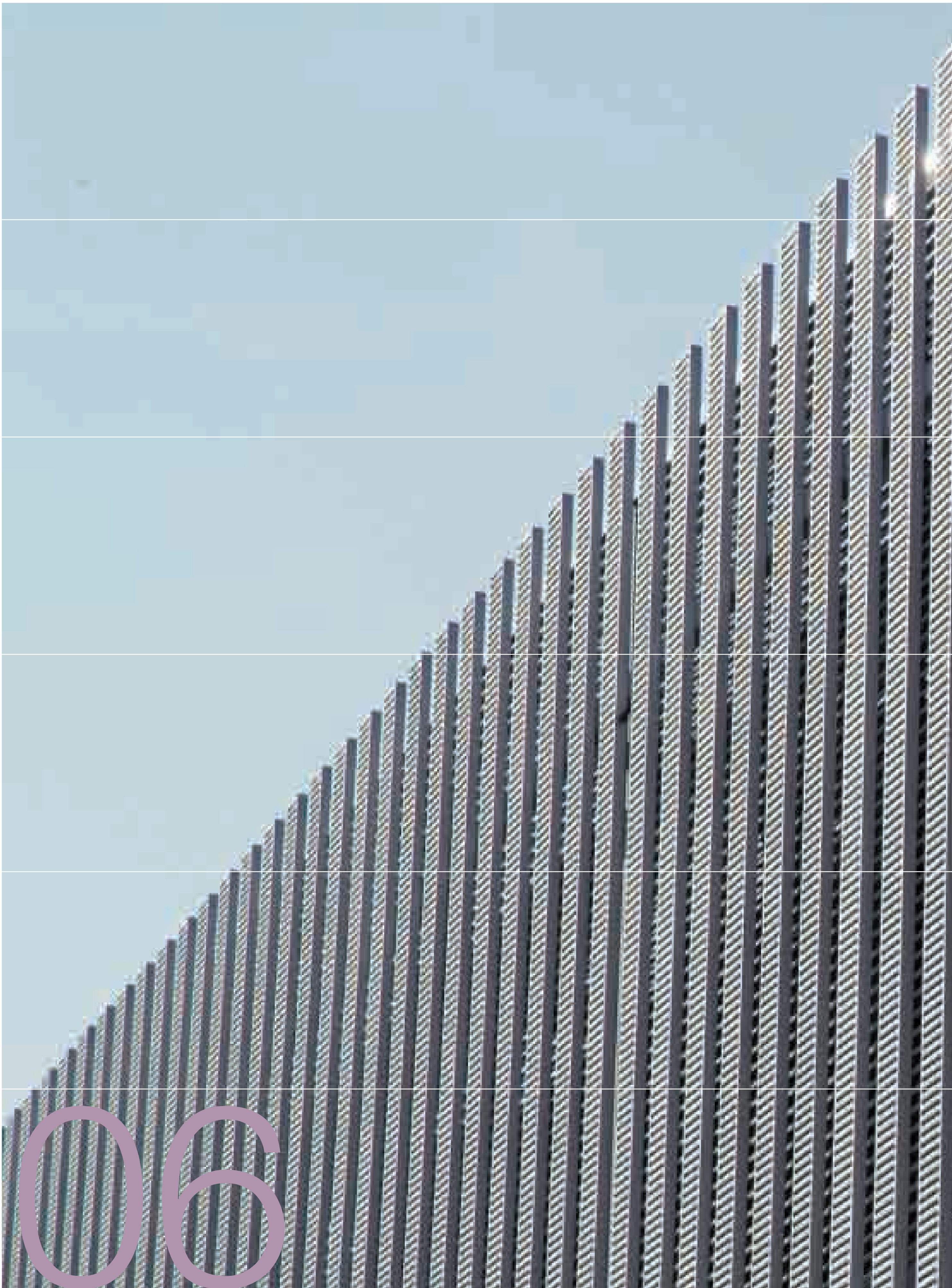

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Consolidated Annual Accounts

PRICEWATERHOUSECOOPERS

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A free translation of the report on the consolidated annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. 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 2007, 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 2007. Our opinion refers solely to the 2007 consolidated annual accounts. On 22 February 2007 we issued our audit report on the consolidated annual accounts for 2006 in which we expressed an unqualified opinion.

3. In our opinion, the accompanying consolidated annual accounts for 2007 present fairly, in all material respects, the consolidated financial position of Renta Corporación Real Estate, S.A. and its subsidiaries as at 31 December 2007 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

PRICEWATERHOUSECOOPERS

4. The accompanying consolidated Directors' Report for 2007 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 2007. 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
Partner

21 February 2008

06 b.
Annual accounts

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.

(thousands of Euros)

		At 31 December	
ASSETS	**Note**	**2007**	**2006**
Non current assets			
Property, plant and equipment	**6**	66,914	1,198
Intangible assets	**7**	407	182
Investments in associates	**8**	11,495	4,254
Long-term receivables	**9**	1,111	1,100
Long-term prepayments	**9**	-	70
Derivative financial instruments	**10**	2,020	-
Deferred income tax assets	**19**	583	1,420
Total non current assets		**82,530**	**8,224**
Current assets			
Inventories	**11**	858,894	710,194
Trade and other receivables	**9**	122,555	163,536
Loans and receivables with related parties	**34**	605	1,275
Current income tax asset	**27**	10,558	-
Derivative financial instruments	**10**	90	-
Cash and cash equivalents	**12**	2,737	6,071
Total current assets		**995,439**	**881,076**
Total assets		**1,077,969**	**889,300**

		At 31 December	
EQUITY AND LIABILITIES	**Note**	**2007**	**2006**
Share capital and reserves attributable to equity holders of the company			
Share capital	**13**	99,878	102,689
Cumulative translation adjustment	**14**	(2,096)	(29)
Retained earnings and other reserves	**15**	122,832	101,239
		220,614	203,899
Minority interests	**16**	**-**	**-**
Total equity		**220,614**	**203,899**
LIABILITIES			
Non current liabilities			
Provisions for liabilities and charges	**32**	3,936	4,660
Deferred tax liabilities	**19**	11,505	1,124
Trade and other payables	**17**	9,613	-
Borrowings	**18**	548,605	-
		573,659	**5,784**
Current liabilities			
Trade and other payables	**17**	90,896	157,717
Borrowings	**18**	192,800	507,313
Current income tax liabilities	**27**	-	14,587
Total current liabilities		**283,696**	**679,617**
Total liabilities		**857,355**	**685,401**
Total equity and liabilities		**1,077,969**	**889,300**

The notes on pages 95 to 128 form an integral part of these consolidated financial statements.

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.

(thousands of Euros)

	Note	Year ended at 31 December 2007	2006
Revenue	**20.1**	529,107	590,035
Other income	**20.2**	15,765	6,172
Purchase costs and changes in inventories	**21**	(432,632)	(468,675)
Employee benefit expense	**24**	(18,639)	(15,181)
Amortisation, depreciation and impairment losses	**22**	(1,336)	(336)
Other external expenses	**23.1**	(29,577)	(20,466)
Local taxes	**23.2**	(6,730)	(14,535)
Operating profit		**55,958**	**77,014**
Financial expenses	**26**	(15,513)	(9,767)
Share of profit / (loss) of associates	**8**	9,010	3,671
Profit before income tax		**49,455**	**70,918**
Income tax expense	**27**	(14,103)	(23,417)
Profit for the year		**35,352**	**47,501**
Attributable to:			
Company shareholders		35,352	47,501
Minority interests		-	-
Earnings per share for profit attributable to the equity holders during the year (in Euros per share)			
• Basic	**29**	1.42	1.97
• Diluted	**29**	1.42	1.97

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(thousands of Euros)

		Attributable to equity holders of the company				
	Notes	**Share capital (Note 13)**	**Cumulative translation adjustment (Note 14)**	**Retained earnings and other reserves (Note 15)**	**Minority interests (Note 16)**	**Total net equity**
Balance at 1 January 2006		**21,427**	**(7)**	**62.970**	**604**	**84.994**
Capital increase expenses	**13.5**					
• gross		(8,298)	-	-	-	(8,298)
• tax effect		2,904	-	-	-	2,904
Cumulative translation adjustment	**14**	-	(22)	-	-	(22)
Profit for the year		-	-	47,501	-	47,501
Total recognised income and expense for the period		(5,394)	(22)	47,501	-	42,085
Capital increase	**13**	89,320	-	-	-	89,320
Purchase of treasury shares	**13.3**	(3,790)	-	-	-	(3,790)
Sale of treasury shares	**13.3**	1,126	-	662	-	1,788
Shares reserve plan	**35**	-	-	359	-	359
Dividends paid	**15**	-	-	(10,086)	-	(10,086)
Purchases of minority interest	**16**	-	-	-	(604)	(604)
Variation in investments in associates	**15**	-	-	(167)	-	(167)
Balance at 31 December 2006		**102,689**	**(29)**	**101,239**	**-**	**203,899**
Cash flow hedging instruments						
• gross		-	-	2,110	-	2,110
• tax effect		-	-	(633)		(633)
Cumulative translation adjustment		-	(2,067)	-	-	(2,067)
Profit for the year		-	-	35,352	-	35,352
Total recognised income and expense for the period		-	(2,067)	36,829	-	34,762
Shares reserve plan		-	-	809	-	809
Purchase of treasury shares		(3,328)	-	-	-	(3,328)
Sale of treasury shares		517	-	(26)	-	491
Dividends paid		-	-	(14,250)	-	(14,250)
Variation in investment in associates		-	-	(1,769)	-	(1,769)
Balance at 31 December 2007		**99,878**	**(2,096)**	**122,832**	**-**	**220,614**

The notes on pages 95 to 128 form an integral part of these consolidated financial statements.

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(thousands of Euros)

		Year ended 31 December	
	Notes	**2007**	**2006**
Cash flows from operating activities			
Cash used in operations	**31**	(82,771)	(322,596)
Interest paid	**26**	(43,230)	(16,807)
Taxes paid	**27**	(28,663)	(20,854)
Net cash used in operating activities		(154,664)	(360,257)
Cash flows from investing activities			
Purchases of property, plant and equipment	**6**	(66,870)	(428)
Proceeds from sale of property, plant and equipment	**31**	45	204
Purchases of intangible assets	**7**	(308)	(166)
Acquisition of financial assets	**9**	-	(927)
Income from the sale of financial assets		151	-
Purchases of minority interests from a Group company	**16**	-	(604)
Dilution of shareholding in an associate	**8**	-	6
Loans granted to related parties	**34**	(593)	(1,275)
Repayment of loans granted to related parties	**34**	1,263	2,891
Deposits	**9**	(1,440)	(557)
Repayment of deposits and guarantee deposits	**9**	1,192	600
Interest received	**26**	2,426	1,127
Net cash generated from/(used in) investing activities		(64,134)	871
Cash flows from financing activities			
Proceeds from issuance of ordinary shares (with share premium, net of capital increase expenses)	**13**	-	83,927
Acquisition of treasury shares	**13.3**	(3,328)	(3,791)
Sale from treasury shares	**13.3**	491	1,788
Proceeds from borrowings	**18**	656,653	845,577
Repayment of borrowings	**18**	(424,102)	(555,138)
Dividends paid	**15**	(14,250)	(10,086)
Net cash generated from financing activities		215,464	362,277
Cash at beginning of the year	**12**	6,071	3,180
Cash at end of the year	**12**	2,737	6,071
Net (decrease)/increase in cash and cash equivalents		**(3,334)**	**2,891**

The notes on pages 95 to 128 form an integral part of these consolidated financial statements.

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1. General information

Renta Corporación Real Estate, S.A. (hereon, the Company) is a real estate company which at the 2007 year end has a group (hereon, the Group), made up of 22 companies: Renta Corporación Real Estate, S.A., as the parent company, 19 subsidiaries and 2 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 9 January 2006 the parent company acquired the remaining 3% shareholding in Renta Corporación Real Estate Finance, S.L.U. and thus holds 100% of the latter.

On 13 July 2006 Renta Properties (UK), Ltd., sold One Vincent Square, Ltd. Additionally, on 2 November 2006, Renta Properties (UK), Limited, incorporated Winterley Properties 3 Unlimited, which led to its inclusion in the consolidated group as from that date.

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

On 15 March, 12 June and 1 August 2007 three companies were incorporated in Luxembourg with the registered names of Tanit Corporation, S.à.r.l., Medas Corporation S.à.r.l. and Fedra, S.à.r.l. respectively. These companies were included in the consolidated group as from that date.

On 9 July 2007, Renta Corporacion Real Estate, S.A. incorporated Renta Corporation in the United State, which led to its inclusion in the consolidated group as from that date.

On 11 July, 18 July and 26 July 2007 Renta Corporation incorporated three companies in New York with the registered names of RC1, LLC, RC2, LLC, RC III, LLC, respectively. And on 19 October 2007 Renta Corporation incorporated two companies with the registered names of RCIV, LLC and RCV, LLC, respectively, which led to their inclusion in the consolidated group as from that date.

On 29 June and 21 December 2007, Mixta África, S.A. executed two share capital increases that have represented the dilution of the shareholding of Renta Corporación Real Estate, S.A. in the shareholding of the former company from the 31.28% it held on 31 December 2006 to 18.55% at 31 December 2007. This change has not represented any variation in the consolidation method, which is still based on equity accounting.

During 2006, Mixta África, S.A. incorporated four companies en Africa, and five companies more in 2007, but none of these new companies have made any sales.

The registered offices of Renta Corporación Real Estate, S.A. for administrative and tax purposes, by virtue of a resolution adopted by the Board of Directors on 24 July 2007 have been modified and are now located in Barcelona, Via Augusta, 252-260 and its Taxpayer Identification Number (C.I.F.) is A-62.385.729.

The Group divides its activities into three business units: residential, offices and land, including the following tasks:

- **Residential.** Acquisition of residential buildings for transformation and later sale. This transformation may consist either of physical restoration of the building or technical and/or legal transformations.
- **Offices.** Acquisition of urban buildings for their transformation and later sale. This transformation may consist of change of use, physical improvements to buildings and/or their repositioning in the market.
- **Land.** Acquisition of building land for transformation and later sale, located mostly in Barcelona, Madrid and their areas of influence. The transformation phase consists in urban planning and management, necessary for carrying out the project most suitable to the needs of demand and the city. Renta Corporación commercialises land apt for later building.

The three business units 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 maximize 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, Germany and United States of America.

These consolidated financial statements were formulated by the Board of Directors on 20 February 2008.

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 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and approved by the Regulations of the European Commission and which are in force at 31 December 2007.

The new standards and modifications coming into force as from 1 January 2007 effective in relation to the operations are IFRS 7 "Financial Instruments: information to be disclosed" and the complementary modification of IAS 1 "Reporting of Financial Statements – Information to be disclosed on capital". IFRS 7 introduces new disclosures in order to improve the reporting on Financial Instruments, although it has no impact on the classification and valuation of the Financial Instruments of the Group, or on the disclosures relating to taxes, creditors and other accounts payable. The modification of IAS 1 requires the reporting on the objectives, policies and procedures of management of capital needs (equity), quantitative reporting on is considered capital, whether the external capital requirements have been met and the consequence of any non-compliance with these external requirements.

At the date of formulation of these accounts, IASB and IFRIC have issued the following standards, modifications and interpretations set out below. These standards, modifications and interpretations are mandatory in years subsequent to the one beginning 1 January 2008 and years thereafter: IFRS 3 (revised in January 2008) "Business Combinations", IAS 27 (revised in January 2008) "Consolidated and separate financial statements", modification of IFRS 2 "Share-based Payment Vesting Conditions and Cancellations", IFRS 8 "Operating segments", IAS 1 (revised in September 2007) "Disclosure of Financial Statements", IAS 23 (revised in March 2007) "Interest costs", CIIFRS 11 "IFRS 2 – Group transactions and transactions with treasury shares", IFRIC 12 "Service Concession Arrangements", IFRIC 13 "Customer Loyalty Programmes" and IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". All these standards, modifications and interpretations, except for IFRS 8 and CIIFRS 11 have still not been adopted by the European Union. The Group has analysed the possible impacts on its financial statements at 31 December 2007 and has concluded that there are no significant impacts.

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, modified in those cases established by IFRS-EU in which certain assets and liabilities are stated at their fair value.

The preparation of consolidated financial statements compliant with IFRS - UE 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.

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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 principles

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 unrealized gains on transactions between the Group companies are eliminated. Unrealized 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; this 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. In the event that the Group has a shareholding below 20%, it is classified as an associate provided that the Group exercise a significant influence on the financial and operating decisions of the investee company. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost.

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

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

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

2.3. Segment reporting

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

a) Primary format of segment reporting: business segments

- **Residential.** Acquisition of residential buildings for transformation and later sale. This transformation may consist either of physical restoration of the building or technical and/or legal transformations.
- **Offices.** Acquisition of urban buildings for their transformation and later sale. This transformation may consist of change of use, physical improvements to buildings and/or their repositioning in the market.
- **Land.** Acquisition of building land for transformation and later sale, located mostly in Barcelona, Madrid and their areas of influence. The transformation phase consists in urban planning and management, necessary for carrying out the project most suitable to the needs of demand and the city. Renta Corporación commercialises zoned land apt for later building.

b) Secondary format of segment reporting: geographic segments

Following criteria based on the location of assets.

- Domestic
- International

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).

(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 recognized in the income statement, except if they differ in net equity such as qualified cash flow hedges.

c) Group companies
The results and financial position of Renta Properties (UK), Ltd., and Renta Corporation and its group companies, 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 recognized 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.

The depreciation of assets carried under PPE is calculated using the straight-line method, over their estimated useful lives and bearing in mind their respective residual values as follows:

	Years
Buildings	25
Plant	10
Furniture	10
Computer equipment	4
Vehicles	6.25
Other property, plant and equipment	10 - 12

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 capitalized on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortized over their estimated useful lives (four years) using the straight-line method.

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 recognized 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. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The acquisitions and sales of financial assets are recognised on the date of negotiation, i.e., the date on which the Group undertakes to acquire or sell the asset.

The financial assets are written off when the rights to receive the cash flows from the investments have expired or have been transferred and the Group has substantially transferred all the risks and rewards of their ownership.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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. See Note 2.10.

2.9. Inventories

Inventories include buildings, land and plots and are measured at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Net realizable value is assessed at every year-end.

The financial expenses arising from bank financing, both generis financing (syndicated loans) and specific financing (loans, mortgages), attributable to the acquisition and transformation of any qualified assets, as well as other costs incurred in relation to the execution of bank financing, 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 as payments on account 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 recognized 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 3.1). The amount of the provision is recognized 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 recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

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

2.14. Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted 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 recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Their recovery is evaluated each year and the recoverability of those that have not been capitalised are evaluated again.

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

2.15. Income tax and other taxes

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

The Group company Renta Corporación Real Estate Finance, S.L.U. has been taxed in the past 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 it applies 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, S.A. is subject to the general prorated VAT regime.

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.

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

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

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

2.16. Provisions

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

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

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

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

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

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

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

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

2.18. Leases

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

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

2.19. 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 distribution
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, excluding the impact of accrual conditions that are not market conditions (for example, the objectives of profitability and sales growth).

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

The method for recognizing the gain or loss on changes in the fair value of these financial instruments depends on whether the derivative has been designated as a hedging instrument, and, if so, the nature of the item it is hedging. Any gain or loss from the changes in the fair value of derivatives that do not meet these requirements to be recorded as hedges are directly expensed, in the net amount, for the year. At 31 December 2007 the Group does not have any derivatives that do not qualify as hedges for accounting purposes.

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

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

The fair value of the derivative instruments used for hedging purposes is broken down in Note 10. The movements in the hedging reserve in equity is broken down in Note 15.

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

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

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

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

2.24. Creditors and other accounts payable

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

3. Management of financial risk

3.1. Financial risk factors

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

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

Market risk: exchange rate risk

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

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

The Group holds intra-group financial positions with its subsidiaries in London and New York, where it operates with non-Euro currencies, which generates exchange rate exposure. Although this risk was minor in 2006, the growth of the Group in the zones affected by these markets in 2007 has led the Company to contract interest exchange rate hedges.

Thus, and given the depreciation of the Pound Sterling and the US Dollar since the second half of the year, exchange rate hedges have been contracted on a part of the amounts financed.

The effect of the variation in exchange rates on the Group will depend on the volume of exposure it has at any time in those currencies. Thus, of special note has been the period recorded in the last quarter of the year in relation to the Pound in which it fell from a rate of Pound 0.697 per Euro to Pound 0.733 per Euro. This devaluation of the Pound, on an average debt of Pounds 35.5 million, generated only in that quarter an exchange loss of Euros 2.5 million.

The Group was able to close financial derivatives that restricted or minimised the Pound exchange rate risk. Specifically, for a base of Pounds 30 million, an exchange rate of Pounds 0.719 was closed. Bearing in mind that the market rate at the year end was 0.733, this generated again for the Company of Euros 872 thousand, which was booked as financial income.

Also in respect of the dollar the last quarter of the year has been significant (specifically October and November) during which the Dollar fell from 1.384 per Euro to 1.475 per Euro. This devaluation, on an average debt of USD 16.1 million, generated exchange losses of Euros 0.7 million in this quarter alone.

The Group was also capable in this respect of closing financial derivatives, which permitted the restriction or minimization of the Dollar exchange rate risk. Specifically, for a base of USD 14 million, the exchange rate was closed at 1.45. Bearing in mind that the market rate at the year end was USD 1.473 per Euro, this led to a gain of Euros 149 thousand, which has been recorded as financial income.

Market risk: interest rate risk

External financing is contracted at variable interest rates.

The interest risk control policy was designed to cover at a fixed interest rate approximately 30% of the total debt drawn down and to thus reduce the volatility of financial costs. While in 2006 the external borrowing was short-term, access to long-term financing in 2007 has made it possible to apply interest rate risk management policies.

Thus, in March fixed rate hedge contracts were executed for a nominal amount of Euros 200 million related to the syndicated loan. After formalizing additional contracts for a nominal amount of Euros 21.6 million, at the December 2007 close the interest rate hedges total Euros 221.6 million, which covers 29% of the debt.

The average interest rate on the debt hedged at a fixed rate is 4.11% maturing in 3.4 years.

Bearing in mind the gross average debt of the Group in 2007, an increase of 1% in interest rates would affect increase financing costs by Euros 6.3 million. If we take into account that 29% of the debt is at a fixed rate, a 1% increase in interest rates would only have an effect of an additional Euros 4.5 million on financial expenses.

Credit risk

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

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

Liquidity risk

Decreases in the liquidity of the real estate market: the Company and its investee companies are 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 access to the credit finance market ensures a high degree of flexible, assured coverage of its needs.

The business model of Renta Corporación, because of its dynamic, constant flow of purchases and sales, quickly identifies changes in the market and adjusts its practices to the context in which it operates. That is why the Group can adapt its strategy of diversification of products and markets flexibly and constantly.

Financing of the acquisition of real estate: the acquisition of real estate and renovation and transformation activity is financed by debt. In February 2007 a credit facility was executive with a syndicate of 21 financial entities in the amount of Euros 500 million maturing in five years.

Additionally, the Group has mortgage-backed loans of approximately Euros 151 million.

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

This syndicated loan and the mortgage-backed loans and other banking credit facilities constitute the Group's financial support.

As a result of the above, the Group is subject to the risks normally related to debt-related financing, including the risk that the cash flow from the sale of buildings will not be sufficient to repay the financing obtained. Nevertheless, the quality of the assets is a solid guarantee of the debt.

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

At 31 December 2007 (thousand euros)	**Less than one year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**More than 5 years**
Bank loans	159,152	68,250	440,588	73,415
Derivative financial instruments	9,828	60,648	160,628	0
Creditors and other accounts payable	90,986	9,613		

At 31 December 2007 (thousand euros)	**Less than one year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**More than 5 years**
Bank loans	507,313			
Derivative financial instruments				
Creditors and other accounts payable	157,717			

The table below presents a breakdown of the bases (notional or contractual values) of the different derivative instruments contracted by the Group at 31 December 2007 which will mature in the following years.

At 31 December 2007 (thousand euros)	**Less than one year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**More than 5 years**
Derivatives on US Dollars	9,504			
Interest rate swaps	324	324	200,972	19,980

3.2. Capital risk management

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

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

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

(thousands of Euros)

The leverage indicators at 31 December 2007 and 2006 were as follows:

	2007	2006
Borrowings	741,405	507,313
Less: Cash and cash equivalents plus other current deposits	5,194	8,195
Net debt	736,211	499,118
Net equity	220,614	203,899
Total capital	956,825	703,017
Leverage indicator	76.94%	70.99%

The average net debt balance for the year has been approximately Euros 596 million. This increase in the last part of the year has been due to the investments of the Group, which has generated a higher level of borrowings than initially planned.

3.3. Fair value estimation

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

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

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

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

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 realizable 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. Specifically, the useful life of buildings is estimated at 25 years due to the fact that this is the period of time considered necessary in order to contribute to the generation of income.

Deferred income tax: the recoverability of the deferred income tax assets is evaluated when they are generated depending on the evolution of Group profit forecast in its overall business plan.

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

5. Segment information

5.1. Primary format of presentation segment reporting: business segments

At 31 December 2007, the Group is organised globally into three main business units.

(i) Residential
(ii) Offices
(iii) Land

(thousands of Euros)

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

Account	Residential	Offices	Land	Not assigned	Total Consolidation
Revenue (Note 20.1)	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 main accounts for the year ended 31 December 2007 are:

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

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

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 global basis.

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

REVENUE	2007	2006
Domestic	427,877	377,789
International	101,230	212,246
	529,107	590,035

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

ASSETS	2007	2006
Domestic	824,190	757,212
International	253,779	132,088
	1,077,969	889,300

Total assets are assigned on the basis of the location of the assets, the increase in assets in the international area is a reflection of the internationalisation that the Group is fostering.

Breakdown of revenue by segment of activity and geography:

	2007		2006	
	Domestic	International	Domestic	International
Residential	36,703	96,145	114,864	191,563
Offices	240,298	5,085	183,276	20,683
Land	150,876	-	79,649	-
	427,877	101,230	377,789	212,246

(thousands of 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 plat, tools and furniture	Other fixed assets	Total
At 1 January 2006				
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
Year ended 31 December 2007				
Opening net book value	11	897	290	1,198
Additions	58,356	7,955	561	66,872
Disposals	-	(623)	(4)	(627)
Depreciation charge	(164)	(220)	(145)	(529)
Closing net book value	58,203	8,009	702	66,914
At 31 December 2007				
Cost	58,369	8,268	1,202	67,839
Accumulated depreciation	(166)	(259)	(500)	(925)
Net book value	58,203	8,009	702	66,914

The book value of tangible assets fully depreciated totals Euros 411 thousand and Euros 229 thousand at 31 December 2007 and 2006, respectively.

Assets located outside Spain total Euros 104 thousand and Euros 92 thousand at 31 December 2007 and 2006, respectively.

The Group holds proper title to all the assets carried in its books. Property, plant and equipment includes the building that houses the Group's new head office on which a mortgage-backed loan has been constituted in the amount of Euros 54 million.

7. Intangible assets

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

	Trade marks	Computer Software	Total
At 1 January 2006			
Cost	-	164	164
Accumulated amortisation	-	(33)	(33)
Net book value	-	131	131
Year ended 31 December 2006	-		
Additions	-	166	166
Disposals	-	(74)	(74)
Amortisation charge	-	(41)	(41)
At 31 December 2006	-	182	182
Cost	-	256	256
Accumulated amortisation	-	(74)	(74)
Net book value	-	182	182
Year ended 31 December 2007			
Additions	16	291	307
Amortisation charge	-	(82)	(82)
At 31 December 2007	16	391	407
Cost	16	547	563
Accumulated amortisation	-	(156)	(156)
Net book value	16	391	407

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.

(thousands of Euros)

8. Investments in associates

The movement of investment in associates consolidated by the equity method is set out below:

	Masella Oeste, S.L.	Mixta África, S.A.	Total
At 1 January 2006	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
Participation in equity	-	(1,769)	(1,769)
Participation in results	(2)	9,012	9,010
At 31 December 2007	399	11,096	11,495

The increase in participation in results of Mixta África, S.A. is basically due to the capital increases with share premium that this company performed during 2006 and 2007, after deducting its loss for the same years.

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

Name	Country of incorporation	% shareholding	Assets	Liabilities	Operating income	Profit (loss)
2006						
Masella Oeste, S.L.	Spain	40%	1,419	416	-	(193)
Mixta África, S.A. (1)	Spain	31.28%	48,944	30,324	26,233	(3,456)
2007						
Masella Oeste, S.L.	Spain	40%	1,060	64	19	(7)
Mixta África, S.A. (1)	Spain	18.55%	162,377	94,431	107,895	(8,792)

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

The Group has not carried out any transactions with Masella Oeste, S.L. during the years 2006 and 2007. The volume of transactions with Mixta Á'5ffrica, S.A in 2006 and 2007 is as follows:

	Mixta África, S.A.	
	2007	2006
Rendering of services	125	242
Financial income	-	99
	125	341

The balances at the 2006 and 2007 year end arising from loans are as follows:

	Mixta África, S.A.	
	2007	2006
Loans granted (note 9)	-	95
Accounts receivable	145	-
	145	95

In 2006 the amount drawn down from the credit facility formalised on 31 May 2005 was cancelled, and the interest that had accrued and pending at 31 December 2006 has been paid in 2007.

On 26 April 2007 a Consulting Service Lease Agreement was entered into by Renta Corporación and Mixta África, S.A. for a term of one year, tacitly extendible, and by virtue of which the former has invoiced the latter an amount of Euros 125 thousand plus VAT. This amount is still outstanding at the year end.

(thousands of Euros)

9. Trade and other receivables

	2007	2006
Trade debtors for sales and services	84,921	87,285
Loans to associates (note 8)	-	95
Other accounts receivable	18,427	27,031
Deposits - current	486	400
Public Administration tax receivables	18,721	48,725
Total short-term receivable	122,555	163,536
Deposits- non-current	335	173
Other non-current investments	776	927
Non-current prepayments	-	70
Total non-current receivables	1,111	1,170

Trade debtors for sales and services mainly includes sales made during the last period of the year, remaining in line with those of last year. These sales are duly guaranteed.

In view of the fact that most sales made by the Group are settled in cash, at 31 December 2007 there are not accounts receivable past due.

Other accounts receivable basically carries provisions for taxes, notaries, solicitors and certain advances to debtors.

The decrease 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 2007 the VAT for last year totalling Euros 30,854 thousand has been refunded (2006: Euros 9,818 thousand).

The movement in deposits is as follows:

	Non current	Current	Total
Opening balance at 1 January 2006	**142**	**474**	**616**
Increases	86	471	557
Decreases	(55)	(545)	(600)
Closing balance at 31 December 2006	**173**	**400**	**573**
Increases	196	1,244	1,440
Decreases	(34)	(1,158)	(1,192)
Closing balance at 31 December 2007	**335**	**486**	**821**

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

	2007	2006
VAT receivables	13,675	47,199
Public Treasury taxes	945	758
Tax credit for tax loss carryforwards	4,101	768
	18,721	48,725

Credits for tax losses to be offset relate to the tax rate of each country applied to the losses incurred by certain affiliates that the Group expects to be able to offset using the profit from 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 144 thousand have been recorded (2006: Euros 80 thousand).

10. Derivative financial instruments

The breakdown of the fair value of the derivative financial instruments at the 2007 year end (2006: 0) is as follows:

	2007	
	Assets	Liabilities
Interest rate swaps – cash flow hedges	2,020	-
Forward foreign currency exchange contracts – cash flow hedges	90	-
Total	**2,110**	-
Less non-current part:		
Interest rate swaps – cash flow hedges	(2,020)	-
Forward foreign currency exchange contracts – cash flow hedges	-	-
Current part	90	-

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(thousands of Euros)

The Group has contracted derivative financial instruments for interest rates (interest rate swaps or swaps) and a forward foreign currency exchange contract (purchase: European put/call, sale; European call/put), in line with the financial risk management policy described in Note 3.1.

a) Interest rate swaps
The amounts of the notional principle of the interest rate swap contracts outstanding at 31 December 2007 total Euros 221.6 million (2006: Euros 0).

At 31 December 2007, the fixed interest rates varied between 4.065% and 4.390%, and the main variable interest rates were set by the EURIBOR. The gains and losses on the equity hedge reserve (Note 15.2) in interest rate swap contracts at 31 December 2007 will be transferred to the profit and loss account on a continuous basis until the bank loans are repaid.

b) Forward foreign currency contracts
The principal amounts of the derivative contracts on US Dollars outstanding at 31 December 2007 total Euros 9,504 thousand (2006: 0). The exchange rate contracted has been set at USD 1.45 to the Euro.

The losses or gains recognised in the equity hedge reserve (Note 15.2) in exchange rate contracts at 31 December 2007 will released to profit and loss when settled.

11. Inventories

	2007	2006
Land and plots	274,820	320,927
Building acquired for refurbishment and transformation	556,763	380,687
Works in progress	2,911	844
Purchase options	26,447	7,756
Provisions	(2,047)	(20)
	858,894	710,194

The increase in inventories in 2007 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 2006 and 2007 totals Euros 468,675 thousand and Euros 432,632 thousand, respectively. (Note 21)

Inventories at 31 December 2006 and 2007 includes interest capitalised in the amount of:

	2007	2006
Interest capitalised	26,641	6,306

The capitalization rate used to determine the interest costs arising from generic financing is approximately 5.20 % (not applicable in 2006).

The increase in the size of operations, together with the adaptation of the method of calculation applied to the capitalization of the financial cost to bring it into line with changes in Group financing (based on generic and global financing through the syndicated loan) and the increase in market interest rates, has led to an interest capitalization figure that is greater than last year's in absolute terms.

Inventories at 31 December 2006 and 2007 include buildings and land under mortgage-backed loans carried under borrowings (in current liabilities) totalling:

	2007	2006
Inventories under mortgage-backed loans	186,782	492,537
Mortgage-backed loans (See Note 18)	97,741	316,732

The options carried at 31 December 2007 relate to operations that will be foreseeably undertaken from 2008 and thereafter. The premiums on the purchase options at 31 December 2007 amount to Euros 26,447 thousand, Euros 21.670 thousand of which mature initially in 2008. The amount of the underlying asset optioned totals Euros 506,731 thousand, Euros 408,938 of which mature initially in 2008.

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

At 31 December 2007 the amount of Euros 17,768 thousand is included, which realisation is estimated in a period greater than one year.

The inventories that are valuated at their fair value less cost of sales total Euros 93,826 thousand.

The loss on impairment of inventories stated in the profit and loss account for the year ended 31 December 2007 total Euros 2,047 thousand (Euros 2,063 thousand charged and Euros 16 thousand utilised).

(thousands of Euros)

The income statement also includes the income from inventories (buildings) leased to third parties provisionally until they can be sold, and the income from various floors leased to third parties, from the building that houses the Group's new head offices. The leases total Euros 10,895 thousand (2006: Euros 4,967 thousand) of which Euros 10,011 thousand come from inventories. (Note 20.2)

12. Cash and cash equivalents

	2007	2006
Cash and banks	2,737	6,071

The balance at 31 December 2006 and 2007 is entirely made up of cash at hand and deposits in current accounts in banks.

13. Share capital

	Capital (Note 13.2)	Treasury shares (Note 13.3)	Share Premium reserve (Note 13.5)	Total
At 1 January 2006	21,949	(94)	(428)	21,427
Balance at 31 December 2006	25,029	(2,759)	80,419	102,689
Balance at 31 December 2007	25,029	(5,570)	80,419	99,878

13.1 Movement in the number of shares

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

	Number of ordinary shares
At 1 January 2006	21,949,301
Increase in capital through cash contribution	2,000,000
Increase in capital through cash contribution (green-shoe)	1,080,000
At 31 December 2006	25,029,301
Balance at 31 December 2007	25,029,301

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

The par value of each share in 2006 and 2007 has been Euro 1.

13.2 Movement in share capital

	Ordinary shares Par value	Treasury shares Par value	Total
At 1 January 2006	21,920	29	21,949
Increase in share capital against the share premium reserve	3,080	-	3,080
Acquisitions (Note 13.3)	(141)	141	-
Disposals (Note 13.3)	68	(68)	-
Balance at 31 December 2006	24,927	102	25,029
Acquisitions (Note 13.3)	(115)	115	-
Disposals (Note 13.3)	18	(18)	-
Balance at 31 December 2007	24,830	199	25,029

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.

(thousands of Euros)

13.3 Operation with treasury shares and purchase options

	Treasury shares	Total
At 1 January 2006	(94)	(94)
Balance at 31 December 2006	(2,759)	(2,759)
Balance at 31 December 2007	(5,570)	(5,570)

The movement in treasury shares during 2006 and 2007 has been as follows:

	Number	Par value	Average acquisition /sale price	Cost	Total
Balance at 01.01.06	28,970	(29)	-	(94)	(94)
Acquisitions	141,008	(141)	26.89	(3,792)	(3,792)
Disposals	(67,504)	68	16.69	1,127	1,127
Balance at 31.12.06	102,474	(102)		(2,759)	(2,759)
Acquisitions	114,714	(115)	29.01	(3,328)	(3,328)
Disposals	(18,433)	18	28.05	517	517
Balance at 31.12.07	198,755	(199)		(5,570)	(5,570)

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 was designed to motivate and foster permanence of its beneficiaries in the Group and grant employees the status of shareholders in the Company.

In addition to the share repurchase program, it was agreed to acquire own shares until the maximum amount permitted by law, in order to contribute to the liquidity of the shares on the market.

On 21 February 2007 the Board of Directors of the Company agreed to adopt a specific plan for the repurchase of shares of the Company in order to meet the needs of an employee and executive incentive plan as well as hand over shares to the Directors. This plan has been designed to motivate and foster loyalty to the Group of its beneficiaries and to confer upon the employees the status of Company shareholders. The General Meeting of Shareholders of 29 March 2007 ratified this plan.

13.4 Rules on the transfer of shares

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

13.5 Share premium reserve

	Capital Increase expenses	Share premium reserve	Total
At 1 January 2006	(911)	483	(428)
Capital increase charged against the share premium reserve	(5,393)	86,240	80,847
Balance at 31 December 2006	(6,304)	86,723	80,419
Balance at 31 December 2007	(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 13.2, share capital was increased as a result of the increase of the par value of the shares in 2006 against the share premium reserve.

13.6 Main shareholders

The Company's main shareholders at 31 December 2007 holding more than 5% direct or indirect control are as follows:

	Number of shares		
Nombre	Direct	Indirect	Total
Mr. Luis Rodolfo Hernández de Cabanyes	1.081%	34.411%	35.492%
Fundación Privada Renta Corporación	5.010%	-	5.010%
Durango Different, S.L.	3.995%	2.010%	6.005%

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14. Cumulative translation adjustment

The differences in this account are mainly due to the shareholding in Renta Properties UK, Ltd. and Renta Corporation subgroup. The movement in 2007 has been as follows:

	Translation
1 January 2006	(7)
Translation adjustments:	
· Group	(22)
31 December 2006	(29)
Translation adjustments:	
· Group	(2,067)
31 December 2007	(2,096)

15. 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 2006	1,677	16,743	11,917	131	32,502	62,970
Distribution of 2005	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
Distribution of 2006 income	1,706	618	42,631	2,546	(47,501)	-
Dividends	-	5,750	(20,000)	-	-	(14,250)
Profit from treasury shares	-	(26)	-	-	-	(26)
Share Plan Reserve allowance	-	809	-	-	-	809
Variation in shareholding in associates	-	-	-	(1,769)	-	(1,769)
Cash flow hedging instruments	-	-	1,477	-	-	1,477
Income for the year	-	-	-	-	35,352	35,352
Balance at 31 December 2007	4,682	17,394	64,442	962	35,352	122,832

15.1 Movements in reserves and retained earnings during 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 it.

Other reserves of the parent company
The reserves of the parent company have been increased as a result of the receipt of dividends from its subsidiaries totalling Euros 7,000 thousand, and have decreased as a result of the distribution of a extraordinary dividend of Euros 10,086 thousand against Reserves, adopted by the General Meeting of Shareholders of 9 February 2006 and proposed by the Board of Directors of 27 December 2005. In accordance with current legislation in Spain, the parent Company has a treasury shares reserve totalling Euros 2,759 thousand.

During the year treasury shares have been sold from which a profit of Euros 662 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 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 1.01.2006	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 2006 dividends	(5,000)	(2,000)	-	-	-	-	(7,000)
Balance at 31.12.2006	3,505	5,786	11,650	1,092	18,803	(504)	40,334

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(thousands of Euros)

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

	Masella Oeste, S.L.	Mixta África, S.A.	Total
Balance at 01.01.2006	131	-	131
Inclusion of 2005 results	231	(272)	(41)
Decrease in shareholdings	-	95	95
Balance at 31.12.2006	362	(177)	185

15.2 Movement in retained earnings and reserves in 2007

Legal reserve
Due to the fact that the legal reserve as per article 214 of the Spanish Companies Act was not fully constituted, the parent Company allocated Euros 1,706 thousand of 2006 profit to 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 20,000 thousand, and have decreased as a result of the distribution of an extraordinary dividend charged against reserves of Euros 14,250 thousand, adopted by the Extraordinary General Meeting of Shareholders of 29 March 2007, which had been proposed by the Board of Directors on 21 February 2007. In accordance with current legislation in Spain, the parent Company has a treasury shares reserve totalling Euros 3,037 thousand.

The parent company has sold treasury shares for a loss amounting to Euros 26 thousand, decreasing its reserves in the same amount.

Reserves in fully consolidated companies
The movement in Reserves in fully consolidated companies in 2007 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	Renta Corporación Luxembourg	RC Real Estate Deutschland	Total
Balance at 31.12.2006	3,505	5,786	11,650	1,092	18,803	(504)	-	-	40,334
Inclusion of 2006 Results	4,895	19,628	3,727	10,358	462	(94)	3,550	105	42,631
Reclassification of dividends for 2007	(2,500)	(17,500)	-	-	-	-	-	-	(20,000)
Cash flow hedging instruments	-	-	-	-	1,477	-	-	-	1,477
Balance at 31.12.2007	5,900	7,914	15,377	11,450	20,744	(598)	3,550	105	64,442

Reserves in companies consolidated by the equity method
The movement in Reserves in companies consolidated by equity accounting in 2007 has been as follows:

	Masella Oeste, S.L.	Mixta África, S.A.	Total
Balance at 31.12.2006	362	(177)	185
Inclusion of 2006 results	(77)	2,623	2,546
Decrease in shareholdings	-	(1,769)	(1,769)
Balance at 31.12.2007	285	677	962

15.3 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.

15.4 Other reserves of the parent company
This line included undistributable reserves for the period that treasury shares are hold by the 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.

15.5 Reserves in fully consolidated companies
Includes restricted reserves (as they are legal reserves) for 2006 and 2007 as follows:

(thousands of Euros)

	2007	2006
Renta Corporación Real Estate R.A., S.A.U.	100	100
Renta Corporación Real Estate G.O., S.L.U.	37	37
Renta Corporación Real Estate O.N., S.A.U.	24	24
Groupe Immobilier Renta Corporación, S.A.S.U.	4	4
Renta Corporación Real Estate Finance, S.L.U.	1	1
Renta Corporación Luxembourg, S.ar.l.	1	-
	167	166

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.

15.6 Reserves in companies consolidated by the equity method

Includes restricted legal reserves totalling Euros 58 thousand in 2006 and Euros 58 thousand in 2007.

15.7 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:

	2007	2006
Company	**Consolidated income**	**Consolidated income**
Renta Corporación Real Estate, S.A.	518	2,324
Renta Corporación Real Estate R.A., S.A.U.	4,477	4,895
Renta Corporación Real Estate G.O., S.L.U.	7,011	19,628
Renta Corporación Real Estate O.N., S.A.U.	16,739	3,727
Groupe Immobilier Renta Corporación, S.A.S.U.	(2,276)	10,358
Renta Corporación Real Estate Finance, S.L.U.	(1,152)	462
Renta Properties (UK), Limited	(2,757)	(94)
Renta Corporación Luxembourg, S.á.r.l	8,136	3,550
RC Real Estate Deutschland GmbH	(410)	105
Renta Corporation (USA)	(750)	-
Mixta África, S.A.	5,818	2,623
Masella Oeste, S.L.	(2)	(77)
	35,352	47,501

The proposed distribution of 2007 results and other reserves of the parent Company to be presented to the General Meeting of Shareholders, as well as the adopted distribution for 2006 is as follows:

	2007	2006
Basis of distribution		
Income for the year	11,023	17,054
Distribution		
Legal reserve	325	1,706
Voluntary reserves	92	1,098
Dividends	10,606	14,250
	11,023	17,054

16. Minority interests

	Renta Corporación Real Estate Finance, S.L.
1 January 2006	604
Acquisition of minority interests	(604)
31 December 2006	-
31 December 2007	-

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(thousands of Euros)

17. Trade and other payables

	2007		2006	
	Current	Non current	Current	Non current
Trade creditors	56,956	9,613	127,438	-
Amounts owing to related parties (note 34)	58	-	172	-
Outstanding remuneration	2,046	-	1,799	-
Deferred income	1,617	-	-	-
Other payables	1,295	-	186	-
Deposits received from customers	27,027	-	20,671	-
Social Security and other taxes	1,897	-	7,451	-
	90,896	9,613	157,717	-

Other payables for the year 2007 includes current deposits and guarantee deposits received.

18. Borrowings

	2007	2006
Current		
Loans/credit facilities with financial institutions	90,931	188,805
Mortgage-backed loans	98,552	316,732
Interest debt	3,317	1,776
	192,800	507,313
Non current		
Syndicated loan	495,976	-
Mortgage-backed loan for head office and other borrowings	52,629	-
	548,605	-
Total borrowings	741,405	507,313

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

The movement in borrowings during 2006 and 2007 have been as follows:

	Loans from financial institutions	Mortgage Backed loans	Amounts owing to third parties	Interest debt	Syndicated loan	Total
At 1 January 2006	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
Financing	94,150	61,500	-	-	500,000	655,650
Cancellation of financing	(191,847)	(226,491)	-	-	-	(418,338)
Interest charged	40	23	-	20,439	940	21,442
Interest paid	(217)	(583)	-	(18,898)	(4,964)	(24,662)
Balance at 31 December 2007	90,931	151,181	-	3,317	495,976	741,405

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.

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

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

The Group has credit facilities with the following amounts drawn and not drawn down and maximum credit limits at 31 December 2006 and 2007.

(thousands of Euros)

2007		2006	
Amount drawn down	**Maximum credit limit**	**Amount drawn down**	**Maximum credit limit**
82,568	96,800	188,805	273,122

The amount relating to the mortgage-backed loans is guaranteed by buildings owned by the different Group companies and carried under Inventories (Note 11) and by the building housing the new head office of the Group which is carried under PPE (Note 6).

The average interest rate obtained during 2006 was 3.7% p.a., while in 2007 the average interest rate has been 4.82% p.a.

Interest accrued and not settled at the year 2006 and 2007 end totals Euros 1,776 thousand and Euros 3,317 thousand, respectively.

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

	2007	2006
Euros	739,097	502,601
Pounds Sterling	2,308	4,712
	741,405	507,313

19. Deferred income tax

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

	2007	2006
Opening balance	1,420	195
(Charge)/credited to income	(837)	1,225
Closing balance	583	1,420

The movements in the deferred income tax assets account have been as follows:

Deferred tax assets	Prepaid expenses for sales commissions	Prepaid expenses generated from amortisations	Deferrol of Tax income	Others	Total
At 1 January 2006	-	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
(Charge) / credit to income	-	(23)	(1,204)	390	(837)
At 31 December 2007	(5)	2	-	586	583

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

	2007	2006
Opening balance	1,124	-
Charge to equity	633	-
Charge to income (Note 27)	9,748	1,124
Closing balance	11,505	1,124

The movements in the deferred tax liability account have been as follows:

Deferred tax liabilities	Shareholding under equity accounting	Impairment of investments	Capitalisation of financial cost	Hedging financial instruments	Total
Al 1 January 2006	-	-	-	-	-
(Charge) / credit to profit and loss account	(1,124)	-	-	-	(1,124)
At 31 December 2006	(1,124)	-	-	-	(1,124)
(Charge) / credit to equity	-	-	-	(633)	(633)
(Charge) / credit to profit and loss account	(3,195)	(2,409)	(4,144)	-	(9,748)
At 31 December 2007	(4,319)	(2,409)	(4,144)	(633)	(11,505)

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(thousands of Euros)

Given the expected term for reversal, the deferred tax liability of Euros 4,952 thousand at the 2007 year end has been classified as non-current.

There are no significant unrecognised deferred tax assets or liabilities.

20. Revenue and other income

20.1 Revenue

The breakdown of revenue is as follows:

	2007	2006
Sales (Note 5)	529,107	590,035
Revenue	529,107	590,035

20.2 Other income

The breakdown of other income is as follows:

	2007	2006
Income from operating leases (Note 11)	10,895	4,967
Other income	4,870	1,205
Total other income	15,765	6,172

21. Purchase costs and changes in inventories

The breakdown of this account is as follows:

	2007	2006
Purchases of buildings and transformation costs	567,553	864,251
Variation in inventories of buildings	(136,948)	(395,557)
Variation in provision for inventories	2,027	(19)
Total consumption of goods sold (Note 11)	432,632	468,675

22. Amortisation, depreciation and impairment for losses

The breakdown is as follows:

	2007	2006
Depreciation of property, plant and equipment	529	215
Amortisation of intangible assets	82	41
Losses for the sale property, plant and equipment and intangible assets	581	-
Loss on uncollectible loans	144	80
	1,336	336

23. Other external expenses and local taxes

23.1. Other external expenses

The breakdown of this account is as follows:

	2007	2006
Leases	1,054	683
Repairs and maintenance	1,199	335
Professional and brokering services	9,778	8,188
Insurance premiums	560	796
Banking services	2,183	1,111
Publicity, advertising and public relations	6,407	4,024
Supplies	1,012	570
Other services	7,384	4,759
	29,577	20,466

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

Other services mainly includes unexercised purchase options. (See Note 33).

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

24. Employee benefit expense

The breakdown of employee benefit expense is as follows:

	2007	2006
Wages, salaries and severance payments (2006: Euros 49 thousand and 2007 Euros 177 thousand)	15,668	13,268
Social Security expenses	1,707	1,311
Other social expenses	425	214
Defined contribution plan	30	29
Share-based payment (note 35)	809	359
	18,639	15,181

25. Operating leases

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

	2007	2006
Less than 1 year	389	683
Between 1 and 5 years	989	1,165
	1,378	1,848

The expense recognised in the profit and loss account for the year relating to operating leases totals Euros 984 thousand (2006: Euros 651 thousand).

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

Group Company	Asset leased	Location	Expiry of rental agreement	Monthly rental payment (thousand Euros)
Renta Corporación Real Estate, S.A.	Branch	Madrid	10/04/2012	15
Renta Corporación Real Estate, S.A.	Branch	Palma	05/10/2011	1
Renta Corporación Real Estate, S.A.	Branch	Málaga	30/09/2010	1
Renta Corporación Real Estate, S.A.	Branch	Seville	31/07/2012	1
Groupe Immobilier Renta Corporación, 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
Renta Corporacion Luxembourg, S.a.r.l.	Branch	Luxembourg	01/03/2008	2
Renta Corporation (USA)	Branch	New York	29/02/2008	3

The minimum future payments receivable for operating leases that cannot be cancelled are as follows (in 2006: 0):

	2007
Less than 1 year	1,593
Between 1 and 5 years	4,679
More than 5 years	1,080
	7,352

(thousands of Euros)

26. Financial expense

The breakdown of Net financial expense is as follows:

	2007	2006
Interest expense:		
· Bank loans	(13,397)	(10,775)
· Other	(4,733)	(470)
	(18,130)	**(11,245)**
Interest income:		
· Other	2,617	1,215
· Loans to related parties (Note 35)	-	1
	2,617	**1,216**
· Other financial income	**-**	**262**
Net financial expense	**(15,513)**	**(9,767)**

In the cash flow statement, interest paid includes:

	2007	2006
Interest on bank loans	18,130	11,245
Provision for interest accrued and not paid at the beginning of the year	1,776	1,030
Provision for interest accrued and not paid at the end of the year	(3,317)	(1,776)
Interest capitalised in inventories	26,641	6,306
	43,230	16,807

In the cash flow statement, interest received includes:

	2007	2006
Interest income	2,617	1,216
Provision for interest accrued and not collected at the beginning of the year	95	6
Provision for interest accrued and not collected at the end of the year	(286)	(95)
	2,426	1,127

27. Income tax

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

	2007	2006
Current tax	3,518	23,519
Deferred tax	10,585	(102)
	14,103	23,417

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

	2007	2006
Consolidated profit before income tax	49,455	70,918
Theoretical tax rate	32.5%	35%
Theoretical tax expense	16,073	24,821
Non-deductible expenses	44	39
Differences for using different tax rates	(1,904)	(1,328)
Deductions	(110)	(115)
Income tax for the year	14,103	23,417

The current tax charge is made up as follows:

	2007	2006
Current tax of companies taxed under the consolidation tax regime	6,492	14,960
Current tax of Renta Corporación Real Estate Finance, S.L.U.	-	249
Current tax of Groupe Immobilier Renta Corporacion, S.A.S.U.	(1,507)	5,661
Current tax of RC Real Estate Deutschland GmbH	(174)	78
Current tax of RC Real Estate Luxembourg, S.a.r.l.	(138)	-
Current tax of Renta Corporation (USA)	(595)	-
Current tax of Renta Properties (UK) Ltd	(796)	(333)
Other movements	236	2,904
	3,518	23,519

(thousands of Euros)

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

	2007	2006
Charge for current tax	3,518	23,519
Withholding and payments on account of corporate income tax of companies taxed under the consolidation tax regime	(11,266)	(5,949)
Withholding and payments on account of corporate income tax of Renta Corporación Real Estate Finance, S.L.U.	-	(249)
Withholding and payments on account of corporate income tax of Groupe Immobilier Renta Corporacion, S.A.S.U.	(5,661)	(163)
Withholding and payments on account of corporate income tax of RC Real Estate Deutschland, GmbH	(123)	-
Tax credit for tax loss carryforwards	3,210	333
Other movements	(236)	(2,904)
	(10,558)	14,587

In the cash flow statement, taxes paid include:

	2007	2006
Tax accrued	3,518	23,519
Current tax liability at beginning of the year	14,587	11,922
Current tax liability at the year end	10,558	(14,587)
	28,663	20,854

27.1 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., Renta Corporación Real Estate O.N., S.A.U. and Renta Corporación Real Estate Finance, S.L.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 current income tax charge comes to 32.5% and 35%, for the years 2007 and 2006 respectively, of the taxable income for corporate income tax purposes less the respective deductions:

	2007	2006
Taxable income	20,316	43,070
Tax rate	32.5%	35%
Tax	6,602	15,075
Professional training deduction	15	14
Deduction for contribution to Fundación Privada Renta Corporación	95	101
Current tax charge	6,492	14,960

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

	2007	2006
Withholding tax	267	491
Payments on account of corporate income tax	10,999	5,458

At 31 December 2006 and 2007, neither the parent company nor its subsidiaries have outstanding deductions available for offset.

27.2 Renta Corporación Real Estate Finance, S.L.
The reconciliation between accounting profit and taxable income for 2006 is as follows:

	2006
Results of Renta Corporación Real Estate Finance, S.L.U.	462
Corporate income tax	249
Results before tax	711
Non tax deductible expenses	-
Taxable income	711
Tax rate	35%
Current tax charge	249

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Renta Corporación Real Estate Finance, S.L.U. has withheld and paid corporate taxes on account during 2006 as follows:

	2006
Withholding tax	335
Payments on account of corporate income tax	129

As indicated in Note 2.15 Renta Corporación Real Estate Finance, S.L.U. has been included in the consolidated tax Group in 2007.

27.3 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.

28. Net profit / (loss) on exchange

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

	2007	2006
Loss on exchange	4,733	470
Gains on exchange	(704)	(518)
	4,029	(48)

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

29. Earnings per share

29.1 Basic

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

	2007	2006
Profit attributable to the Company's shareholders (Thousand Euros)	35,352	47,501
Average number of ordinary shares in circulation	24,878,874	24,170,832
Basic earnings per share (€ per share)	1.42	1.97

29.2 Diluted

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

30. Dividends per share

Dividends paid in 2006 and 2007 are as follows:

	2007	2006
Dividends paid (thousand Euros)	14,250	10,086
Dividend per share (€ per share)	0.57	0.46

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.

At the General Meeting of Shareholders of 29 March 2007 a dividend for 2006 of Euro 0.57 per share was adopted for 2006.

(thousands of Euros)

31. Cash generated from operations

	Note	2007	2006
Profit for the year attributable to the parent company		35,352	47,501
Minority interests		-	-
Consolidated profit for the year		35,352	47,501
Adjustments for:			
• Taxes	**27**	14,103	23,417
• Depreciation of property, plant and equipment	**6**	529	215
• Amortisation of intangible assets	**7**	82	41
• (Profit)/loss on the disposal of property, plant and equipment (see below)			
• Interest income		581	(88)
• Interest expense	**26**	(2,617)	(1,216)
• Other financial income	**26**	18,130	11,246
• Provision for liabilities and charges	**26**	-	(260)
• Allowance to share plan	**32**	(724)	4,660
• Participation in the loss / (profit) of associates	**24**	809	359
Variations in working capital	**8**	(9,010)	(3,671)
• Inventories		(148,700)	(386,660)
• Interest capitalised in inventories		26,641	6,306
• Cumulative translation adjustment		(2,067)	(22)
• Trade and other accounts receivable	**14**	41,258	(101,071)
• Prepayments		70	175
• Trade and other payables - long-term		9,613	(27)
• Trade and other payables		(66,821)	76,499
Cash used in operations		(82,771)	(322,596)

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

	2007	2006
Book value (Notes 6 and 7)	626	116
Profit / (loss) on the disposal of property, plant and equipment	(581)	88
Amount collected from the disposal of property, plant and equipment	45	204

32. Contingencies/provisions

Contingencies

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

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

Provisions

Group Management 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. During 2007 this provision has been updated, giving a final result of Euros 3,936 thousand.

33. Commitments

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

The specific investments in PPE have been considerable in 2007, given that in July the Group acquired its new corporate head office.

At 31 December 2007 the Group has given guarantees in favour of third parties and financial entities totalling Euros 156,744 thousand (2006: Euros 81,796 thousand). These guarantees have been allocated for the most part to guarantee amounts received during the pre-sale of buildings and are included in current assets of the Group under Creditors and other accounts payable, as well as to guarantee the payment obligations contracted in the purchase of buildings with deferred payment.

At 31 December 2007 the parent company has given personal guarantees in favour of third parties totalling Euros 600 thousand (2006: Euros 8,951 thousand) mostly to guarantee purchases with deferred payment.

(thousands of Euros)

"Inventories" includes the premiums on the purchase options paid by the Group for the acquisition of real estate. Purchase options at 31 December 2007 and 2006 are broken down in the following table:

	2007	2006
Number of purchase options	26	25
Premium on purchase options	26,447	7,756
Investment rights for purchase options	506,731	385,465

In 2007 12 purchase options matured without being executed at maturity (5 in 2006). The losses on these unexercised options totalled Euros 4,731 thousand (Euros 2,778 thousand in 2006).

At 31 December 2007 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.

34. Related party transactions

34.1 Identification of related companies and parties

34.1.1. Members of the governing bodies of Renta Corporación Real Estate, S.A.
We set out below the composition of the Board of Directors and the status of its members in accordance with the Articles of Association and the Regulations of the Board of Directors of the Company:

Name	Office	Naturo of Office
Mr. Luis Rodolfo Hernández de Cabanyes	Chairman	Executive
Ms. Anna M. Birulés Bertran	Vice-Chairwoman	Executive
Mr. César Bardají Vivancos	Chief Executive Officer	Executive
Mr. Enric Venancio Fillat	Director	Executive
Mr. Carlos Solchaga Catalán	Director	External independent
Mr. Juan Gallostra Isern	Director	External independent
Mr. Carlos Tusquets Trías de Bes	Director	External independent
Ms. Esther Elisa Giménez Arribas	Director	Other external director
Mr. César A. Gibernau Ausió	Director	Other external director
Mr. Pedro Nueno Iniesta	Director	Other external director
Ms. Elena Hernández de Cabanyes	Director	Other external director
Mr. Juan Velayos Lluis	Non-member Secretary	-

34.1.2. Key Company Directors
The key Directors of the Company, defined as such in 2006, are those persons who form part of the Management Committee and Internal Audit.

In 2007, according to the definition of a top manager in the Unified Code of Good Governance, the Company's key directors are those persons who form part of top management plus the internal auditor. There are 7 key directors plus 1, including the aforementioned four executive officers.

34.1.3. Control of the Board of Directors in the share capital of Renta Corporación Real Estate, S.A.
The Members of the Board of Directors have the following interests or control at 31 December 2007:

	Number of shares		
Name	Direct	Indirect	Total
Mr. Luis Rodolfo Hernández de Cabanyes	1.081%	34.411%	35.492%
Ms. Anna M. Birulés Bertran	1.199%	-	1.199%
Mr. César Bardají Vivancos	-	0.001%	0.001%
Mr. Enric Venancio Fillat	0.03%	-	0.03%
Mr. Carlos Solchaga Catalán	-	-	-
Mr. Juan Gallostra Isern	-	-	-
Mr. Carlos Tusquets Trias de Bes	-	0.400%	0.400%
Ms. Esther Elisa Giménez Arribas	0.004%	3.418%	3.422%
Mr. César Gibernau Ausió	0.651%	0.120%	0.771%
Mr. Pedro Nueno Iniesta	-	-	-
Ms. Elena Hernández de Cabanyes	1.431%	-	1.431%

(thousands of Euros)

34.2 Sales of inventories, rendering of services and financial income

	2007	2006
Sale of inventories:		
Companies related by common shareholders		
• Second House Rehabilitación, S.L.U.	-	2,396
• Alta Business Serveis, S.L.	2,630	360
• Alderamin Star, S.L.	-	5,659
	2,630	**8,415**
Key management personnel and directors	119	959
Total sale of assets	**2,749**	**9,374**

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

	2007	2006
Rendering of services:		
Companies related by common shareholders		
• Mixta Africa, S.A. (Note 8)	125	-
• Second House, S.A.	-	129
	125	**129**
Key management personnel and directors	6	-
Total rendering of services:	**131**	**129**

Services rendered to Second House, S.A., in 2006, included the reinvoicing of building transformations managed by the Group.

Financial income: in 2006 Euros 1 thousand accrued in financial income from companies related by common shareholders. These loans were cancelled in that year.

34.3 Purchases of assets, services received and financial expenses

	2007	2006
Services received:		
Companies related by common shareholders		
• Second House, S.A.	187	1,174
• Second House Rehabilitación, S.L.U.	83	-
• Closa Asociados, Correduría de Seguros, S.L.	336	789
• Fundación Privada Renta Corporación (donation)	292	288
• Gibernau & Plana Asociados, S.L.	206	180
• Instituto Internacional de Finanzas, S.L.	101	-
• Lueco, S.A.	-	2
• Near Technologies, S.L.	91	54
• Servei de Documentació i Gestió	1	-
• Pentalin 2000, S.L.	150	-
• GP Laboral, S.C.P.	-	3
	1,447	**2,490**
Key management personnel and directors	273	-
Total services received:	**1,720**	**2,490**

At 31 December 2007 the Master Agreement entered into by Renta Corporación Real Estate, S.A. and Second House, S.A., was ratified by the Board of Directors. This agreement regulates the collaborative commercial and contractual relations between both parties, the brokering of sales, consultancy on high end product design, the purchase of dwellings and recruitment.

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

We set out below a table showing the remuneration received only by Members of the Board of Directors of the Company in 2007 and 2006:

	2007	2006
Attendance at meetings of the Board of Directors / Delegated Committees	528	489

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 10 thousand (2006: Euros 1 thousand) and Euros 69 thousand (2006: Euros 93 thousand), respectively, in 2007. Furthermore, the total amount of medical insurance premiums paid by the Company for top management and executive directors of the Company total Euros 4 thousand (2006: Euros 1 thousand).

(thousands of Euros)

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

	2007	2006
Salaries and other contributions to Executive Board Members	3,816	2,354
Salaries and other remuneration to the rest of key directors management	1,878	2,910
	5,694	5,264

Salaries and other contributions to Executive Board Members and to the other executives includes the expense accrued for the share plan (note 35), which totals Euros 332 thousand (2006: Euros 112 thousand) and Euros 173 thousand (2006: 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.

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

	2007	2006
Accounts receivable		
Companies related by common shareholders		
• Mixta África, S.A.	145	-
• Alta Business Serveis, S.L.	430	-
• Second House Rehabilitación, S.L.U.	-	1,263
	575	1,263
Key management personnel and directors	30	12
Total accounts receivable	**605**	**1,275**

	2007	2006
Accounts payable		
Companies related by common shareholders		
• Second House, S.A.	24	78
• Second House Rehabilitación, S.L.U.	1	-
• Near Technologies, S.L.	9	9
• Gibernau & Plana Asociados, S.L.	-	85
• Fundación Privada Renta Corporación (donation)	24	-
	58	172
Key management personnel and directors	-	-
Total accounts payable	**58**	**172**

34.7 Loans to related parties

The loans extended to related parties in previous years were fully cancelled in 2006. During 2007 no loans have been extended to related parties.

34.8 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:

(thousands of Euros)

Name	Name of company	Shareholding	Office or functions
Mr. Luis Hernández de Cabanyes	SECOND HOUSE, S.A. FINANTING 2001, S.L. AURODOC 75, S.L. TOGA 20, S.L. SDEEGTUTERS, S.L. DINOMEN, S.L. ALDERAMIN STAR, S.L. MIXTA AFRICA, S.A.	47.5% 63.15% 50.89% 63.15% 63.15% 62.04% 62.04% 18.11%	- Sole Administrator Sole Administrator Sole Administrator Sole Administrator Sole Administrator Sole Administrator Chairman
Ms. Anna M. Birulés Bertran	SECOND HOUSE, S.A. MIXTA AFRICA, S.A.	1.5% 0.27%	- -
Mr. Enric Venancio Fillat	MIXTA AFRICA,S.A.	0.08%	-
Mr. Carlos Tusquets Trias De Bes	LIFE MARINA IBIZA, S.L.	6.54% through Tusquets Consultores, S.L.	Director
Ms. Esther Elisa Giménez Arribas	SECOND HOUSE, S.A. ANPOL CAPITAL, S.L. MIXTA AFRICA, S.A. TIZZANO NOVARA, S.L. TRACENLIT WORLD, S.L.	4.13% 48.387% 0.18% 50% 50% through Tizzano Novara, S.L.	- Director Physical representative of the Director, which is Fundación Privada Renta Corporacion Director -
Ms. Elena Hernández de Cabanyes	SECOND HOUSE, S.A. MIXTA AFRICA, S.A. PROMOTORA DE INDUSTRIAS GRÁFICAS, S.A. AURODOC 75, S.L. IGLU VERDE, S.L. INMO ERCINA, S.L.	3.66% 1.08% 5% 18.22% 50% 50%	Sole Administrator and General manager - - - Director Director
Mr. César A. Gibernau Ausió	SECOND HOUSE, S.A. CHARCEBOY, S.L. GP CONSULTING, SL. MIXTA AFRICA, S.A.	1.05% 10.91% 18.70% indirecta 0.27%	- - General Power of Attorney Non Member Secretary
Mr. Juan Gallostra Isern	GRUPO JG INGENIEROS CONSULTORES DE PROYECTOS, S.A.	5.78%	Chief Executive Officer

35. Share-based payments

The Company has decided to implement a new share plan scheme in 2007, in order to, like the one in 2006, motivate loyalty and the retention of the receivers and beneficiaries of the plan by granting employees the status of Company shareholders. The plan consists of the distribution of shares over 3 years that accrue annually at a fixed rate for the first 12 and 24 months, and then the rest accrue until all the shares have been distributed by the end of the third year. The accrual is generated during these periods. The number of shares to be given is determined on 30 June of each year, the starting dates of the respective plans, based on the salary conditions of each manager and/or employee and bearing in mind the average weighted share quotation for the month of June 2007 and 2006, respectively.

The expense accrued at 31 December 2006 totalled Euros 359 thousand (see Note 24). The expense at 31 December 2007, for the share plans for 2006 and 2007, total Euros 809 thousand.

The shares for the first tranche of the plan begun in 2006 have been distributed in 2007.

36. Subsequent events

There have been no significant subsequent events to disclose in these consolidated annual accounts.

37. Other information

37.1 Average number of employees of the Group by category

	2007			
Name	Women	Men	Total	2006
Managers	1	4	5	5
Sales personnel	27	20	47	45
Administrative personnel	46	4	50	36
Skilled experts	2	10	12	11
Legal personnel	8	-	8	6
Services personnel	4	3	7	5
TOTAL	88	41	129	108

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37.2 Audit fees

The fees accrued to PricewaterhouseCoopers Auditores for current auditing services for al the Group companies for the years ended 31 December 2006 and 2007 total Euros 181 and Euros 212 thousand, respectively.

38. Environment

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

APPENDIX I: Subsidiaries included in the consolidation

Registered name	Registered Office	Shareholding: Cost in thousand d Euros	Shareholding: %	Company holding title	Consolidation method	Activity	Auditor
Renta Corporación Real Estate R.A., S.A.U.	Via Augusta 252-260. Barcelona (Spain)	1,346	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(1)	PwC
Renta Corporación Real Estate G.O., S.L.U.	Via Augusta 252-260. Barcelona (Spain)	183	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(2)	PwC
Renta Corporación Real Estate Finance, S.L.U.	Via Augusta 252-260. Barcelona (Spain)	607	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(4)	PwC
Renta Corporación Real Estate O.N., S.A.U.	Via Augusta 252-260. 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)	12,000	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(5)	PwC
Renta Properties (UK), Limited	74 Grafton Street London (Great Britain)	13,004	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(5)	PwC
Winterley Properties 3, Unlimited	74 Grafton Street London (Great Britain)		100%	Renta Properties (UK), Limited	Fully consolidated	(5)	PwC
RC Real Estate Deutschland GmbH	Friederichstrasse, 58 Berlín (Germany)	24,394	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(1)	PwC
Renta Corporación Luxembourg, S.a.r.l.	8 rue Jean Monnet Luxembourg (Luxembourg)	100	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(1)	Unaudited
Norfeu, S.a.r.l.	8 rue Jean Monnet Luxembourg (Luxembourg)		100%	Renta Corporación Luxemburgo, S.a.r.l.	Fully consolidated	(1)	PwC
Tanit Corporation, S.a.r.l.	8 rue Jean Monnet Luxembourg(Luxembourg)		100%	Renta Corporación Luxemburgo, S.a.r.l.	Fully consolidated	(1)	Unaudited
Medas Corporation, S.a.r.l.	8 rue Jean Monnet Luxemburgo (Luxembourg)		100%	Renta Corporación Luxemburgo, S.a.r.l.	Fully consolidated	(1)	Unaudited
Fedra, S.a.r.l.	8 rue Jean Monnet Luxembourg (Luxembourg)		100%	Renta Corporación Luxemburgo, S.a.r.l.	Fully consolidated	(1)	Unaudited
Renta Corporation	300 Park Ave. (17th floor.) New York (USA)	4,166	100%	Renta Corporación Real Estate, S.A.	Fully consolidated	(5)	Unaudited
RC1, LLC	300 Park Ave. (17th floor.) New York (USA)		100%	Renta Corporation	Fully consolidated	(5)	Unaudited
RC2, LLC	300 Park Ave. (17th floor.) New York (USA)		100%	Renta Corporation	Fully consolidated	(5)	Unaudited
RCIII, LLC	300 Park Ave. (17th floor.) New York (USA)		100%	Renta Corporation	Fully consolidated	(5)	Unaudited
RCIV, LLC	300 Park Ave. (17th floor.) New York (USA)		100%	Renta Corporation	Fully consolidated	(5)	Unaudited
RCV, LLC	300 Park Ave. (17th floor.) New York (USA)		100%	Renta Corporation	Fully consolidated	(5)	Unaudited

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

Activity:

(1) Residential business.
(2) Office business.
(3) Land business.
(4) Real estate business and services.
(5) Residential and office business.

APPENDIX II: Associates included in the consolidation

Registered name	Registered office	Shareholding: Cost in thousand d Euros	Shareholding: %	Company holding title	Consolidation method	Activity	Auditor
Masella Oeste, S.L.	Avenida Diagonal 449 1ª Barcelona (Spain)	116	40%	Renta Corporación Real Estate O.N., S.A.U.	Equity accounting	(7)	Unauditet
Mixta África, S.A.	Aribau, 168 Barcelona (Spain)	281	18.55%	Renta Corporación Real Estate, S.A.	Equity accountin	(6)	PwC

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

Activity:

(6) Residential and land business, and shares tenance.
(7) New buildings promotion business.

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Management Report

1. Evolution of the business

Renta Corporación thanks to its business model and geographic and business unit diversification has generated total ordinary income of Euros 529,107 thousand, which is a remarkable feat given the current difficult context of sales, especially in Spain.

2007 has been marked by the unexpected appearance, in the second half of the year, of a major liquidity crisis in the financial system. In the third and fourth quarters of the year growth has slowed, which has led to the delay in closing certain transactions.

However, and bearing in mind this economic conjuncture, the turnover of the Group in 2007 has been significant.

In 2007 the Group has expanded its field of operations, reinforcing its international expansion in Paris (2002), London (2005), Berlin (2006) and beginning activity in New York, a city in which perfectly fits the business model of Renta Corporación for its size and liquidity.

The conjunctural evolution of the sector has impacted the operating results for the year which have been of Euros 55,958 thousand euros in 2007, while these were 77,014 thousand euros in 2006.

Nevertheless, 2007 has been a significant step in the consolidation of the business model of the Renta Corporación Group in terms of purchasing, transformation and sale of buildings, with the maintenance of significant levels of investment.

2007 has also been relevant in terms of the acquisition of the new corporate head offices in Barcelona.

The increase in average bank borrowings for the expansion of the Group along with the increase in market interest rates has generated net financial costs of Euros 15,513 thousand, an increase against 2006 of 59%, coming to represent 2.9% of turnover.

The shareholding in associates has generated profit of Euros 9,010 thousand, an increase of 145% against last year. This has facilitated an improvement in consolidated profit for the year attributable to shareholders reaching the total of Euros 35,352 thousand. The profit attributable per share has gone from Euros 1.97 in 2006 to Euros 1.42 per share in 2007.

The evolution of shares traded on the stock exchange in 2007 has been highly volatile. After the 2006 year end with a share price of ¤ 34.13, the share's quotation dropped through successive corrections as from the second quarter of the year and stand at ¤ 15.28 per share are the 2007 year end.

The growth in assets generated by the Group is reflected in the main aggregates of the balance sheet, with a total increase in assets of 21% on 2006, due to an initial expansion that has not been accompanied by a proportional increase in sales.

At the 2007 year end, the buildings, land and plots in stock total Euros 858,894 thousand, which reflects the effect of the purchases of buildings throughout 2007, which, at the year end, are in the transformation phase. This account also includes the amounts paid for the acquisition of investment rights on buildings in the amount of Euros 26,447 thousand.

In February 2007 Renta Corporación formalised its first structured financing operation through a syndicated loan of Euros 500 million with 21 financial entities. This operations has allows it to replace a large part of its mortgage-backed borrowings and the balance drawn down in the short term on the credit facilities with short-term borrowing. This is helping to strengthen growth capacity and provided additional stability to the company's business plan.

Other accounts payable include the receipts for sale commitments of Euros 27 million, which will represent turnover of Euros 264,688 thousand in the following months.

The Directors of the Company believe that it is not exposed to any significant risks or uncertainties beyond those of the business itself.

2. Business outlook

The strategy for the next few years is based on the adaptation to a changed market environment. Once repositioned in the new conjuncture, Renta Corporación will face the future with the objective of returning to the growth path that has characterised it historically.

The solidity of the business model, which has been built up over many years, the strengthening of the company in the market and an established network for the acquisition, transformation and sale of buildings are the keys to the continued development of the company and for guiding its international development, prioritising growth in the major cities in which it is currently operating.

Investment will be centred in the purchase, transformation and sale of high turnover residential and office buildings. The land business will be limited to specific opportunities.

3. Main risks and uncertainties of the business

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

Additionally, the Group also has instruments and to minimise their impact:

- The Group carries out its business in the Euro zone, as well as in the UK and the US. In the latter two countries it has contracted financial derivatives to restrict or minimise exchange rate risk arising from their currencies.
- The Group has established interest rate risk control policies to cover 30% of its total borrowings with fixed rate interest in order to reduce the volatility of its financing costs. Thus, in March 2007 interest rate hedge contracts were executed for a nominal amount of Euros 200 million related to the syndicated loan. After having signed additional contracts for a nominal amount of Euros 21.6 million, at the December 2007 close interest rate hedges total Euros 221.6 million, which is 29% of borrowings.
- Most sales of buildings made by the Group are settled in cash at the time of the transfer of title. In the other sales of buildings, the collection of all or part of the purchase price is made after the transfer of title to the new owner. In these cases, the amount owed to the Group is guaranteed generally by means of a bank guarantee or through a reservation of title agreement or guarantees in rem so that the Group can recover title to the building in the event of default on the payment of the price.
- The quality of the Group's assets are a solid guarantee of the debt.

4. Research and development

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

5. Treasury shares

In 2007 the Company has made acquisitions and sales of 114,714 and 18,433 shares, respectively. Of the total sales, a part has been distributed to employees as part of the Incentive Plan.

The parent company at 31 December 2007 holds a total of 198,755 shares representing 0.79% of its share capital. The par value of these shares totals Euros 199 thousand.

The parent company has set up the respective reserve for treasury shares at 31 December 2007.

6. Subsequent events

Since 31 December 2007 and until the date of formulation of these annual accounts no relevant events or circumstances have occurred that would require disclosure in these accounts.

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

The company now has 139 employees, 88.6% of whom work in Spain (91% of whom work at the head office in Barcelona) and the remaining 11% at the branches in Paris, London and Berlin.

8. Environment

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

The 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.

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

9. Article 116 b of the Securities Exchange Act

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

a) The share capital of the Company totals Euros twenty-five million twenty-nine thousand three hundred and one (€ 25,029,301), divided into 25,029,301 ordinary shares with a par value of Euros one (1) each, all belonging to a single class and series and numbered correlatively from 1 to 25,029,301, both inclusive. All the shares are fully subscribed and paid.

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b) In accordance with the provisions of article 13 of the Articles of Association, there are no statutory restrictions on the transferability of the shares and the economic rights deriving thereof, including preferential subscription, although there are two agreements that regulate the transfer of shares, which are set out below. On the one hand, UIASEF-Comité Español (UCE) and Fundación INTERMON-OXFAM acquired a commitment not to transfer their shares in the company for certain periods of time as from the date that the Company's shares began being trade on the stock Exchange. On the other hand, as part of the listing of the company, certain shareholders signed a shareholders agreement that regulates certain restrictions on the transfer of Company shares. These restrictions materialize in a preferential acquisition right in relation to the transfer of shares between the parties to the agreement.

c) The significant direct and indirect shareholdings in the Company at 31 December 2007 are set out in the table below:

	% number of shares		
Name	**Direct**	**Indirect**	**Total**
Mr. Luis Hernández de Cabanyes	1.081%	34.411%	**35.492%**
Fundación Privada Renta Corporación	5.010%	0.000%	**5.010%**
Durango Different, S.L.	3.995%	2.010%	**6.005%**

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

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

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

g) Mr. Luis Hernández de Cabanyes (President) has been given all the powers of the Board of Directors except those that cannot be delegated by Law and by virtue of the Articles of Association. Mr. César Bardají Vivancos (Chief Executive Officer) has been given the powers of the Board of Directors with certain economic limitations. The other executive officers have sufficient powers for the daily operations of Renta Corporación. These powers are limited economically, except for those of Mr. Luis Hernández de Cabanyes, who does not have any economic limits whatsoever, all of which notwithstanding those operations whose relevance requires the prior approval of the Board of Directors.

h) Section h) of article 116 b of the Securities Exchange Act does not apply as no contracts of this nature have been entered into.

i) In general the contracts of the executive officers and the odd top manager, except for the President and Vice-President, contain a severance clause stipulating an indemnity of 45 days salary per year of service with a minimum of six monthly pays, taking into account the fixed salary received at the date of termination and the average for the last two years of their variable salary.