

b. Consolidated annual accounts

Renta Corporación Real Estate, S.A.
Consolidated balance sheets at 31 December 2004 and 2003
 (Expressed in euros)

ASSETS	Notes	2004	2003
FIXED ASSETS		1,962,952	27,959,227
Start-up expenses	5	559,199	451,534
Intangible fixed assets	6	238,834	219,151
Industrial property		15,482	11,183
Software		49,709	35,774
Transfer fees		284,167	221,061
Depreciation		(110,524)	(48,867)
Tangible fixed assets	7	840,628	26,771,407
Land and buildings		12,529	12,529
Properties to let		-	26,111,784
Properties for own use		38,219	38,219
Other installations, tools and furniture		708,868	497,502
Other fixed assets		391,378	294,988
Depreciation		(310,366)	(183,615)
Financial fixed assets	8	324,291	517,135
Share in results by equity method		247,338	163,823
Other credits		-	300,000
Long-term deposits and securities		76,953	53,312
CONSOLIDATED GOODWILL	9	75,087	87,553
Of fully consolidated companies		75,087	87,553
DEFERRED EXPENSES		-	231,511
CURRENT ASSETS		267,370,368	146,980,998
Inventories	10	227,323,174	108,881,813
Land and building sites		26,025,890	-
Properties		192,642,342	104,199,819
Current inventories		589,332	616,314
Acquisition options		8,249,503	4,065,680
Advances to suppliers		105,405	-
Provisions		(289,298)	-
Accounts receivable		27,438,686	17,554,053
Customers from sales and provision of services		9,933,512	3,466,244
Accounts receivable from associated companies		-	172,280
Accounts receivable from companies linked through common shareholders		1,102,212	5,101,919
Various accounts receivable		4,790,767	5,958,465
Personnel		9,280	45,328
Public administrations	17	11,602,915	2,809,817
Short-term financial investments	11	9,645,528	1,917,894
Interests in associated companies		-	6,010
Short-term securities portfolio		67,908	60,101
Other credits		9,235,079	1,121,000
Short-term deposits and securities		402,642	790,884
Provisions		(60,101)	(60,101)
Short-term bought-back shares	12	57,282	10,021
Cash		2,233,439	18,528,897
Accrued expenses		672,259	88,320
TOTAL FIXED ASSETS		269,408,407	175,259,289

Renta Corporación Real Estate, S.A.
Consolidated balance sheets at 31 December 2004 and 2003
 (Expressed in euros)

LIABILITIES	Notes	2004	2003
EQUITY	13	61,220,524	30,143,710
Subscribed capital		8,380,642	8,089,460
Issue premium		14,051,322	632,170
Legal reserve		1,617,892	718,183
Other parent company reserves		13,281,837	7,374,597
Bought-back share reserves		57,282	10,021
Reserves in fully consolidated companies		1,388,244	(429,454)
Reserves in companies consolidated by the equity method		47,722	(18,784)
Profit and loss attributable to the parent company		22,395,583	13,767,517
Consolidated profit and loss		22,842,358	13,790,982
Profit and loss attributed to minority interests		(446,775)	(23,465)
MINORITY INTERESTS	14	470,325	23,550
LONG-TERM ACCOUNTS PAYABLE		677,369	20,909,535
Bank debts	16	-	20,330,000
Other long-term debts	15	677,369	579,535
SHORT-TERM ACCOUNTS PAYABLE		207,040,189	124,182,494
Bank debts	16	178,200,266	91,522,300
Trade accounts payable		15,818,552	19,492,478
Payable to Public Agencies	17	10,119,889	9,555,943
Other non-trade payables	18	2,901,482	3,611,773
TOTAL LIABILITIES		269,408,407	175,259,289

Renta Corporación Real Estate, S.A.
Consolidated profit and loss accounts for the fiscal years
ended on 31 December 2004 and 2003
(Expressed in euros)

	Notes	2004	2003
OPERATING REVENUE			
Net turnover	19 c	225,591,828	213,370,625
Sales		217,891,820	207,684,931
Service provision		7,700,008	5,685,694
Increase in inventories of works in progress		-	303,416
Other operating revenue		3,046,357	5,537,023
TOTAL		228,638,185	219,211,064
OPERATING EXPENSES			
Reduction of inventories of works in progress	19 d	26,982	-
Supplies	19 d	169,631,715	173,276,340
Consumption of goods		169,631,715	173,276,340
Payroll expenses	19 e	7,431,829	5,399,899
Wages, salaries and the like		6,588,636	4,690,909
Social Security contributions		843,193	708,990
Provisions for depreciation of fixed assets		315,679	256,291
Depreciation of start-up expenses	5	123,925	126,651
Depreciation of intangible fixed assets	6	61,657	41,908
Depreciation of tangible fixed assets	7	130,097	87,732
Variations in provision of current assets		443,442	87,311
Variations in provision for bad debts		154,144	87,311
Variations in provision for inventories		289,298	
Other operating expenses		17,083,885	14,603,093
External services		12,690,939	10,409,262
Taxes		3,495,349	2,488,886
Other current operating expenses: joint ventures remuneration		897,597	1,704,945
TOTAL		194,933,532	193,622,934
OPERATING PROFIT Profit / (Loss)		33,704,653	25,588,130

Renta Corporación Real Estate, S.A.
Consolidated profit and loss accounts for the fiscal years
ended on 31 December 2004 and 2003
(Expressed in euros)

	Notes	2004	2003
OPERATING PROFIT Profit / (Loss)		33,704,653	25,588,130
REVENUE FROM SHARES IN CAPITAL			
In non-group companies		-	-
OTHER INTEREST AND SIMILAR REVENUE		598,176	60,241
Other financial revenue		598,176	60,241
OTHER FINANCIAL AND SIMILAR EXPENSES		4,696,128	4,609,848
Financial expenses		4,696,128	4,609,848
FINANCIAL PROFIT Profit / (Loss)		(4,097,952)	(4,549,607)
SHARE IN PROFITS OF COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD Profit / (Loss)			
		83,515	66,506
DEPRECIATION OF CONSOLIDATION GOODWILL			
	9	12,466	12,466
PROFIT ON ORDINARY ACTIVITIES Profit / (Loss)			
		29,677,750	21,092,563
EXTRAORDINARY REVENUE			
Profit from fixed assets	19 f	116,655	113,064
Profit from operations with bought-back shares		514	1,045
Extraordinary revenue and profit		-	33,641
Revenue and profit from previous years		51,687	40,511
		64,454	37,867
EXTRAORDINARY EXPENSES			
Losses from fixed assets	19 f	176,464	104,311
Extraordinary expenses and losses		72,077	29,276
Expenses and losses from previous years		5,649	7,177
		98,738	67,858
EXTRAORDINARY PROFIT Profit / (Loss)		(59,809)	8,753
CONSOLIDATED PRE-TAX PROFIT Profit / (Loss)			
		29,617,941	21,101,316
Company tax	17	6,775,583	7,310,334
CONSOLIDATED PROFIT FOR THE YEAR Profit / (Loss)			
		22,842,358	13,790,982
Profit attributed to minority interests		446,775	23,465
PROFIT FOR THE YEAR ATTRIBUTED TO THE PARENT COMPANY Profit / (Loss)			
		22,395,583	13,767,517

1. Dependent and Associated Companies

- 1.1 At 31 December 2004, the Group was comprised of the parent company Renta Corporación Real Estate, S.A. and its dependent companies integrated in the consolidation perimeter described in this Note.
- 1.2 The parent company, Renta Corporación Real Estate, S.A. (from the time it was founded until 2 June 2001, under the name of Suatel XXI, S.L., and for the subsequent period from 2 June 2001 to 5 December 2003, under the name of Corporación Renta Antigua, S.A.), was incorporated as a limited liability company on 27 October 2001, with its registered office for legal and tax purposes at Avda. Diagonal, Barcelona, Spain. The company's object is to carry on all manner of operations involving moveable property (except those governed by special legislation) and real estate.
- 1.3 On 19 December 2002, Corporación Renta Antigua, S.A. (the absorbing company) carried out a merger, by means of a takeover with, Copa de Baco, S.L. (the absorbed company), whereby all the assets and liabilities of the company taken over were transferred en bloc, and this company was consequently dissolved but not liquidated, for accounting purposes, on 1 January 2002. The detailed information as required by law on this merger is given in the individual annual accounts of Corporación Renta Antigua, S.A. at 31 December 2002.
- 1.4 The companies included directly or indirectly in the consolidated perimeter in which the parent company holds an interest are as follows:

Company	Activity	Date incorporated	Holding company	% Interest	Date of closure
Renta Corporación Real Estate R.A., S.A.U.	Property operations	31.7.97	Renta Corporación Real Estate, S.A.	100	31.12.04 (1)
Renta Corporación Real Estate G.O., S.L.U.	Property operations	21.7.01	Renta Corporación Real Estate, S.A.	100	31.12.04 (1)
Renta Corporación Real Estate Patrimonio, S.L.	Property operations	30.11.01	Renta Corporación Real Estate, S.A.	96.97	31.12.04
Renta Corporación Real Estate O.N., S.A.U.	Property operations	18.2.00	Renta Corporación Real Estate, S.A.	100	31.12.04 (1)
Groupe Immobilier Renta Corporación, S.A.S.U.	Property operations	27.03.02	Renta Corporación Real Estate, S.A.	100	31.12.04 (1)
Renta Properties (UK), Limited	Property operations	8.12.04	Renta Corporación Real Estate, S.A.	100	31.12.04
Masella Oeste, S.L.	Property operations	29.9.00	Renta Corporación Real Estate O.N., S.A.U.	40	31.12.04

(1) According to the audited annual accounts at 31 December 2004.

All the companies in the Group have their registered office for legal and tax purposes in Barcelona, except Groupe Immobilier Renta Corporación, S.A.S.U. and Renta Properties (UK) Limited, which have them in Paris and London, respectively, and none of the Group companies is quoted on the Stock Exchange.

- 1.5 On 8 December 2004, the company acquired 100% of a British company which changed its name to de Renta Properties (UK) Limited. The share capital of this company was one pound sterling. On 14 December 2004, this company issued 99 shares with a face par value of one pound sterling each which were fully subscribed by Renta Corporación Real Estate, S.A.
- 1.6 Pursuant to Additional Provision 2 of Spanish Law 2/1995 of 23 March, the Limited Liabilities Company Act (Ley de Sociedades de Responsabilidad Limitada), which amended the Amended Text of the Limited Companies Act (Texto Refundido de la Ley de Sociedades Anónimas), 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.L.U. have been registered in the Business Register as sole proprietorships. Groupe Immobilier Renta Corporación, S.A.S.U. and Renta Properties (UK), Ltd. are also sole proprietorships.

Basis of Presentation of the Consolidated Annual Accounts

a. True and faithful picture

The consolidated annual accounts have been drawn up on the basis of the accounting records of Renta Corporación Real Estate, S.A. and the consolidated companies and include the necessary adjustments and reclassifications to make all the values homogeneous with those of the parent company. These annual accounts are presented in accordance with the provisions of current commercial law and the rules laid down in the General Accounting Plan, adapted to real estate companies, and in Royal Decree 1815/1991, which approved the rules for formulating consolidated annual accounts in order to show a true and faithful picture of the consolidated Group's assets, financial situation and profits.

b. Consolidation principles

The companies mentioned in Note 1 have been fully consolidated, with the exception of Masella Oeste, S.L., for which the equity method has been used.

In the case of all the companies within the consolidation perimeter, the fiscal and economic year coincides with the calendar year.

The necessary adjustments and reclassifications have been made to homogenise their accounting policies and eliminate significant balances between the companies included in the consolidation, and to show the consolidated annual accounts in accordance with generally accepted accounting principles that are uniform with those of the parent company.

- c. The figures in the documents comprising the consolidated annual accounts, the balance sheet, the profit and loss account and this report are expressed in euros.
- d. d) The auditors had access to the audited annual accounts of the following dependent companies: Renta Corporación Real Estate R.A., S.A.U., Renta Corporación Real Estate O.N., S.A.U., Renta Corporación Real Estate G.O., S.L.U. and Groupe Immobilier Renta Corporación, S.A.S.U.

Proposed Distribution of Profit

The proposal regarding distribution of the parent company's profit in 2004 to be presented to the Annual General Shareholders' Meeting is set out here below:

Bases of distribution	
Profit and loss (profit)	1,106,645
Distribution	
To legal reserves	58,236
To voluntary reserves	1,048,409
	1,106,645

Valuation Rules

The most significant accounting criteria employed in drawing up the consolidated annual accounts are described here below:

- a. **Consolidation goodwill**
The positive difference between the acquisition price of the shares and the value of the proportional part of their assets, at the date of acquisition, attributable to such shares, is recorded in the consolidation process as consolidation goodwill.
- This goodwill is depreciated over a period of 10 years, starting in the year in which it is generated.
- b. **Balances between companies included in the consolidation perimeter**
Balances between companies have been eliminated from the corresponding accounts payable and accounts receivable. In cases where the balances failed to match, they have first been made homogeneous by entering the pending items in the accounts.

- c. **Homogenisation of items**
In order to present the different items comprising the attached consolidated annual accounts in a homogeneous fashion, wherever there were any significant differences the principles and rules employed by the parent company have been applied to the companies in the consolidation perimeter.

- d. **Start-up expenses**
These are basically incorporation and initial start-up expenses and are valued at their acquisition price.

They are presented net of their depreciation, which is carried out on a straight-line basis over a period of 5 years.

When the circumstances permitting their capitalization have changed, the part pending depreciation is carried over to profit in the year in which the change occurred.

- e. **Intangible fixed assets**
Intangible fixed assets are stated at their acquisition price or at their production cost. They are depreciated on a straight-line basis over a period of 5 years.

Transfer fees are depreciated in accordance with the duration stated in the corresponding leasing agreement.

- f. **Tangible fixed assets**
Tangible fixed assets are stated at their acquisition price or production cost.

The cost of renovating, enlarging or improving the goods of tangible fixed assets is included in the assets at the greater value of the good only when it increases their capacity or productivity or prolongs their useful life and provided that it is possible to know or estimate the net book value of the items removed from the inventory as a result of having been replaced. Conservation and maintenance expenses are charged to the profit of the year in which they are incurred.

Depreciation of tangible fixed assets is systematically calculated on a straight-line basis depending on the useful lifetime of the goods in question, bearing in mind the depreciation actually suffered as a result of their operation, use and employment.

The depreciation coefficients used are as set out in the following table:

	Coefficient (%)
Buildings	2%
Installations	10%
Furniture	10%
Information processing equipment	25%
Transport elements	16%
Other fixed assets	10%

g. **Financial fixed assets**

The stated value of shares in companies consolidated by the equity method is the theoretical book value.

Other financial fixed assets are stated at their acquisition price.

h. **Deferred expenses**

The expenses incurred in obtaining and taking out mortgages prior to making properties ready for sale are recorded as deferred expenses.

They are allocated to profit when the property in question is sold.

i. **Inventories**

Inventories include properties, land and building plots which are entered at their acquisition price or market value, whichever is the lower.

The acquisition price includes the amount stated on the invoice plus all additional expenses arising, such as works, improvements, non-recoverable taxes, etc. From this year, the financial expenses involved in the acquisition price are also included, provided that such expenses have been paid prior to the asset having been made fit for profitable use and they have been drawn by the supplier or correspond to loans or some other type of third-party financing intended to finance the particular asset in question. A property is deemed to be fit for profitable use when it is ready for utilisation or sale, irrespective of whether the relevant permits or licences have been obtained or not. Land and building plots are deemed to be fit for profitable use to be made of them when they are ready for the works necessary for constructing the building to begin on them. This change in policy had an effect of 1,752,847 euros in 2004.

Acquisition options on properties are stated at the amount actually paid.

In the event of the estimated value of realising inventories being less than the cost entered in the books, the corresponding provisions for depreciation of inventories will be made.

j. **Accounts payable and receivable for trading operations**

Debits and credits arising from the company's short- and long-term debit and credit trading operations are recorded at their face value.

k. **Bought-back shares**

The value of the company's holding of bought-back shares is stated at the acquisition price and an unavailable reserve of the same amount is set up for its bought-back shares. This amount is included under the Equity caption in accordance with the currently applicable legislation. The eventual outcome planned for such shares is disposal in the short-term.

l. **Reserves in consolidated companies**

Reserves in consolidated companies are the difference between the book value of investments in dependent and associated companies and their theoretical book value at the time of the initial consolidation or entry into the consolidation perimeter, adjusted for the profit or loss generated by these companies after that time.

m. **Bank debts**

Although they are actually long-term loans, bank debts corresponding to subrogatable mortgages are classified as short- or long-term loans depending on when they are due for subrogation or cancellation.

n. **Company Tax**

For company tax purposes, the parent company comes under the tax regime for groups of companies and pays taxes jointly with its dependent companies 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.

However, Group company Renta Corporación Real Estate Patrimonio, S.L. comes under the tax regime for holding companies.

The consolidated profit and loss account for the year includes the expenditure on Company Tax, which is calculated on the basis of the amount of Company Tax due during the year, the effect of deferring the differences between the taxable amount and the accounting profit before applying the tax deferred to later periods, and the bonuses and deductions from the amount due to which the Group companies are entitled.

ñ. **Income and expenses**

Income and expenses are attributed on an accrual basis, i.e. depending on the real flow of goods and services they represent and irrespective of the time at which the monetary or financial flow resulting therefrom actually occurs.

Nevertheless, in accordance with the precautionary principle, the parent company and its subsidiaries record the profits made only at the date on which the fiscal year is closed, whereas risks and foreseeable losses are recorded as soon as they are known, even if they are temporary.

The Group records the premiums received for the transfer of real property rights on acquisition options on properties as income during the year, except where the amount is contractually regarded as payment on account of the total acquisition price of the property. Under no circumstances shall the amount recorded as income during the year exceed the total profit estimated for the property in question.

o. **The environment**

The parent company and its subsidiaries take into account the laws relating to protection of the environment ("environmental laws") in all their operations. The parent company considers that they substantially comply with such laws and have procedures designed to promote and guarantee compliance therewith.

5. Start-up Expenditure

The amounts and variations of the items comprising the start-up expenditure during the year were as follows:

	Balance at 31.12.03	Increase	Depreciation	Balance at 31.12.04
Capital increase costs	50,815	212,600	(13,589)	249,826
Start-up costs	400,719	18,990	(110,336)	309,373
Total	451,534	231,590	(123,925)	559,199

6. Intangible Fixed Assets

The amounts and variations of the items comprising the intangible fixed assets during the year were as follows:

Cost	Balance at 31.12.03	Increase	Balance at 31.12.04
Industrial property	11,183	4,299	15,482
Software	35,774	13,935	49,709
Transfer fees	221,061	63,106	284,167
	268,018	81,340	349,358

Accumulated depreciation	Balance at 31.12.03	Provision	Balance at 31.12.04
Industrial property	(216)	-	(216)
Software	(7,033)	(9,822)	(16,855)
Transfer fees	(41,618)	(51,835)	(93,453)
	(48,867)	(61,657)	(110,524)
Net Book value	219,151		238,834

7. Intangible Fixed Assets

The amounts comprising the tangible fixed assets are as follows:

Cost	Balance at 31.12.03	Increase	Decrease	Transfer Fees	Balance at 31.12.04
Land and buildings	12,529	-	-	-	12,529
Properties to let	26,111,784	-	-	(26,111,784)	-
Properties for own use	38,219	-	-	-	38,219
Other installations, tools and furniture	497,502	267,463	(56,097)	-	708,868
Other fixed assets	294,988	102,938	(6,548)	-	391,378
	26,955,022	370,401	(62,645)	(26,111,784)	1,150,994
Accumulated depreciation	Balance at 31.12.03	Increase	Decrease	Transfer Fees	Balance at 31.12.04
Land and buildings	(847)	(281)	-	-	(1,128)
Properties to let	(2,583)	(734)	-	-	(3,317)
Properties for own use	(64,830)	(59,456)	1,889	-	(122,397)
Other fixed assets	(115,355)	(69,626)	1,457	-	(183,524)
	(183,615)	(130,097)	3,346	-	(310,366)
Net Book value	26,771,407				840,628

Bearing in mind the actual nature of the operations carried out, consisting in selling the properties in question (the Group's normal way of operating) and with a view to preserving the principle of providing a true and faithful picture, in 2004 the Directors reclassified the properties under the Properties to let caption to Inventories. The nature of these operations is clear from the existence of an earnest money agreement dated in 2003 for the most significant property, marketing actions for the rest of the properties and the sale of all these properties in the first half of 2004. Similarly, it should be noted that the rents received on these properties were from the previous owner during the period required for relocation (an operation agreed at the time of the sale) and served to offset in part the financial expenses during that period, so they were of a merely accidental nature.

At the close of 2004, the fully depreciated items in the tangible fixed assets amounted to 7,397 euros.

It is the companies' policy to take out all the insurance policies deemed to be necessary to cover possible risks that might affect the items comprising the fixed assets.

8. Financial Fixed Assets

The amounts and variations of the items comprising the financial investments during the year were as follows:

	Balance at 31.12.03	Increase	Decrease	Balance at 31.12.04
Interests accounted for by the equity method	163,823	83,515	-	247,338
Credits to other companies linked by common shareholders	300,000	-	(300,000)	-
Long-term deposits and securities	53,312	24,721	(1,080)	76,953
Total	517,135	108,236	(301,080)	324,291

The composition of the interests in associated companies consolidated by the equity method at 31 December 2004 was as follows:

Company	Registered Office	Percentage interest	Activity	Capital	Reserves	Profit
Masella Oeste, S.L.	Barcelona	40%	Operaciones inmobiliarias	290,213	119,343	208,788

The increase in the balance in the Interests in associated companies consolidated by the equity method caption is due to the profit generated during the year.

The credit agreement made on 23 December 2003 between the Company and Second House, S.L., a company linked to it by common shareholders, was cancelled during the year.

9. Consolidation Goodwill

The changes in the Consolidation goodwill of fully consolidated companies caption were as follows:

	Balance at 31.12.03	Depreciation	Balance at 31.12.04
Renta Corporación Real Estate O.N., S.A.U.	87,553	(12,466)	75,087

10. 10. Inventories

The breakdown of the Inventories caption at 31 December 2004 was as follows:

Land and building sites	26,025,890
Buildings acquired for refurbishment in progress	191,419,719
Buildings constructed	1,222,623
Works in progress	589,332
Acquisition options	8,249,503
Advances to suppliers	105,405
Provision for depreciation of inventories	(289,298)
Total	227,323,174

The Properties caption at 31 December 2004 includes 1,752,847 euros of capitalised interest.

The Inventories caption includes properties and land worth 215,312,119 euros, subject to mortgages, whose balance at 31 December 2004 came to 159,355,721 euros, recorded in the Short-term bank debts caption.

The options recorded at 31 December 2004 correspond to operations to be carried out during 2005.

11. Short-term Financial Investments

The amounts of, and variations experienced by, the items comprising Short-term financial investments in 2004 were as follows:

	Balance at 31.12.03	Increase	Decrease	Balance at 31.12.04
Interest in other companies	66,111	57,834	(56,037)	67,908
Credits to other companies linked by common shares	1,121,000	11,914,349	(3,800,270)	9,235,079
Short-term deposits	790,884	852,506	(1,240,748)	402,642
Provision for depreciation of short-term negotiable securities	(60,101)	-	-	(60,101)
Total	1,917,894	12,824,689	(5,097,055)	9,645,528

The composition of the interests in other companies at 31 December 2004 was as follows:

	Domicile	Percentage interest	Activities	Net value of interest
Plaza Site, S.A.	Esplugues del Llobregat	4.5%	Internet activities	-
Second House, S.L.	Barcelona	0.4%	Property operations	7,807
Total				7,807

Three credit agreements were made in 2004 between the Company and companies linked by common shareholders. Their initial duration was for 1 year in the case of Lueco S.A and Second House, S.L. and 2 years in the case of Second House Rehabilitación, S.L.U., from the date of the agreements, which may be successively extended for periods of a year by tacit accord.

The amounts disposed of by companies at 31 December 2004 in virtue of these credit agreements and their credit limits are as follows:

	Agreement date	Limit	Amount used	Interest due during payment
Lueco S.A.	1.6.04	5,000,000	4,434,070	153,954
Second House, S.L.	27.9.04	6,000,000	4,500,000	41,472
Second House Rehabilitación, S.L.U.	12.1.04	1,500,000	90,000	15,583
Total		12,500,000	9,024,070	211,009

The interest on these credit agreements is Euribor at three months + 0.75%

12. Short-term bought-back shares

On 27 July 2004, the Company's Board of Directors passed a resolution authorising the chairman of the board to buy back 578 of the Company's fully subscribed and paid up shares, numbers 29,604 to 30,181, inclusive, within a maximum of 15 days at a price of 6,005 euros.

An Extraordinary General Shareholders' Meeting held on 8 September 2004 passed a resolution authorising the acquisition of 58,371 of the Company's shares at a price of 58.02 euros per share.

An Extraordinary General Shareholders' Meeting held on 30 November 2004 authorised the acquisition of a maximum of 4,787 of the Company's shares at a minimum and maximum price of 21 and 50 euros per share, respectively.

The changes in the portfolio of the Company's own shares during the year were as follows:

	Number	Par value (euros)	Average acquisition price (euros)	Acquisition cost (euros)
Balance at 31.12.03	10,021	42,088	-	10,021
Acquisitions	61,253	257,263	56,32	3,449,997
Reduction of capital due to depreciation of bought-back shares	(68,970)	(289,674)	-	(3,402,736)
Balance at 31.12.04	2,304	9,677		57,282

An Extraordinary General Shareholders' Meeting held on 8 September 2004 passed a resolution to reduce the Company's share capital by amortising and cancelling 68,970 fully paid up ordinary personal shares with a par value of 4.20 euros each.

The eventual outcome planned for such shares is disposal thereof.

13. Equity

The composition of this caption at 31 December 2004 and the changes in it during the year were as follows:

	Balance at 31.12.03	Distribution of profits 2003	Dividends	Profit 2004	Bought-back shares reserves provision	Reduction in capital	Increase in capital	Balance at 31.12.04
Share capital	8,089,460	-	-	-	-	(289,674)	580,856	8,380,642
Issue premium	632,170	-	-	-	-	-	13,419,152	14,051,322
Legal reserve	718,183	899,709	-	-	-	-	-	1,617,892
Reserve for bought-back shares	10,021	-	-	-	3,449,997	(3,402,736)	-	57,282
Other parent company reserves	7,374,597	(516,396)	9,583,959	-	(3,449,997)	289,674	-	13,281,837
Reserves in fully consolidated companies	(429,454)	13,317,698	(11,500,000)	-	-	-	-	1,388,244
Reserves in companies consolidated by the equity method	(18,784)	66,506	-	-	-	-	-	47,722
Profit and loss attributable to the parent company	13,767,517	(13,767,517)	-	22,395,583	-	-	-	22,395,583
Total	30,143,710	-	(1,916,041)	22,395,583	-	(3,402,736)	14,000,008	61,220,524

The Company's share capital is represented by 1,995,391 indivisible and accumulable fully subscribed and paid up shares each with a par value of 4.20 euros.

An Extraordinary General Shareholders' Meeting held on 8 September 2004 passed a resolution to reduce the Company's share capital by 289,674 euros to 7,799,786 euros by redeeming 68,970 of its own shares with a face value of 4.20 euros each.

An Extraordinary General Shareholders' Meeting held on 27 December 2004 passed a resolution to increase the Company's share capital by 580,856 euros to 8,380,642 euros by issuing 138,299 personal shares with a par value of 4.20 euros each, with an issue premium of 97.03 euros per share, and they were all subscribed and paid up.

An Extraordinary General Shareholders' Meeting held on 25 March 2004 passed a resolution to amend the share transfer system provided for in the Company's Articles of Association so that voluntary inter vivos transfers for payment may be made freely if they are in favour of the spouse, ascendants or descendants or siblings of the transferring shareholder or another shareholder. In the case of transfers in favour of third parties, a procedure has been set up whereby the Company can exercise its preferential acquisition rights.

The previous system limiting the transferability of shares shall still apply to mortis causa transfers.

The part of the Company's share capital possessed by other companies with a shareholding of 10% or more is as follows:

	No. of shares
Dinomen, S.L.	286,298

The Amended Text of the Limited Companies Act (Texto Refundido de la Ley de Sociedades Anónimas) expressly allows the balance of an issue premium to be used to increase share capital and does not set any specific restrictions on what such balances may be used for.

Due to the fact that the Legal Reserve has not been provided for to the extent laid down in article 214 of the Limited Companies Act (Ley de Sociedades Anónimas), the parent company will have to allocate 10% of its profit thereto until it reaches at least 20% of the share capital. This reserve is not distributable and if it is used to offset losses in the event of there not being any other sufficient reserves available to cover them, it must be replenished from future profits.

The Company has 57,282 euros in its Reserve for own shares charged to Voluntary reserves. This reserve is unavailable as long as the bought-back shares in the assets on the balance sheet are not disposed of.

The breakdown, by companies, of the Reserves in fully consolidated companies is as follows:

Renta Corporación Real Estate R.A., S.A.U.	(50,886)
Renta Corporación Real Estate G.O., S.L.U.	504,337
Renta Corporación Real Estate O.N., S.A.U.	187,411
Groupe Immobilier Renta Corporación, S.A.S.U.	(3,360)
Renta Corporación Real Estate Patrimonio, S.L.	750,742
Total	1,388,244

The changes in all reserves in fully consolidated companies during 2004 were 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 Patrimonio, S.L.	Total
Balance at 31.12.2003	(212,644)	84,635	(300,779)	(467)	(199)	(429,454)
Incorporation of profit for 2003	3,161,758	7,419,702	1,988,190	(2,893)	750,941	13,317,698
Reclassification of dividends for 2004	(3,000,000)	(7,000,000)	(1,500,000)	-	-	(11,500,000)
Balance at 31.12.2004	(50,886)	504,337	187,411	(3,360)	750,742	1,388,244

Reserves in companies consolidated by the equity method:

Masella Oeste, S.L.	(47,722)
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The contribution of each of the companies in the consolidation perimeter to the consolidated profit is shown in the table below together with the part corresponding to minority interests:

	Profit for the year attributable to the parent company	Profit attributed to minority interests
Renta Corporación Real Estate, S.A.	(1,705,822)	-
Renta Corporación Real Estate R.A., S.A.U.	4,007,535	-
Renta Corporación Real Estate G.O., S.L.U.	4,236,684	-
Renta Corporación Real Estate O.N., S.A.U.	962,885	-
Groupe Immobilier Renta Corporación, S.A.S.U.	512,514	-
Renta Corporación Real Estate Patrimonio, S.L.	14,298,272	446,775
Masella Oeste, S.L.	83,515	-
Total	22,395,583	446,775

14. Minority Interests

The changes under the Minority Interests caption for each dependent society were as follows:

Company	Balance at 31.12.03	Share in profit	Balance at 31.12.04
Renta Corporación Real Estate Patrimonio, S.L.	23,550	446,775	470,325

15. Long-term Debts

In fulfilment of a guaranteed income agreement concluded on 9 July 2004 between Renta Corporación Real Estate R.A., S.A.U. and a real-estate company, the Company has undertaken to pay a fixed annual amount during the period between 2004 and 2007. The breakdown of these payments according to the year in which they fall due is as follows:

2005	2006	2007
137,312	93,157	48,388

In fulfilment of a guaranteed income agreement concluded between Renta Corporación Real Estate G.O., S.L.U. and another company in 2003, whereby the former undertook to pay a fixed annual amount during the period between 2004 and 2006, the breakdown of the payments according to the year in which they fall due is as follows:

2005	2006
482,884	535,824

Of the balance owed at 31 December 2004, 620,196 euros are short-term and 677,369 euros long-term, and they are recorded in the captions Other short-term debts and Other long-term debts respectively.

16. Bank Debts

The composition of such debts at 31 December 2004 was as follows:

	Long-term
Mortgages guaranteed by inventories	159,355,721
Credit policies	18,474,474
Interest debts	370,071
Total	178,200,266

The amount corresponding to mortgage loans is guaranteed by properties owned by the different companies in the Group recorded in the Inventories caption. The average annual interest rate during the year fluctuated between 3% and 3.5%.

The limit granted for credit policies in force at 31 December 2004 was 55,344,510 euros.

17. Tax Situation

As it met the requirements laid down in the Company Groups Regime set out in Chapter VII, Title VIII of Law 43/1995 of 27 December, the Company Tax Act (Ley del Impuesto sobre Sociedades), in 2002 the Company presented, for the first time, a consolidated tax return as the parent company together 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.

Since certain operations are treated differently for the purposes of liability to Company Tax and the drawing up of these annual accounts, the taxable base for the year differs from the book profit.

Reconciliation between the book profit and the taxable base for calculating company tax is as follows:

Consolidated profit	22,842,358
Company tax	6,775,583
Pre-tax profit	29,617,941
Elimination of profit of companies not belonging to the consolidated tax group	
Renta Corporación Real Estate Patrimonio, S.L.	(17,309,661)
Groupe Immobilier Renta Corporación, S.A.S.U.	(683,245)
Share in the profits of Masella Oeste, S.L. (company consolidated by the equity method)	(83,657)
Permanent differences in consolidation adjustments	12,466
Permanent differences of individual companies	
Non-deductible expenses	5,348
Donations to the Renta Corporación Foundation	288,480
Taxable base	11,847,672

The Company Tax charge is made up in the following way:

Current tax payable by the companies that pay taxes as a consolidated group	4,040,239
Current tax payable by Renta Corporación Real Estate Patrimonio, S.L.	2,564,614
Current tax payable by Groupe Immobilier Renta Antigua, S.A.S.U.	170,730
Total	6,775,583

The company tax rate payable is 35% of the taxable base for company tax less 5,528 euros for deductions for professional training and a deduction of 100,968 euros for a contribution to the Renta Corporación Foundation.

During the year ended on 31 December 2004, the parent company and its subsidiaries had company tax deducted at source to the value of 62,816 euros and paid 54,245 euros company tax on account.

At 31 December 2004, neither the parent company or any of its subsidiaries had any deductions at source pending application.

The Group company Renta Corporación Real Estate Patrimonio, S.L. comes under the tax regime for holding companies.

The reconciliation between its accounting profit and the taxable base for calculating company tax is as follows:

Profit of Renta Corporación Real Estate Patrimonio, S.L.	14,745,047
Company Tax	2,564,614
Pre-tax profit	17,309,661
Non-tax-deductible expenses	20,268
Taxable base	17,329,929

The company tax rate is made up of 15% of the taxable base for company tax, which comes to 17,469,428 euros, and 40% of the negative taxable base for company tax, which comes to 139,499 euros. During the year ended on 31 December 2004, Renta Corporación Real Estate Patrimonio, S.L. had company tax deducted at source to the value of 38,797 euros and paid 116,518 euros company tax on account.

The details of its debts in regard to government agencies at 31 December 2004 were as follows:

Balances receivable	
Public Treasury receivable for VAT	11,110,267
Public Treasury receivable for various items	492,648
Total	11,602,915
Balances payable	
Public Treasury payable for Company Tax	6,506,322
Public Treasury payable for VAT	2,573,213
Public Treasury payable for Personal Income Tax (IRPF), Collective Income Tax (IRC) and others	903,756
Social Security agencies payable	136,598
Total	10,119,889

Since 2001, Renta Corporación Real Estate R.A., S.A.U. has been subject to the special pro rata VAT regime. Prior to that, it was subject to the general pro rata VAT regime.

Since 2004, Renta Corporación Real Estate Patrimonio, S.L., Renta Corporación Real Estate G.O., S.L.U. and Renta Corporación Real Estate O.N., S.A.U. have been subject to the special pro rata VAT regime. Prior to that, they were subject to the general pro rata VAT regime.

Masella Oeste, S.L. and Renta Corporación Real Estate, S.A. are subject to the general VAT regime.

All the companies in the consolidation are open tax inspection in regard to all the taxes applying to them since they were incorporated, except Renta Corporación Real Estate R.A., S.A., which has the last four years pending inspection by the tax authorities in regard to the main taxes applying to it.

As a consequence, among other things, of the different possible interpretations of the tax legislation currently in force, additional liabilities might arise as a result of an inspection. At all events, the directors of the parent company are of the view that even if such liabilities were to arise, they would not have a significant effect on these annual accounts.

18. Other non-trade payables

Their composition at 31 December 2004 was as follows:

Remunerations pending payment	1,000,440
Other non-trade receivables	1,730,407
Short-term deposits and securities	170,635
Total	2,901,482

The caption Other non-trade receivables includes the amounts totalling 660,000 euros received from third parties arranged by means of loan agreements falling due in 2005 at an interest rate of 10%. The interest due but not paid at the close of the year amounted to 59,671 euros.

The deposits received caption includes mainly the amount of the deposits received for property letting operations that are held in the Barcelona Chamber of Urban Property.

19. Income and expenses

- a. **Consolidated Group transactions with associated and linked companies**
The transactions carried out with these companies during 2004 were as follows:

	Company	Amount
Acquisition options	Second House, S.L.	585,328
Services provided	Lueco, S.A.	12,020
Services provided	Second House, S.L.	1,173,715
Services provided	Second House, S.L.	837,140
Services provided	Lueco S.A.	126,988
Financial income	Lueco S.A.	153,954
Financial income	Second House, S.L.	48,791
Financial income	Second House Rehabilitación, S.L.U.	15,583

- b. **Transactions in foreign currency**
The company did not carry out any operations in foreign currency during the year ended on 31 December 2004.
- c. **Distribution of net turnover**
The geographical distribution of net turnover for the activities carried out by the companies belonging to the Renta Corporación Real Estate Group was as follows:

Spain	202,507,926
France	15,383,894
Total	217,891,820

- d. **Supplies**
The breakdown of the Supplies caption is as follows:

Property acquisitions and refurbishment costs	257,988,344
Variation in property inventories	(114,468,413)
Transfer from fixed assets to inventories	26,111,784
Total	169,631,715

As a consequence of a third-person exercising his right to reacquisition, this caption was reduced by 8,957,704 euros as it was treated as returned acquisitions.

e. **Staff**

The number of employees, by categories, at 31 December 2004, was as follows:

Executives	15
Department directors and higher degree holders	15
Salespeople	25
Administrative staff	28
Total	83

f. **Extraordinary expenditure and income**

Extraordinary income	
Profits from fixed assets	514
Extraordinary income and profits	51,687
Income and profits from previous years	64,454
Total	116,655
Extraordinary expenses	
Losses from fixed assets	72,077
Extraordinary expenses and losses	5,649
Expenses and losses from previous years	98,738
Total	176,464

The items Income and profits and Expenses and losses from previous years include mainly the regularisation of operations from the year before.

20. Other Information

The remunerations paid to the management body of the parent company during 2004 came to 1,426,673 euros.

The Group company Renta Corporación Real Estate R.A., S.A.U. has balances amounting to 360,870 euros to be paid by the directors for loans granted.

The fees charged by PricewaterhouseCoopers Auditores, S.L. in 2004 for audit services to the Renta Corporación Real Estate Group came to 76,650 euros.

At 31 December 2004, the parent company was the guarantor of Renta Corporación Real Estate R.A., S.A. as security for a credit policy of 7,400,000 euros.

The parent society is the guarantor of a security of 180,304 euros granted to the Group company Masella Oeste, S.L., lodged with Alp Town Council to guarantee the urban development of the area where the housing development being built by Masella Oeste, S.L. is located.

Pursuant to the provisions contained in article 127.3.4 of the Spanish Limited Companies Act (Ley de Sociedades Anónimas) introduced by Law 26/2003 of 17 July, amending Law 24/1988 of 28 July, the Securities Market Act (Ley de Mercado de Valores), and the Amended Text of the Limited Companies Act (Texto Refundido de la Ley de Sociedades Anónimas), in order to reinforce the transparency of limited companies, the companies with the same, analogous or complementary type of activity as that which constitutes the corporate object of the Company, in whose capital the members of the Board of Directors possess an interest are listed here below together, where applicable, with the posts and offices they hold therein:

	Company in which interest is held	%	Post or Office
Luis Hernández de Cabanyes	Second House, S.L.	6.53	Joint director
	Lueco, S.A.	40.00	Sole director
Josep M ^a Farré Viader	Second House, S.L.	3.73	-
	Lueco, S.A	7.00	-
Esther Giménez Arribas	Second House, S.L.	4.13	-
	Lueco, S.A	5.00	-
Elena Hernández de Cabanyes	Second House, S.L.	3.66	Joint director
	Lueco, S.A	4.00	-
Anna M. Birulés Bertran	Second House, S.L.	1.50	-
César A. Gibernau Ausió	Second House, S.L.	1.05	-

The other directors do not possess any interest whatsoever in companies with the same, analogous or complementary type of activity as that which constitutes the corporate object of the company.

21. Events Following Closure

An Extraordinary General Shareholders' Meeting of Renta Corporación Real Estate, S.A. on 3 March 2005 approved the distribution of an extraordinary dividend of 2,986,741 euros charged to voluntary reserves from undistributed profits.

22. The Environment

The parent company and its dependent companies have adopted suitable measures in relation to the protection and improvement of the environment and the minimisation, where appropriate, of any environmental impact, in compliance with the relevant legislation currently in force. During the year the parent company and its dependent companies did not make any investments to do with the environment nor did they incur any expenses for protecting and improving the environment. It was not deemed necessary to make any provision for environmental risks and expenses, as there did not exist any contingencies related to the protection and improvement of the environment, nor any liabilities in regard thereto.