Renta Corporación Real Estate, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ended 31 December 2018
prepared in accordance with International
Financial Reporting Standards and
Consolidated Directors' Report

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018
(Thousands of euros)

ASSETS	Notes	31/12/18	31/12/17
NON-CURRENT ASSETS:			
Intangible assets		**49**	**22**
Property, plant and equipment		**259**	**118**
Investment property	**Note 7**	**21,660**	**19,555**
Non-current investments in Group companies and associates-		**21**	**52**
Investments accounted for using the equity method	**Note 9**	21	52
Non-current financial assets-	**Note 10**	**12,915**	**2,575**
Equity instruments		3,038	2,525
Long-term accounts receivable	**Note 19**	9,826	-
Other financial assets		51	50
Deferred tax assets	**Note 17**	**24,055**	**20,458**
Total non-current assets		**58,959**	**42,780**
CURRENT ASSETS:			
Inventories-	**Note 11**	**57,395**	**41,474**
Land and building lots		18,115	18,115
Buildings acquired for refurbishment and/or conversion		37,671	22,025
Purchase options		1,609	1,334
Trade and other receivables-		**6,038**	**4,558**
Trade receivables for sales and services	**Note 12**	1,126	1,051
Trade receivables from Group companies and associates	**Notes 12 & 19**	-	36
Sundry accounts receivable	**Note 12**	2,662	1,034
Employee receivables		7	-
Other accounts receivable from public authorities	**Note 17**	2,243	2,437
Current financial assets-		**98**	**137**
Loans to third parties		13	13
Otros activos financieros		85	124
Cash and cash equivalents-	**Note 13**	**8,725**	**3,715**
Cash		8,725	3,715
Total current assets		**72,256**	**49,884**
TOTAL ASSETS		**131,215**	**92,664**

EQUITY AND LIABILITIES	Notes	31/12/18	31/12/17
EQUITY:			
SHAREHOLDERS' EQUITY-		**61,180**	**45,612**
Share capital-		**32,888**	**32,888**
Registered share capital		32,888	32,888
Share premium		**89,913**	**89,913**
Reserves of the Parent		**20,865**	**20,956**
Prior years' losses of the Parent		**(92,358)**	**(106,023)**
Consolidated reserves		**(2,783)**	**(1,593)**
Treasury shares		**(2,853)**	**(3,013)**
Consolidated profit for the year attributable to the Parent		**16,608**	**12,484**
(Interim dividend)		**(1,100)**	**-**
VALUATION ADJUSTMENTS-		**312**	**-**
Available-for-sale financial assets	**Note 10**	**312**	**-**
Total equity	**Note 14**	**61,492**	**45,612**
NON-CURRENT LIABILITIES:			
Non-current payables-	**Note 16**	**40,647**	**23,644**
Non-current debt instruments and other marketable securities		15,827	-
Bank borrowings		23,073	21,531
Other financial liabilities		1,747	2,113
Other non-current accounts payable to public authorities	**Note 17**	**-**	**2,994**
Deferred tax liabilities	**Note 17**	**1,612**	**950**
Total non-current liabilities		**42,259**	**27,588**
CURRENT LIABILITIES:			
Current payables-	**Note 16**	**15,969**	**13,251**
Current debt instruments and other marketable securities		258	-
Current bank borrowings maturing at long term		12,129	7,912
Current bank borrowings		561	732
Other current financial liabilities maturing at long-term		2,956	4,350
Other current financial liabilities		65	257
Trade and other payables-		**11,495**	**6,213**
Payable to suppliers - Group companies and associates	**Note 19**	5	-
Sundry accounts payable		8,192	3,161
Remuneration payable		125	78
Other accounts payable to public authorities	**Note 17**	1,870	2,244
Customer advances		1,303	730
Total current liabilities		**27,464**	**19,464**
TOTAL EQUITY AND LIABILITIES		**131,215**	**92,664**

The accompanying Notes 1 to 24 and the Appendices are an integral part of the consolidated balance sheet as at 31 December 2018.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of euros)

	Notes	2018	2017
CONTINUING OPERATIONS:			
Revenue	**Note 18**	90,222	44,905
Other operating income		151	23
Changes in inventories of buildings acquired for refurbishment and/or conversion	**Note 18**	(59,721)	(22,326)
Staff costs	**Note 18**	(4,653)	(3,933)
Other operating expenses		(8,534)	(8,082)
Depreciation and amortisation charge		(93)	(76)
Profit from operations		**17,372**	**10,511**
Changes in fair value of investment property	**Note 7**	1,991	834
Finance income	**Note 18**	58	520
Finance costs	**Note 18**	(3,357)	(1,892)
Impairment and gains or losses on disposals of financial instruments		(1)	-
Result of companies accounted for using the equity method	**Note 9**	-	(124)
Consolidated profit before tax		**16,063**	**9,849**
Income tax	**Note 17**	545	2,635
Consolidated profit for the year		**16,608**	**12,484**
Consolidated profit for the year attributable to the Parent		**16,608**	**12,484**
Consolidated profit for the year attributable to non-controlling interests		**-**	**-**
Basic earnings per share (euros)	**Note 5**	**0.50**	**0.38**
Diluted earnings per share (euros)	**Note 5**	**0.50**	**0.38**

The accompanying Notes 1 to 24 and the Appendices are an integral part of the consolidated statement of profit or loss for the year ended 31 December 2018.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Thousands of euros)

	2018	2017
CONSOLIDATED PROFIT FOR THE YEAR (I)	**16,608**	**12,484**
Total income and expense recognised directly in consolidated equity (II)	**312**	**-**
- Arising from revaluation of financial instruments	**416**	**-**
Available-for-sale financial assets	416	-
- Tax effect	**(104)**	**-**
Total transfers to consolidated profit or loss (III)	**-**	**-**
Total consolidated recognised income and expense (I+II+III)	**16,920**	**12,484**
Total income and expense attributable to the Parent	16,920	12,484
Total income and expense attributable to the non-controlling interests	-	-

The accompanying Notes 1 to 24 and the Appendices are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2018.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
B) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY
(Thousands of euros)

	Share capital	Share premium	Reserves of the Parent	Prior years' losses of the Parent	Consolidated reserves	Treasury shares	Net consolidated profit for the year attributable to the Parent	Interim dividend	Valuation adjustments	Total
Balance as at 31 December 2016	**32,888**	**89,913**	**21,022**	**(108,813)**	**(2,836)**	**(2,567)**	**4,033**	**-**	**-**	**33,640**
Total recognised income and expense	-	-	-	-	-		12,484	-	-	12,484
Distribution of 2016 profit	-	-	-	2,790	1,243	-	(4,033)	-	-	-
Transactions with shareholders:										
Treasury share transactions	-	-	-	-	-	(557)	-	-	-	(557)
Share-based payments	-	-	(66)	-	-	111	-	-	-	45
Balance as at 31 December 2017	**32,888**	**89,913**	**20,956**	**(106,023)**	**(1,593)**	**(3,013)**	**12,484**	**-**	**-**	**45,612**
Total recognised income and expense	-	-	-	-	-		16,608	-	312	16,920
Distribution of 2017 profit	-	-	-	13,665	(1,181)	-	(12,484)	-	-	-
Transactions with shareholders:										
Interim dividend	-	-	-	-	-	-	-	(1,100)	-	(1,100)
Share-based payments	-	-	(91)	-	-	160	-	-	-	69
Other changes in equity	-	-	-	-	(9)	-	-	-	-	**(9)**
Balance as at 31 December 2018	**32,888**	**89,913**	**20,865**	**(92,358)**	**(2,783)**	**(2,853)**	**16,608**	**(1,100)**	**312**	**61,492**

The accompanying Notes 1 to 24 and the Appendices are an integral part of the consolidated statement of changes in total equity for the year ended 31 December 2018.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

RENTA CORPORACIÓN REAL ESTATE, S.A. AND SUBSIDIARIES
(RENTA CORPORACIÓN GROUP)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of euros)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES (I):		**(10,280)**	**(6,186)**
Consolidated profit for the year before tax-		**16,063**	**9,849**
Adjustments for-		**(7,845)**	**738**
Depreciation and amortisation charge		93	76
Impairment losses		579	-
Impairment and gains or losses on disposals of financial instruments		1	-
Finance income	**Note 18**	(58)	(520)
Finance costs	**Note 18**	3,357	1,892
Changes in fair value of investment property	**Note 7**	(1,991)	(834)
Other income and expenses	**Note 10**	(9,826)	-
Result of companies accounted for using the equity method		-	124
Changes in working capital-		**(14,069)**	**(14,221)**
Inventories	**Note 11**	(15,843)	(14,047)
Trade and other receivables		(1,885)	(351)
Other current assets		-	-
Trade and other payables		3,659	177
Other cash flows from operating activities-		**(4,429)**	**(2,552)**
Interest paid		(1,915)	(509)
Dividends received	**Note 9**	-	194
Income tax paid		(2,514)	(2,237)
CASH FLOWS FROM INVESTING ACTIVITIES (II):		**(402)**	**(982)**
Payments due to investment-		**(1,404)**	**(2,722)**
Group companies and associates		-	(28)
Intangible assets		(52)	(4)
Property, plant and equipment		(209)	(30)
Investment property	**Note 7**	(114)	(81)
Other financial assets	**Note 10**	(1,029)	(2,579)
Proceeds from disposal-		**1,002**	**1,740**
Group companies and associates		31	1,740
Other financial assets		971	-
CASH FLOWS FROM FINANCING ACTIVITIES (III):		**15,692**	**7,649**
Proceeds and payments relating to equity instruments-		**69**	**(512)**
Acquisition of equity instruments	**Note 14**	-	(557)
Disposal of equity instruments	**Note 14**	69	45
Proceeds and payments relating to financial liability instruments-		**16,723**	**8,161**
Proceeds from issue of debt instruments and other marketable securities	**Note 16**	15,802	-
Proceeds from issue of bank borrowings	**Note 16**	28,021	13,737
Proceeds from issue of other borrowings	**Note 16**	5,400	4,361
Repayment of bank borrowings	**Note 16**	(24,062)	(9,937)
Repayment of borrowings from Group companies and associates		-	-
Repayment of other borrowings	**Note 16**	(8,438)	-
Dividends and returns on other equity instruments paid-		**(1,100)**	**-**
Dividends	**Note 3**	(1,100)	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**5,010**	**481**
Cash and cash equivalents at beginning of year		3,715	3,234
Cash and cash equivalents at end of year	**Note 13**	8,725	3,715

The accompanying Notes 1 to 24 and the Appendices are an integral part of the consolidated statement of cash flows for the year ended 31 December 2018.

Renta Corporación Real Estate, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

1. Activities of the Renta Corporación Group

Renta Corporación Real Estate, S.A. (from its incorporation until 2 June 2001 Suatel XXI, S.L., and in the period from 2 June 2001 to 5 December 2003 Corporación Renta Antigua, S.A.), the Parent of the Renta Corporación Real Estate Group ("the Renta Corporación Group"), was incorporated as a private limited liability company in Barcelona on 9 October 2000, and became a public limited liability company on 27 October 2001. Since 29 October 2007, its registered office and tax domicile have been at Vía Augusta, 252-260 (Barcelona), where its main offices are also located.

The shares of Renta Corporación Real Estate, S.A. ("the Parent") are traded on the Spanish Stock Market Interconnection System and are listed on the Madrid and Barcelona Stock Exchanges.

The company object of the Parent is the performance of all manner of transactions involving movable property, except those regulated by special legislation, and real estate. The activity and business of the Parent consists of the acquisition of real estate assets for their conversion and sale. This principal objective of this conversion process is to create value by adapting the properties to the needs of the demand in each market. As part of these conversion processes, the Parent acts on various elements that make up the real estate asset and its value. These conversion elements are: the physical condition of the asset, its use and classification, its rental and profitability status, the conditioning urban development factors, certain legal aspects, the division or aggregation of properties, etc.

The Group divides its activities into two business units: Transaction management and Asset management.

Transaction management-

Transaction management refers to all the properties for which, in the normal course of the Group's operations, it performs a purchase and sale transaction or provides a service. The Transaction business is divided into two business lines:

a. Property sales

The Group buys a building, refurbishes it and sells it to a third party, with all this process being reflected in its consolidated balance sheet.

b. Real estate project management

The Group acquires the right to purchase a property, designs the entire conversion of the project and then sells the project to a third party; accordingly, in this case the process is not reflected in the Group's consolidated balance sheet. The proposed improvements and conversions may be carried out by the Group at the buyer's request, or by the buyer itself.

Also, in the transaction management business, a distinction is drawn between two types of asset:

- Core: This category includes basically residential buildings purchased, for an investment of up to EUR 10 million, for conversion and subsequent sale.

- Large-scale projects and special projects: This category includes basically large residential and tertiary urban buildings, usually offices, industrial buildings, hotel properties and shopping centres, for conversion and subsequent sale.

The two business units perform the same activity and use practically the same business process, consisting of the purchase of real estate assets for conversion and sale. This principal objective of this conversion process is to create value by adapting the properties to the needs of the demand in each market and the process generally entails a change of use, physical improvements to the buildings and the repositioning of the properties in the market by enhancing the returns therefrom.

Asset management-

Asset management relates to properties from which returns are obtained managed by the Group. These properties include both those owned by the Group and those owned by third parties but which are managed by the Group. They relate in both cases to residential buildings and, in the case of those owned by third parties, the average investment exceeds EUR 10 million.

Status of the Arrangement with Creditors and the effects of the lifting of the insolvency proceedings-

On 19 March 2013, the Parent and three of its subsidiaries filed a petition for voluntary insolvency proceedings, which was given leave to proceed by Barcelona Commercial Court no. 9 on 27 March 2013. Also, on 8 July 2014 Barcelona Commercial Court no. 9 handed down a final judgment approving the Arrangement with Creditors.

1) Background to, and lifting and current status of, the insolvency proceedings of Renta Corporación Real Estate, S.A. and other subsidiaries of the Renta Corporación Group

   Barcelona Commercial Court no. 9 ordered the commencement of insolvency proceedings for Renta Corporación Real Estate, S.A. and certain of its subsidiaries on 27 March 2013 in a court order approving the joint voluntary insolvency proceedings for a group of companies. The companies adjudged to be involved in the voluntary insolvency proceedings on that date were Renta Corporación Real Estate, S.A., Renta Corporación Real Estate ES, S.A.U., Renta Corporación Real Estate Finance, S.L.U. and Renta Corporación Core Business, S.L.U.

   On 8 July 2014, Barcelona Commercial Court no. 9 handed down a judgment approving the aforementioned Arrangement with Creditors.

   Once the period for filing appeals to a superior court in the civil jurisdiction had elapsed without any such appeal having been filed, the judgment became final on 17 September 2014.

   The Arrangement with Creditors approved on 13 June 2014 by Barcelona Commercial Court no. 9 envisaged a corporate restructuring process in the form of the merger by absorption of Renta Corporación Real Estate Finance, S.L.U. and Renta Corporación Real Estate Core Business, S.L.U. into Renta Corporación Real Estate ES, S.A.U. Therefore, all the governing bodies concerned approved the merger on 14 July 2014, after having agreed on all the requisite procedural formalities such as the publication of the merger in the Official Gazette of the Spanish Mercantile Registry (BORME) and in the newspaper El Periodico de Catalunya on 21 July 2014. Since no formal objection was raised against the merger, the merger public deed was executed on 1 September 2014 and was registered at the Mercantile Registry on 30 September 2014.

2) <u>Features and effects of the Arrangements with Creditors</u>

The Arrangement with Creditors approved for the Renta Corporación Group envisaged the following alternatives:

<u>Payment proposal for secured claims</u>

The collection rights of secured creditors, i.e., those holding claims secured by specific properties of any of the debtors, were partially settled through the realisation of the assets securing the secured claims through the award of those assets to the secured creditor, or to such person as might have been designated by that creditor, for the partial dation in payment of the secured claim, all in accordance with Article 155.4 of the Spanish Insolvency Law and with the same priority criteria as those provided for in Article 155.3 in fine of the Spanish Insolvency Law.

Specifically, the aforementioned partial awards were made exclusively to the secured creditor or creditors that held first mortgages on the properties to be realised, or to such persons as might have been designated by said creditor or creditors. The assets awarded were transferred free and clear of liens or charges.

If the amount of the secured claim exceeded the value placed on the asset or assets awarded in the inventory accompanying the petition for insolvency proceedings, 66% of the claim of the secured creditor was considered to have been settled.

The secured claims that were not settled with the assets securing them would be settled together with the ordinary claims and the secured creditors had the opportunity to choose from among the various payment alternatives proposed in the payment proposal for the ordinary and subordinated claims.

<u>Payment proposal for ordinary and subordinated claims</u>

The Arrangement offered the creditors the option to choose from among the various alternatives for the settlement of their claims, including a proposal that contained a debt composition and rescheduling option and another that envisaged the conversion of loans into participating loans or the maintenance of participating loans and their subsequent conversion into shares and repayment of the remaining amount. The alternatives offered to the creditors were as follows:

Alternative A: Progressive reduction and payment over eight years-

For those affected by this Alternative, a progressive reduction on the basis of the amount of the claim was applied, in accordance with the following rules:

(i) For claims of EUR 25,000 or less, or for the first EUR 25,000 in the case of claims exceeding that amount, a reduction of 10% of the amount of the claim was applied.

(ii) For the portion of the claims that exceeded EUR 25,000 but that did not exceed EUR 50,000, or in the case of claims exceeding EUR 50,000 the portion ranging from EUR 25,001 to EUR 50,000, a reduction of 50% of the amount of the claim was applied.

(iii) For the portion of the claims that exceeded EUR 50,000, a reduction of 85% of the amount of the claim was applied.

The claims affected by this Alternative would have to be settled within a period of eight years, with a one-year grace period, starting from the date on which the Arrangement with Creditors became effective, i.e., 8 July 2014. Accordingly, seven payments will be made, corresponding to the end of seven successive annual periods, starting from the date on which the Arrangement with Creditors became effective. The first of these annual periods started one year after the date on which the Arrangement with Creditors became effective, i.e., on 8 July 2015, and the first payment was made on 8 July 2016.

The claims affected by this Alternative will be paid according to the following payment schedule:

(i) 5% of the amount of the claims after applying the reduction, when two years have elapsed from the date on which the Arrangement with Creditors became effective.

(ii) 10% of the amount of the claims after applying the reduction, when three years have elapsed from the date on which the Arrangement with Creditors became effective.

(iii) 15% of the amount of the claims after applying the reduction, when four years have elapsed from the date on which the Arrangement with Creditors became effective.

(iv) 15% of the amount of the claims after applying the reduction, when five years have elapsed from the date on which the Arrangement with Creditors became effective.

(v) 15% of the amount of the claims after applying the reduction, when six years have elapsed from the date on which the Arrangement with Creditors became effective.

(vi) 20% of the amount of the claims after applying the reduction, when seven years have elapsed from the date on which the Arrangement with Creditors became effective.

(vii) 20% of the amount of the claims after applying the reduction, when eight years have elapsed from the date on which the Arrangement with Creditors became effective.

The subordinated creditors to whom this Alternative was applied were affected by the debt composition and rescheduling established therein, computing the rescheduling periods from the date of full compliance with the Arrangement in this Alternative with respect to the ordinary creditors.

Alternative B: Conversion of loans into participating loans or maintenance of participating loans-

The claims that were affected by this Alternative were converted into participating loans, or continued to be participating loans if they were already such prior to the commencement of the insolvency proceedings.

The debtors cannot repay the loans converted into or maintained as participating loans and the loans will bear interest at the end of each reporting period at a floating rate of one-year Euribor plus a spread. This will be: 1%, if the consolidated net profit of the debtors exceeds EUR 10 million; 2%, if it exceeds EUR 20 million; and 3%, if it exceeds EUR 30 million. If the consolidated net profit is less than EUR 10 million, no floating interest will accrue.

They were paid as follows:

a) 70%, though its conversion into shares of Renta Corporación Real Estate S.A., though a capital increase through the conversion of debt into capital approved by a General Meeting of the Parent. This capital increase had to be formalised by 31 December 2014 at the latest. In order to determine the proportion of the share capital of Renta Corporación Real Estate, S.A. that corresponded to each of the creditors included in this Alternative, it was established that for every EUR 5.9 of the claims that was satisfied through the capital increase, each creditor was assigned one share, and in no case could the percentage of ownership of any one creditor be equal to or greater than 5% of the share capital resulting from the capital increase.

b) The remaining 30%, through (i) the realisation of two assets, namely the Pere IV (Barcelona) land lot, with 80% of the proceeds that exceeded EUR 3,300,000 obtained from its realisation having to be used, and the land lot identified as Cánovas (Granollers), with all the proceeds obtained from its realisation having to be used; and (ii) on the basis of the consolidated available free cash flow ("AFCF") that the debtors have each year, from the year ended 31 December 2014 to the year ending 31 December 2021. Specifically, in each of the aforementioned years 50% of the AFCF will have to be allocated to pay the claims affected by this Alternative, and on a pro rata basis among all those years. In each of the years, the payments that have to be made under this Alternative will be calculated on the basis of the Group's consolidated financial statements deposited each year, and will be made no later than 30 September of the subsequent reporting period.

   “AFCF” shall mean the amount of average consolidated "cash" held by the debtors in the last two months prior to the end of each reporting period that exceeds the sum of the following items: (i) the amount required to cover the overheads, marketing expenses, staff costs and finance costs of the following 12 months; (ii) the amount of all the outstanding claims against the estate generated in the period from the declaration of insolvency to the judgment approving this proposed Arrangement with Creditors; (iii) the amount of all the outstanding claims that because of their nature are not affected by this proposed Arrangement with Creditors; (iv) 25% of the amount of the claims under Alternative A above resulting from applying the debt reductions established in said Alternative; (v) EUR 2 million corresponding to the minimum annual cash balance held to cover contingencies.

The remaining amount of the claims affected by this Alternative, after the repayments envisaged in the preceding paragraphs, will be paid in a single payment to be made when three months have elapsed from the date scheduled for the last payment to the ordinary creditors to whom Alternative A applies. If, based on the Group’s consolidated financial statements for the year immediately preceding that in which the aforementioned payment should be made, it can be seen that the Group, at that reporting date, does not have sufficient AFCF to fully satisfy the payment envisaged in this paragraph, the debtors must allocate 50% of the average AFCF for the two months immediately preceding the payment of the remaining claims under Alternative B.

Once the aforementioned partial payment has been received, the creditors that choose this Alternative B had to accept as dation in payment of the rest of their claims the land lot identified as Cánovas, on an indeterminate share basis in proportion to the amount of the remaining claim that each creditor holds, free and clear of liens or charges. After this dation in payment, the creditors that choose this Alternative B have no further claims against any of the debtors.

All the obligations of the debtors under this Alternative B are secured through a mortgage on the land lot identified as Cánovas owned by the consolidated company Renta Corporación Real Estate ES, S.A.U. (see Note 11). The mortgage liability relating to this asset amounts to EUR 15,000,000. The mortgage was unilaterally created by the debtor owning the land lot in favour of the creditors that provided evidence that they had opted for Alternative B in proportion to the amount of their claims.

Alternative C: Conversion of loans into participating loans or maintenance of participating loans with no intermediate repayments-

This Alternative was envisaged for the correct treatment of the intra-Group loans existing at the corresponding date. The claims that were affected by this Alternative were converted into participating loans, or continued to be participating loans if they were already such prior to the commencement of the insolvency proceedings.

To meet the requirements for being able to classify the loans as participating loans, the following conditions were agreed on:

a) The debtors could not repay early the loans converted into, or maintained as, participating loans.

b) The loans would bear at the end of each reporting period interest at a floating rate consisting of: 0.1%, if the consolidated net profit of the debtors exceeds EUR 10 million; 0.2%, if it exceeds EUR 20 million; and 0.3%, if it exceeds EUR 30 million. If the consolidated net profit were less than EUR 10 million, no floating interest would accrue.

c) For debt seniority purposes, the participating loans ranked after the claims of the common creditors.

d) The participating loans are treated as equity for the purposes of capital reductions and the liquidation of companies provided for in Spanish corporate law.

The claims that were affected by this Alternative would be satisfied in a single payment, which would be made no earlier than 31 December 2022 and, in any case, when all the obligations assumed vis-à-vis the creditors affected by Alternatives A and B had been fully paid. The aforementioned payment would only be made if at 31 December 2022 the debtors had sufficient AFCF, as defined in Alternative B, for such payment. Otherwise, the creditors that choose this Alternative would have no further claims against any of the debtors.

The claims held by the Group or related companies of any of the debtors were settled using this Alternative C. On 31 December 2017, the directors of the Company and of the wholly-owned investee Renta Corporación Real Estate ES, S.A.U. entered into an agreement for the reciprocal remission of the claims held by them against the other and that were affected by the Arrangement with Creditors (Alternative C). In this regard, the Company's directors and their legal advisers considered that such remission did not in any way violate the provisions of the Arrangement or any provision of the Spanish Insolvency Law, and in no way altered the seniority or means of settling the other insolvency claims established by the Arrangement.

As a result of the aforementioned transaction, the Company forgave the loan granted to Renta Corporación Real Estate ES, S.A.U. the fair value of which at 31 December 2017 amounted to EUR 48,613 thousand, once the interest cost corresponding to 2017, amounting to EUR 2,368 thousand, had been recognised. In addition, it derecognised the liability relating to the payment obligation to the investee amounting to EUR 32,635 thousand, also taking into account the related interest cost for 2017 amounting to EUR 1,590 thousand. In accordance with current accounting legislation, the transaction was accounted for as follows: recognition of an increase in the cost of the financial investment that the Company holds in Renta Corporación Real Estate ES, S.A.U. for the net amount resulting from the debt remission, i.e., EUR 15,978 thousand (see Note 6).

3) Results of applying the Arrangements with Creditors

The detail of the results (at their face value) of applying the Arrangement with Creditors and the Singular Arrangement at 31 December 2018 and 2017 is as follows:

	Thousands of euros			
	Renta Corporación Real Estate, S.A.		Renta Corporación Real Estate ES, S.A.U.	
	31/12/18	31/12/17	31/12/18	31/12/17
Financial debt	-	-	19,958	18,853
Other current and non-current accounts payable to public authorities	769	4,412	-	-
Other current and non-current liabilities	1,901	2,107	654	965
Total liabilities	**2,670**	**6,519**	**20,612**	**19,818**

The balances of these liabilities are recognised in the accompanying consolidated financial statements at amortised cost, discounted at a rate of 5.12%. The detail at 31 December 2018 and 2017 is as follows:

	Thousands of euros			
	Renta Corporación Real Estate, S.A.		Renta Corporación Real Estate ES, S.A.U.	
	31/12/18	31/12/17	31/12/18	31/12/17
Current payables	1,039	1,676	268	279
Non-current payables-				
2019	-	1,731	-	266
2020	257	1,741	451	253
2021	325	296	462	271
2022	310	281	15,903	14,730
2023	24	23	235	5
Subsequent years	394	357	75	78
Total deferred payables	**2,349**	**6,105**	**17,394**	**15,882**

In 2018 the Parent made payments amounting to EUR 3,643 thousand under the Singular Arrangement with the Spanish tax authorities arising from the VAT deferral agreement (see Note 17). EUR 1,290 thousand were paid in this connection in 2017.

Also, at the date of formal preparation of these consolidated financial statements the Parent had settled the remaining outstanding debt of EUR 769 thousand arising from the VAT deferral agreement.

Other disclosures-

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements. However, the Group implements an active environmental policy in its urban development and real estate construction, maintenance and upkeep processes.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, taking into account all the mandatory accounting principles and rules and measurement bases, and the Spanish Commercial Code, the Spanish Limited Liability Companies Law, the Spanish Securities Market Law and all other applicable Spanish corporate law, as well as the rules of the Spanish National Securities Market Commission (CNMV), and, accordingly, they present fairly the Renta Corporación Group's consolidated equity and consolidated financial position as at 31 December 2018 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The consolidated financial statements of Renta Corporación Real Estate, S.A. and Subsidiaries for the year ended 31 December 2018, which were obtained from the accounting records kept by the Parent and by the other companies composing the Group, were authorised for issue by the Parent's directors at the Board of Directors meeting held on 27 February 2019.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements as at 31 December 2018 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with IFRSs.

In order to uniformly present the various items composing the consolidated financial statements, the accounting policies and measurement bases used by the Parent were applied to all the consolidated companies.

The Group's consolidated financial statements for the year ended 31 December 2017 were approved by the shareholders at the Annual General Meeting of the Parent on 25 April 2018 and were filed at the Barcelona Mercantile Registry.

b) Adoption of International Financial Reporting Standards

The Renta Corporación Group's consolidated financial statements are presented in accordance with IFRSs, in conformity with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the requirement to present consolidated financial statements in accordance with IFRSs as adopted in Europe is also regulated by Final Provision Eleven of Law 62/2003, of 30 December, on tax, administrative, labour and social security measures.

The principal accounting policies adopted by the Renta Corporación Group are presented in Note 4.

Standards and interpretations effective in 2018

In 2018 new accounting standards, amendments and interpretations came into force, which, accordingly, were taken into account in the preparation of these consolidated financial statements. These standards, amendments and interpretations were as follows:

New standards, amendments and interpretations		**Obligatory application in annual reporting periods beginning or after:**
Approved for use in the European Union:		
IFRS 15, Revenue from Contracts with Customers (issued in May 2014) and the related clarifications (issued in April 2016)	New revenue recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	1 January 2018
IFRS 9, Financial Instruments (last phase issued in July 2014)	Replaces the requirements in IAS 39 relating to the classification, measurement, recognition and derecognition of financial assets and financial liabilities, hedge accounting and impairment.	1 January 2018

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning or after:
Approved for use in the European Union:		
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (issued in June 2016)	Limited amendments clarifying specific issues such as the effects of vesting conditions on cash-settled share-based payments, the classification of share-based payment transactions with net settlement features and accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts Amendments to IFRS 4 (issued in September 2016)	Provide entities within the scope of IFRS 4 with the option of applying IFRS 9 (overlay approach) or a temporary exemption from it.	1 January 2018
Transfers of Investment Property (Amendments to IAS 40) (issued in December 2016)	The amendments clarify that transfers to, or from, investment property shall be made when, and only when, there is evidence of a change in use.	1 January 2018
Improvements to IFRSs, 2014-2016 cycle (issued in December 2016)	Minor amendments to a series of standards.	1 January 2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration (issued in December 2016)	This interpretation establishes “the date of the transaction” for the purpose of determining the exchange rate to use in transactions with advance consideration in a foreign currency.	1 January 2018

The Group has been applying the aforementioned standards, amendments and interpretations since they became effective on 1 January 2018, without their application having a significant effect on the accompanying consolidated financial statements. The following should be noted in connection with the principal standards that became effective in 2018:

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is the comprehensive standard on the recognition of revenue from contracts with customers, which since 1 January 2018 has superseded the following standards and interpretations: IAS 18, Revenue; IAS 11, Construction Contracts; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfers of Assets from Customers; and SIC-31, Revenue-Barter Transactions Involving Advertising Services.

An entity shall apply this revenue recognition standard to all contracts with customers other than to those that are within the scope of other IFRSs, such as leases, insurance contracts and financial instruments.

IFRS 15 establishes the criteria for recognising revenue from contracts with customers, together with a new five-step model applicable to accounting for revenue from contracts with customers:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group assessed the different types of transactions through which it has historically generated revenue for the purpose of identifying the impact of adopting IFRS 15. In this regard, taking into account the property sale and intermediation and asset management services businesses in which the Group operates, it was concluded that the revenue from those activities does not include performance obligations and the revenue is recognised when the activities have been completed and control of the goods or services is transferred to the customer.

Therefore, the adoption of this standard did not have an impact on the Renta Corporación Group's consolidated financial statements.

IFRS 9, Financial Instruments

IFRS 9 became effective on 1 January 2018 and has superseded IAS 39. IFRS 9 affects both financial assets and financial liabilities, in three main areas: (i) Classification and measurement; (ii) impairment methodology; and (iii) hedge accounting.

Following an assessment of the requirements of the new standard, the adoption of IFRS 9 did not alter the carrying amounts of the Group's financial assets at 31 December 2017. In this regard, the impairment model for loans and receivables, in particular due to the effect of considering the expected credit loss for certain customers, has not had a significant impact for the Group, taking into account the property sale and intermediation services businesses in which it operates.

Since the new requirements only affect financial liabilities classified as at fair value through profit or loss and the Group does not have any liabilities of that nature, IFRS 9 has not affected the Group's financial liabilities.

As regards classification, the new asset classification approach is based on the contractual cash flow characteristics of the assets and on the Group's business model. Based on these characteristics, all assets will be classified in one of three measurement categories: (i) amortised cost; (ii) fair value through other comprehensive income (equity); (iii) fair value through profit or loss.

In this regard, and in relation to quoted and unquoted equity instruments until now classified as available-for-sale financial assets (see Note 10) the changes in fair value of which were recognised in equity but were reclassified to profit or loss when they were sold, these instruments continue to be measured at fair value, although the Group has opted to make use of the irrevocable election to classify them in the new category (at fair value through equity), which does not permit the subsequent reclassification of those amounts to profit or loss.

The Group applied IFRS 9 retrospectively, without restating the comparative information.

Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB but had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union.

New standards, amendments and interpretations		**Obligatory application in annual reporting periods beginning or after:**
Approved for use in the European Union:		
IFRS 16, Leases (issued in January 2016)	1 January 2019	
Prepayment Features with Negative Compensation (Amendments to IFRS 9) (issued in October 2017)	Permit measurement at amortised cost of certain financial assets which may be put back to the issuer before maturity for an amount lower than the unpaid amounts of principal and interest.	1 January 2019

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning or after:
Approved for use in the European Union:		
IFRIC 23, Uncertainty Over Income Tax Treatments (issued in June 2017)	This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over whether the relevant taxation authority will accept a tax treatment used by an entity.	1 January 2019

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning or after:
Not yet approved for use in the European Union:		
IFRS 17, Insurance Contracts (issued in May 2017)	IFRS 17 will supersede IFRS 4. It establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued to ensure that entities provide relevant and reliable information that gives a basis for users of the information to assess the effect that contracts have on the financial statements.	1 January 2021 (1)
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (issued in October 2017)	Clarify that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied.	1 January 2019
Improvements to IFRSs, 2015-2017 cycle (issued in December 2017)	Minor amendments to a series of standards.	1 January 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (issued in February 2018)	Clarify how to determine current service cost and net interest for the remainder of the annual reporting period after a defined benefit plan amendment, curtailment or settlement.	1 January 2019
Improvements to IFRS 3, Business Combinations (issued in October 2018)	Clarifications of the definition of a business.	1 January 2020
Amendments to IAS 1 and IAS 8 (issued in October 2018)	Amendments to align the definition of materiality with the definition contained in the Conceptual Framework.	1 January 2020

(1) The date of first-time application of this standard is being reviewed by the IASB, and is will possibly be put back to 1 January 2022.

The application of new standards, amendments and interpretations will be considered by the Group once they have been ratified and adopted, as the case may be, by the European Union. In any case, the Parent's directors have assessed the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the Group's consolidated financial statements.

IFRS 16, Leases

IFRS 16 will come into force in 2019 and will supersede IAS 17 and the current associated interpretations. The main new feature of IFRS 16 is the introduction of a single lessee accounting model in which all leases (with certain limited exceptions) with an impact similar to that of the existing finance leases (recognition of depreciation of the right-of-use asset and interest on the amortised cost of the lease liability will be recognised). In this regard, the Group decided not to adopt IFRS 16 early.

The Group is assessing the total effect that application of IFRS 16 will have on the consolidated financial statements. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments under these leases; however, certain information is disclosed, such as operating lease obligations, in Note 8 to the consolidated financial statements.

The Group performed a preliminary assessment of its leases, which will meet the definition of a lease under IFRS 16 and, therefore, the Group will recognise a right-of-use asset and the related liability. As indicated in Note 8, the impact will not be material.

c) Functional currency

These consolidated financial statements are presented in the Group's functional currency, the euro, since this is the currency of the main economic area in which the Group operates.

d) Responsibility for the information and use of accounting estimates and judgements

The information in these consolidated financial statements is the responsibility of the Parent's directors. Estimates were made by the Parent's management based on objective information in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. The estimates and criteria relate to:

- The assessment of the use of the going concern basis of accounting (see Note 2-j).
- The useful life of the property, plant and equipment and intangible assets (see Notes 4-a and 4-b).
- The fair value of the investment property (see Note 7). This fair value was obtained from the appraisal conducted by an independent valuer at 31 December 2018 using the approaches described in Note 4-d.
- The measurement and impairment of inventories (see Note 4-g).
- The recoverability of tax loss carryforwards and deferred tax assets recognised in the consolidated balance sheet (see Notes 4-n and 17).
- The estimate of the appropriate allowances for doubtful debts (see Note 4-h).
- The assessment of lawsuits, obligations and contingent assets and liabilities at year-end (see Notes 4-l and 15).

Although these estimates were made on the basis of the best information available at the date of authorisation for issue of these consolidated financial statements, events that may take place in the future might make it necessary to change these estimates (upwards or downwards). Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related consolidated statement of profit or loss.

e) Basis of consolidation

The accompanying consolidated financial statements were prepared from the accounting records of Renta Corporación Real Estate, S.A. and of the companies controlled by it, whose financial statements were prepared by the directors of each company.

The methods used to determine the consolidation method applicable to each Renta Corporación Group company were as follows:

Subsidiaries-

Subsidiaries are the entities over which the Group directly or indirectly controls the financial and operating policies, exercises power over the relevant activities, maintains exposure, or rights, to variable returns from involvement with the investee; and has the ability to use power over the investee to affect the amount of the investor's returns. This is generally because it holds more than 50% of the voting power. Also, in order to assess whether the Group controls another entity, it is evaluated whether it has power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns. When assessing whether the Group controls another entity, the existence and effect of potential voting rights are considered. These include those held both by the Parent and by third parties, provided that those rights are substantive. The subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date that control ceases to exist.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Where necessary, the financial statements of the subsidiaries are adjusted so that the accounting policies used are the same as those applied by the Group's Parent.

The results of subsidiaries acquired during the year are included in the consolidated statement of profit or loss from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated statement of profit or loss from the beginning of the year to the date of disposal.

Were the Group to have non-controlling interests, the share of those interests in the items indicated below would be accounted for as follows:

- The share of non-controlling interests in the equity of their investees would be presented in the Group's equity under "Non-Controlling Interests" in the consolidated balance sheet. Any losses applicable to the non-controlling interests in excess of the carrying amount of these non-controlling interests would be recognised with a charge to the Parent's investments.

- The share of non-controlling interests in the profit or loss for the year would be presented under "Profit/Loss Attributable to Non-Controlling Interests" in the consolidated statement of profit or loss.

All the accounts receivable and payable and other transactions between the consolidated companies were eliminated on consolidation.

Lastly, the tax effect that may arise as a result of including the results and reserves of the subsidiaries in the Parent's equity is not included in the accompanying consolidated financial statements since, pursuant to IAS 12, it is considered that no transfers of reserves giving rise to additional taxation will be made. Since the Parent controls the timing of distribution, it is not probable that such distribution will occur in the foreseeable future, but rather that the results and reserves will be used as financing resources at each company.

Joint ventures-

A joint venture is a contractual arrangement whereby two or more companies have interests in entities (jointly controlled entities) or undertake joint operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers. As a result of applying IFRS 11, Joint Arrangements, the Group accounts for investments in jointly controlled entities using the equity method, which are recognised under "Non-Current Investments in Group Companies and Associates" in the accompanying consolidated balance sheet. The share in the after-tax profit or loss of these companies is recognised under "Result of Companies Accounted for Using the Equity Method" in the accompanying consolidated statement of profit or loss.

If, as consequences of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

The tax effect that may arise as a result of including the results and reserves of the joint ventures in the Parent's equity is not included in the accompanying consolidated financial statements since, pursuant to IAS 12, it is considered that no transfers of reserves giving rise to additional taxation will be made. Since the Parent controls the timing of distribution, it is not probable that such distribution will occur in the foreseeable future, but rather that the results and reserves will be used as financing resources at each company.

Appendices I and II show the main data relating to the subsidiaries and joint ventures, respectively, at 31 December 2018 and 2017.

f) Changes in the scope of consolidation

On 15 November 2018, the sole liquidator of the subsidiary Renta Corporación Real Estate OP, S.L.U. executed the public deed of liquidation of this subsidiary.

Also, on 18 November 2018 the sole liquidator of the subsidiary Renta Corporación Inmuebles Residenciales SOCIMI, S.A.U. executed the public deed of liquidation of this subsidiary.

In 2017 there were no changes in the scope of consolidation of the Renta Corporación Group.

At 31 December 2018 and 2017, Vía Augusta Adquisiciones, S.L.U. was dormant.

g) Comparative information

The information relating to 2017 contained in these notes to the consolidated financial statements is presented for comparison purposes with that relating to 2018.

h) Grouping of items

Certain items in the consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the consolidated financial statements.

i) Correction of errors

In preparing the accompanying consolidated financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2017.

j) Financial position and going concern basis of accounting

On 27 February 2019, the Board of Directors approved the 2019–2023 strategic plan. In this plan the Group plans to continue to develop its asset management business model, incorporating new leased asset management vehicles in non-residential segments.

The update of the strategic plan for 2019–2023 is based on the following:

- The gradual recovery of the real estate market and greater access to financing.

- A forward-looking approach aimed at strengthening the Group's position in the market and continuing its growth trend by means of the following:

    a) Improving the Group's operating margin by increasing the number of transactions and, in particular, the average scale thereof.

    b) Maintaining cost control, adapting the structure to the expected level of activity and exploring the possibility of outsourcing certain services.

    c) Expanding the business model through the incorporation of a new business line engaging in the management of both Group and third-party assets for non-residential use. The latter will materialise through an external vehicle, which will guarantee a greater and more regular source of income.

The aforementioned strategic plan also guarantees fulfilment of the debt repayment obligations under the Arrangement with Creditors entered into in the insolvency proceedings (see Note 1).

The business plan envisages the generation of future profits and cash flows that will enable the Group to continue as a going concern. The Group does not have any restrictions on its operating or financial policies as a result of contracts entered into, including the proposed Arrangement with Creditors approved on 8 July 2014. The Group enjoys complete freedom in carrying on the business activities making up its company object.

At 31 December 2018, the Parent had positive equity of EUR 64,769 thousand.

As a result of all the foregoing, these consolidated financial statements were prepared in accordance with the going concern basis of accounting.

3. Distribution of the Parent's profit

The proposed distribution of the profit of the Parent Renta Corporación Real Estate, S.A. for 2018 that the Parent's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of euros
Profit for the year of the Parent	**17,102**
Interim dividend out of profit for the year	1,100
Final dividend	1,900
Offset of prior years' losses	14,102
Total distributed	**17,102**

On account of this proposed distribution of profit, the Company's Board of Directors, at its meeting on 24 October 2018 approved the distribution of an interim dividend of EUR 0.034242673 per share, which was paid on 6 November 2018.

The provisional accounting statement of the Parent prepared by the directors on 30 September 2018 in accordance with the legal requirements established in Article 277 of the Spanish Limited Liability Companies Law evidencing the existence of sufficient liquidity for the distribution of the interim dividend is as follows:

	Thousands of euros
Cash and cash equivalents and Current financial assets	5,251
Inventories realisable at short term	20,112
Other accounts receivable	3,990
Current liabilities	(24,841)
Interim dividend	(1,100)
Projected cash after dividends	**3,412**

Also, the EUR 1,100 thousand distributed did not exceed at that date the result of deducting three items from the profits obtained: prior years' losses, amounts that must be appropriated to mandatory legal or bylaw reserves and an estimate of the income tax payable on such profits.

Accordingly:

	Thousands of euros
Share capital	32,888
Legal reserve (which has reached the legally required minimum)	6,578
Distributable reserves	8,989
Profit for the period	7,821
Total equity	**56,276**

Interim dividend	**1,100**

Also, it will be proposed to the shareholders at the Annual General Meeting that the payment of a final dividend totalling EUR 1,900 thousand be approved.

4. Accounting policies

The principal accounting policies used in preparing these consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with the interpretations in force when the consolidated financial statements were prepared, were as follows:

a) Intangible assets

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

They can have an indefinite useful life -when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the consolidated companies- or a finite useful life, in all other cases.

Intangible assets with indefinite useful lives are not amortised, but rather at the end of each reporting period the consolidated companies review the remaining useful lives of the assets in order to ensure that they continue to be indefinite or, if this is not the case, to take the appropriate steps.

Intangible assets with finite useful lives are amortised over those useful lives using methods similar to those used to depreciate property, plant and equipment.

Computer software

The Group recognises under “Computer Software” the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognised with a charge to the consolidated statement of profit or loss for the year in which they are incurred. Computer software is amortised on a straight-line basis over four years.

b) Property, plant and equipment

Property, plant and equipment are recognised initially at acquisition or production cost.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss on an accrual basis as incurred.

Work performed by the Group companies on their own property, plant and equipment is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house consumption of warehouse materials and manufacturing costs allocated using hourly absorption rates similar to those used for the measurement of inventories). The costs capitalised in this connection are deducted from "Changes in Inventories of Buildings Acquired for Refurbishment and/or Conversion" in the accompanying consolidated statement of profit or loss.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment depreciation charge is recognised in the consolidated statement of profit or loss and is based on the application of depreciation rates determined on the basis of the years of estimated useful life.

The detail of the average useful lives of the Group's various items of property, plant and equipment is as follows:

	Depreciation rate
Plant and furniture	10%
Computer hardware	25%
Other items of property, plant and equipment	10-16%

The Parent's directors consider that the carrying amount of these assets is not lower than their recoverable amount, which is calculated on the basis of the discounted future cash flows that the assets will generate.

Gains or losses arising from the disposal or derecognition of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

c) Impairment of intangible assets and property, plant and equipment

The Group reviews the carrying amounts of its property, plant and equipment and intangible assets annually to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset itself does not generate cash flows that are independent from those of other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives or those for which amortisation has not commenced are tested for impairment at least at each year-end and, in any case, prior to year-end if there are any indications of impairment.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, up to the aforementioned limit.

d) Investment property

“Investment Property” in the consolidated balance sheet reflects the values of the land, buildings and other structures held to earn rentals.

Investment property is stated at its fair value at the reporting date and is not depreciated. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss for the period in which they arise and are recognised under "Changes in Fair Value of Investment Property" in the accompanying consolidated statement of profit or loss.

The Group determines the fair value of the investment property annually, in accordance with IAS 40. Fair value is determined by taking as reference values the appraisals performed by independent valuers at the date of preparation of the consolidated balance sheet and, accordingly, at the end of each reporting period the fair value reflects the market conditions of the investment property at that date.

Investment property was valued in accordance with the methods and principles of the Royal Institution of Chartered Surveyors (UK) and in accordance with generally accepted valuation principles.

The valuations were carried out by the independent valuation company Accode Business Influencers, S.L. in 2018 and by CoreSolutions, S.L. in 2017.

The methodology used to determine the fair value of the Group's investment property in 2018 and 2017 was the discounted cash flow (“DCF”) method. Unless the specific characteristics of an investment suggest otherwise, the DCF method is applied over a 50-year time horizon, in accordance with standard market practice. Cash flows are extrapolated over the period covered by the study on a month-to-month basis in order to reflect increases in the CPI and the timing of rent revisions, lease expiries, etc.

Generally accepted forecasts are used for CPI increases. Since value does not know with certainty whether there will be future periods in which the properties will be vacant, or the duration of such periods, they make projections on the basis of the quality and location of the building, and generally adopt an average lease period if they do not have information on the future intentions of each tenant.

The final rate of return or final capitalisation rate used in each case refers not only to the expected market conditions at the end of each cash flow period, but also to the expected lease terms and conditions and the physical situation of the property, taking into account any planned improvements to the property and included in the analysis. Habitual market discount rates are used.

The properties were valued on a case-by-case basis, considering each of the leases in force at year-end. The buildings with areas that are vacant were valued on the basis of the estimated future rent, less a period for the marketing of the vacant areas.

The key variables in the aforementioned approach are the determination of net revenue, the period of time over which the revenue is discounted, the value estimate used at the end of each period and the objective internal rate of return used to discount the cash flows. The estimated yields depend mainly, inter alia, on the type and age of the properties and their location, on the technical quality of the asset, on the type of tenant and on the occupancy rate.

In particular, the main assumptions considered were:

- Net rent revenue, after deducting all expenses payable by the Group.

- Discount rate; a standard market rate of 5% is applied for this type of investment property.

- An annual inflation rate of 2% is considered.

- Time horizon; projections are made for a period of 50 years, envisaging the total refurbishment of the asset (non-structural) after 30 years.

- On completion of the study a residual value of the building is considered based on its revised present value with an inflation rate of 2% and a discount rate of 5%.

- Unit by unit, in each asset, the following were analysed:

    - For unsubsidised housing units, a market rent is applied with a marketing period of three months.

    - For housing units with a contract, the current rent has been taken into account until the end of the contract, and market rentals are applied from that moment onwards with a marketing period of three months.

- For housing units with indefinite contracts, the following were analysed on a unit-by-unit basis: Possible subrogations were taken into account, taking as the end date of the contract the last possible subrogation.

    - The date on which the last subrogated person reaches the life expectancy age in Spain (80 years for men and 85 years for women) was considered as the date on which the housing unit becomes tenant-free.

    - Once the housing unit has become tenant-free, it is considered that it undergoes a major refurbishment (bathrooms, kitchen, sanitation of installations, painting and replacement of exterior and interior carpentry).

    - It is marketed at market rentals, with a marketing period of three months.

The sensitivity analysis is shown below, taking into consideration the variables that can have the greatest impact on the valuation of the investment property, such as rent revenue and the discount rate.

The parameters used are, for the rent revenue variable, a range of values between +5% and -5% given the incipient recovery of the real estate market. For the variable discount rate, the range used was +/- 0.5%, this being the potential variance in Spanish GDP growth for 2018.

The detail of the parameters used at 31 December 2018 is as follows:

2018		**Rent revenue**			**Discount rate**		
Type	**Fair value (1)**	**-5.0%**	**+5.0%**	**% impairment**	**-0.5%**	**+0.5%**	**% impairment**
Investment property	21,660	(665)	740	3.07%	3,180	(2,525)	11.66%
Total	**21,660**	**(665)**	**740**	**3.07%**	**3,180**	**(2,525)**	**11.66%**

(1) Fair value based on a report by Accode Business Influencers, S.L. of 31 December 2018.

The foregoing sensitivity analysis shows that the maximum potential impairment in 2018, taking into account the unrealised gains on various assets, would be approximately EUR 665 thousand for a change of -5%, which would give total impairment of 3.07% on the fair value of the assets. An increase of 0.5% in the discount rate would give an impairment loss of EUR 2,525 thousand, representing 11.66% of the total fair value valued at 31 December 2018.

The detail of the parameters used at 31 December 2017 is as follows:

2017		**Rent revenue**			**Discount rate**		
Type	**Fair value (1)**	**-5.0%**	**+5.0%**	**% impairment**	**-0.5%**	**+0.5%**	**% impairment**
Investment property	19,555	(600)	590	3.07%	2,720	(2,420)	12.37%
Total	**19,555**	**(600)**	**590**	**3.07%**	**2,720**	**(2,420)**	**12.37%**

(1) Fair value based on a report by Coresolutions, S.L. of 31 December 2017.

The foregoing sensitivity analysis shows that the maximum potential impairment in 2017, taking into account the unrealised gains on various assets, would have been approximately EUR 600 thousand for a change of -5%, which would give total impairment of 3.07% on the fair value of the assets. An increase of 0.5% in the discount rate would give an impairment loss of EUR 2,420 thousand, representing 12.37% of the total fair value valued at 31 December 2017.

The revenue earned in 2018 and 2017 from the investment property leases amounted to EUR 840 thousand and EUR 635 thousand (see Note 18), respectively, and is recognised under "Revenue" in the accompanying consolidated statement of profit or loss.

e) Leases

Operating leases

Leases are classified as operating leases when they meet the conditions in IAS 17, i.e., when the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset are attributable to the lessor, and the related expenses, including any incentives granted by the lessor, are recognised on an accrual basis in the consolidated statement of profit or loss.

f) Financial instruments

Financial assets and liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The measurement bases applied by the Group to its financial instruments in 2018 and 2017 were as follows:

Financial assets

Initial recognition

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Classification and subsequent measurement

The Group classifies its financial assets on the basis of valuation category, which is determined on the basis of the business model and the characteristics of the contractual cash flows. Financial assets are classified on initial recognition in the following categories:

1. Financial assets at amortised cost: when these instruments relate to debt instruments held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest, they are, in general, measured at amortised cost.

2. Debt instruments classified as at fair value through other comprehensive income: when these debt instruments are held in a business model whose objective is achieved by both collecting contractual cash flows (payments of principal and interest) and selling financial assets, they are, in general, measured at fair value through other comprehensive income.

3. Equity instruments at fair value through other comprehensive income: these are equity instruments for which the Group makes an irrevocable election to present subsequent changes in fair value in other comprehensive income, with the exception of dividends on such investments, which will be recognised in profit or loss for the period. Therefore, no impairment losses are recognised in profit or loss and no gains or losses are reclassified to the consolidated statement of profit or loss on disposal.

4. Financial assets at fair value through profit or loss: debt and equity instruments that do not meet the conditions for being classified in one or other of the aforementioned categories are measured at fair value through profit or loss.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred. Financial assets are not derecognised, and a financial liability is recognised for an amount equal to the consideration received, in transfers of financial assets in which the risks and rewards of ownership are retained.

Impairment of financial assets is based on the expected credit loss model. The Group updates the expected loss and the changes therein at each reporting date to reflect the changes in credit risk since initial recognition, without waiting for an impairment event to occur.

The Group applies the general expected credit loss recognition approach for financial assets, except for trade receivable and other receivables without a significant financing component, for which it applies the simplified approach. In this context, the Group uses a provision matrix for the calculation of expected credit losses on trade receivables based on its historical credit loss experience, adjusted as appropriate in accordance with the standard in force to estimate the credit losses on its accounts receivable. The historical information obtained is adjusted considering market variables and the forecasts relating thereto at the calculation date.

Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest method or as financial liabilities at fair value through profit or loss.

Financial liabilities subsequently measured at amortised cost-

Borrowings are initially recognised at fair value adjusted by directly attributable transaction costs. Any difference between the amount received and its repayment value is recognised in the consolidated statement of profit or loss over the repayment period of the borrowings, using the effective interest method, classifying the financial liabilities as subsequently measured at amortised cost.

The effective interest rate is used to calculate the amortised cost of a financial liability and in the allocation of the interest expense over the expected life of the financial liability at amortised cost. The effective interest rate is the rate that exactly discounts estimated future cash payments (including transaction costs) through the expected life of the financial liability or, where appropriate, a shorter period

Current trade and other payables are current financial liabilities that are initially recognised at fair value, do not bear explicit interest and are recognised at their nominal amount. Non-current payables are considered to be those that mature at within more than 12 months.

Financial liabilities at fair value through profit or loss-

Financial liabilities are classified as at fair value through profit or loss when they relate mainly to financial liabilities held for trading. Derivatives are considered to be in this category unless they are designated as hedging instruments.

Financial liabilities at fair value through profit or loss are measured at fair value, and any gain or loss arising from changes in its fair value are recognised in profit or loss.

Financial liabilities are derecognised when the obligations giving rise to them cease to exist. Also, an exchange between the Group and a third party of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the original financial liability and the consideration paid, including any attributable transaction costs, is recognised in the consolidated statement of profit or loss.

The Group considers that the terms and conditions of the financial liabilities are substantially different if the discounted present value of the cash flows under the new terms and conditions, including any fees and commissions paid net of any fees and commissions received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Changes in the contractual cash flows of a financial liability not leading to the derecognition of the financial liability must be recognised as a change in estimate of the contractual cash flows of the liability, maintaining the original effective interest rate and adjusting its carrying amount at the date of the change, and the related modification gain or loss is recognised in profit or loss.

Own equity instruments

An own equity instrument is a contract that evidences a residual interest in the assets of the Parent after deducting all of its liabilities.

Equity instruments issued by the Parent are recognised in equity at the proceeds received, net of issue costs.

Treasury shares of the Parent acquired during the year are recognised directly as a reduction of equity by the amount of the consideration paid in exchange for them. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the consolidated statement of comprehensive income for the year.

g) Inventories

Inventories, consisting of property developments in progress and completed properties, are measured at acquisition or construction cost. Construction cost includes the direct and indirect expenses required for construction, together with the borrowing costs incurred in financing the construction work while it is being carried out, provided that such work has a duration of more than 12 months.

The Group capitalised borrowing costs amounting to EUR 618 thousand in 2018 (2017: EUR 263 thousand).

Advance payments received as a result of purchase option agreements are recognised as advances on inventories and made on the assumption that the conditions attaching to the options will be fulfilled. The acquisition of purchase option rights on properties is the Group's usual way of implementing the first stage of the process of acquiring properties for inventories, prior to the deed of sale itself.

The Group recognises the appropriate inventory write-downs if the net realisable value of the inventories is lower than their carrying amount. Impairment losses arising after recognition of inventories are recognised in the consolidated statement of profit or loss. When the net realisable value exceeds the carrying amount, the Group recognises the difference in the consolidated statement of profit or loss as income from the reversal of impairment losses up to the limit of the amount of accumulated impairment on initial recognition of the asset.

The Group determines the net realisable value of its inventories periodically through internally performed valuations, except in those cases in which the inventories have been owned for a period of more than 12 months and no sales have taken place. In this case, the Group assesses their net realisable value through appraisals performed by independent third-party valuers. The in-house valuations are performed taking into consideration the estimated selling price in the normal course of business less the applicable variable costs of disposal. The market prices of the properties in each location are analysed, as well as the main costs of disposal, which consist mainly of fees and commissions that are agreed upon for each property.

Their classification as current assets is made taking into account the average operating period determined for each business segment, which is normally less than one year. The financing associated with these inventories is classified on the basis of these inventories (see Note 4-k).

External appraisals were performed in accordance with the methods and principles of the Royal Institution of Chartered Surveyors (UK) and in accordance with generally accepted valuation principles. The valuations were carried out by the independent valuation company Accode Business Influencers, S.L. in 2018 and by CoreSolutions, S.L. in 2017.

In particular, the valuation methodology applied to land was the dynamic residual method, which consists of determining the future selling price of completed products discounting flows to present value, subtracting all urban development, promotion, marketing and borrowing costs as they are incurred.

h) Accounts receivable

Accounts receivable are measured at their recoverable amount, i.e., net, where applicable, of the allowances recognised to cover the balances past due by a certain period of time when the prevailing circumstances reasonably enable the receivables to be classified as doubtful debts. At 31 December 2018 and 2017, there were no balances with default risk for which provisions had not been recognised.

i) Functional currency

These consolidated financial statements are presented in euros because this is the currency of the primary economic environment in which the Group operates.

j) Cash and cash equivalents

"Cash and Cash Equivalents" includes the balances held in bank accounts, which are measured at the lower of cost and market value.

In addition, a financial investment that can be easily converted into a specified amount of cash and that is not subject to a significant risk of changes in its value is considered to be a cash equivalent.

Bank overdrafts are not considered to be components of cash and cash equivalents.

k) Current/Non-current classification

In the accompanying consolidated balance sheet, assets and liabilities maturing within no more than 12 months are classified as current items and those maturing within more than 12 months are classified as non-current items, except for inventories, which are classified as current assets since they are realised during the Group's normal operating cycle. The liabilities associated with inventories are classified as current liabilities, regardless of whether they mature in the short or long term. The normal operating cycle is the time between the acquisition of assets for inclusion in the various property developments and the realisation of the related goods in the form of cash or cash equivalents. Also, bank borrowings are classified as non-current if the Group has the irrevocable power to meet the related payments within more than 12 months from the reporting date; however, the portion of these bank borrowings relating to secured developer loans that, according to the scheduled deliveries, will be repaid in less than 12 months was classified as current payables.

l) Provisions and contingent liabilities

When preparing the consolidated financial statements the Parent's directors made a distinction between:

- Provisions: credit balances covering obligations arising from past events which could give rise to a loss for the Group companies, which is certain as to its nature but uncertain as to its amount and/or timing.

- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific and probable risks for which they were originally recognised. Provisions are fully or partially reversed when such risks cease to exist or are reduced.

The provisions recognised relate to the estimated amounts required for probable or certain liability arising from litigation in process, indemnity payments or other liabilities derived from the Group's business activities that will lead to future payments, which were measured on the basis of the information currently available. These provisions are recognised when the third-party liability or obligation giving rise to the indemnity or payment arises, taking into consideration the other conditions established by IFRSs.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

m) Employee benefit obligations

Termination benefits

Under current legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken and valid expectations with regard to the termination are created on the part of third parties. At 31 December 2018 and 2017, the Group had not recognised any provisions in this connection.

Share-based payments

At the reporting date the Parent had granted four deferred share-based payment plans to employees and executives of the Renta Corporación Group, which were approved by the Extraordinary General Meeting on 11 November 2014 and by the Board of Directors on 11 May 2016, 10 May 2017 and 10 May 2018, respectively (see Note 14).

A deferred share-based payment plan had also been granted to the CEO, which was approved by the Extraordinary General Meeting on 11 November 2014 (see Note 14).

The Group recognises, on the one hand, the goods and services received as an asset or as an expense, depending on their nature, when they are received and, on the other, the related increase in equity, if the transaction is equity-settled, or the related liability if the transaction is settled with an amount based on the value of the equity instruments.

In the case of equity-settled transactions, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, with reference to the grant date, which is the market price of the Parent’s shares at the time the plan is agreed upon. However, in the case of cash-settled share-based payments, the goods and services received and the related liability are recognised at the fair value of the latter, with reference to the date on which the requirements for their recognition are met.

n) Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Group as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Based on the nature of the deferred tax assets and liabilities, the Group has determined that these taxes should be presented in the consolidated balance sheet at their net balance.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised to the extent that it is considered probable that the Group will have taxable profits in the future against which the deferred tax assets can be utilised. In this connection, the consolidated balance sheet includes the tax assets the recovery of which within a reasonable period of time is considered probable, either because of the performance of the real estate market itself or because of the taxable profits generated by the results of the operations managed by management of the Group (see Note 17).

“Deferred Tax Assets” includes the deferred and other tax assets (see Note 17) that are expected to be recovered and/or deducted in a period of over 12 months.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. At each reporting date, the deferred tax assets not recognised are assessed and recognised to the extent that their recovery against future taxable profits becomes probable, and the Group companies establish a finite time horizon for their recovery on the basis of the best estimates made (see Note 17).

As a result of the Group filing a petition for voluntary insolvency proceedings on 19 March 2013 (see Note 1), the Group lost the right to file consolidated income tax returns and consolidated VAT returns and, accordingly, each company began to file individual tax returns. In this respect, and in relation to VAT, the Group resumed the filing of consolidated VAT returns in 2015.

o) Revenue and expense recognition

General criteria-

Revenue from contracts with customers must be recognised as the performance obligations in each contract are satisfied.

Revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue recognition involves five steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

In this connection, revenue is recognised as an entity satisfies the obligations, i.e., when the “control” of the goods or services underlying the obligation in question is transferred to the customer.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset’s carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, i.e., when the Annual General Meetings of the investees approve the distribution of the related dividends.

Sale of properties-

Sales of properties are recognised when the ownership of the asset is transferred, i.e., when the public deed of sale of the property is executed, provided the control of the property has been transferred to the buyer.

Services-

The Group provides advisory services in connection with both the sale and acquisition of real estate assets such as flats, buildings and land and receives revenue from the lease of its own properties and from the advisory services provided. However, since the Group's main activity is the acquisition of assets for conversion and subsequent sale, and not for asset-management business purposes, the Group does not classify as investment property intended for sale in the ordinary course of business or in the process of construction or development for such sale, for example, property acquired exclusively with a view to subsequent disposal in the near future or for development and resale.

Revenue from contracts arising from the provision of rental services is recognised at the rates stipulated in the contract and on a straight-line basis over the term of the contract.

Revenue from advisory services is based on estimates of the time and expenses incurred by the Group to provide these services, including a margin. All these services are provided at an arm's length price.

p) Consolidated statement of cash flows (indirect method)

The following terms are used in the consolidated statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the Group companies and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

q) Related party transactions

The Group performs all its transactions with related parties on an arm’s length basis. Also, the transfer prices are adequately supported and, therefore, the Parent's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

r) Information on the environment

The expenses arising from the business activities aimed at protecting and improving the environment are accounted for as an expense in the year in which they are incurred.

When these expenses, the purpose of which is to minimise environmental impact and protect and improve the environment, give rise to additions to property, plant and equipment, they are capitalised to those assets.

s) Fair value hierarchy

Fair value measurements of assets and liabilities are classified according to the following hierarchy established in IFRSs 7 and 13:

- Level 1: The inputs are based on unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2: The inputs are based on quoted prices for similar instruments in active markets, not included in Level 1, quoted prices for identical or similar assets or liabilities in markets that are not active, and techniques based on valuation models for which all the significant inputs are observable in the market or may be corroborated by observable market data.

- Level 3: The inputs are generally unobservable and, in general terms, they reflect estimates of the market assumptions for determining the price of the asset or liability. The unobservable data used in the valuation models are significant inputs in measuring the fair values of the assets and liabilities.

31 December 2018

	Thousands of euros		
	Level 1	Level 2	Level 3
Investment property	-	-	21,660
Total assets	**-**	**-**	**21,660**

31 December 2017

	Thousands of euros		
	Level 1	Level 2	Level 3
Investment property	-	-	19,555
Total assets	**-**	**-**	**19,555**

5. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Parent, after tax and non-controlling interests, by the weighted average number of shares during that period.

Diluted earnings per share are calculated using a method similar to that used to calculate basic earnings per share, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of the convertible debt instruments in force at year-end. At 31 December 2018 and 2017, there were no debt pending conversion into shares of the Parent.

	Thousands of euros	
	31 December 2018	31 December 2017
Consolidated profit for the year attributable to the shareholders of the Parent	**16,608**	**12,484**
- from continuing operations	16,608	12,484
	No. of shares	No. of shares
Average number of ordinary shares (in thousands) (*)	32,888	32,888
Average number of ordinary dilutive shares (in thousands) (*)	32,888	32,888
	Euros	Euros
Basic and diluted earnings per share:	**0.50**	**0.38**
- from continuing operations	0.50	0.38

(*) Including the number of treasury shares of the Parent.

6. Segment reporting

Based on its business plan, the Group divides its activities into two business units: Transaction management and Asset management, as detailed in Note 1.

Transaction management refers to all the properties for which, in the normal course of the Group's operations, it performs a purchase and sale transaction or provides a service.

Asset management relates to properties from which returns are obtained managed by the Group, or the management of properties for third parties.

For the purposes of geographical segments, the Group operates exclusively in the Spanish market, focusing its operations essentially on Madrid and Barcelona.

The segment information on these activities for the consolidated balance sheet and consolidated statement of profit or loss headings for 2018 and 2017 is as follows (in thousands of euros):

2018

	Transaction management	Asset management	Not allocable	Total
Intangible assets, property, plant and equipment and investment property	-	21,660	308	21,968
Investments in Group companies and associates	21	-	-	21
Non-current financial assets	-	12,817	98	12,915
Deferred tax assets	-	-	24,055	24,055
TOTAL NON-CURRENT ASSETS	**21**	**34,477**	**24,461**	**58,959**
Inventories	57,395	-	-	57,395
Trade and other payables	3,070	405	2,563	6,038
Current financial assets	41	57	-	98
Cash	-	-	8,725	8,725
TOTAL CURRENT ASSETS	**60,506**	**462**	**11,288**	**72,256**
TOTAL ASSETS	**60,527**	**34,939**	**35,749**	**131,215**
EQUITY	**-**	**-**	**61,492**	**61,492**
Non-current payables	-	6,283	34,364	40,647
Other non-current accounts payable to public authorities	-	-	-	-
Deferred tax liabilities	-	-	1,612	1,612
TOTAL NON-CURRENT LIABILITIES	**-**	**6,283**	**35,976**	**42,259**
Current payables	15,220	216	533	15,969
Trade and other payables	10,293	763	439	11,495
TOTAL CURRENT LIABILITIES	**25,513**	**979**	**972**	**27,464**
TOTAL EQUITY AND LIABILITIES	**25,513**	**7,262**	**98,440**	**131,215**

	Transaction management	Asset management	Not allocable	Total
CONTINUING OPERATIONS:				
Revenue	78,573	11,649	-	90,222
Other operating income	-	-	151	151
Changes in inventories of buildings acquired for refurbishment and/or conversion	(59,740)	19	-	(59,721)
Staff costs	(3,953)	(456)	(244)	(4,653)
Other operating expenses	(2,403)	(3,606)	(2,525)	(8,534)
Depreciation and amortisation charge	-	-	(93)	(93)
Profit from operations	**12,477**	**7,606**	**(2,711)**	**17,372**
Changes in fair value of investment property	-	1,991	-	1,991
Finance income	2	-	56	58
Finance costs	(561)	(391)	(2,405)	(3,357)
Impairment and gains or losses on disposals of financial instruments	-	-	(1)	(1)
Result of companies accounted for using the equity method	-	-	-	-
Consolidated profit before tax	**11,737**	**8,837**	**(4,511)**	**16,063**
Income tax	-	-	545	545
Consolidated profit for the year	**11,737**	**8,837**	**(3,966)**	**16,608**

	Property sales	Real estate project management	Asset management and other	Total
Revenue	74,124	4,449	11,649	90,222

2017

	Transaction management	Asset management	Not allocable	Total
Intangible assets, property, plant and equipment and investment property	-	19,555	140	19,695
Investments in Group companies and associates	52	-	-	52
Non-current financial assets	-	2,500	75	2,575
Deferred tax assets	-	-	20,458	20,458
TOTAL NON-CURRENT ASSETS	**52**	**22,055**	**20,673**	**42,780**
Inventories	41,474	-	-	41,474
Trade and other payables	1,869	180	2,509	4,558
Current financial assets	84	40	13	137
Cash	-	-	3,715	3,715
TOTAL CURRENT ASSETS	**43,427**	**220**	**6,237**	**49,884**
TOTAL ASSETS	**43,479**	**22,275**	**26,910**	**92,664**
EQUITY	**-**	**-**	**45,612**	**45,612**
Non-current payables	-	6,605	17,039	23,644
Other non-current accounts payable to public authorities	-	-	2,994	2,994
Deferred tax liabilities	-	-	950	950
TOTAL NON-CURRENT LIABILITIES	**-**	**6,605**	**20,983**	**27,588**
Current payables	9,399	3,488	364	13,251
Trade and other payables	3,089	70	3,054	6,213
TOTAL CURRENT LIABILITIES	**12,488**	**3,558**	**3,418**	**19,464**
TOTAL EQUITY AND LIABILITIES	**12,488**	**10,163**	**70,013**	**92,664**

	Transaction management	Asset management	Not allocable	Total
CONTINUING OPERATIONS:				
Revenue	43,015	1,890	-	44,905
Other operating income	5	1	17	23
Changes in inventories of buildings acquired for refurbishment and/or conversion	(22,341)	15	-	(22,326)
Staff costs	(3,430)	(223)	(280)	(3,933)
Other operating expenses	(4,711)	(1,113)	(2,258)	(8,082)
Depreciation and amortisation charge	-	-	(76)	(76)
Profit from operations	**12,538**	**570**	**(2,597)**	**10,511**
Changes in fair value of investment property	-	834	-	834
Finance income	233	-	287	520
Finance costs	(211)	(261)	(1,420)	(1,892)
Result of companies accounted for using the equity method	(124)	-	-	(124)
Consolidated profit before tax	**12,435**	**1,143**	**(3,729)**	**9,849**
Income tax	-	(268)	2,903	2,635
Consolidated profit for the year	**12,435**	**875**	**(826)**	**12,484**

	Property sales	Real estate project management	Asset management and other	Total
Revenue	29,732	13,083	2,090	44,905

There were no significant inter-segment transactions in 2018 or 2017.

In 2018 Vivenio Inmuebles Residenciales SOCIMI, S.A. generated more than 10% of the Group's revenue (see Note 19). Also, none of the Group's customers accounted for more than 10% of the Group's revenue in 2017.

7. Investment property

The changes in "Investment Property" in the consolidated balance sheet in 2018 and 2017 were as follows:

	Thousands of euros
	Land and buildings
Balance at 31 December 2016	**18,640**
Additions and charge for the year	81
Changes in value	834
Balance at 31 December 2017	**19,555**
Additions and charge for the year	114
Changes in value	1,991
Balance at 31 December 2018	**21,660**

Changes in fair value of investment property

"Changes in Fair Value of Investment Property" in the accompanying consolidated statement of profit or loss includes the revaluation gains on investment property for 2018 and 2017, amounting to EUR 1,991 thousand and EUR 834 thousand, respectively. This change in value relates to the change in the fair value of the investment property as appraised by independent valuers at 31 December 2018 and 2017 (see Note 4-d).

Other disclosures

The detail of the total surface area (above and below grade level) of the investment property at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	Total surface area (m^2)	
	31/12/18	31/12/17
Residential	4,669	4,669
Commercial premises	711	711
Total	**5,380**	**5,380**

The detail of the investment property that had been mortgaged at 31 December 2018 and 2017 as security for the loans recognised under "Current Financial Liabilities" is as follows:

	Thousands of euros			
	31/12/18		31/12/17	
	Debt	Fair value	Debt	Fair value
Investment property	6,601	21,660	6,814	19,555
Total	**6,601**	**21,660**	**6,814**	**19,555**

8. Leases

Operating leases

As lessee-

At the end of 2018 and 2017 the Group had contracted with lessors for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions:

	Thousands of euros	
	31/12/18	31/12/17
Within one year	168	155
Two to five years	37	98
After five years	-	-

The operating lease payments recognised as an expense in 2018 amounted to EUR 228 thousand (2017: EUR 173 thousand).

The most significant leases relate to the Parent’s current offices located in Barcelona and Madrid.

As lessor-

The Group has not contracted for any minimum lease payments of significant amounts under non-cancellable leases.

9. Investments in associates and interests in joint ventures

The detail of the investments in associates and interests in joint ventures at the end of 2018 and 2017 is as follows:

	Thousands of euros	
	31/12/18	31/12/17
Alemina Investments, S.L.	21	21
Leterana Servicios y Gestiones, S.L.	-	31
Total	**21**	**52**

The investments in associates at 31 December 2018 relate to the 10% ownership interest held by the Parent in the share capital of Alemina Investments, S.L.

On 3 December 2018, the sole liquidator of the investee Leterana Servicios y Gestiones, S.L. executed the public deed of liquidation of this investee.

In 2016 Alemina Investment, S.L. refitted the building it owned and commenced the sale of the resulting housing units in fractions. The sale of all the housing units was completed in 2017. In turn, Leterana Servicios y Gestiones, S.L. also owned a building which it refitted in 2016; all the resulting housing units were sold in 2017.

The information related to the associates at 31 December 2018 and 2017 is detailed in Appendix II to these notes to the consolidated financial statements.

10. Non-current financial assets

The changes in “Non-Current Financial Assets” in the consolidated balance sheet in 2018 and 2017 were as follows:

31 December 2018

	Thousands of euros			
	Equity instruments	Long-term accounts receivable (Note 16)	Long-term deposits and guarantees	Total
Equity instruments designated as at fair value through other comprehensive income	3,038	-	-	3,038
Loans and receivables	-	9,826	51	9,877
Total	**3,038**	**9,826**	**51**	**12,915**

31 December 2017

	Thousands of euros			
	Equity instruments	Long-term accounts receivable	Long-term deposits and guarantees	Total
Equity instruments designated as at fair value through other comprehensive income	2,025	-	-	2,025
Loans and receivables	-	-	50	50
Total	**2,025**	**-**	**50**	**2,575**

On 10 April 2017, the Parent executed in a public deed the deed of incorporation of Vivenio Inmuebles Residenciales SOCIMI, S.A. (Vivenio) (formerly Rembrandt Activos Residenciales SOCIMI, S.A.) with a share capital of EUR 60 thousand. On 3 May 2017, the Parent formalised the transfer of 98.0590% of its ownership interest in the share capital of that investee to four new shareholders. Pylades Investments Holding, B.V., an APG Group company, became the new majority shareholder with an ownership interest at the end of 2017 of 97.04%.

The investee's capital was subsequently increased by an aggregate amount of EUR 128,800 thousand in successive capital increases performed in May, September and November 2017. The Parent's contributions in this connection amounted to EUR 2,498 thousand, in proportion to its 1.9410% ownership interest in the share capital. Lastly, in 2018 a further capital increase was performed at the investee; the Parent's contribution in this connection amounted to EUR 97 thousand.

At 31 December 2018, the Group measured the aforementioned ownership interest at fair value through other comprehensive income. The gross change in the market price of this investee's shares in 2018 amounted to EUR 416 thousand (EUR 312 thousand net of the related tax effect), which was recognised with a credit to "Equity - Valuation Adjustments - Available-For-Sale Financial Assets" in the accompanying consolidated balance sheet.

Also, on 3 May 2017 the Parent entered into an asset management agreement with the Spanish real estate investment trust (REIT) Vivenio, which was novated on 20 December 2018, whereby the parties agreed that the Parent would render administrative, accounting and tax services and exclusively manage all of Vivenio's real estate business, including in particular submitting investment proposals, real estate property project development proposals and the necessary divestment proposals in order to ensure appropriate asset rotation.

The revenue associated with this activity in 2018 amounted to EUR 10,809 thousand (2017: EUR 1,455 thousand) (see Note 18).

In this connection, pursuant to the aforementioned agreement, in those cases in which an asset is ultimately acquired by Vivenio as a result of investment proposal submission services rendered by the Parent, the Parent will receive its fees, from the first EUR 1,500 thousand and up to a fee equivalent of EUR 7,500 thousand, through the issue and delivery by Vivenio of a number of new Vivenio shares for an amount equal to the nominal value of the account receivable on the related accrual date.

Also, the agreement establishes an incentive fee to be received by the Parent that must be calculated annually and will be paid by Vivenio through the issue and delivery of new shares. This fee is established on the basis of the achievement of certain parameters that include mainly the evolution of the investee's net asset value (NAV) per share.

Consequently, at 31 December 2018 the Parent recognised an account receivable from Vivenio amounting to EUR 9,826 thousand relating to fees earned during the year in both connections and that will be collected in 2019, once the General Meeting of Vivenio approves the corresponding capital increase, in the form of an increase in the Parent's ownership interest.

This non-current account receivable, which will be collected in full in shares of Vivenio, was classified as a non-current asset in the accompanying consolidated balance sheet since the shares of Vivenio received as consideration for the aforementioned services must be retained by the Parent for a period of between two and five years, as established in the agreement.

The main data relating to Vivenio for 2018 and 2017 are included in the following tables:

2018	Location/ Registered Office	Thousands of euros					Direct	Indirect
		Share capital (**)	Reserves (**)	Loss (**)	Treasury shares (**)	Other equity instruments (**)		
NON-CURRENT EQUITY INSTRUMENTS: VIVENIO Residencial SOCIMI, S.A. (*) (**)	C/ Velázquez 51, 1º Izq. - 28001 Madrid	286,459	15,921	(11,193)	(300)	9,826	1.94%	-

(*) Audited by Ernst & Young, S.L.
(**) Unaudited provisional data.

2017	Location/ Registered Office	Thousands of euros			Direct	Indirect
		Share capital	Reserves	Loss		
NON-CURRENT EQUITY INSTRUMENTS: VIVENIO Residencial SOCIMI, S.A. (*) (**)	C/ Velázquez 51, 1º Izq. - 28001 Madrid	128,000	(1,436)	(94)	1.94%	-

(*) Audited by Ernst & Young, S.L.

11. Inventories

The changes in "Inventories" in the years ended 31 December 2018 and 2017 were as follows:

	Thousands of euros				
	Land and building lots	Buildings acquired for refurbishment and/or conversion	Purchase options	Write-downs	Total
Balance at 31 December 2016	**18,115**	**6,993**	**2,375**	**(210)**	**27,273**
Additions and charge for the year	-	35,606	4,405	(455)	39,556
Transfers	-	1,752	(1,752)	-	-
Disposals and reductions	-	(22,326)	(3,238)	209	(25,355)
Balance at 31 December 2017	**18,115**	**22,025**	**1,790**	**(456)**	**41,474**
Additions and charge for the year	-	73,243	4,629	(328)	77,544
Transfers	-	2,124	(2,124)	-	-
Disposals and reductions	-	(59,721)	(2,357)	455	(61,623)
Balance at 31 December 2018	**18,115**	**37,671**	**1,938**	**(329)**	**57,395**

"Additions" at the end of 2018 and 2017 related to the acquisition of properties to be converted and subsequently sold. In many cases, properties are converted and sold within the same year.

In this connection, in 2018 the Group sold various projects, either through the sale of whole buildings or the sale of certain properties in fractions by selling housing units and parking spaces, in Barcelona and Madrid, resulting in an aggregate amount of EUR 59,721 thousand being derecognised in 2018 (2017: EUR 22,236 thousand).

In 2018 the Group capitalised borrowing costs amounting to EUR 618 thousand (2017: EUR 263 thousand) to inventories.

Purchase options-

"Inventories" includes the purchase option premiums paid by the Group for the purchase options on properties. The following table details the options held, their cost and the associated investment rights at 31 December 2018 and 2017:

	31 December 2018	31 December 2017
Number of gross purchase options	16	14
Gross purchase option premiums (in thousands of euros)	1,938	1,790
Investment rights associated with gross purchase options (in thousands of euros)	96,275	135,343

The gross balance of the purchase options recognised relates to transactions that are studied in depth and for which Group management considers the continuation of the projects on expiry of the option based on their adaptability to the market conditions. The purpose of the purchase options is to enable the Group to acquire properties that will be operated by it.

At 31 December 2018 and 2017, there were no options that were unrelated to the Group's ordinary business.

The option premiums amounted to EUR 1,938 thousand at 31 December 2018, of which EUR 329 thousand related to write-downs (31 December 2017: EUR 1,790 thousand, of which EUR 446 thousand related to write-downs). Total net options exist for underlying assets amounting to EUR 72,440 thousand, the realisation of which is expected to take place within a period of less than 12 months (2017: EUR 88,901 thousand).

Write-downs-

At 31 December 2018 and 2017, the Group had not recognised any write-downs under "Land and Building Lots" and "Buildings Acquired for Refurbishment and/or Conversion" since, in accordance with the accounting policies detailed in Note 4-g, their net realisable values are not expected to drop. Pursuant to the terms and conditions of the Arrangement with Creditors described in Note 1, the consolidated company Renta Corporación Real Estate ES, S.A.U. mortgaged land recognised under "Land and Building Lots" as security for the creditors who opted for Alternative B of the aforementioned Arrangement. In this connection, when the debt matures, the aforementioned creditors must accept the building lot located in Cánovas as dation in payment for their claims, after which they will not be entitled to claim any further amount from the debtors. This condition was taken into consideration by the independent valuer, Accode Business Influencers, S.L. in 2018 (2017: CoreSolutions, S.L.), when determining the recoverable amount of the asset.

As indicated above, at 31 December 2018 the Group recognised a write-down associated with "Purchase Options" amounting to EUR 329 thousand (31 December 2017: EUR 456 thousand) related to those options which are not expected to be exercised on the established expiry date.

Other matters-

At 31 December 2018 and 2017, there were no property development sale commitments not recognised as revenue because the public deeds of transfer of ownership had not been executed.

The detail of the properties considered to have been mortgaged as security for loans classified as current payables, either because the properties were actually mortgaged or because there was a promise to mortgage them, at 31 December 2018 and 2017 is as follows:

	Thousands of euros			
	31/12/18		31/12/17	
	Debt	Carrying amount	Debt	Carrying amount
Land and building lots	16,927	18,115	15,289	18,115
Buildings acquired for refurbishment and/or conversion	15,191	24,841	12,576	14,146
Total	**32,118**	**42,956**	**27,865**	**32,261**

At 31 December 2018 and 2017, the Group did not have any inventories securing litigation involving third parties.

12. Trade and other receivables

The detail of "Trade and Other Receivables" in current assets in the accompanying consolidated balance sheets as at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	31/12/18	31/12/17
Trade receivables	1,126	1,051
Trade receivables from Group companies and associates (Note 19)	-	36
Sundry accounts receivable	2,662	1,034
Total	**3,788**	**2,121**

The aging of the trade receivables, trade receivables from Group companies and associates and sundry accounts receivable at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	31/12/18	31/12/17
Unmatured balance	3,662	1,961
Past-due by 1 to 90 days	84	1
Past-due by 91 to 180 days	12	-
Past-due by more than 180 days	30	159
Total trade receivables, trade receivables from Group companies and associates and sundry accounts receivable	**3,788**	**2,121**

13. Cash and cash equivalents

At 31 December 2018, "Cash and Cash Equivalents" amounted to EUR 8,725 thousand (31 December 2017: EUR 3,715 thousand) and related in full to cash on hand and demand deposits at banks.

There were no restricted balances at the end of 2018 or 2017.

14. Equity

Share capital

In 2018 and 2017 there were no changes in the Parent's share capital; accordingly, at 31 December 2018 and 2017, the share capital was represented by 32,888,511 fully subscribed and paid ordinary registered shares of EUR 1 par value each.

The Parent's shares were admitted to trading on the Spanish Stock Market Interconnection System of the Madrid and Barcelona Stock Exchanges on 5 April 2006 (see Note 1). As a result of the Parent having filed for voluntary insolvency on 19 March 2013, the trading of its shares on the Spanish Stock Market Interconnection System was suspended. The suspension was lifted on 30 October 2014, once the Arrangement with Creditors was approved on 8 July 2014 (see Note 1).

As per the communications relating to the number of shares made to the Spanish National Securities Market Commission, the holders of significant direct and indirect ownership interests in the Parent's share capital at 31 December 2018 and 2017 are as follows:

	Dec-18			Dec-17		
	Number of directly held shares	Number of indirectly held shares	% of ownership	Number of directly held shares	Number of indirectly held shares	% of ownership
Name of the shareholder:						
Luis Hernández de Cabanyes	292,281	6,788,843	21.53%	292,281	7,877,318	24.84%
Oravla Inversiones, S.L.	1,645,099	-	5.00%	1,645,099	-	5.00%
Blas Herrero Vallina	1,342,207	-	4.08%	1,342,207	-	4.08%
Vanesa Herrero Vallina	1,342,207	-	4.08%	1,342,207	-	4.08%
Concerted action	-	1,000,000	3.04%	-	1,000,000	3.04%
Fundación Privada Renta	986,655	-	3.00%	986,655	-	3.00%
Briarwood Capital Partners LP	(*)	(*)	(*)	1,649,525	-	5.02%
Metavalor FI	(*)	(*)	(*)	1,205,707	-	3.67%

(*) Ownership interest of less than 3%.

The Parent is unaware of other significant ownership interests.

Article 13 of the bylaws currently in force does not provide for share transfer restrictions.

Share premium-

There were no changes in the share premium in 2018 or 2017.

The Spanish Limited Liability Companies Law expressly permits the use of the balance "Share Premium" to increase capital and does not establish any specific restrictions as to its use.

Legal reserve-

Under the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2018, the balance of the legal reserve totalled EUR 6,578 thousand and therefore, had reached the legally required minimum.

Treasury shares-

The detail of the treasury shares and of the changes therein in 2018 and 2017 is as follows:

	Number of shares	Thousands of euros	
		Par value	Cost
Balance at 31 December 2016	**643,731**	**644**	**2,567**
Treasury share-based payments	(27,736)	(28)	(111)
Acquisition of treasury shares	191,811	192	557
Balance at 31 December 2017	**807,806**	**808**	**3,013**
Treasury share-based payments	(42,955)	(43)	(160)
Acquisition of treasury shares	-	-	-
Balance at 31 December 2018	**764,851**	**765**	**2,853**

At 31 December 2018 and 2017, the Parent had a specific plan to repurchase shares, which is detailed below.

On 27 April 2016, the Annual General Meeting approved the acquisition by transfer of title of shares up to the limit permitted by law, in order to contribute to the liquidity of the shares on the market, and expressly authorised the Board of Directors to do so, in accordance with Article 146 of the Spanish Limited Liability Companies Law, under the following terms and conditions:

a) The shares may be acquired directly by the Parent or indirectly through its subsidiaries.

b) The shares are acquired through purchases, swaps or any other legally permitted transaction.

c) The shares may be acquired at any given time up to the limit permitted by law.

d) The shares must be acquired for a price equal to the market price at the close of the trading day immediately preceding the day on which the acquisition takes place, within a maximum range of +/-20% of the aforementioned closing market price.

e) The authorisation is granted for a maximum of five years.

It was expressly placed on record that the shares acquired as a result of the authorisation could be sold or retired, used in the remuneration systems envisaged in the Spanish Limited Liability Companies Law, as well as in the implementation of programmes fostering investment in the Parent's share capital such as dividend reinvestment plans, loyalty bonuses or other similar instruments.

Also, at the reporting date the Parent had granted four share-based payment plans to employees and executives of the Renta Corporación Group, which were approved by the Extraordinary General Meeting on 11 November 2014 and by the Board of Directors on 11 May 2016, 10 May 2017 and 10 May 2018, respectively.

The Parent has also granted a share-based payment plan to the CEO of the Renta Corporación Group, which was approved by the Extraordinary General Meeting on 11 November 2014.

The plans approved on 11 November 2014 initially envisaged the delivery of 270,367 shares between 2015 and 2020. Also, the plan approved on 11 May 2016 initially envisaged the delivery of 14,225 shares between 2016 and 2021. Moreover, the plan approved on 10 May 2017 initially envisaged the delivery of 5,690 shares between 2017 and 2022. Lastly, the plan approved on 10 May 2018 initially envisaged the delivery of 22,764 shares between 2018 and 2023.

The aim of these plans is to remunerate the beneficiaries thereof, lead them to undertake their work with a focus on the medium term and foster and encourage their long-term service. The delivery of the shares is contingent upon the beneficiaries remaining in the Group's employ at the share delivery date.

In 2018 42,955 treasury shares were delivered (2017: 27,736) in accordance with the share plans, the value of which on the delivery date totalled EUR 69 thousand (2017: EUR 45 thousand), which were recognised under "Other Employee Benefit Costs". The difference between the market price of the shares on the delivery date and the cost of the shares delivered, EUR 91 thousand (2017: EUR 66 thousand), was recognised as a reduction of "Reserves".

15. Contingencies

On 2 July 2014, the tax authorities contested the amendment to the definitive lists of creditors as a result of the award of assets on 11 June to the banks, where the tax authorities' claims relating to VAT were afforded ordinary claim status. The tax authorities' petition, having lost secured claim status, was for 50% of the principal of its claim to be afforded general priority claim status, the remaining 50% to be considered an ordinary claim and the related interest a subordinated claim. The petition filed related to a total amount of EUR 9,946 thousand.

On 16 July 2014, the Renta Corporación Group submitted its defence to the tax authorities' ancillary claim contesting the aforementioned amendment. On 8 September 2014, the court dismissed the tax authorities' claim and afforded ordinary claim status to all of the VAT payable that was not secured by a security interest. The tax authorities filed an appeal against this court decision and on 13 May 2015 the Barcelona Provincial Appellate Court handed down a ruling affording the tax authorities' claim general priority claim status. Despite the Group filing an appeal against this ruling at the Supreme Court, the claim's status was amended.

On 3 July 2015, the Parent and the tax authorities entered into a Singular Payment Arrangement which determined that the amount payable totalled EUR 10,538 thousand. On 6 July the Group made the first payment of EUR 3,785 thousand by means of the set-off of tax receivables amounting to EUR 2,873 thousand and a cash outflow of EUR 912 thousand. A five-year deferred payment schedule was established for the outstanding amount, EUR 6,753 thousand, and the first payment was made on 20 December 2015.

On 13 December 2017, the Supreme Court granted leave for consideration to the cassation appeal brought by the Parent against the Barcelona Provincial Appellate Court's aforementioned decision of 13 May 2015 relating to the status afforded to the tax authorities' claim. In its decision of 28 May 2018, the Supreme Court dismissed the cassation appeal brought by the Parent, thereby upholding the claim's general priority status. At the date of authorisation for issue of these consolidated financial statements, the aforementioned account payable had been settled (see Note 1).

The aforementioned disputed account payable results from the VAT returns filed by the Group under the special consolidated VAT regime, which by law establishes that all the Group entities are jointly and severally liable for the account payable; therefore, the tax authorities sent to the companies forming part of the VAT group (Renta Corporación Real Estate, S.A., Renta Corporación Real Estate ES, S.A.U., Renta Corporación Real Estate 2, S.L., Renta Corporación Real Estate 3, S.L., Renta Corporación Real Estate 4, S.L., Renta Corporación Real Estate 5, S.L. and Renta Corporación Real Estate 6, S.L.) notifications of the institution of joint and several liability declaration proceedings, which were duly challenged by the Renta Corporación Group. In 2018 decisions were issued upholding the enforcement of liability against a party other than the principal party.

However, since there is only one account payable by the Group, the Parent's compliance with the Singular Payment Arrangement led to the account payable being settled in full; accordingly, the joint and several liability declaration does not have any practical effects, because the account payable was settled by the main debtor.

Based on the evaluation by the Parent's directors and external advisers, it is unlikely that the contingency that might arise from the aforementioned events will result in a new liability for the Group.

16. Non-current and current payables

The detail, by maturity, of "Non-Current Payables" and "Current Payables" at 31 December 2018 and 2017 is as follows:

31 December 2018

	Thousands of euros							
	Current maturity	Non-current maturities						Total
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	After 5 years	Total non-current	
Debt instruments and other marketable securities:								
Issues of debt instruments	-	-	-	-	15,827	-	15,827	15,827
Bank borrowings:								
Participating loan	-	347	330	15,778	230	-	16,685	16,685
Mortgage loans	-	225	233	242	252	5,436	6,388	6,388
Other financial liabilities:								
Debt under Arrangement with creditors (Note 1)	-	361	457	435	29	465	1,747	1,747
Total, non-current	**-**	**933**	**1,020**	**16,455**	**16,338**	**5,902**	**40,647**	**40,647**
Debt instruments and other marketable securities:								
Fees and interest	258	-	-	-	-	-	-	258
Bank borrowings:								
Mortgage loans	319	1,165	169	6,648	178	3,969	12,129	12,448
Interest and other	242	-	-	-	-	-	-	242
Other financial liabilities:								
Other loans	-	2,899	-	-	-	-	2,899	2,899
Interest and other	65	57	-	-	-	-	57	122
Total, current	**884**	**4,121**	**169**	**6,648**	**178**	**3,969**	**15,085**	**15,969**

31 December 2017

	Thousands of euros							
	Current maturity	Non-current maturities						Total
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	After 5 years	Total non-current	
Bank borrowings:								
Participating loan	-	163	155	147	14,460	-	14,925	14,925
Mortgage loans	-	217	225	233	242	5,689	6,606	6,606
Other financial liabilities:								
Debt under Arrangement with creditors (Note 1)	-	348	331	420	551	463	2,113	2,113
Total, non-current	**-**	**728**	**711**	**800**	**15,253**	**6,152**	**23,644**	**23,644**
Bank borrowings:								
Mortgage loans	368	199	255	262	268	6,928	7,912	8,280
Interest and other	364	-	-	-	-	-	-	364
Other financial liabilities:								
Other loans	-	4,350	-	-	-	-	4,350	4,350
Interest and other	257	-	-	-	-	-	-	257
Total, current	**989**	**4,549**	**255**	**262**	**268**	**6,928**	**12,262**	**13,251**

Non-current participating loans-

The non-current participating loan includes the account payable to the financial creditors who opted for Alternative B of the Arrangement with Creditors as detailed in Note 1 to these consolidated financial statements, which matures in 2022. It is recognised at amortised cost, discounted at a rate of 5.12%. The loan, taking into consideration the future cash flows related to the accrual of interest, as established in the Arrangement with Creditors for these payables, amounts to EUR 19,958 thousand. The increase relates to the interest that will accrue and the related interest cost.

The land described in Note 1 was mortgaged to secure this participating loan. In accordance with the Arrangement with Creditors, when the loan matures the creditors must accept as dation in payment for their claims the land located in Cánovas, following which they will not be entitled to claim any further amount from the Group.

Bond issues-

On 2 October 2018, the Parent issued a series of 165 ordinary unsecured non-convertible bonds amounting to EUR 16,500 thousand, maturing on 2 October 2023 and issued at par value. The bonds' annual coupon rate is 6.25%, payable yearly in arrears.

The bond arrangement expenses amounted to EUR 698 thousand. As detailed in Note 4-f, the bonds issued are measured at amortised cost. Consequently, the interest accrued and the arrangement expenses are recognised in the consolidated statement of profit or loss using the effective interest method.

The non-convertible bonds currently outstanding establish the need to achieve a financial ratio, i.e., adjusted consolidated net financial debt cannot be higher than 3.5x consolidated EBITDA over a period of more than six months. At 31 December 2018, the aforementioned ratio was being achieved and the Parent's directors consider it will continue to be achieved in the short term.

Mortgage and other loans-

Non-current-

The amount recognised in connection with non-current mortgage loans in the accompanying consolidated balance sheet relates to the loans arranged by the Group to finance the investment property (see Note 7).

Current-

In 2018 the Group arranged five individual loans for an aggregate amount of EUR 5,400 thousand. These loans mature in 2020 and were used to finance the development of certain developments acquired and recognised under "Inventories" at 31 December 2018 (see Note 11). In 2018 these loans were settled in part (EUR 2,501 thousand).

Also, in 2017 the Group arranged five individual loans for an aggregate amount of EUR 4,350 thousand. These loans were set to mature in 2019 and were paid in full in December 2018. The loans were used to finance a property development acquired and recognised under "Inventories" at 31 December 2017 (see Note 11).

Also, at the end of 2018 the Group had seven mortgage loans for an aggregate amount of EUR 12,236 thousand maturing after more than five years (with their respective repayment instalments). Furthermore, at the end of 2017 the Group had five mortgage loans for an aggregate amount of EUR 8,072 thousand maturing after more than five years (with their respective repayment instalments).

Pursuant to IAS 7, following is a reconciliation of the cash flows arising from financing activities, together with the associated liabilities in the opening and closing balance sheets, distinguishing between changes that give rise to cash flows and those that do not:

2018

	Thousands of euros					
			No impact on cash flows			
	01/01/18	Cash flows (*)	Accrued interest payable	Interest cost	Reclassifications and other	31/12/18
Non-current and current payables:						
Long-term bond issues	-	15,802	25	-	-	15,827
Long-term participating loan	14,925	-	-	1,587	173	16,685
Long-term mortgage loans	14,518	4,327	-	-	(328)	18,517
Other long-term loans	4,350	(1,451)	-	-	-	2,899
Long-term debt under Arrangement with Creditors	2,113	-	-	104	(470)	1,747
Short-term mortgage loans	368	(368)	-	-	319	319
Interest and other at short term	621	(38)	233	-	(194)	622
Total liabilities arising from financing activities	**36,895**	**18,272**	**258**	**1,691**	**(500)**	**56,616**

(*) This Note does not include the effect of the long-term payments made in 2018 related mainly to the Singular Arrangement amounting EUR 1,549 thousand, classified under "Other Non-Current Accounts Payable to Public Authorities" in the accompanying consolidated balance sheet that are included under "Proceeds and Payments Relating to Financial Liability Instruments" in the consolidated statement of cash flows.

2017

	Thousands of euros					
			No impact on cash flows			
	01/01/17	Cash flows	Accrued interest payable	Interest cost	Reclassifications and other	31/12/17
Bank borrowings:						
Long-term participating loan	14,361	-	-	744	(180)	14,925
Long-term mortgage loans	8,952	5,774	-	-	(208)	14,518
Other long-term loans	-	4,350	-	-	-	4,350
Long-term debt under Arrangement with Creditors	2,357	-	-	123	(367)	2,113
Short-term mortgage loans	2,133	(1,973)	-	-	208	368
Interest and other at short term	276	10	154	-	181	621
Total liabilities arising from financing activities	**28,079**	**8,161**	**154**	**867**	**(366)**	**36,895**

Guarantees-

At 31 December 2018, the Group had provided guarantees to third parties amounting EUR 741 thousand (31 December 2017: EUR 1,689 thousand), the majority of which secure the payment obligations arranged in connection with the purchase of properties with deferral of payment.

Interest-

The interest rate applicable to the mortgage loans at 31 December 2018 was Euribor plus a spread of 2.92 basis points (31 December 2017: Euribor plus a spread of 3.55 basis points).

Also, the interest rate applicable to the individual loans at 31 December 2018 was 9% (2017: 12%).

At 31 December 2018, the accrued interest payable amounted to EUR 549 thousand (31 December 2017: EUR 518 thousand).

Objective of the risk management policy-

The aim of the Group's risk management policy is for the Group to remain solvent by attempting to mitigate the following types of risk:

Financial risk factors

The Group’s activities are exposed to various financial risks: market risk (including foreign currency risk and cash-flow interest rate risk), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on its earnings.

Risk management is controlled by the Group's General Corporate Management in accordance with the policies approved by the Board of Directors. This Department identifies, assesses and hedges financial risks in close cooperation with the Group's operating units. The Group's Board of Directors sets policies for global risk management, as well as for the management of foreign currency risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments and investment of surplus liquidity.

Market risk: foreign currency risk

The Group defines foreign currency risk as the potential negative impact of changes in exchange rates on its results, equity or cash flows.

The Group’s exposure to this type of risk is scant since it does not have any international subsidiaries.

Market risk: interest rate risk

The Group currently finances its activities through a participating loan and mortgage loans that bear floating market interest rates and through unsecured ordinary non-convertible five-year bonds amounting to EUR 16.5 million bearing a coupon rate of 6.25% issued by the Group on 2 October 2018.

The Group has a participating loan of EUR 18.2 million, secured by a mortgage on the Cánovas asset (see Note 1). This participating loan bears floating interest at between 1% and 3%, depending on the Group’s consolidated net profit, provided that it exceeds at least EUR 10 million; if the Group's consolidated net profit is less than EUR 10 million, no floating interest will accrue. In 2018 and 2017 this loan bore interest at 1%.

The interest rate risk is managed in accordance with the policies approved by the Board of Directors, which establishes whether or not hedging instruments must be maintained to minimise the impact of interest rate volatility. At 31 December 2018, the Renta Corporación Group had not arranged any interest rate hedges.

However, the favourable interest rate terms established in the Arrangement with Creditors and the fixed coupon rate borne by the bonds provide a natural hedge against volatility and, therefore, it is not necessary to arrange any forward rate agreements.

Credit risk

Credit risk relates to the ability to obtain financing and the ability to access cash and deposits at banks, as well as collections from customers, including outstanding accounts receivable and committed transactions.

In 2018 the obtainment of financing remained a priority for the Group, which managed to obtain mortgages for certain real estate projects, which demonstrates that the banks are more open to financing real estate projects with a lower level of risk.

To date, the Group has not had any difficulty collecting the receivables arising from the transactions in 2018, due both to a lack of late payments and to its ability to enforce the guarantees securing these collections.

Liquidity risk

The Group's ability to secure new financing depends on a large number of factors, some of which it cannot control, such as the general state of the economy, the availability of credit from banks and the monetary policies in place.

Worthy of mention in this connection is the arrangement of various mortgage transactions in 2018 and 2017 with several Spanish banks. These mortgages financed real estate projects corresponding to the Renta Corporación Group's business model: property purchases, refurbishing and sales in fractions in a time frame of less than two years.

Also, the Renta Corporación Group continues to explore new sources of financing, such as the aforementioned bond issue, including any type of business alliance with financial partners, which should make it possible for the Group to increase its sources of financing in order to carry out larger-scale projects with greater margins in the future.

Capital risk management

Exposure to capital risk is determined by the difficulty of maintaining sufficient levels of equity and borrowings to continue operating as a going concern, of generating returns for shareholders and other equity instrument holders, and of maintaining an optimal capital structure to contain or reduce the cost of capital.

17. Tax matters

The detail of the current tax receivables and payables at 31 December 2018 and 2017 is as follows:

	Thousands of euros			
	Tax receivables		Tax payables	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Taxes	71	57	228	146
VAT	149	268	-	391
Current tax	2,023	2,112	567	-
Deferrals - Singular Arrangement relating to VAT (Note 15)	-	-	770	1,418
Other debts under Arrangement with Creditors - Tax authorities	-	-	259	253
Accrued social security taxes	-	-	46	36
Total, current balances	**2,243**	**2,437**	**1,870**	**2,244**
Deferrals - Singular Arrangement relating to VAT (Note 15)	-	-	-	2,994
Deferred tax liabilities	-	-	1,612	950
Tax loss carryforwards	22,049	19,759	-	-
Other deferred tax assets	2,006	699	-	-
Total, non-current balances	**24,055**	**20,458**	**1,612**	**3,944**

As a result of the Group filing a petition for voluntary insolvency proceedings on 19 March 2013 (see Note 1), at 31 December 2013 the Group lost the right to file consolidated income tax returns and consolidated VAT returns and, accordingly, the Group companies began to file individual tax returns.

In 2015, once the Arrangement with Creditors detailed in Note 1 was approved, the Renta Corporación Group resumed the filing of VAT returns under the advanced consolidated special deductible proportion system.

Article 29 of Spanish Income Tax 27/2014, of 27 November, in force from 1 January 2015, established a standard tax rate of 25%.

Also, Royal Decree-Law 3/2016, of 2 December, on income tax, which entered into force on 1 January 2016, establishes a limit on the offset of tax losses of 25% of the tax base prior to offset for companies whose revenue is equal to or higher than EUR 60 million, of 50% if their revenue is between EUR 20 million and EUR 60 million and of 70% if their revenue is less than EUR 20 million. In any event, tax losses of up to EUR 1 million may be offset in a tax period.

The reconciliation of the accounting profit to the taxable profit at 31 December 2018 and 2017 is as follows:

31 December 2018

	Thousands of euros		
	Increase	Decrease	Amount
Profit for the year before tax (aggregate of separate companies)			22,676
Permanent differences:			
Donations	277	-	277
Reversal of impairment loss recognised on equity instruments - Royal Decree-Law 3/2016	-	-	-
Temporary differences:			
Arising in prior years-			
Donations	-	(20)	(20)
Write-down of purchase options	-	(425)	(425)
Tax adjustments - Insolvency proceedings	3,240	-	3,240
Non-deductible depreciation and amortisation charge	-	(16)	(16)
Arising in current year-			
Write-down of purchase options	328	-	328
Non-deductible finance costs	735	-	735
Taxable profit	**4,580**	**(461)**	**26,795**

31 December 2017

	Thousands of euros		
	Increase	Decrease	Amount
Profit for the year before tax (aggregate of separate companies)			12,715
Permanent differences:			
Dividends	-	(194)	(194)
Donations	249	-	249
Reversal of impairment loss recognised on equity instruments - Royal Decree-Law 3/2016	1,936	-	1,936
Other	1	-	1
Temporary differences:			
Arising in prior years-			
Write-down of purchase options	-	(210)	(210)
Tax adjustments - Insolvency proceedings	75,559	-	75,559
Non-deductible depreciation and amortisation charge	-	(15)	(15)
Arising in current year-			
Write-down of purchase options	425	-	425
Non-deductible finance costs	597	-	597
Taxable profit	**78,767**	**(419)**	**91,063**

The most significant increase in the tax base due to permanent differences in 2017 related mainly to the application of Royal Decree-Law 3/2016, of 2 December, adopting various tax measures aimed at consolidating public finances and other urgent social measures, which established obligation to reverse those impairment losses on holdings in the share capital or equity of entities that were deductible for income tax purposes in the income tax base in tax periods commencing prior to 1 January 2013. The amount reversed shall be included, at least, in equal parts in the tax base for each of the first five tax periods commencing on or after 1 January 2016. Consequently, the Group included in the tax base for 2017 EUR 1,936 thousand corresponding to the net impact arising from, on the one

hand, application of the aforementioned Royal Decree-Law and, on the other, the reversal of the impairment loss recognised in prior years on the holding in Renta Corporación Real Estate ES, S.A.U. This adjustment was not made in the year ended 31 December 2018 since the reversal of the impairment loss for accounting purposes exceeded the equal-part amount to be reversed as detailed above.

Also, the increase in the tax base due to temporary differences in 2018 related mainly to the reversal and inclusion in the tax base of the negative adjustments recognised in relation to the debt composition and rescheduling in the Arrangement with Creditors.

Lastly, the increase in the tax base due to temporary differences in 2017 related mainly to the reversal and inclusion in the tax base of all the negative adjustments recognised in 2014 in relation to the composition and rescheduling of intra-group claims once those claims had been forgiven on 31 December 2017 (see Note 1).

The reconciliation of the accounting profit to the income tax benefit recognised in profit or loss for 2018 and 2017 is follows:

	Thousands of euros	
	2018	2017
Total accounting profit before tax	22,676	12,715
Permanent differences	277	1,992
Adjusted accounting profit	**22,953**	**14,707**
Tax charge at 25%	(5,738)	(3,677)
Impact of unrecognised temporary differences	(801)	(18,834)
Tax credits	430	373
Offset of tax losses	3,754	21,603
Recognition of tax assets	2,289	3,419
Recognition of other deferred taxes	1,148	-
Deferred tax liabilities arising from revaluation of investment property and other	(558)	(268)
Other adjustments	21	19
Total income tax benefit recognised in profit or loss	**545**	**2,635**
- Current tax	(2,882)	(771)
- Deferred taxes	3,427	3,406

The data relating to the income tax return for 2018 constitute the best available estimate at the date of formal preparation of the consolidated financial statements and may differ from the definitive tax return; the period for filing the definitive tax return runs from 1 to 25 of July 2019.

Net deferred tax assets-

The detail of the changes in the balances of deferred tax assets and liabilities at 31 December 2018 and 2017 is as follows:

	Thousands of euros							
	31/12/16	Additions	Disposals	31/12/17	Additions	Disposals	Other	31/12/18
Deferred tax assets:								
Tax loss carryforwards (gross)	38,622	3,419	(18,890)	23,151	2,289	(810)	(769)	23,861
Other	443	255	-	698	1,414	(106)	-	2,006
Deferred tax liabilities	(22,281)	-	18,890	(3,391)	-	810	769	(1,812)
Total net deferred and other tax assets	**16,784**	**3,674**	**-**	**20,458**	**3,703**	**(106)**	**-**	**24,055**

As a result of the conclusion of the insolvency proceedings on 8 July 2014, upheld in full by the decision of 17 September 2014, the Group companies recognised, pursuant to the terms of the Arrangement with Creditors, the debt under said Arrangement at its fair value. This situation led to the recognition in 2014 of finance income amounting to EUR 54,985 thousand at Renta Corporación Real Estate, S.A. and to EUR 56,417 thousand at Renta Corporación Real Estate ES, S.A.U., in connection with debt composition and rescheduling and the related interest cost.

Consequently, the Group, in accordance with the rule established in Article 19.14 of the Consolidated Spanish Income Tax Law, made the corresponding negative adjustments in the 2014 income tax return as a result of the income recognised in connection with debt composition and rescheduling under the Arrangement with Creditors. These adjustments will be included in the future tax bases as the finance costs resulting from the Arrangement are subsequently recognised, up to the limit of the aforementioned income. However, if the aforementioned income exceeds the total amount of the finance costs not yet recognised resulting from the Arrangement, the income will be included in the tax base at a rate proportional to the finance costs recognised in each tax period as a percentage of the total finance costs not yet recognised resulting from the Arrangement.

Consequently, the deferred tax liabilities associated with these temporary differences, which will reverse in the period up to maturity of the debt (2022 for ordinary claims and 2030 for the subordinated claims) initially amounted to EUR 27,850 thousand. At 31 December 2014, the Group had tax losses incurred in prior years amounting to EUR 301,972 thousand in relation to which no deferred tax assets had been recognised; the directors consider that, due to the nature of the tax losses, the fact they relate to the same jurisdiction, with a time horizon in excess of that over which the deferred tax liabilities will reverse, which in part arose as a result of the conclusion of the insolvency proceedings, they should be recognised for an amount equal to the amount of the deferred tax liabilities, i.e., EUR 27,850 thousand.

Based on the nature of the deferred tax assets and liabilities, the Group determined that those deferred taxes should be reflected at their net amount in the consolidated balance sheet and detailed in a disclosure in this Note.

Based on the foregoing, in 2017 the Group reversed temporary differences relating to the aforementioned debt composition and rescheduling amounting to EUR 75,559 thousand; the associated deferred taxes amounted to EUR 19,271 thousand.

At 31 December 2018, the directors recognised a deferred tax asset, net of the aforementioned deferred tax liability, amounting to EUR 24,055 thousand, the recovery of which was projected on the basis of the updated business plan approved by the Board of Directors on 27 February 2019.

Under this plan, the Group has continued to develop its asset management business model, incorporating new leased asset management vehicles in non-residential segments. The update of the strategic plan for 2019–2023 is based on the following:

- The gradual recovery of the real estate market and greater access to financing.

- A forward-looking approach aimed at strengthening the Group's position in the market and continuing its growth trend by means of the following:

  a) Improving the Group's operating margin by increasing the number of transactions and, in particular, the average scale thereof.

  b) Maintaining cost control, adapting the structure to the expected level of activity and exploring the possibility of outsourcing certain services.

  c) Expanding the business model through the incorporation of a new business line engaging in the management of both Group and third-party assets for non-residential use. The latter will materialise through an external vehicle, which will guarantee a greater and more regular source of income.

The aforementioned strategic plan also guarantees fulfilment of the debt repayment obligations under the Arrangement with Creditors entered into in the insolvency proceedings (see Note 1).

Deferred tax assets relating to tax loss carryforwards-

The Spanish Income Tax Law in force since 1 January 2015 provides that prior years' tax losses can be offset in future years without any time limit.

The following table shows the recognised and unrecognised tax losses incurred by the Group companies at 31 December 2018:

Year incurred	Thousands of euros		
	2017	Offset of tax losses	2018
2008	33,132	3,320	29,812
2009	24,163	8,909	15,254
2010	38,608	2,787	35,821
2011	7,213	-	7,213
2012	43,394	-	43,394
2013	2,873	-	2,873
2014	42,976	-	42,976
Total	**192,359**	**15,016**	**177,343**

Therefore, a deferred tax asset amounting to EUR 95,444 thousand was recognised out of a total of EUR 177,343 thousand tax loss carryforwards associated with the aforementioned events at 31 December 2018.

Deferred tax assets relating to tax credit carryforwards-

The nature and amount of the tax credits that had not been deducted at 31 December 2017 due to insufficient gross tax payable in prior years, which were not recognised in the accompanying consolidated balance sheet, and their corresponding last years for deduction are as follows:

Nature	Thousands of euros		
	Year earned	Not recognised	Last year for deduction
Tax credits for reinvestment	2008	239	2023
	2009	56	2024
	2010	38	2025
		333	

The Parent deducted the full amount of the tax credit carryforwards at the end of 2017 in the income tax return for 2018.

Deferred tax liabilities-

	Thousands of euros				
	31/12/16	Additions	31/12/17	Additions	31/12/18
Revaluation of investment property and reversal of depreciation charge	682	268	950	558	1,508
Equity instruments designated as at fair value through other comprehensive income	-	-	-	104	104
Total deferred tax liabilities	**682**	**268**	**950**	**662**	**1,612**

They relate mainly to the difference between the carrying amount of the investment property measured at fair value (IFRSs) and its tax base (measured at cost, net of depreciation).

Years open for review and tax audits-

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 31 December 2018, the Group had the last five years open for review for income tax and the last four years open for review for the other taxes applicable to it.

The Parent's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying consolidated financial statements.

18. Income and expenses

Revenue

The breakdown by business line of the revenue for 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Property sales	74,124	29,732
Real estate project management	4,449	13,083
Provision of asset management services	10,809	1,455
Rent revenue	840	635
Total	**90,222**	**44,905**

All the Group's revenue was generated in Spain, principally in the Barcelona and Madrid markets.

Changes in inventories of buildings acquired for refurbishment and/or conversion

The detail of "Changes in Inventories of Buildings Acquired for Refurbishment and/or Conversion" in the consolidated statement of profit or loss is as follows:

	Thousands of euros	
	2018	2017
Additions to buildings acquired for refurbishment and/or conversion (Note 8)	(72,625)	(35,343)
Transfer of purchase options (Note 8)	(2,124)	(1,752)
Changes in inventories due to additions and transfers	74,749	37,095
Changes in inventories due to disposals (Note 8)	(59,721)	(22,326)
Reversal of inventory write-downs (Note 8)	-	-
Total	**(59,721)**	**(22,326)**

Staff costs

The detail of "Staff Costs" in the consolidated statement of profit or loss is as follows:

	Thousands of euros	
	2018	2017
Wages, salaries and similar expenses	4,087	3,466
Employer social security costs	494	416
Other employee benefit costs	72	51
Total	**4,653**	**3,933**

At 31 December 2018, "Other Employee Benefit Costs" included EUR 69 thousand (31 December 2017: EUR 45 thousand), corresponding to the amount vested in the year under the deferred share-based payment plans for employees, executives and the CEO (see Note 13).

Finance income and costs

The breakdown of the finance income and finance costs in 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Finance income:		
From Group companies and associates (Note 19)	-	39
Other	58	481
Total finance income	**58**	**520**
Finance costs:		
Interest cost associated with debts to third parties (Note 1)	(1,691)	(867)
On bank and other borrowings	(2,284)	(1,213)
Capitalised borrowing costs (Note 10)	618	188
Total finance costs	**(3,357)**	**(1,892)**
Total financial loss	**(3,299)**	**(1,372)**

19. Related party transactions and balances

Related party transactions-

The detail of the Group's transactions with related parties in 2018 and 2017 is as follows:

2018

	Thousands of euros			
	Services provided	Services received	Donations	Interest income (expenses)
Other related parties:				
Ainhoa Grandes Massa	-	(12)	-	-
Closa Asociados. Correduría de Seguros, S.L.	-	(119)	-	-
Fundación Renta Corporación	-	-	(277)	-
Nescam 2006, S.L.U.	15	-	-	-
Oravla, S.L.	-	(20)	-	(24)
Vivenio Inmuebles Residenciales SOCIMI, S.A.	10,794	-	-	-
Total	**10,809**	**(151)**	**(277)**	**(24)**

2017

	Thousands of euros				
	Services provided	Services received	Dividends received	Donations	Interest income (expenses)
Group companies and associates:					
Alemina Investments, S.L.	52	-	159	-	4
Leterana Servicios y Gestiones, S.L.	241	-	35	-	35
Other related parties:					
Closa Asociados. Correduría de Seguros, S.L.	-	(115)	-	-	-
Fundación Renta Corporación	-	-	-	(247)	-
Oravla, S.L.	-	(40)	-	-	-
Vivenio Inmuebles Residenciales SOCIMI, S.A.	1,464	-	-	-	-
Total	**1,757**	**(155)**	**194**	**(247)**	**39**

As described in Note 1, in 2017 the Parent and its wholly-owned investee Renta Corporación Real Estate ES, S.A.U. reciprocally forgave the loans they held with each other that were included in the Arrangement with Creditors.

Related party balances-

The detail of the related party balances recognised in the consolidated balance sheets as at 31 December 2018 and 2017 is as follows:

2018

	Thousands of euros			
	Long-term accounts receivable (Note 10)	Trade and other receivables	Other current financial liabilities maturing at long term (Note 16)	Trade and other payables
Group companies and associates:				
Alemina Investments, S.L.	-	-	-	5
Other related parties:				
José María Cervera	-	-	-	9
Nescam 2006, S.L.U.	-	18	-	-
Oravla, S.L.	-	-	1,024	-
Vivenio Inmuebles Residenciales SOCIMI, S.A.	9,826	361	-	-
Total	**9,826**	**379**	**1,024**	**14**

2017

	Thousands of euros
	Current receivables
Group companies and associates:	
Alemina Investments, S.L.	36
Other related parties:	
Vivenio Inmuebles Residenciales SOCIMI, S.A.	21
Total	**57**

20. Remuneration and other benefits of directors and senior executives

The members of the Parent's Board of Directors at 31 December 2018 and 2017 were as follows:

2018

Director	Position	Type
Luis Hernández de Cabanyes	Chairman and CEO	Executive
David Vila Balta	Deputy Chairman and CEO	Executive
Ainhoa Grandes Massa	Director	Non-executive independent
Luis Conde Moller	Director	Non-executive independent
Manuel Valls Morató	Director	Non-executive independent
Blas Herrero Fernández	Director	Proprietary
Oravla Inversiones, S.L.	Director	Proprietary
Cristina Orpinell Kristjansdottir	Director	Proprietary
Elena Hernández de Cabanyes	Director	Other non-executive

2017

Director	Position	Type
Luis Hernández de Cabanyes	Chairman and CEO	Executive
David Vila Balta	Deputy Chairman and CEO	Executive
Ainhoa Grandes Massa	Director	Non-executive independent
Luis Conde Moller	Director	Non-executive independent
Manuel Valls Morató	Director	Non-executive independent
Blas Herrero Fernández	Director	Proprietary
Oravla Inversiones, S.L.	Director	Proprietary
Elena Hernández de Cabanyes	Director	Other non-executive

Cristina Orpinell Kristjansdottir was appointed as a proprietary director in 2018.

In 2017 Ainhoa Grandes Massa, Luis Conde Moller and Manuel Valls Morató were appointed as directors, and José María Cervera was appointed as non-director secretary. That same year, the directors Carlos Tusquets Trías de Bes, Javier Carrasco Brugada and Juan Gallostra Isern left the Board.

At 31 December 2018 and 2017, the members of the Board of Directors held or controlled the following ownership interests:

	2018			2017		
	Direct	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Luis Hernández de Cabanyes (*)	0.89%	20.64%	21.53%	0.89%	23.95%	24.84%
Oravla Inversiones, S.L.	5.00%	-	5.00%	5.00%	-	5.00%
Elena Hernández de Cabanyes	1.63%	-	1.63%	1.63%	-	1.63%
David Vila Balta (*)	0.54%	-	0.54%	0.51%	-	0.51%
Manuel Valls Morató	0.08%	-	0.08%	-	-	-
Ainhoa Grandes Massa	0.06%	-	0.06%	0.06%	-	0.06%

(*) Executive directors.

Pursuant to Article 229 of the Spanish Limited Liability Companies Law, at the end of 2018 the Parent's directors did not communicate to the other Board members any situation of direct or indirect conflict of interest that they or persons related to them, as defined in the aforementioned Law, might have with the Parent.

Remuneration of directors-

The detail of the remuneration earned at the Renta Corporación Group in 2018 and 2017 by the members of the Board of Directors of the Parent is as follows:

	Thousands of euros	
	2018	2017
Remuneration earned by executive directors (*) (**)	872	749
Remuneration for attendance of Board meetings	161	147
Remuneration for participation in executive committees	76	76
Total	**1,109**	**972**

(*) Including the remuneration earned by the directors for discharging senior executive duties.
(**) Including the deferred share-based payment plan of the Deputy Chairman and CEO.

At 31 December 2018 and 2017, the Parent had arranged a third-party liability insurance policy for all the Group's directors, senior executives and employees, the premium for which amounted to EUR 59 thousand in both years. This amount includes, for both 2018 and 2017, the premium paid under the third-party liability insurance policy for damage caused by acts or omissions. In 2018 and 2017 the Group did not pay any health or life insurance premiums in relation to the Parent's senior executives and executive directors.

The Group has not granted any loans to, or arranged any additional pension plans or life insurance policies for, the members of the Parent's Board of Directors.

At 31 December 2018 and 2017, two members of the Board of Directors had signed guarantee or golden parachute clauses for certain cases of termination or change of control, both of which have been approved by the shareholders.

Also, in 2018 and 2017 there was no conclusion, amendment or early termination of any contract between the Parent and the members of its Board of Directors or any persons acting on their behalf affecting operations outside the course of the Parent's ordinary business operations.

Remuneration of senior executives-

According to the definition of senior executives in the Unified Good Governance Code, the Parent's key executives are those people who form part of senior management, specifically the two executive directors and the Corporate General Manager.

The remuneration of senior executives in 2018 amounted to EUR 1,142 thousand, of which EUR 872 thousand relate to remuneration of the executive directors (2017: EUR 1,016 thousand and EUR 749 thousand, respectively).

The remuneration described above includes, for 2018, the delivery of 8,539 shares amounting to EUR 33 thousand to the CEO (2017: 5,692 shares amounting to EUR 9 thousand) and of 4,269 shares amounting to EUR 16 thousand to the Corporate General Manager (2017: 2,846 shares amounting to EUR 4 thousand), by virtue of the deferred share-based payment plans established by the Group (see Note 11).

Under these plans, at 31 December 2018, the Parent's CEO and Corporate General Manager are to be delivered 37,006 and 18,500 shares, respectively, for 2019–2020 (31 December 2017: 45,545 and 22,769 shares, respectively, for 2018–2020).

At 31 December 2018 and 2017, the two executive directors had signed guarantee or golden parachute clauses for certain cases of termination or change of control, both of which had been approved by the shareholders.

21. Other disclosures

Employees

The number of employees at the Group at 31 December 2018 and 2017 and the average number of employees in the two years, by category and gender, were as follows:

	Number of employees at 31 December				Average number of employees in 2018		Average number of employees in 2017	
	2018		2017					
Professional category	Men	Women	Men	Women	Men	Women	Men	Women
Executives	3	-	3	-	3	-	3	-
Graduates, line personnel and clerical staff	15	23	8	23	13	22	8	22
Total	**18**	**23**	**11**	**23**	**16**	**22**	**11**	**22**

Also, at 31 December 2018 and 2017, the Parent had one employee with a disability equal to or greater than 33%.

Fees paid to auditors

In 2018 and 2017 the fees for financial audit and other services provided by the auditor of the Group's financial statements (Deloitte, S.L.), by a company in the same group or by a company related to the auditor were as follows:

	Thousands of euros	
	2018	2017
Audit services	72	68
Other attest services	11	10
Total audit and related services	**83**	**78**
Tax counselling services	-	-
Other services	61	-
Total professional services	**61**	**-**

22. Average period of payment to suppliers

Set forth below are the disclosures required by Final Provision Two of Law 31/2014, of 3 December, amending the Spanish Limited Liability Companies Law to improve corporate governance, and which amended Additional Provision Three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which establishes measures for combating late payment in commercial transactions, all in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in the notes to the financial statements on the average payment period to suppliers in the commercial transactions of the various Spanish Group companies.

	2018	2017
	Days	Days
Average period of payment to suppliers	4	4
Ratio of transactions settled	4	4
Ratio of transactions not yet settled	3	22
	Amount (Thousands of euros)	Amount (Thousands of euros)
Total payments made	83,056	47,988
Total payments outstanding	3,457	301

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in "Payable to Suppliers" and "Sundry Accounts Payable" under "Current Liabilities" in the consolidated balance sheet.

“Average period of payment to suppliers” is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

The average period of payment to suppliers was calculated as the quotient whose numerator is the sum of the ratio of transactions settled and the total amount of payments made plus the ratio of transactions not yet settled multiplied by the total amount of payments outstanding at year-end, and whose denominator is the result of adding the total amount of payments made to the total amount of payments outstanding at year-end.

The ratio of transactions settled was calculated as the quotient whose numerator is the result of the sum of the products of multiplying the amounts paid by the number of days of payment (the number of calendar days between the receipt of the invoice and the date of effective payment of the transaction) and whose denominator is the total amount of the payments made in the year.

Also, the ratio of transactions not yet settled was calculated as the quotient whose numerator is the result of the sum of the products of multiplying amount of the transactions not yet settled by the number of days in which payment has not been made (the number of calendar days between the receipt of the invoice and the accounting close) and whose denominator is the total amount of the payments made at year-end.

Law 11/2013 on measures to support entrepreneurs and to foster business growth and the creation of employment, amending Law 3/2004, of 29 December, on combating late payment in commercial transactions, came into force on 26 July 2013. These amendments establish that the maximum period for payments to suppliers will be 30 days from 29 July 2013 onwards, unless there is an agreement between the parties increasing this period to a maximum of 60 days.

23. Events after the reporting period

No events took place after 31 December 2018 that might have a significant impact on these consolidated financial statements other than the events described herein.

24. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2-a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Renta Corporación Real Estate, S.A. and Subsidiaries
Notes to the Consolidated Financial Statements
for the year ended 31 December 2018
(Amounts expressed in thousands of euros)

APPENDIX I

SUBSIDIARIES

	% of ownership				31/12/18			31/12/17			Shareholder	Line of business
	Direct		Indirect		Thousands of euros			Thousands of euros				
	31/12/18	31/12/17	31/12/18	31/12/17	Share capital	Reserves	Profit (Loss)	Share capital	Reserves	Profit (Loss)		
Renta Corporación Real Estate ES, S.A.U. (*) Via Augusta 252 – 260, 5ª planta - 08017 Barcelona · Spain	100%	100%	-	-	204	23,706	6,677	204	21,792	1,884	-	2
Renta Corporación Real Estate OP, S.L.U. (**) Via Augusta 252 – 260, 5ª planta - 08017 Barcelona · Spain	Liquidated	100%	Liquidated	-	N/A	N/A	N/A	3	-	(2)	-	1
Renta Corporación Inmuebles Residenciales SOCIMI, S.A.U. (**) Via Augusta 252 – 260, 5ª planta - 08017 Barcelona · Spain	Liquidated	100%	Liquidated	-	N/A	N/A	N/A	60	-	(25)	-	2
Vía Augusta Adquisiciones, S.L.U. (**) Via Augusta 252 – 260, 5ª planta - 08017 Barcelona · Spain	-	-	100%	100%	3	(2)	(1)	3	-	(2)	Renta Corporación Real Estate ES, S.A.U.	1

(*) Company audited by Deloitte, S.L.
(**) Unaudited company.
(1) Buildings
(2) Land and buildings and provision of services

APPENDIX II

JOINT VENTURES

	% of ownership				31/12/18			31/12/17				Shareholder	Line of business
	Direct		Indirect		Thousands of euros			Thousands of euros					
	31/12/18	31/12/17	31/12/18	31/12/17	Share capital	Reserves	Profit (Loss)	Share capital	Reserves	Profit (Loss)	Interim dividend		
Alemina Investments, S.L. (*) Serrano, 41, 4º - Madrid	10%	10%	-	-	211	95	(30)	211	42	153	(100)	-	1
Leterana Servicios y Gestiones, S.L. (*) Serrano, 41, 4º - Madrid	Liquidated	10%	Liquidated	-	N/A	N/A	N/A	317	(732)	1,091	(343)	-	1

(*) Unaudited company.
(1) Buildings

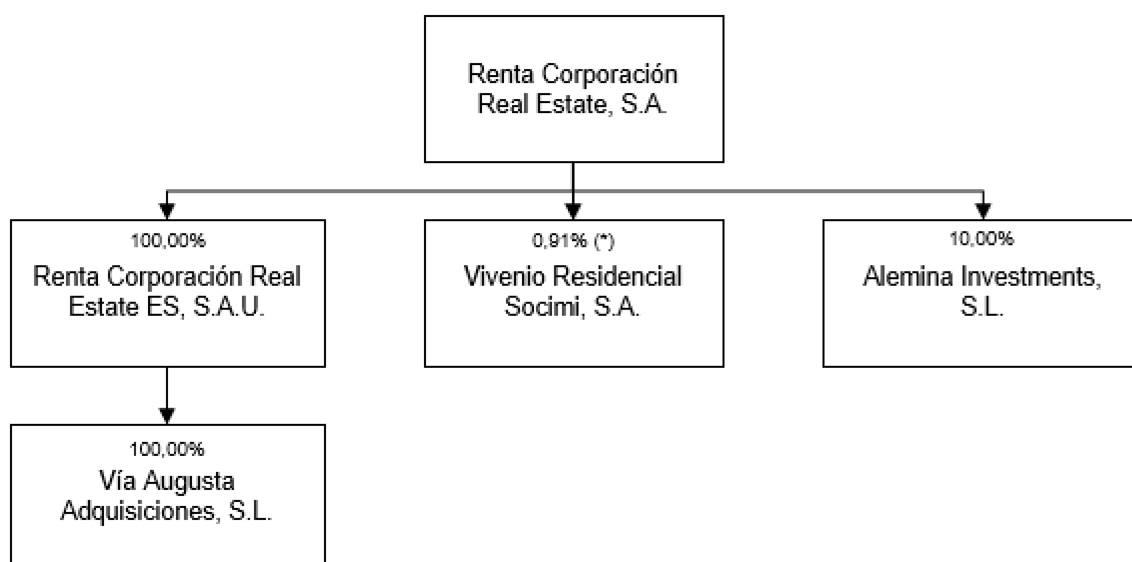
Renta Corporación Real Estate, S.A.
and Subsidiaries

Consolidated Directors' Report
for the year ended 31 December 2018

1. Situation of the Group

Renta Corporación is a real estate group with more than 25 years' experience in the industry. It operates mainly in the Madrid and Barcelona markets.

The corporate structure of the Renta Corporación Group is as follows:



(*) The percentage of ownership does not include the collection rights of EUR 9.8 million pending conversion into shares, which will take place in 2019.

The Group divides its activities into two business units: Transaction Management and Asset Management.

Transaction Management

The mission of the Transaction Management business is to create value in all the Group's transactions. Value added is generated by converting properties, usually by a change/redistribution of use, physical improvements to properties and market repositioning by increasing the returns on the properties.

Specifically, the Transaction Management business aims to create value by carrying out the following activities, both in combination and individually:

- Conversion design
- Subdivision or aggregation of spaces
- Partial or full refurbishing
- Tenant management (negotiation with owners)
- Change/redistribution of use
- Legal improvements

The Group's extensive knowledge of demand, on the one hand, and of the supply in the markets in which it operates, on the other, allows it to identify opportunities to create value with its transactions. The Group designs the projects from start to finish, which, depending on the project, are then executed by the Group or by the buyer on its own account.

In general, the Group acquires the right to purchase a property for a period of time, during which it designs and executes the value creation project.

The Transaction Management business is divided into two business lines:

a. Property sales

Renta Corporación buys a building, refurbishes it and sells it to a third party, with the entire process reflected in the Group's consolidated balance sheet. The typical lead time of these projects is 6–12 months.

b. Real estate project management

Renta Corporación acquires the right to purchase a property, designs the entire conversion of the project and then sells the project to a third party and, accordingly, in this case the process is not reflected in the Group's consolidated balance sheet. The proposed improvements and conversions may be carried out by the Group at the buyer's request, or by the buyer itself.

The typical lead time of these projects is 3–9 months, depending on the scope of the project in question.

In 2018 59% of the revenue earned relates to projects included in the consolidated balance sheet, up from 14% in 2017.

There are two types of project in the Transaction Management business, which are differentiated by market and investment volume:

- Core projects: Acquisition of residential buildings with a value of up to EUR 10 million for conversion and subsequent sale.

- *Large-scale projects and special projects*: Acquisition of large residential and commercial urban buildings (offices, hotels, industrial buildings, etc.) for conversion and subsequent sale.

Asset Management

The Asset Management business is divided into two business lines:

a. REIT management

In 2017 Renta Corporación established a new business line dedicated to the creation and management of property portfolios, which in April of that year resulted in the creation, in partnership with the pension fund APG, of the REIT Vivenio, which specialises in the residential rental segment in Spain.

b. Leased property revenue

The Group manages leased properties that it owns.

At organisational level, Renta Corporación is headed by its managing bodies, namely the Board of Directors, the Audit Committee and the Nomination and Remuneration Committee. In addition, there is a Management Committee at internal level that, among other functions, reviews and approves the selection of projects to be undertaken and included in the Group's investment portfolio. The transaction review and approval process is highly streamlined to allow the Renta Corporación Group to seize the opportunities identified in the market, which is part of the Group's competitive advantage.

2. ***Business performance and results***

Renta Corporación ended 2018 with **net profit** of EUR 16.6 million, outstripping its 2017 profit of EUR 12.5 million by 33%.

Operating income in 2018, which includes sales and income from project management, provision of services and rentals, amounted to EUR 90.4 million, as compared with EUR 44.9 million in 2017. In addition, the **changes in fair value of investment property** in 2018 amounted to EUR 2.0 million, up from EUR 0.8 million in 2017.

The Group's **staff costs** amounted to EUR 4.7 million in 2018, up from EUR 3.9 million in 2017.

EBITDA, calculated as the profit from operations plus the depreciation and amortisation charge and the revaluation of investment property, totalled EUR 19.7 million in 2018, as compared with EUR 11.4 million in 2017. This increase owes mainly to the improvement of the Asset management business, which reported EBITDA of EUR 9.6 million, eclipsing the EUR 1.4 million reported in 2017.

Consolidated profit from operations, including the changes in fair value of investment property, amounted to EUR 19.3 million, up from EUR 11.3 million in 2017. This increase was due mainly to the improved operating margin.

The **net financial loss** for 2018 was EUR 3.3 million, an increase of EUR 1.9 million with respect to 2017. This increase was partially due to the recognition of additional borrowing costs associated with the participating loan, amounting to EUR 0.8 million and maturing in 2022, which arose from the improvement in the projected results for the coming years.

However, the increased activity in the year, which resulted in both an increase in the financing of transactions and greater optimisation of financing sources, also contributed to the rise in the net finance costs.

In this regard, on 2 October 2018 the Parent launched a EUR 16.5 million issue of ordinary nonconvertible unsecured bonds targeted at qualified and institutional investors, maturing on 2 October 2023, issued at face value and bearing an annual coupon rate of 6.25%, payable yearly in arrears. The primary goal of the issue is to finance the Group's growth.

Renta Corporación recognised an **income tax** benefit of EUR 0.5 million in 2018, which arose as a result of the following:

- An income tax expense of EUR 2.9 million arising from the Group's current activity.

- Recognition of a tax asset and a deferred tax asset with a total positive impact of EUR 3.4 million on the consolidated statement of profit or loss, relating to a) tax loss carryforwards; and b) finance costs not deducted in prior years that are expected to be recovered within the next five years. Consequently, Renta Corporación ended 2018 with **net profit of EUR 16.6 million**, up 33% on the consolidated net profit of EUR 12.5 million in 2017.

Non-current assets amounted to EUR 59.0 million, a year-on-year increase of EUR 16.2 million, due mainly to the following:

- The increase in the fair value of investment property from EUR 19.6 million in 2017 to EUR 21.7 million in 2018.

- Total tax assets of EUR 22.0 million, a net increase of EUR 2.3 million. Also, deferred tax assets increased by EUR 1.3 million, predominantly on account of finance costs not deducted in prior years.

- The change in the Parent's interests in investment vehicles arose mainly from the investment of EUR 10.3 million in Vivenio Residencial Socimi, S.A. (Vivenio), of which EUR 9.8 million are pending conversion into shares.

(Millions of euros)	**Dec. 18**	**Dec. 17**	**Change**
Non-current assets	0.3	0.1	0.2
Investment property	21.7	19.6	2.1
Interests in investment vehicles	12.9	2.6	10.3
Deferred tax assets	24.1	20.5	3.6
Total non-current assets	**59.0**	**42.8**	**16.2**

Inventories amounted to EUR 57.4 million, up EUR 15.9 million on 2017 due mainly to the investment in new asset purchases and the conversion of portfolio assets, offset in part by the sales in 2018. This includes gross purchase options amounting to EUR 1.9 million on assets amounting to EUR 96.3 million.

At 31 December 2018, the Group's business portfolio, meaning its investment rights and inventories for sale, amounted to EUR 133.9 million. All the investment rights are held in the Madrid and Barcelona markets.

The detail of "**Trade and Other Receivables**" is as follows:

(Millions of euros)	Dec. 18	Dec. 17	Change
Trade receivables and notes receivable	1.1	1.1	0.0
Other accounts receivable from public authorities	2.2	2.4	−0.2
Other receivables	2.7	1.1	1.6
Total trade and other receivables	**6.0**	**4.6**	**1.4**

The balance of trade and other receivables was EUR 6.0 million at 31 December 2018, an increase of EUR 1.4 million with respect to the end of 2017.

Trade receivables and notes receivable amounted to EUR 1.1 million, in line with the figure for the preceding year, This line item includes mainly cash advances related to transactions.

"Other Accounts Receivable from Public Authorities" amounted to EUR 2.2 million at 31 December 2018, down EUR 0.2 million with respect to 31 December 2017.

Other receivables increased by EUR 1.6 million year on year, due mainly to the amounts of the purchase options and purchase costs deposited with notaries.

Equity totalled EUR 61.5 million at 31 December 2018, up EUR 15.9 million on the equity of EUR 45.6 million at 31 December 2017. The most significant changes were as follows:

- The generation of the profit for the year of EUR 16.6 million.
- The approval of the Board of Directors on 24 October 2018 of the payment of an interim dividend of EUR 1.1 million.
- The net revaluation of the shares of Vivenio based on the market price of its shares at 31 December 2018, amounting to EUR 0.3 thousand.

(Millions of euros)	Dec. 18	Dec. 17	Change
Share capital and reserves	44.9	33.1	11.8
Profit for the year	16.6	12.5	4.1
Equity	**61.5**	**45.6**	**15.9**

Non-current payables amount to EUR 3.4 million and include mainly the payables to the creditors in the insolvency proceedings due over the coming four years, discounted at the effective long-term market interest rate, the impact of which has been reversed and will continue to be reversed over the years in which this debt is paid. This line item decreased by EUR 2.7 million with respect to 2017, due mainly to the early repayments made in the year under the Singular Arrangement with the tax authorities.

Current payables amounted to EUR 8.2 million in 2018, up EUR 5.0 million on 2017, and include the payables related to the purchases, conversions and sales involved in the Group's operations.

Down payments for pre-sales and unearned income amounted to EUR 1.3 million, an increase of EUR 0.6 million that owes mainly to the down payments that will be made on sales in the first three months of 2019.

Other current payables amounted to EUR 1.9 million, down EUR 0.4 million on 2017 due mainly to the change in "Other Accounts Payable to Public Authorities".

(Millions of euros)	Dec. 18	Dec. 17	Change
Non-current payables	3.4	6.1	−2.7
Current payables	8.2	3.2	5.0
Current payables to Group companies	0.0	0.0	0.0
Down payments for pre-sales and unearned income	1.3	0.7	0.6
Other current payables	1.9	2.3	−0.4
Total other payables	**14.8**	**12.3**	**2.5**

Total **net borrowings** amounted to EUR 46.1 million, up EUR 15.1 million on 2017 due fundamentally to the increased financing of new transactions and the bond issue.

(Millions of euros)	Dec. 18	Dec. 17	Change
Mortgages	18.9	14.9	4.0
Other borrowings	19.1	4.6	14.5
(−) Cash and financial assets	−8.8	−3.8	−5.0
Net financial debt	**29.2**	**15.7**	**13.5**
Participating loan	16.9	15.3	1.6
Total net debt	**46.1**	**31.0**	**15.1**

3. Matters relating to the environment and employees

Environment

The Group's activities do not have a significant environmental impact. Renta Corporación has adopted appropriate measures in relation to environmental protection and enhancement and the minimisation, where necessary, of its environmental impact, and is complying with current environmental legislation. The Group did not consider it necessary to recognise any provisions for environmental contingencies and charges since there are no contingencies relating to environmental protection or improvement or any liability of an environmental nature.

Employees

The Group's employees are distinguished by their high level of training and specialisation. Renta Corporación sees its employees as the foundation of value creation and the key to achieving business excellence. The contribution of the Group's professionals has been acknowledged and cultivated as a key success factor from day one. In this regard, the Group places special emphasis on maintaining an effective, streamlined and flexible organisation, with a procedural and systems-based working environment and easy access to know-how, and it does all it can to facilitate the work-life balance of its employees, in accordance with its human resources policy.

4. *Liquidity and capital resources*

Liquidity and capital resources

Net financial debt amounted to EUR 46.1 million in 2018, up EUR 31.0 million on 2017 due mainly to the increased financing of new transactions and the bond issue.

The Parent's financing instruments are mortgage loans for buying and refurbishing properties. The Group currently obtains financing for its operations with an LTC ratio of up to 70%, but obtains full financing for its capital expenditure and consequent value creation in properties.

Analysis of contractual obligations and off-balance sheet transactions

The Group did not have any contractual obligations at 31 December 2018 that might give rise to a future cash outflow, other than the obligations related to its core business.

At 31 December 2018, the Group had not performed any significant off-balance sheet transactions that had, or could foreseeably have, an effect on the Group's financial position, income and expense structure, the results of its operations, its liquidity, capital expenditure or equity.

In any case, it should be noted that Renta Corporación has off-balance sheet tax losses of EUR 82 million that if recognised would constitute a tax asset of EUR 20.5 million. This means that its income tax expense would be lower in the coming years.

5. *Main risks and uncertainties*

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on its earnings.

Risk management is controlled by the Group's Financing and Treasury Departments in accordance with the policies approved by the Board of Directors. These departments identify, assess and hedge financial risks in close cooperation with the Group's operating units. Renta Corporación's Board of Directors sets policies for global risk management, as well as for the management of foreign currency risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments and investment of surplus liquidity.

Market risk: foreign currency risk

The Group defines foreign currency risk as the potential negative impact of changes in exchange rates on its results, equity or cash flows.

The Group does not operate in international markets and, accordingly, its exposure to foreign currency risk is not significant.

Market risk: interest rate risk

The Group currently finances its activities through a participating loan and mortgage loans that bear floating market interest rates and through unsecured ordinary non-convertible five-year bonds amounting to EUR 16.5 million bearing a coupon rate of 6.25% issued by the Group on 2 October 2018.

The Group has a participating loan of EUR 18.2 million, secured by a mortgage on the Cánovas asset (see Note 1). This participating loan bears floating interest at Euribor plus a spread of between 1% and 3%, which depends on the Group's consolidated net profit, provided that it exceeds EUR 10 million; if the Group's consolidated net profit is less than EUR 10 million, no floating interest will accrue. In 2018 and 2017 this loan bore interest at Euribor plus a spread of 1%.

The interest rate risk is managed in accordance with the policies approved by the Board of Directors, which establishes whether or not hedging instruments must be maintained to minimise the impact of interest rate volatility. At 31 December 2018, the Renta Corporación Group had not arranged any interest rate hedges.

However, the favourable interest rate terms established in the Arrangement with Creditors and the fixed coupon rate borne by the bonds provide a natural hedge against volatility and, therefore, it is not necessary to arrange any forward rate agreements.

Credit risk

Credit risk relates to the ability to obtain financing and the ability to access cash and cash equivalents and deposits at banks, as well as collections from customers, including outstanding accounts receivable and committed transactions.

In 2018 the obtainment of financing remained a priority for the Group, which managed to improve its access to financing and obtain mortgages for certain real estate projects, which demonstrates that the banks are more open to financing real estate projects with a lower level of risk.

To date, Renta Corporación Real Estate, S.A. has not had any difficulty collecting the receivables arising from the transactions in 2018, due both to a lack of late payments and to its ability to enforce the guarantees securing these collections.

Liquidity risk

The Group's ability to secure new financing depends on a large number of factors, some of which it cannot control, such as the general state of the economy, the availability of credit from banks and the monetary policies in place.

Worthy of mention in this connection is the arrangement of various mortgage transactions in 2018 and 2017 with several Spanish banks. These mortgages financed real estate projects corresponding to the Renta Corporación Group's business model: property purchases, refurbishing and sales in fractions in a time frame of less than two years.

Furthermore, Renta Corporación continues to explore new sources of financing, such as the aforementioned bond issue. The possibility of forging different types of financial partnerships could also be explored, which should allow the Group to expand its financing sources in order to carry out larger-scale projects with greater margins in the future.

Capital risk management

Exposure to capital risk is determined by the difficulty of maintaining sufficient levels of equity and borrowings to continue operating as a going concern, of generating returns for shareholders and other equity instrument holders, and of maintaining an optimal capital structure to contain or reduce the cost of capital.

6. *Outlook for the Group*

On 27 February 2019, the Board of Directors approved the 2019–2023 strategic plan. Under this plan, the Group has continued to develop its asset management business model, incorporating new leased asset management vehicles in non-residential segments. The update of the strategic plan for 2019–2023 is based on the following:

- The gradual recovery of the real estate market and greater access to financing.

- A forward-looking approach aimed at strengthening the Group's position in the market and continuing its growth trend by means of the following:

  a) Improving the Group's operating margin by increasing the number of transactions and, in particular, the average scale thereof.

  b) Maintaining cost control, adapting the structure to the expected level of activity and exploring the possibility of outsourcing certain services.

  c) Expanding the business model through the incorporation of a new business line engaging in the management of both Group and third-party assets for non-residential use. As with the Vivenio, this business line will materialise through an external vehicle, which will guarantee a greater and more regular source of income.

Vivenio commenced operations in 2017 and was formed in cooperation the Dutch company APG, which is the majority shareholder with an interest of over 95%, while Renta Corporación Real Estate, S.A. is a shareholder and the sole manager. Vivenio's operations have become a significant business line for Renta Corporación. In 2018, the first full year of operations for Vivenio, Renta Corporación recognised revenue of EUR 10.8 million from its management, up from EUR 1.5 million reported in 2017.

In 2018 Vivenio invested approximately EUR 380 million in the purchase of 18 residential rental properties. It also reached an agreement with the German fund Aquila Capital to develop 1,100 turnkey homes, in which it will invest approximately EUR 250 million. At 31 December 2018, it was managing more than 2,000 homes over 23 developments, mainly in Madrid and Barcelona but also in Valencia and Palma de Mallorca.

Following this strong year for growth, APG intends to continue supporting Vivenio, and in early 2019 committed to inject an additional EUR 300 million into it.

At 31 December 2018, Vivenio was floated on the Spanish Alternative Equity Market (MAB) with a reference value of EUR 1.15 per share, representing a market capitalisation of EUR 329.4 million. The flotation will allow Vivenio to meet its target of acquiring residential rental properties in Spain amounting to EUR 1,500 million.

7. *Disclosures on periods of payment to suppliers*

The average period of payment to suppliers in 2018 was seven days.

8. *Research and development expenditure*

The Company did not incur any research and development expenditure in 2018.

9. *Treasury shares and stock market information*

In 2018 no treasury shares were acquired and 42,955 shares were delivered to employees with a value of EUR 39 thousand at the delivery date, which were recognised under "Other Employee Benefit Costs" and "Non-Current Investments in Group Companies and Associates".

At 31 December 2018, the Parent held a total of 764,851 treasury shares, the par value of which amounted to EUR 765 thousand (31 December 2017: a total of 807,806 with a par value of EUR 808 thousand).

At 31 December 2018, the market price of the shares was EUR 3.19 per share, up 9% on the EUR 2.93 per share at 31 December 2017, and hit a peak of EUR 4.62 per share in June.

Market capitalisation at 31 December 2018 stood at EUR 104.9 million, with 17.6 million shares traded in the year for a total of EUR 65.0 million.

10. *Events after the reporting period*

No significant events took place after the reporting period that might have a material impact on these consolidated financial statements other than those disclosed in the notes to the consolidated financial statements.

11. *Annual Corporate Governance Report*

The Corporate Governance Report, attached as an Appendix hereto, consists of 66 pages and includes as an integral part other attached disclosures on five sheets.

Renta Corporación Real Estate, S.A. and Subsidiaries
Authorisation for issue of the 2018 consolidated financial statements

On 27 February 2019, the Board of Directors of Renta Corporación Real Estate, S.A., in accordance with the corporate legislation in force, authorised for issue the consolidated financial statements as at 31 December 2018 and the consolidated directors' report for 2018, which comprise the documents preceding this certificate: consolidated balance sheet (page 1), consolidated statement of profit or loss (page 2), consolidated statement of changes in equity (pages 3 and 4), consolidated statement of cash flows (page 5), notes to the consolidated financial statements (pages 6–69) and consolidated directors' report (pages 70–80), all of which have been signed for identification purposes by the Secretary of the Board of Directors, José María Cervera Prat.

SIGNATORIES:

Luis Hernández de Cabanyes
Chairman and CEO

David Vila Balta
Deputy Chairman and CEO

Ainhoa Grandes Massa
Director

Blas Herrero Fernández
Director

Elena Hernández de Cabanyes
Director

Manuel Valls Morató
Director

Luis Conde Moller
Director

Oravla Inversiones, S.L.
Baldomero Falcones
Director

José María Cervera Prat
Non-Director Secretary

Cristina Orpinell Kristjansdottir
Director