets. While it is true that construction generates a large volume of rubble, refurbishing actually minimises it.

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