
GRUPO SANJOSE
financial report
2007

Spanish Pavilion for EXPOAGUA 2008, Zaragoza.

Udra, S.A. and Subsidiaries

Consolidated Financial Statements
for 2007, prepared in accordance with
International Financial Reporting
Standards as adopted by the European
Union (EU-IFRSs)

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
UDRA, S.A.:

1. We have audited the consolidated financial statements of UDRA, S.A. and Subsidiaries ("the Group") comprising the consolidated balance sheet at 31 December 2007 and the related consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made. Our work did not include an examination of the 2007 financial statements of certain subsidiaries and associates, whose consolidated assets and profit represent approximately 4% and 5%, respectively, of the related consolidated totals. The financial statements of these companies were audited by other auditors (see Appendixes I, II and III to the notes to the consolidated financial statements). Our opinion as expressed in this report on the consolidated financial statements of UDRA, S.A. and Subsidiaries is based, with respect to these companies, on the reports of the other auditors.

2. The accompanying consolidated financial statements for 2007 were prepared by the Group in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), which require, in general, that financial statements present comparative information. In this regard, as required by Spanish corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the figures for 2007 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements, the figures for 2006. Our opinion refers only to the consolidated financial statements for 2007. On 29 March 2007, we issued our auditors' report on the consolidated financial statements for 2006, in which we expressed an unqualified opinion.

3. In our opinion, based on our audit and on the reports of the other auditors referred to in paragraph 1 above, the accompanying consolidated financial statements for 2007 present fairly, in all material respects, the consolidated equity and consolidated financial position of UDRA, S.A. and Subsidiaries at 31 December 2007, and the consolidated results of their operations, the changes in the consolidated equity and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union, which were applied on a basis consistent with that used for the preparation of the financial statements for the preceding year, which were included in the consolidated financial statements for 2007 for comparison purposes.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, Tomo 13.650, folio 188, sección 8, hoja M-54414.
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Member of
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4. The accompanying consolidated directors' report for 2007 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2007. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of UDRA, S.A. and Subsidiaries.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Miguel Laserna Niño

11 March 2008

UDRA, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE
SHEETS AT 31 DECEMBER 2007 AND 2006
(Thousands of Euros)

	Notes	2007	2006
Non-current assets:			
Property, plant and equipment	8	174,758	61,331
Investment property	9	405,341	-
Goodwill	10	60,550	17,626
Other intangible assets	11	806	274
Investments in associates and interests in joint ventures	12	72,048	43,737
Non-current financial assets	13.4	24,944	30,096
Trade and other receivables-	14.1	11,881	-
Deferred tax assets	21.7	25,599	2,863
Other non-current assets	18	9,458	476
		785,385	**156,402**
Current assets:			
Inventories	13	1,292,661	317,193
Trade and other receivables-			
Accounts receivable	14.1	721,756	709,221
Tax receivables	21.7	77,440	64,189
Other current assets	14.5	24,276	290
Other current financial assets	14.3	122,784	50,299
Cash and cash equivalents	14.2	106,208	71,365
		2,345,125	**1,212,559**
TOTAL ASSETS		**3,130,510**	**1,368,961**

The accompanying Notes 1 to 28, together with Appendixes I, II and III are an integral part of the consolidated balance sheet at 31 December 2007.

UDRA, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE
SHEETS AT 31 DECEMBER 2007 AND 2006
(Thousands of Euros)

	Notes	2007	2006
Equity:			
Share capital	15.1	1,312	1,312
Share premium	15.2	7,838	7,838
Reserves	15.5	164,204	147,580
Translation differences		(8,257)	-
Valuation adjustments	15.6	2,866	-
Profit for the year attributable to the Parent		34,457	40,976
(Interim dividend paid)		-	-
Equity attributable to shareholders of the Parent		**202,420**	**197,706**
Minority interests	15.8	370,824	83,338
		573,244	**281,043**
Non-current liabilities:			
Long-term provisions	15	13,082	8,287
Bank borrowings and other financial liabilities	17.1	978,755	7,277
Deferred tax liabilities	21.7	149,369	3,016
Other non-current liabilities		13,072	10,254
		1,154,278	**28,834**
Current liabilities:			
Bank borrowings and other financial liabilities	17.1	440,041	215,647
Payable to Group companies and associates	17.4	23,310	11,513
Trade and other payables-			
Trade payables	19.1	782,436	708,382
Tax payables	21.7	88,014	66,810
Other current liabilities	19.2	69,187	56,733
		1,402,988	**1,059,084**
Total equity and liabilities		**3,130,510**	**1,368,961**

The accompanying Notes 1 to 28, together with Appendixes I, II and III are an integral part of the consolidated balance sheet at 31 December 2007.

UDRA, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR 2007 AND 2006
(Thousands of Euros)

	Note	(Debit) Credit 2007	(Debit) Credit 2006
Continuing operations:			
Revenue	23.1	1,559,945	1,311,113
Other operating income		8,130	431
OPERATING INCOME		**1,568,075**	**1,311,544**
+/- Changes in inventories of finished goods and work in progress		(51,511)	54,922
Procurements	23.2	(994,186)	(940,040)
Other external expenses	23.2	(169,353)	(159,319)
Staff costs	23.3	(196,577)	(181,832)
Depreciation and amortisation charge	8,9,10 and 11	(14,297)	(6,209)
Change in operating provisions		(2,047)	(2,284)
PROFIT FROM OPERATIONS		**140,104**	**76,782**
Finance income	23.7	15,968	8,395
Finance costs	23.8	(70,783)	(11,465)
Exchange differences (gains and losses)		21	1,900
Gains on changes in value of financial instruments		5,924	1,525
Profit of companies accounted for using the equity method	12	3,259	7,625
Other gains or losses	23.9	9,474	(3,666)
PROFIT BEFORE TAX		**103,967**	**81,095**
Income tax	21.2	(46,661)	(24,450)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**57,306**	**56,645**
Discontinued operations:			
Profit for the year from discontinued operations		-	-
PROFIT FOR THE YEAR		**57,306**	**56,645**
Attributable to:			
Shareholders of the Parent		34,457	40,976
Minority interests	15.8	22,849	15,669
Earnings per share:			
From continuing operations			
Basic	5.1		259,1
Diluted	5.2		259,1

The accompanying Notes 1 to 28, together with Appendixes I, II and III are an integral part of the consolidated income statement for 2007.

UDRA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR 2007 AND 2006
(Thousands of Euros)

	Share Capital	Share Premium	Legal Reserve	Other Reserves of the Parent	Results of Consolidated Companies: Full/ Proportionate Consolidation	Results of Consolidated Companies: Equity Method	Translation Differences	Interim Dividend	Treasury Shares	Profit for the Year	Minority Interests	Total
Balance at 31 December 2005	**1,312**	**7,838**	**263**	**23,717**	**87,278**	**680**	**1,254**	**-**	**-**	**39,218**	**61,204**	**222,764**
Distribution of 2005 profit:												
To reserves	-	-	-	2,770	31,419	-	-	-	-	(34,189)	-	-
Dividends	-	-	-	-	-	-	-	-	-	(5,029)	-	(5,029)
Transfer of reserves	-	-	-	-	(5,176)	5,176	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-	(324)	-	-	-	-	(324)
Minority interests	-	-	-	-	-	-	-	-	-	-	22,134	22,134
Other	-	-	-	-	833	(310)	-	-	-	-	-	523
Profit for the year	-	-	-	-	-	-	-	-	-	40,976	-	40,976
Balance at 31 December 2006	**1,312**	**7,838**	**263**	**26,487**	**114,354**	**5,546**	**930**	**-**	**-**	**40,976**	**83,337**	**281,043**
Distribution of 2006 profit:												0
To reserves	-	-	-	4,102	23,791	7,617	-	-	-	(35,510)	-	0
Dividends	-	-	-	-	-	-	-	-	-	(5,466)	-	(5,466)
Transfer of reserves	-	-	-	5,138	(4,157)	(65)	-	-	-	-	-	916
Translation differences	-	-	-	-	-	-	(9,187)	-	-	-	-	(9,187)
Changes in the scope of consolidation	-	-	-	-	(15,756)	-	-	-	-	-	264,639	248,883
Minority interests	-	-	-	-	-	-	-	-	-	-	-	0
Other	-	-	-	-	(250)	-	-	-	-	-	-	(250)
Profit for the year	-	-	-	-	-	-	-	-	-	34,457	22,848	57,305
Balance at 31 December 2007	**1,312**	**7,838**	**263**	**35,727**	**117,982**	**13,098**	**(8,257)**	**-**	**-**	**34,457**	**370,824**	**573,244**

The accompanying Notes 1 to 28, together with Appendixes I, II and III are an integral part of the consolidated statement of changes in equity for 2007.

UDRA, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR 2007 AND 2006
(Thousands of Euros)

	2007	2006
Cash flows from operating activities:		
Profit before tax	103,967	81,095
Depreciation and amortisation charge	14,297	6,209
Change in operating provisions	2,047	2,284
Finance income	(15,968)	(8,395)
Finance costs	70,783	11,465
Translation differences	(21)	(1,900)
Profit from changes in value of financial instruments	(5,924)	(1,525)
Profit of companies accounted for using the equity method	(3,259)	(7,625)
Other gains or losses	(9,474)	3,666
Cash flows from operating activities	156,448	85,275
Other adjustments	-	-
Income tax paid in the year	(17,550)	(23,740)
(Increase)/decrease in working capital:		
(Increase) decrease in inventories	(975,468)	(92,594)
(Increase) decrease in receivables	(157,099)	(100,383)
Increase (decrease) in payables	343,904	91,149
Other collections (payments) due to operating activities	17,972	27,062
1. TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	**(631,793)**	**(13,231)**
Investments:		
Property, plant and equipment	(95,485)	(12,958)
Investment property	(393,378)	
Intangible assets	(257)	(4,961)
Investments and other financial assets	(26,881)	(21,836)
Dividends received	1,661	4,841
Disposals:		
Property, plant and equipment and intangible assets	10,542	2,429
Investments and other financial assets	-	-
Other collections (payments) due to investing activities:		
Change in cash and cash equivalents due to changes in the scope of consolidation	34,843	-
Other	-	-
2. TOTAL NET CASH FLOWS FROM INVESTING ACTIVITIES	**(468,955)**	**(32,484)**
Collections due to shareholders' contributions	-	-
Payments due to capital reduction	-	-
Collections (payments) due to treasury share transactions	-	-
Dividends paid	(5,466)	(5,029)
Increase (decrease) in borrowings		
Non-current	971,478	193
Current	224,394	73,568
Net interest:		
Received	15,968	8,395
Paid	(70,783)	(11,465)
Other collections (payments) due to financing activities	-	1,900
3. TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES	**1,135,591**	**67,562**
TOTAL NET CASH FLOWS FOR THE YEAR	**34,843**	**21,846**
Cash and cash equivalents at beginning of year	71,365	49,519
Exchange and measurement differences in cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	**106,208**	**71,365**

The accompanying Notes 1 to 28, together with Appendixes I, II and III are an integral part of the consolidated cash flow statement for 2007.

Notes to the Consolidated Financial Statements for 2007

1. Group activities

UDRA, S.A. ("the Parent") was incorporated on 18 August 1987 for an unlimited period of time by virtue of a public deed executed in Pontevedra in the presence of the notary of this city, Rafael Sanmartín Losada, under number 1539 of his protocol.

The Parent is registered at the Mercantile Registry of Pontevedra on sheet 88 of the Companies book 586, entry no. 1 on page no. 8119. It has employer tax identification number A-36.046.993.

Its registered office is in Pontevedra, at calle Rosalía de Castro, 44.

Activities

The activities carried on by the companies in the Udra, S.A. Group are classified into the following business units:

1. Development of all forms of real estate construction.
2. Performance of all manner of public or private construction work, mainly buildings, road networks and hydraulic works.
3. Purchase and sale, administration, operation and any other similar activities in relation to all manner of rural or urban property.
4. Lease of all manner of assets.
5. Design, construction and management of electricity and renewable energy facilities.
6. Storage, distribution, purchase and sale and import of manufactured products.
7. Management and recruitment of personnel for all types of company, association and agency.
8. Study, design, development and purchase and sale of all manner of electronic, computer, telecommunications and audiovisual components, products and systems.
9. Full maintenance of hospital facilities, maintenance of operating theatres and electromedical equipment, and manufacture and sale of integrated systems for operating theatres, ICUs and patient rooms.
10. Study, design and installation of air conditioning, heating, industrial cooling and plumbing facilities, purchase and sale or manufacture of all kinds of related mechanisms; to sell and act as representative for third-party products.

Under no circumstances shall the company object be deemed to include activities the performance of which requires any type of administrative authorisation which the Company does not hold.

Also, the Parent may subscribe to, purchase or acquire by any other means shares and/or equity interests in other public and private limited companies, even if their company object differs from that of Udra, S.A., and may form new public or private limited companies with other legal entities or individuals, whatever valid purpose or activity the newly formed companies may have.

Furthermore, UDRA, S.A. is the Parent of the San José Group. Its main object is the management and control of all the business activities performed by the companies in which Udra, S.A. has a material and lasting ownership interest.

The Udra Group's activities are led by Grupo Empresarial San José, S.A., which in turn includes Constructora San José, S.A. (construction), Parquesol Inmobiliaria y de Proyectos, S.L. and Inmobiliaria Udra, S.A. (real estate) and San José Infraestructuras y Servicios, S.A. (urban, energy and industrial development).

In view of the business activities carried on by the Group companies, they do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to their equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

The specific lines of business of each subsidiary, jointly controlled entity and associate are disclosed in Appendixes I, II and III.

2. Basis of presentation of the consolidated financial statements and basis of consolidation

2.1 Accounting policies-

The consolidated financial statements for 2007 of UDRA, S.A. and Subsidiaries (UDRA, and Subsidiaries or "the Group") were prepared by the Parent's directors at the Board of Directors' Meeting held on 5 March 2008, in accordance with International Financial Reporting Standards as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council (EU-IFRSs).

These financial statements present fairly the Group's consolidated equity and financial position at 31 December 2007 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

UDRA's consolidated financial statements were prepared from the accounting records of the Company and of the other Group entities. Each company prepares its individual financial statements in accordance with the accounting policies and methods in force in the country in which it operates and, accordingly, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the EU-IFRSs.

The consolidated financial statements of UDRA, S.A. and Subsidiaries for 2006, prepared in accordance with EU-IFRSs, were approved by the shareholders at the Annual General Meeting of Udra, S.A. held on 25 June 2007. The 2007 consolidated financial statements of the Group and the individual financial statements of the Group companies for 2007 have not yet been approved by their shareholders at the respective Annual General Meetings. However, the Parent's Board of Directors considers that the aforementioned consolidated financial statements will be approved without any material changes.

2.2 Responsibility for the information and use of estimates

The information in these financial statements is the responsibility of the directors of the Parent.

In the preparation of the accompanying consolidated financial statements estimates were occasionally made by management of the Group and of the consolidated companies to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

1. The useful life of the property, plant and equipment and intangible assets (see Notes 4.3 and 4.4).
2. The measurement of assets and goodwill to detect any impairment losses thereon (see Notes 4.5 and 4.2).
3. The budgetary estimates which are considered for the recognition of results on contracts to which the percentage of completion method is applied in the construction and industrial business segments (see Note 4.13).
4. The probability of occurrence and the amount of uncertain or contingent liabilities (see Note 4.18).
5. The classification of leases as operating or finance leases (see Note 4.6).

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

In 2007 there were no changes in the accounting judgments and estimates used by the Group in prior years.

2.3 Currency

These financial statements are presented in euros, since this is the functional currency of the main economic environment in which the Group operates. Foreign operations are recognised in accordance with the policies established in Note 4.15.

2.4 Basis of consolidation

a) Subsidiaries

"Subsidiaries" are defined as companies over which the Company has the capacity to exercise control; this capacity is evidenced by the power to manage the financial and operating policies of an investee so as to obtain benefits from its activities. Control is presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the investee or, if this percentage is lower, when there are agreements with other shareholders of the investee that give the Parent control.

The financial statements of the subsidiaries are fully consolidated with those of the Company. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is credited to profit or loss on the acquisition date. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interests in excess of the minority interests are allocated to the Parent.

Also, the share of third parties of:

1. The equity of their investees is presented within the Group's equity under "Minority Interests" in the consolidated balance sheet.
2. The profit or loss for the year is presented under "Minority Interests" in the consolidated income statement.

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

Appendix I to these notes to the consolidated financial statements details the subsidiaries included in consolidation and significant information thereon.

b) Joint ventures

"Joint ventures" are deemed to be ventures that are jointly controlled by two or more unrelated companies.

A joint venture is a contractual arrangement whereby two or more companies ("venturers") have interests in entities (jointly controlled entities) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

The financial statements of jointly controlled entities are proportionately consolidated with those of the Company and, therefore, the aggregation of balances and subsequent eliminations are only made in proportion to the Group's ownership interest in the capital of these entities.

Similarly, interests in Spanish UTEs (unincorporated joint ventures), joint property entities and economic interest groupings were included in the accompanying consolidated financial statements in proportion to the Group's ownership in the assets, liabilities, income and expenses arising from the transactions performed by these entities, and reciprocal asset and liability balances and income, expenses and profits or losses not realised with third parties were eliminated.

The assets and liabilities assigned by the Group to jointly controlled operations and the Group's share of the jointly controlled assets are recognised in the consolidated balance sheet classified according to their specific nature. Similarly, the Group's share of the income and expenses of joint ventures is recognised in the consolidated income statement on the basis of the nature of the related items.

Appendix III to these notes to the consolidated financial statements details the joint ventures included in consolidation and significant information thereon.

c) Associates

Associates are companies over which the Company is in a position to exercise significant influence, but not control or joint control, usually because it holds -directly or indirectly- 20% or more of the voting power of the investee.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations. In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate, less any impairment of the individual investment.

Any excess of the cost of acquisition over the part of the fair values of the identifiable net assets of the associate attributable to the Group at the acquisition date is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets of the associate owned by the Group at the acquisition date is recognised in profit or loss during the acquisition period.

If as a result 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.

Appendix II to these notes to the consolidated financial statements details the associates included in consolidation and significant information thereon.

d) Changes in the scope of consolidation

The main changes in the scope of consolidation in 2007 were as follows:

Transactions performed as part of the reorganisation of UDRA, S.A.

ACQUISITION OF PARQUESOL INMOBILIARIA Y PROYECTOS, S.L.

On 30 November 2006, pursuant to Securities Market Law 24/1988, of 28 July, and to Royal Decree 1197/1991, of 26 July, on takeover bids, the investee Udramed, S.L.U. filed the prospectus for the takeover bid for all the shares of Parquesol Inmobiliaria y Proyectos, S.L. (Parquesol) with the Spanish National Securities Market Commission (CNMV), the offer price being EUR 23.1 per share, subject to a minimum acceptance of one half plus one of the shares composing the total share capital of Parquesol. The aforementioned takeover bid was settled on 8 January 2007 with the support of 50.8% (20,174,088 shares) of the share capital, thus giving Udramed effective control over Parquesol. The total cost, including the costs associated with the bid, was EUR 475,508 thousand.

Grupo Empresarial San José, S.A., together with Udramed, S.L.U., entered into a double syndicated loan agreement for EUR 466,021 thousand to settle this transaction (see Note 17.1).

In 2007 further ownership interests were acquired on the stock exchange through Grupo Empresarial, San José, S.A. to achieve an additional holding of 12.3% in Parquesol. The average acquisition price of the additional ownership interest amounted to EUR 21.9 per share (EUR 107,259 thousand). On 10 December 2007, the Company sold 12% of Parquesol to the Lábaro Group for EUR 107,253 thousand (EUR 22.5 per share), to be paid in three promissory notes maturing in December 2008 (see Note 14.3).

After this sale Grupo Empresarial San José, S.A. acquired a further ownership interest of 2% in Parquesol at an average cost of EUR 22.3 per share (EUR 17,601 thousand).

At 31 December 2007, the Group's effective ownership interest in Parquesol, held through Udramed, S.L.U. and Grupo Empresarial San José, S.A., stood at 53.1% with a total cost of EUR 495,821 thousand.

At 31 December 2007, Parquesol held treasury shares representing 4.981% of its share capital, whereby the Group's effective interest in Parquesol stood at 58.1% at 2007 year-end.

The Inmobiliario Parquesol Group engages mainly in the development and sale of properties, the lease of buildings and the lease of hotels owned by it.

ACQUISITION OF DECONALVA, S.A.

In January 2007, through Constructora San José, S.A., the Group acquired from Tropical Investment Group Ltd. 75% (and thus effective control) of the share capital of DECONALVA, S.A., domiciled in Santo Domingo (Dominican Republic).

Deconalva, S.A. was founded in 1985 and since then it has engaged mainly in construction activities: building works, civil engineering, industrial facilities, refurbishment, restoration and the development of large tourism and leisure projects, operating mainly in the Caribbean.

The total cost of the transaction was set at USD 17,625 thousand (EUR 13,592 thousand), of which USD 3,500 thousand (EUR 2,699 thousand) was disbursed. The remaining USD 14,125 thousand (EUR 10,893 thousand) will be disbursed in three payments in 2008 and 2009 and the price effectively paid is directly and closely tied to DECONALVA's compliance with certain targets related to consolidated profit before tax. In this regard, the purchase agreement provides that in the event that DECONALVA does not achieve the consolidated profit before tax established for each payment period, the payment for the shares will be reduced in the corresponding proportion. At 31 December 2007, the total cost recognised by the acquirer (Constructora San José, S.A.) includes only the portion of the price already disbursed and the capital increase of USD 6,000 thousand (EUR 4,465 thousand) carried out in 2007.

Constructora San José, S.A. also holds a purchase option on the remaining 25%, which may be exercised between 30 June and 30 December 2010. The exercise price will be established in dollars on the basis of the arithmetic mean of DECONALVA's ordinary consolidated profit in the period between the date of the option agreement and the exercise date thereof.

ACQUISITION OF SIERRA DE NIPE, S.A.

In 2007 Inmobiliaria Udra, S.A. acquired all the shares of Sierra de Nipe, S.A., domiciled in the Dominican Republic, for a total acquisition cost of USD 2 thousand.

The company's main assets are two plots of land in Santo Domingo (Dominican Republic) with a total surface area of 1,686 m^2 and a value of approximately EUR 2 million. The aforementioned plots were acquired from DECONALVA, S.A. for their carrying amount and the acquisition was financed through a loan granted by Constructora San José, S.A.

ACQUISITION OF CASADO

In 2007, through the subsidiary Tecnoartel Argentina, S.A., the Group increased its ownership interest in Carlos Casado, S.A. (listed on the Buenos Aires stock exchange) to stand at 46.7% at 2007 year-end. The total cost of this holding was ARS 103,775 thousand (approximately EUR 22.5 million), giving rise to goodwill of approximately EUR 16 million (see Note 10).

Carlos Casado, S.A. was founded in 1909 and has been listed on the Buenos Aires stock exchange since 1958. Its main businesses are in the real estate, agriculture and farming industries in Argentina, Paraguay and Uruguay. It owns real estate assets in Buenos Aires and 310,000 hectares of land in the Paraguayan region of Chaco, where it currently operates a livestock farm which also produces biofuel.

Carlos Casado, S.A. exercises control over Parsipanny (Uruguay, 100%), Puerto de Segura, S.A. (Argentina, 100%) and Rincón, S.A. Ganadera (Paraguay, 99.98%).

The company was included in the scope of consolidation in 2007 using the equity method (see Note 12).

SALE OF AUCHÁN ARGENTINA

On 2 August 2007, Cadenas de Tiendas S.A.U. and Comercial Udra S.A. sold their ownership interests (combined holding of 100%) in Inversiones Auchan Argentina S.A. and Auchan Argentina S.A. (composed mainly of several shopping centres in Buenos Aires) to Wal-Mart Canada Corp and Assedox S.L. The sale price was USD 15,101 thousand (EUR 10,706 thousand) of which USD 12,241 thousand were collected and USD 2,860 thousand were deposited in an escrow account at Banco Santander Internacional. The latter amount will become available depending on the result of certain tests yet to be performed on the acquired entities' financial statements at 31 December 2007, which will be certified by their auditors.

The gains on the aforementioned sale amounted to EUR 7,518 thousand, recognised under "Other Gains or Losses" in the accompanying consolidated income statement for 2007, which includes a provision of EUR 750 thousand for potential contingencies arising from the sale.

OTHER

- In September 2007 the share capital of San José Construction Group Inc. (USA) was increased by USD 3,500 thousand through the capitalisation of debt. Subsequently in the same month, the share capital of San José Construction Group Inc. was increased by USD 5,450 thousand, which was fully subscribed and paid in cash by Buckner Properties, a US real estate company, with the result that the latter held 30% of the share capital and the investment of Grupo Empresarial San José was reduced to 70%. As a result of this transaction, Grupo Empresarial San José's profit amounted to EUR 2,616 thousand (see Note 23.9).
- Incorporation of Nuevo Parque de Bomberos, S.A., the company awarded the concession by the Balearic Islands Government for the construction and operation of a new fire station in Palma de Mallorca. Grupo Empresarial San José holds an ownership interest of 28% in this company through Constructora San José, S.A.
- Formation of Gestión de Servicios de Salud, S.L., whose company object is the development, planning, execution, construction, equipping, management and operation of healthcare equipment and facilities and the provision of ancillary healthcare, public health and social services. Grupo Empresarial San José holds an ownership interest of 54% in this company through San José Concesiones y Servicios, S.A.
- Altiplano Desarrollos Inmobiliarios, S.L. (Valladolid) and SUPRA Desarrollos Inmobiliarios, S.L. (Seville) were formed in 2007 in both of which the Parquesol Group holds an ownership interest of 55%.

The consolidated financial statements do not include the tax effect, if any, that might arise from the inclusion of the reserves of the consolidated companies in the equity of the Parent, since it is considered that these reserves will be used as a source of self-financing at each consolidated company.

3. First-time adoption of International Financial Reporting Standards

2006 was the first year for which the Group presented its consolidated financial statements in accordance with IFRSs. The date of transition to IFRSs was 1 January 2005.

As required by IFRS 1, the financial statements for 2006 included a reconciliation of equity under Spanish GAAP and EU-IFRSs at 1 January 2005, the transition date.

The Udra Group adopted the following options permitted under IFRSs in preparing the consolidated financial statements:

1. To present the consolidated balance sheet with a current/non-current classification of items.
2. To present the consolidated income statement by nature in accordance with established internal management criteria.
3. To present the consolidated statement of changes in equity showing the changes in all the headings.
4. To present the consolidated cash flow statement using the indirect method.
5. The primary segments are structured by business segment (construction, real estate, urban development, energy and industrial development). The secondary segments are structured by geographical area.
6. Items of property, plant and equipment, investment property and intangible assets are measured using the cost model.
7. To continue to apply the policy of capitalisation of interest on current and non-current assets.
8. To account for interests in joint ventures (basically unincorporated joint ventures) using the proportionate consolidation method.

In 2007 the following standards and interpretations adopted by the European Union came into force, as a result of which the qualitative and quantitative disclosures about financial instruments and capital management detailed in the consolidated financial statements were expanded (see Notes 4.9, 4.11, and 15.9):

- IFRS 7 - Financial Instruments: Disclosures.
- Amendments to IAS 1 on the disclosure of the objectives, policies and processes for managing capital.

Additionally, four IFRIC interpretations became effective in 2007:

- IFRIC 7: Applying the Restatement Approach under IAS 21b, Financial Reporting in Hyperinflationary Economies.
- IFRIC 8: Scope of IFRS 2.
- IFRIC 9: Reassessment of Embedded Derivatives.
- IFRIC 10: Interim Financial Reporting and Impairment.

At the date of preparation of these consolidated financial statements certain standards and interpretations adopted by the European Union will come into force in 2008. The directors of the Parent consider that the entry into force of these standards and interpretations will not have a significant effect on the Group's financial statements for 2008.

4. Accounting policies and measurement bases

The accounting principles and policies and measurement bases used in preparing the Group's consolidated financial statements for 2007 were as follows:

4.1 Non-current assets held for sale

Non-current assets classified as held for sale relate to assets whose sale in their present condition is highly probable and the sale is expected to be completed within one year from the reporting date. Therefore, the carrying amount of these items will foreseeably be recovered through the proceeds from their disposal rather than through continuing use.

In general, non-current assets classified as held for sale are measured at the lower of carrying amount at the classification date and fair value less estimated costs to sell. Tangible and intangible assets that are depreciable/amortisable because of their nature are not depreciated or amortised while they are classified as held for sale.

If the carrying amount of the assets exceeds their fair value less estimated costs to sell, the carrying amount of the assets is adjusted by the amount of the excess with a charge to the consolidated income statement. If the fair value of the assets subsequently increases, the losses previously recognised are reversed and the carrying amount of the assets is increased up to the limit of the carrying amount that would have been determined had no impairment loss been recognised, with a credit to the consolidated income statement.

At 31 December 2007, the Group did not have any material non-current assets held for sale.

4.2 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Any excess of the cost of the investments in the consolidated companies and associates over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

1. If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.
2. If it is attributable to specific intangible assets, recognising it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.
3. The remaining amount is recognised as goodwill, which is allocated to one or more specific cash-generating units.

The detail of the allocation of the surpluses paid on business combinations carried out in 2007 is included in Note 10.

Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognised.

Goodwill acquired on or after 1 January 2005 is measured at acquisition cost and that acquired earlier is recognised at the carrying amount at 31 December 2004. In both cases, at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and any impairment is written down with a charge to "Net Impairment Losses" in the consolidated income statement. In accordance with IAS 36, Impairment of Assets, an impairment loss recognised for goodwill must not be reversed in subsequent years.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising from the acquisition of companies with a functional currency other than the euro is translated to euros at the exchange rates prevailing at the date of the balance sheet.

Any deficiency of the cost of investments in consolidated companies and associates below the related underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is classified as negative goodwill and is allocated as follows:

1. If the negative goodwill is attributable to specific assets and liabilities of the companies acquired, increasing the value of the liabilities (or reducing the value of the assets) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.

2. The remaining amount is presented under "Other Operating Income" in the income statement for the year in which the share capital of the subsidiary or associate is acquired.

4.3 Other intangible assets

The other intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

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.

In both cases the consolidated companies recognise any impairment loss on the carrying amount of these assets with a charge to "Net Impairment Losses" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for property, plant and equipment (see Note 4.5).

Administrative concessions and patents

Administrative concessions are recognised as assets when they have been acquired by the Group for consideration (in the case of concessions that can be transferred) or for the amount of the expenses incurred to directly obtain the concession from the related public agency.

The Group amortises these rights on a straight-line basis, in accordance with the estimated term of the concession.

In the event of non-compliance, leading to the loss of the concession rights, the carrying amount of the concession must be written off.

Computer software

Computer software may be contained in a tangible asset or have physical substance and, therefore, incorporate both tangible and intangible elements. These assets are recognised as property, plant and equipment if they constitute an integral part of the related tangible asset, which cannot operate without that specific software.

Computer software is amortised on a straight-line basis over a three-year period from the date of entry into service of each application.

Computer system maintenance costs are charged to the consolidated income statement for the year in which they are incurred.

4.4 Property, plant and equipment and investment property

Property, plant and equipment

Property, plant and equipment for own use are recognised at cost less any accumulated depreciation and any recognised impairment loss.

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 the consolidated income statement on an accrual basis as incurred.

Finance costs are only capitalised when significant investments in qualifying assets are made (see Note 4.14). Borrowing costs incurred to acquire property, plant and equipment for own use are charged to the consolidated income statement on an accrual basis and are not capitalised.

Work performed by the Group on its own property, plant and equipment is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, and manufacturing costs allocated using hourly absorption rates similar to those used for the measurement of inventories).

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 income statement and is based on the application of the following depreciation rates, which are determined on the basis of the average years of estimated useful life of the various assets:

	Annual Depreciation Rate
Buildings	2
Plant	10
Machinery	15
Other fixtures, tools and furniture	12-33
Other items of property, plant and equipment	12-33

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment losses. Cost includes professional fees. Depreciation of these assets commences when the assets are ready for their intended use.

Assets held under finance leases are recognised in the corresponding asset category and are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

At 31 December 2007, "Property, Plant and Equipment" in the accompanying consolidated balance sheet included a net amount of EUR 5,153 thousand relating to assets held under finance leases (see Note 8).

The consolidated companies assess at each reporting date whether there is any internal or external indication that the carrying amount of their property, plant and equipment exceeds the related recoverable amount; if so, the carrying amount of the related asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life, should it need to be reestimated.

Similarly, if there is an indication of a recovery in the value of an item of property, plant and equipment, the consolidated companies recognise the reversal of the impairment loss recognised in prior years and adjust the future depreciation charges accordingly. Under no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Investment property

"Investment Property" in the consolidated balance sheet reflects the net values of land, buildings and other structures (whether they are owned by the Group or are being used by the Group under a finance lease) held either to earn rentals or for capital appreciation. The assets classified under "Investment Property" at 31 December 2007 belong to the Parquesol Group and relate mainly to office buildings, hotels, leisure centres, land and parking spaces and the items of property, plant and equipment associated therewith, such as machinery and furniture, whether owned by the Group or held under finance lease.

Hotels and leisure centres leased to third parties in which the Group does not participate in management and has not retained the risks associated therewith are classified as "Investment Property". If the Group participates in management, these assets are classified as "Property, Plant and Equipment".

Investment property is presented at acquisition or production cost revalued, where appropriate, pursuant to the applicable legislation, or at its fair value determined on the basis of appraisals undertaken by professional valuers at the date of transition to EU-IFRSs (1 January 2005), which is taken to be the attributed cost of this property (see Note 9). The measurement bases and the methods used to calculate depreciation, the respective estimated useful lives and any impairment losses in relation to investment property are the same as those described in relation to property, plant and equipment for own use.

Properties under construction or development for future use as investment property are classified under "Investment Property in Progress" in the consolidated balance sheet (see Note 9) until their construction or development has been completed, at which time they are transferred to "Investment Property".

The borrowing costs capitalised to "Investment Property" in 2007 amounted to EUR 3,894 thousand.

However, the investment property that meets the conditions for classification as "Non-Current Assets Held for Sale" is measured in accordance with the rules applicable to non-current assets held for sale and discontinued operations (see Note 4.1).

4.5 Asset impairment

At the end of each year, or at any date deemed necessary, the value of assets is analysed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of required write-down (if any). If the asset is an identifiable asset that does not generate cash flows independently, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In the case of cash-generating units to which goodwill or intangible assets with an indefinite useful life have been assigned, recoverability is systematically analysed at the end of each reporting period or under circumstances deemed necessary to perform such an analysis.

Recoverable amount is the higher of fair value less costs to sell 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. In calculating the recoverable amount of property, plant and equipment and goodwill, the Group used the value in use in practically all cases.

To estimate value in use, the Group prepares future pre-tax cash flow estimates based on the most recent budgets approved by Group management. These budgets include the best estimates available of income and costs of the cash-generating units based on industry projections, past experience and future expectations.

These projections cover the coming five years and cash flows for the following years are estimated by applying zero growth rates. These cash flows are discounted to present value at a pre-tax rate which reflects the cost of capital of the business and the geographical area in which it is carried on. In order to calculate it, the current time value of money and the risk premiums generally used by analysts for the business and the geographical area are taken into account.

If the recoverable amount is lower than the carrying amount of an asset, an impairment allowance is recognised for the difference with a charge to "Net Impairment Losses" in the consolidated income statement.

4.6 Leases

4.6.1 Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Therefore, finance leases are deemed to be those in which substantially all the risks and rewards relating to the leased asset are transferred to the lessee.

When the consolidated companies act as the lessor of an asset, the aggregate present values of the lease payments receivable from the lessee plus the price of exercising the purchase option are classified as financing provided to third parties for the amount of the Group's net investment in the leases.

In this event, the finance income and charges arising under finance lease agreements are credited and charged, respectively, to the consolidated income statement so as to reflect a constant periodic rate of return over the term of the agreements.

4.6.2 Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased assets remain with the lessor.

When the consolidated companies act as the lessor, they present the acquisition cost of the leased asset under "Property, Plant and Equipment". These assets are depreciated using a policy consistent with the lessor's normal depreciation policy for similar items for own use and lease income is recognised in the income statement on a straight-line basis.

When the consolidated companies act as the lessee, lease costs, including any incentives granted by the lessor, are recognised in the income statement on an accrual basis.

4.7 Inventories

Inventories are stated at the lower of acquisition or production cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and production overheads, including the costs that have been incurred in bringing the inventories to their present location and condition at the point of sale. Trade discounts, rebates and other similar items are deducted in determining the acquisition cost.

The cost of inventories is calculated by using the weighted average cost formula. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Land is stated at acquisition cost, plus the costs of demolishing buildings and other expenses related to the acquisition (non-recoverable taxes, registration expenses, etc.). The Group does not capitalise the borrowing costs incurred on the loans obtained to finance the purchase of land to the carrying amount thereof during the period between its acquisition and the date on which the construction permits are obtained, which is when they are transferred to "Work in Progress".

"Developments under Construction" includes the land development costs incurred through year-end and the costs of construction or acquisition of real estate developments, increased by the expenses directly allocable to them (costs of construction subcontracted to third parties, fees inherent to construction and project management fees), in addition to the reasonable portion of the costs indirectly allocable to the related assets, to the extent that these costs correspond to the development period, and the finance costs incurred during the construction period. The borrowing costs capitalised to "Inventories" in 2007 amounted to EUR 4,829 thousand.

The Company assesses the net realisable value of the inventories at the end of each period and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

"Inventories" also includes advances to suppliers for the purchase of inventories amounting to EUR 37,900 thousand (see Note 13).

4.8 Trade receivables and customer advances

Trade receivables do not earn interest and are recognised at nominal value, reduced by the estimated non-recoverable amounts.

The amount of customer advances received prior to the recognition of the sale of the related buildings is recognised under "Current Liabilities - Trade and Other Payables" in the consolidated balance sheet (see Note 4.20).

4.9 Financial instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the related contract.

4.9.1 Financial assets

Financial assets are initially recognised at acquisition cost, including transaction costs.

The financial assets held by the Group companies are classified as:

1. Loans and receivables: these financial assets are measured at amortised cost, which basically relates to the cash provided less principal repayments, plus uncollected accrued interest in the case of loans, and the present value of the consideration paid in the case of receivables.
2. Held-to-maturity investments: the investments that UDRA intends and has the capacity to hold until final maturity; they are recognised at amortised cost.
3. Financial assets recognised at fair value through profit or loss: this category includes the financial assets held for trading and the financial assets that are managed and measured at fair value. They are recognised in the consolidated balance sheet at fair value and changes are recognised in the consolidated income statement. This category includes changes in the value of listed investment securities (see Note 14.3).
4. Available-for-sale financial assets: the remaining investments that do not fall into any of the categories described above. These investments are recognised in the consolidated balance sheet at fair value if this value may be calculated reliably. Since it is usually not possible to determine reliably the fair value of investments in companies that are not publicly listed, when this is the case, such investments are measured at acquisition cost or at a lower amount if there is evidence of impairment. Changes in fair value, net of the related tax effect, are charged or credited to "Equity - Valuation Adjustments" (see Note 14.3) until the related securities are sold, at which time the cumulative amount recognised in this heading relating to these investments is recognised in full in the consolidated income statement. If fair value is lower than acquisition cost, the difference is directly recognised with a charge to the consolidated income statement.

Amortised cost of the financial instruments

"Amortised cost" is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and interest payments, plus or minus, as appropriate, the portion allocated to the consolidated income statement, calculated using the effective interest method, of the difference between the initial cost and the repayment value of the financial instruments. In the case of financial assets, amortised cost furthermore includes any reductions for impairment.

The effective interest rate is the discount rate that exactly matches the initial carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date adjusted, where applicable, by the fees and transaction costs that must be included in the calculation of the effective interest rate.

In the case of floating rate financial instruments, the effective interest rate is estimated as for fixed rate transactions and is recalculated on each repricing date on the basis of the changes in the future cash flows arising therefrom.

4.9.2 Financial liabilities and equity

Financial liabilities are generally recognised at the cash amount received, net of transaction costs. In subsequent periods, these liabilities are measured at amortised cost using the effective interest method.

Interest-bearing bank loans and overdrafts are recognised at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

4.9.3 Current/Non-current classification

In the accompanying consolidated balance sheet financial assets maturing within 12 months are classified as current assets and those maturing within more than 12 months as non-current assets.

Loans due within 12 months but whose long-term refinancing is assured through existing long-term credit facilities should be classified as non-current liabilities.

4.9.4 Equity instruments

Capital and other equity instruments issued by the Group are recognised in equity at the proceeds received, net of direct issue costs.

4.10 Shares of the Parent

The Udra Group did not hold any treasury shares at 31 December 2007 and did not perform any transactions involving treasury shares in 2007.

4.11 Derivative financial instruments and hedge accounting

The derivatives held by the Group basically relate to interest rate hedge transactions. The Group uses interest rate swap contracts to hedge this exposure. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by Group policies approved by Group management, which provides written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and highly effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. Conversely, for hedges that do not result in recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

The fair value of cash flow derivatives is calculated (if they are not quoted on organised markets) by discounting the expected cash flows on the basis of the conditions prevailing in both spot and futures markets at year end.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

At 31 December 2007, the Group held interest rate swaps (IRSs and collars) for a total notional amount of EUR 797 million, maturing between 2009 and 2024. The positive impact of the change in fair value resulting from these contracts at the end of the reporting period is approximately EUR 8.8 million. Of this amount, EUR 5.9 million was recognised under "Profit from Changes in Value of Financial Instruments" in the accompanying consolidated income statement for 2007 since they did not fully qualify for hedge accounting.

4.12 Government grants

Grants received by the Group companies are recognised as follows:

1. Non-refundable grants related to assets. The Group companies deduct the amount of the grant from the amounts at which the related assets were recognised. In such cases, grants reduce the period depreciation or amortisation charge of each asset over the asset's useful life and, in the case of emission allowances (see Note 4.3), they reduce the expense item to which the charge was made in the income statement.
2. Grants related to income. Grants related to income reduce the expenses to which they relate.

4.13 Revenue recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises:

1. Sales of goods are generally recognised when the goods have been delivered and the related ownership has been transferred.
2. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.
3. Revenues from completed work or projects (in both the construction and industrial businesses) are recognised using the percentage of completion method, whereby revenue from completed work is recognised by reference to the stage of completion of the contract at year-end. Under this method, revenues are determined on the basis of the percentage of total revenue per the main contract or approved amendments or addenda thereto. This percentage is established on the basis of the proportion that costs incurred for work performed to date bear to the total contract costs.

   An expected loss on the construction contract is recognised as an expense immediately.

   Contract costs are recognised on an accrual basis, and costs actually incurred in completed construction units and costs which may be incurred in the future but must be charged to the construction units that have been currently completed are recognised as an expense.

   The application of this method for the recognition of the outcome of construction contracts is combined with the preparation of a budget for each construction contract detailed by construction unit. This budget is used as a key management tool in order to closely follow up, for each construction unit, any variances between budgeted and actual figures.

   In exceptional cases in which it is not possible to estimate the total contract profit, the total contract costs incurred are recognised and reasonably assured sales relating to completed construction work are recognised as contract revenue up to the limit of the aforementioned contract costs incurred.

   As regards construction work or projects performed on an order basis and by contract, the revenue from work performed not included in the contract, such as additional refurbishment and construction modifications, is recognised using the same method as for the main construction project, provided that there are no doubts as to their subsequent approval and that they are technically justified.

   Consequently, progress billings and the amounts to be billed for work performed are recognised in the related trade receivables account with a credit to sales.

   The amount of progress billings for work not yet performed is recognised under "Advances Received on Orders" on the liability side of the balance sheet.
4. The principal activity carried out by the Real Estate Division is the sale of houses and land. This activity is treated as a sale of goods in accordance with IAS 18. Revenue from this activity is recognised when the risks and rewards of ownership of the goods have been transferred to the buyer which usually is the date on which the public deed is executed. In this regard:

- Sales of property and land and the related costs are recognised in the consolidated income statement when substantially all the risks and rewards of ownership have been transferred, i.e., when the properties are delivered and the sale is executed in a public deed. The deliveries of cash made by the customers as payments on account, from the date of the signing of the private agreement to the date on which the sale is executed in a public deed, are recognised as "Customer Advances" on the liability side of the consolidated balance sheet.
- The sales of parcels on which the Group has acquired the obligation with the local authorities to carry out urban development work, which affects all the building plot under the urban development plan, and which cannot be considered to be carried out specifically for the owners of the parcels sold, are broken down into two items: the sale of the building plot and the sale of the urban development work associated therewith.

  The revenue relating to the sale of the building plot is recognised when substantially all the risks and rewards of ownership have been transferred, i.e., when the property is delivered and the sale is executed in a public deed.

  The revenue attributable to the sale of the urban development work (which is determined on the basis of the projected costs of the urban development work as a whole, calculated in proportion to the surface area (square meters of the parcel sold with respect to the total costs of the urban development work plus the profit margin estimated on the sale) is recognised when the urban development work is substantially completed, at which time a provision is recognised for the estimated costs to be incurred in the completion thereof.
- Rental income is recognised on an accrual basis and incentive-related income and the initial costs of lease agreements are allocated to income on a straight-line basis.
- Asset swaps. "Asset swaps" means the acquisition of property, plant and equipment or intangible assets in exchange for the delivery of other non-monetary assets or of a combination of monetary and non-monetary assets.

  The assets received in a swap are recognised at their fair value, provided that it can be considered that the swap has commercial substance and that the fair value of the asset received, or of the asset delivered, can be reliably measured. The fair value of the asset received is taken to be the fair value of the asset delivered plus, where applicable, the fair value of any monetary consideration given up in exchange, unless there is clearer evidence of the fair value of the asset received.

  In asset swaps that do not meet the above-mentioned requirements, the asset received is recognised at the carrying amount of the asset delivered plus the amount of any monetary consideration paid or committed on the acquisition.

  The income relating to the derecognition of assets delivered in an asset swap is recognised when substantially all the risks and rewards of ownership of the asset have been transferred to the counterparty in the swap, with the value assigned to the asset received being recognised as the balancing entry.

Amounts collected or represented by trade notes on contracts executed by the balance sheet date for property which has yet to be delivered are recognised under "Trade Payables" or "Other Non-Current Liabilities" on the liability side of the accompanying balance sheet, depending on whether they fall due in less than or more than one year, respectively.

5. 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 flows through the expected life of the financial asset to that asset's net carrying amount.
6. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.
7. Government grants related to property, plant and equipment are recognised in the consolidated balance sheet as deferred income when the Group has satisfied the conditions established for their award and, consequently, there are no reasonable doubts as to their collection. These grants are allocated to income, with a credit to "Other Income" in the consolidated income statement, systematically over the remaining useful lives of the subsidised assets.

   Grants awarded for the purpose of covering or financing expenses incurred by the Group are recognised as income in the periods in which the related expenses are incurred once the conditions have been met.

An expense is recognised in the consolidated income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recognition of the increase in a liability or the reduction of an asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

4.14 Borrowing costs

Borrowing costs directly attributable to the construction or production of property developments or investment property, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their use or sale. If borrowings have been obtained specifically for the construction of such assets, the interest and the other capitalised finance charges relate to the actual costs incurred in the year, less the income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets. If the borrowings are of a general nature, the amount of the capitalised interest is determined by applying the capitalisation rate that relates to the weighted average borrowing costs applicable to the average borrowings other than the specific borrowings that have not yet been invested in the year.

However, the capitalisation of interest is suspended during the periods when construction is interrupted, provided that the interruptions are of significant duration.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the year in which they are incurred, on an accrual basis.

4.15 Foreign currency transactions

The Group's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency".

Transactions in currencies other than the euro are translated to euros at the exchange rates prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the closing rate. Non-monetary items measured at historical cost are translated to euros at the exchange rate prevailing at the date of acquisition (historical cost). Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date on which the fair value was determined. Translation gains or losses are included in net profit for the year, except for the exchange differences arising from non-monetary assets and liabilities carried at fair value, in which case the changes in fair value are recognised directly in equity.

On consolidation, the balances in the financial statements of the consolidated companies with a functional currency other than the euro are translated to euros as follows:

1. Assets and liabilities are translated to euros at the exchange rates prevailing on the balance sheet date.
2. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly.
3. Equity is translated at historical exchange rates.
4. Any translation differences arising are classified separately in equity. Such differences are recognised as income or as expenses in the year in which the foreign operation is performed or disposed of.

Foreign operations are an integral part of the activities of the reporting company, which carries out its business activities as if they were an extension of the company's operations and their functional currency were therefore that of the Company.

Goodwill arising on the acquisition of a foreign company is treated as an asset of the foreign company and is translated at the closing rate. Goodwill and fair value adjustments arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and are translated at the closing rate.

The detail of the principal companies which contribute assets and liabilities denominated in currencies other than the euro is as follows:

Company	Location	Line of Business
Constructora San José Cabo Verde, S.A.	Cape Verde	Construction
Constructora San José Argentina, S.A.	Buenos Aires (Argentina)	Construction
CIMSA Argentina, S.A.	San Luis (Argentina)	Civil engineering
San José Uruguay, S.A.	Colonia Sacramento (Uruguay)	Industrialisation and marketing
San José Construction Group, Inc.	Washington (USA)	Construction
San José Real Estate Development, LLC	Delaware (USA)	Property development
1681 West Avenue, LLC	Delaware (USA)	Property development
Tecnoartel Argentina, S.A.	Buenos Aires (Argentina)	Maintenance and installations
Constructora Panameña de Aeropuertos, S.A.	Panama City (Panama)	Construction
San José Perú, S.A.C.	Lima (Peru)	Construction
Espinosa Arquitectos, S.A.	Lima (Peru)	Construction and development
Esparq Construcciones, S.A.	Lima (Peru)	Construction
Centro Comercial Panamericano, S.A.	Buenos Aires (Argentina)	Property development
Argentimo, S.A.	Buenos Aires (Argentina)	Property development
Inmobiliaria Sudamericana de Desarrollos Urbanísticos, S.A.	Buenos Aires (Argentina)	Property development
Sefri Ingenieros Maroc, S.A.R.L	Morocco	Engineering and installation services
Udra Argentina, S.A.	Buenos Aires (Argentina)	Property
Inversiones Auchan Argentina, S.A.	Buenos Aires (Argentina)	Portfolio company
Auchan Argentina, S.A.	Buenos Aires (Argentina)	Retailing
Deconalva, S.A.	Santo Domingo (Dominican Republic)	Construction

The detail of the performance of the main currencies in which the Group operates with respect to the euro is as follows:

Country	Currency	Closing Rate	Average Exchange Rate
United States	US dollar	1.47	1.37
Mexico	Mexican peso	16.07	15.53
Argentina	Argentine peso	4.58	4.27
Cape Verde	Cape Verde escudo	109.29	110.29
Panama	Panamanian balboa	1.46	1.37
Uruguay	Uruguayan peso	31.40	32.08
Peru	Peruvian sol	4.37	4.28
Morocco	Moroccan dirham	11.37	11.21
Dominican Republic	Dominican peso	48.44	45.29

None of these countries are considered to be hyperinflationary economies in accordance with IAS 29.

4.16 Profit from operations

Profit from operations is presented after restructuring costs and the share of results of associates but before investment income and finance costs.

4.17 Income tax

The income tax expense of the Spanish companies and the taxes of a similar nature applicable to the foreign consolidated companies are recognised in the consolidated income statement, except when they arise from a transaction whose results are recognised directly in equity, in which case the related tax is also recognised in equity.

The income tax expense represents the sum of the current tax expense and the change in the deferred tax assets and liabilities recognised (see Note 21).

The difference, if any, between the taxable profit and the income tax expense or income accounted for is recognised as a deferred tax asset or liability, as applicable. A deferred tax liability is one that will generate a future obligation for the Group to make a payment to the related tax authorities. A deferred tax asset is one that will generate a right for the Group to a refund or to make a lower payment to the related tax authorities in the future.

The Group's liability for current income tax is calculated using tax rates which have been approved on the balance sheet date.

Tax credits and tax relief and tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not deducted for tax purposes in the related tax return until the conditions for doing so established in the related tax regulations are met. The Group considers it probable that they will be used in future periods.

Deferred tax assets and liabilities are taxes expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the related tax bases used in the calculation of taxable profit. Deferred tax assets and liabilities are accounted for using the balance sheet liability method and are measured by applying to the related temporary difference or tax credit the tax rate that is expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax liability is recognised for taxable temporary differences arising from investments in subsidiaries and associates and from interests in joint ventures, except when the Group is able to control the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Notwithstanding the foregoing:

1. Deferred tax assets relating to temporary differences, tax credits, tax relief and tax loss carryforwards, if any, are recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised, and
2. No deferred tax liabilities are recognised for non-deductible goodwill arising on an acquisition.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Since 1 January 2006, the following subsidiaries of Grupo Empresarial San Jose S.A. have filed consolidated tax returns with Udra, S.A as the parent of the consolidated tax group:

- Grupo Empresarial San José, S.A.
- Constructora San José, S.A.
- Constructora Ávalos, S.A.U.
- Alcava Mediterránea, S.A.U.
- Balltagi Mediterrani, S.A.U.
- Cartuja Inmobiliaria, S.A.U.
- Construcción, Rehabilitación y Conservación, S.L.U.
- San José Infraestructuras y Servicios, S.A.U.
- Desarrollos Urbanísticos Udra, S.A.U.
- Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.U.
- Inmobiliaria Americana de Desarrollos Urbanísticos, S.A.U.
- San Pablo Plaza, S.A.U.
- Inversiones Patrimoniales Guadaiza, S.L.U.
- San Jose Tecnologias, S.A.U.
- Instal 8, S.A.U.
- SM Klima, S.A.U.
- Sefri Ingenieros, S.A.U.
- Artel Ingenieros, S.L.U.
- Udra Mantenimiento, S.L.U.
- Tecnocontrol Sistemas de Seguridad, S.A.U.
- Tecnocontrol Servicios, S.A.U.
- Tecnocontrol, S.A.U.
- Udramed, S.L.U.
- Gabinete de Selección, S.L.
- Basket King S.A.
- Arserex S.A.
- Comercial Udra S.A.
- Udramedios S.A.
- Cadena de Tiendas S.A.
- Trendy King S.A.
- Outdoor King S.A.
- Hood Sports S.A.
- Fashion King S.A.
- Running King S.A.

4.18 Provisions

When preparing its consolidated financial statements, the Udra Group made a distinction between:

1. Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, which is certain as to its nature but which require estimation as to its amount and/or timing; and

2. 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.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37.

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 obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

4.18.2 Provisions for urban development costs

These provisions relate to the estimated costs not yet incurred in the urban development of previously sold plots of land (basically in relation to the second phase of the Valladolid Parquesol Subdivision Plan), estimated on the basis of technical and economic studies carried out. The distribution among the various plots of the total costs to be incurred in the urban development work is made in proportion to the surface area (square meters) of the previously sold plots with respect to the total area of urban development (see Note 9).

4.18.3 Provisions for completion of construction projects and warranty costs

Provisions for the completion of construction projects are recognised for the estimated amount required to meet the expenses required for the completion of the property developments in progress at the time when these developments are substantially completed, and the cost thereof is transferred to "Completed Buildings". Provisions for warranty costs, particularly after-sales expenses, other costs and the ten-year warranty required under Spanish regulations governing real estate companies, are recognised at the date of sale of the relevant products, according to the best estimate of the expenditure required to settle the Group's liability (see Note 19.2). However, the Group has taken out insurance policies to cover the potential risks arising from the ten-year warranty.

4.19 Termination benefits

Under legislation prevailing in each case, the Spanish consolidated companies and certain Group companies located abroad are required to pay termination benefits to employees terminated without just cause. There are no redundancy plans making it necessary to record a provision in this connection.

The Company has recognised adequate provisions under "Other Current Liabilities" on the liability side of the accompanying balance sheet at 31 December 2007, in order to meet the contract termination costs of temporary employees in accordance with legal provisions.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

4.20 Current/Non-current classification

In the consolidated balance sheet, assets and liabilities expected to be recovered, used or settled within 12 months from the balance sheet date are classified as current items, except for inventories, which are presented in full under "Current Assets" in the consolidated balance sheet, since it is expected that they will be realised in the normal course of the building plot and property sale business, and the liabilities associated with inventories (borrowing costs and customer advances), which are presented under "Current Liabilities" in the consolidated balance sheet, regardless of their maturity. Prior to year-end, if a liability does not give the Group an unconditional right to defer the settlement for at least 12 months from the balance sheet date, the liability is classified as a current item.

4.21 Consolidated cash flow statement

The following terms are used in the consolidated cash flow statement, which was prepared using the indirect method, with the meanings specified:

1. 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.
2. Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.
3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

5. Earnings per share

5.1 Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group (after tax and minority interests) by the weighted average number of shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2007	2006	Change
Net profit for the year (thousands of euros)	57,306.0	56,645.0	661.0
Weighted average number of shares outstanding (thousands of shares)	218.6	218.6	-
Basic earnings per share (euros)	262.2	259.1	3.1

5.2 Diluted earnings per share

There was no potential dilutive effect arising from share options, warrants, convertible debt and other instruments at 31 December 2007 and, accordingly, the diluted earnings per share coincide with the basic earnings per share.

6. Distribution of the Parent's profit

The distribution of the Parent's profit for 2007 that the Board of Directors of UDRA, S.A. will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
Dividends	5,466
To voluntary reserves	959
Net profit for 2007	**6,425**

7. Segment reporting

7.1 Basis of segmentation

Segment reporting is structured on a primary basis by business segment and on a secondary basis by geographical segment.

Primary segments - business segments

The business lines described below were established on the basis of the UDRA and Subsidiaries' organisational structure at 2007 year-end, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

In 2007 UDRA, S.A. and Subsidiaries engaged mainly in the following major lines of business, which were the basis for the Group's primary segment reporting:

1. Construction (civil engineering and building construction).
2. Property development.
3. Urban development.
4. Industrial services.
5. Commercial services.

Also, the income and expenses that cannot be specifically attributed to any operating line are attributed to "Other".

Secondary segments - geographical segments

The Group's operations are located in Spain, the United States, Latin America (Argentina, Uruguay, Peru, Panama) and other European countries (Portugal, France, Germany).

7.2 Basis and methodology for segment reporting

Segment revenue is revenue that is directly attributable to the segment. This revenue does not include interest or dividend income or gains arising from sale of investments, redemption or settlement of debts. The Group includes in segment revenue the share of results of associates and joint ventures accounted for using the equity method and the share of the revenue of joint ventures that are accounted for by proportionate consolidation.

Segment expense is expense resulting from the segment's operating activities that is directly attributable to the segment. These expenses do not include interest or losses arising from the sale of investments, redemption or settlement of debts, income tax expense or general administrative expenses corresponding to the head office that are not related to the operating activities of the segments. Segment expense includes the share of the expenses of joint ventures that are accounted for by proportionate consolidation.

The segment's results are presented before any adjustments relating to the consolidation process, which are included in the "Consolidation Adjustments" column.

Segment assets and liabilities are directly related to the operations of the segments and include the proportional part relating to joint ventures. Segment liabilities do not include income tax liabilities.

Segment information about these businesses is presented below.

Primary segment information:

	Thousands of Euross											
	Construction		Property & Urban Development		Energy & Industrial		Commercial Services		Adjustments (*)		Total Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue:												
Revenue External sales	1,207,823	1,094,522	246,449	45,296	93,577	105,059	13,320	61,190	(206)	5,477	1,560,963	1,311,544
Inter-segment sales	22,710	17,506	67	589	1,018	2,479	-	3,160	(23,796)	(23,734)	(1)	-
	1,230,533	**1,112,028**	**246,516**	**45,885**	**93,577**	**107,538**	**13,320**	**64,350**	**(24,002)**	**(18,257)**	**1,559,944**	**1,311,544**
Result:												
Profit/loss from operations	51,301	66,870	89,898	12,750	1,130	(1,715)	1,368	51	(3,593)	(661)	140,104	77,295
Share of results of associates	228	-	3,341	6,685	171	535	-	-	(481)	405	3,259	7,625
Investment income	21,319	12,006	5,620	258	1,010	480	559	646	(3,481)	(1,571)	25,027	11,819
Finance costs	(17,126)	(7,204)	(23,673)	(2,515)	(3,982)	(2,557)	(920)	(1,145)	(28,196)	1,956	(73,897)	(11,465)
Other gains or losses	(5,248)	(2,397)	40	147	13	(928)	4,708	162	10,163	(1,163)	9,676	(4,179)
Profit/Loss before tax	**50,475**	**69,275**	**75,226**	**17,325**	**(1,658)**	**(4,185)**	**5,715**	**(286)**	**(25,588)**	**(1,034)**	**104,170**	**81,095**

Inter-segment sales are made at prevailing market prices.

	Thousands of Euross											
	Construction		Property & Urban Development		Energy & Industrial		Commercial Services		Adjustments (*)		Total Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
OTHER INFORMATION:												
Additions to non-current assets	**2,315,362**	**9,373**	**5,446,524**	**2,877**	**2,919,671**	**375**	**76,366**	**118**	**-**	**-**	**-**	**12,625**
In Spain	1,753,477	9,118	125	2,877	2,919,671	375	76,366	47	-	-	-	12,368
Abroad	561,885	255	5,446,399	-	-	-	-	71	-	-	-	257
	-	**(2,858)**	**-**	**(824)**	**-**	**(1,382)**	**-**	**1,082**	**-**	**-**	**-**	**(5,064)**
Depreciation and amortisation charge	3,473	-	8,467	-	1,294	-	78,346	-	805	-	13,714	-
BALANCE SHEET:												
Assets-	**1,031,554**	**956,245**	**1,386,107**	**401,815**	**112,933**	**120,193**	**17,478,561**	**33,687**	**583,970**	**(97,822)**	**3,142,015**	**1,380,431**
Segment assets-									-			
In Spain	861,833	790,050	1,236,165	273,785	112,993	120,193	17,478,561	26,376	2,210,932	(97,822)	3,142,015	1,086,206
Abroad	169,720	166,195	149,941	128,030	-	-	-	7,311	-	-	-	294,225
Liabilities-	**870,906**	**819,130**	**960,718**	**283,862**	**94,835**	**113,632**	**7,777,684**	**25,650**	**629,132**	**163,807**	**2,555,591**	**1,380,431**
Segment liabilities												

There are no significant non-operating assets.

Secondary segment information

The breakdown of certain of the Group's consolidated balances based on the geographical location of the companies that gave rise to them is as follows:

	Thousands of Euros					
	Revenue		Total Assets		Additions to Property Plant and Equipment and Intangible Assets	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Spain	1,367,137	1,112,845	2,188,999	1,094,913	4,749,639	12,630
Portugal	136,119	104,755	182,643	190,322	5,539,762	204
United States	369	349	10,807	6,969	5,405	4
Argentina	30,488	17,983	107,561	53,231	381,610	20
Uruguay	-	-	-	153	-	-
Peru	29,806	20,272	34,550	33,203	65,196	31
Panama	802	6,030	2,769	7,283	-	-
France	-	-	-	1,025	-	-
Germany	-	-	-	165	-	-
Dominican Republic	19,840	337	11,041	1,874	-	-
Other	11,391	1,246,341	9,703	1,380,431	16,312	12,625

8. Property, plant and equipment

The changes in 2007 and 2006 in the various "Property, Plant and Equipment" accounts in the consolidated balance sheet were as follows:

	Thousands of Euros					
	Land and Buildings	Plant and Machinery	Other Fixtures, Tools and Furniture	Other Items of Property Plant and Equipment	Property, Plant and Equipment in the Course of Construction	Total
Cost:						
Balances at 1 January 2006	76,412	29,785	22,368	9,182	278	138,025
Additions/Disposals (net) due to change in the scope of consolidation	-	93	5	35	5	138
Additions	3,050	410	1,575	7,483	440	12,958
Disposals	(1,433)	(159)	(329)	(398)	-	(2,319)
Exchange differences (net)	(5,819)	(1,493)	(1,077)	(43)	(15)	(8,447)
Transfers and other	771	(25)	198	(727)	(141)	76
Balances at 31 December 2006	72,981	28,611	22,740	15,532	567	140,431
Additions/Disposals (net) due to change in the scope of consolidation	48,363	1,925	839	928	-	52,055
Additions	37,799	492	1,998	671	2,470	43,430
Disposals	(8,169)	(2,809)	(171)	(87)	(15)	(11,251)
Exchange differences (net)	(78)	(17)	(60)	(33)	-	(188)
Transfers and other	39,785	(336)	412	(318)	191	39,734
Balances at 31 December 2007	**190,681**	**27,866**	**25,758**	**16,693**	**3,213**	**264,211**
Accumulated depreciation:						
Balances at 1 January 2006	(20,081)	(13,290)	(18,353)	(4,310)	-	(56,034)
Additions/Disposals (net) due to change in the scope of consolidation	-	(49)	(7)	3	-	(53)
Exchange differences	1,622	1,380	1,316	31	-	4,349
Charge for the year	(974)	(2,238)	(1,597)	(1,371)	-	(6,180)
Transfers	-	(3)	(48)	(9)	-	(60)
Disposals	21	564	623	287	-	1,495
Balances at 31 December 2006	(19,412)	(13,636)	(18,066)	(5,369)	-	(56,483)
Additions/Disposals (net) due to change in the scope of consolidation	(247)	(615)	(589)	(798)	-	(2,249)
Exchange differences	12	13	24	50	-	99
Charge for the year	(1,527)	(1,837)	(1,985)	(2,690)	-	(8,039)
Transfers and other	(819)	202	(199)	(10)	-	(826)
Disposals	130	28	25	526	-	709
Balances at 31 December 2007	**(21,863)**	**(15,845)**	**(20,790)**	**(8,291)**	**-**	**(66,789)**
Impairment losses:						
At 31 December 2007	(22,617)	-	-	(47)	-	(22,664)
Total property, plant and equipment, net	**146,201**	**12,021**	**4,968**	**8,355**	**3,213**	**174,758**

The net balance at 31 December 2007 included in the table above includes the following items:

1. EUR 50,362 thousand relating to net property, plant and equipment owned by Group companies and branches located abroad. This amount relates mainly to the companies detailed in Note 4.15.
2. EUR 5,141 thousand relating to net property, plant and equipment acquired by the consolidated companies acquired under finance leases.

The detail of these assets at 31 December 2007 is as follows:

	Thousands of Euros
Contract term (years)	10
Cash value	6,500
Outstanding payments (Note 16.1):	
Long term	860
Short term	5,584

In 2007 the cost and accumulated depreciation of the "Meliá Boutique Recoletos" hotel in Valladolid was transferred to "Investment Property". The hotel had previously been operated directly by the Parquesol Group but since 1 January 2007 it has been leased to a hotel chain. Other assets related to leased properties were also transferred.

At 31 December 2007, the cost of the land upon which property for own use is located amounted to approximately EUR 49 million.

Property, plant and equipment in use with a gross value of approximately EUR 5,293 thousand had been fully depreciated at 31 December 2007.

The Group companies take out the insurance policies they consider necessary to cover the possible risks to which their property, plant and equipment are subject.

9. Investment property and investment property in progress

Investment property

The balance of "Investment Property" arose from the inclusion of the Parquesol Group (see Note 2.4.d) and the assets of the Inmobiliaria Udra subgroup. The breakdown of the "Investment Property" accounts and of the changes therein in 2007 is as follows:

	Thousands of Euros		
	Cost	Accumulated Depreciation	Net
Balance at 31 December 2006	**-**	**-**	**-**
Changes in the scope of consolidation			
Additions	357,940	(15,897)	342,043
Depreciation charge	-	(6,188)	(6,188)
Disposals	(2,845)	160	(2,685)
Transfers from "Investment Property in Progress" (Note 8)	10,937	-	10,937
Transfers to "Inventories"	(141)	-	(141)
Transfers from "Property, Plant and Equipment" (Note 6)	17,020	(2,628)	14,392
Total changes in the scope of consolidation	**382,911**	**(24,553)**	**358,358**
Additions	**35,020**		**35,020**
Disposals	**-**	**-**	**-**
Exchange differences	**-**	**-**	**-**
Transfers and other	**-**	**(4,254)**	**(4,254)**
Impairment losses	**(7,069)**	**-**	**(7,069)**
Balance at 31 December 2007	**410,862**	**(28,807)**	**382,055**

The cost of the investment property at 31 December 2007 includes approximately EUR 189 million relating to the carrying amount of the land relating thereto.

Main additions and disposals in 2007

No investment property was acquired in 2007.

In 2007 the cost of an office building in C/ García Martín, Madrid, was transferred.

In addition, in 2007 the Group sold certain non-strategic investment property items for a total price of EUR 5,232 thousand, giving rise to a gain of EUR 2,389 thousand (net of the related sale commissions), and this amount is included under "Other Gains or Losses" in the accompanying consolidated income statement.

Use or nature of the investment property

Substantially all of the Group's investment property relates to properties earmarked for lease. The detail of the use or nature of the Group's investment property at 31 December 2007, based on its principal use and on an approximate basis (excluding garage space), is as follows:

	2007	
Use of Property	**Area for Lease in m²**	**Percentage**
Offices	91,764	56
Commercial premises and residential homes for the elderly	40,751	25
Hotels	30,725	19
	163,240	**100**

Investment property used under finance leases

The Group held two buildings under finance leases which were in turn leased to third parties. However, in 2007 the related finance lease agreements were cancelled and the respective purchase options were exercised.

Mortgaged investment property

At 31 December 2007, certain investment property with a carrying amount of approximately EUR 139,000 thousand had been mortgaged as security for the repayment of several bank loans (see Note 17).

Sale commitments

At 31 December 2007, the Group had entered into private agreements for the sale of certain premises included under "Investment Property" for a total sale price of EUR 3,514 thousand, for which at the aforementioned date the Group had received advances from the related buyers totalling EUR 230 thousand (see Note 19). The directors of the Parent intend to transfer the ownership of the aforementioned premises in the first few months of 2008 and the gains from the transaction are expected to be of an insignificant amount.

Fair value of the investment property

Each year the Parquesol Group commissions studies from independent valuers to determine the fair value of its investment property at the balance sheet date. At 31 December 2007 and 2006, these studies were conducted by Savills España, S.A. and Knight Frank Newmark Global, respectively, and the valuations were performed on the basis of the saleable value and lease value of the property on the market (which consists of capitalising the net income from each building and discounting future flows), as defined by the Royal Institution of Chartered Surveyors (RICS) and in accordance with the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC), which group together international and European asset valuation institutions. The fair value was calculated using the discount rates acceptable to a prospective investor and in line with those applied by the market for properties of similar characteristics in similar locations.

At 31 December 2007 and 2006, the fair value of the Parquesol Group's investment property based on the aforementioned studies amounted to approximately EUR 525,000 thousand and EUR 576,000 thousand, respectively, including the "Investment Property in Progress".

As 31 December 2007 and 2006, the Parquesol Group held certain items of investment property that were revalued at the date of transition to EU-IFRSs, in accordance with the exemption permitted under IFRS 1. The revaluation surplus attributed to these items of investment property at 1 January 2005 amounted to EUR 41,395 thousand (determined on the basis of appraisals conducted by independent valuers, applying the same methods as those indicated above for the studies conducted by Knight Frank Newmark Global); the carrying amount of this surplus at 2007 and 2006 year-end was EUR 35,916 thousand and EUR 36,615 thousand, respectively. In view of the limited number of buildings valued using this method, the effect of one quarter of a point change in the rates of return, calculated as income, on the market value of the assets would have practically no effect on the consolidated financial statements for 2007.

In addition, the Inmobiliaria Udra subgroup commissioned a study from Jones Lang LaSalle España, S.A. in 2007 which estimated the total market value of the property assets at 31 December 2007 at approximately EUR 687 million, of which EUR 200 million related to investment property at that date.

Investment property rental income and expenses

At 31 December 2007, the four hotels (three hotels in 2006, since the fourth was operated directly by the Group), the residential home for the elderly and a significant proportion of the Group's commercial premises and office buildings had been leased out to third parties under operating leases (specifically, the occupancy rate of the principal buildings was approximately 92%).

The investment property rental income and expenses recognised in the consolidated income statement for 2007 are detailed in Note 7.

The detail, by maturity, of the lease payments payable (in thousands of euros) to the Group under the operating lease and sub-lease agreements entered into by the Group with third parties at 31 December 2007 is as follows:

Period	**2007**
Within one year	21,573
Within one to five years	76,562
After five years	68,131
	166,266

The calculation was made taking into account the drop in rental income on the first day of each year and without taking into account increases in the CPI. Also, in the case of the variable rentals, the values for 2007 were used.

Insurance policy

The Group arranges insurance policies to cover the possible risks to which its investment property is subject. The Parent's directors consider that the insurance coverage arranged is sufficient.

Investment property in progress

The changes in 2007 in "Investment Property in Progress" in the consolidated balance sheet were as follows:

	Thousands of Euros
Balance at 31 December 2006	**31,893**
Additions	4,010
Transfers to "Inventories"	(1,680)
Transfers to "Investment Property" (Note 7)	(10,937)
Balance at 31 December 2007	**23,286**

The balance of this heading at 31 December 2007 relates to the costs incurred in the acquisition of building lots (approximately EUR 16 million) and in the construction thereon of buildings for lease which at that date were under construction. The most significant data relating to this investment property are as follows (thousands of euros):

Project	2007
Aparthotel in Pozuelo de Alarcón (Madrid)	12,529
Hotel in Málaga	10,757
Office building in C/ García Martín, Madrid (a)	-
Office building in Plaza Juan de Austria, Valladolid (b)	-
	23,286

(a) Construction was completed in 2007 and the costs incurred were transferred to "Investment Property".

(b) In 2007 the costs of this building were transferred to "Inventories" on the asset side of the consolidated balance sheet since the Group decided to sell rather than lease the property.

The buildings in progress at 31 December 2007 which are to be leased are expected to be completed in 2009.

"Inventories" in the accompanying consolidated balance sheet at 31 December 2007 also includes an advance of EUR 1,800 thousand for the acquisition of a property in Lisbon (Portugal) where the Group plans to build a hotel for lease. According to the private purchase agreement entered into by the Group, the acquisition price of the property is EUR 13,000 thousand.

Contractual obligations relating to investment property in progress

On 30 March 2005, the absorbed company Parquesol Inmobiliaria y Proyectos, S.L. (see Note 1) arranged a swap whereby it received a piece of land in exchange for another owned by it, the carrying amount of which was EUR 4,378 thousand, a cash payment of EUR 1,745 thousand and the assumption of the related urban development cost, which is estimated to amount to EUR 3,045 thousand. The gain on the sale of the land assigned in the exchange amounted to EUR 4,132 thousand, and the land received (in Pozuelo de Alarcón and on which a hotel is being built) was recognised at EUR 10,255 thousand, i.e. the fair value of the land assigned, which amounted to EUR 13,300 thousand, less the estimated cost of the urban development obligation.

In 2007 and 2006 development work on the land received was performed and the cost incurred was capitalised to the land as the work was carried out. At 31 December 2007 the aforementioned development work had been practically completed and, therefore, the obligation assumed by the Group in the swap has been substantially met.

10. Goodwill

10.1 Breakdown and significant changes

The detail of the balance of "Goodwill" in the consolidated balance sheets, based on the companies giving rise thereto, is as follows:

Thousands of Euros	2007	2006
Parquesol Inmobiliaria y Proyectos, S.L.	44,145	-
SJB Mullroser GmbH.	99	99
Udra Industrial subgroup	738	738
San José Construction Group, Inc. subgroup	53	1,613
Constructora Ávalos, S.A.U.	165	165
Cartuja Inmobiliaria, S.A.U.	600	600
Construcción, Rehabilitación y Conservación, S.L.U.	75	75
Eraikuntza Birgaikuntza Artapena, S.L.U. (E.B.A.)	120	120
San José Perú subgroup	1,388	1,388
GESJ subgroup	6,770	6,431
Inmobiliaria Udra subgroup	2,987	2,987
Corsabe, S.C.R., S.A.	3,231	3,231
Sports Outfitters	174	174
San Jose France S.A.	5	5
Other	339	-
Total, gross	60,550	17,626
Less- accumulated impairment losses	-	-
Total net	**60,550**	**17,626**

Based on the estimates and projections available to Group management, the projected income of these companies attributable to the Group adequately supports the carrying amount of the recognised goodwill allocated to the related cash-generating units.

The valuation of the assets and liabilities of the Parquesol Group required to calculate the related goodwill as a result of the transactions performed in 2007 (see Note 2.4-d) was initiated and completed in 2007. After this definitive allocation, the goodwill amounted to EUR 44,145 thousand. The surpluses paid in taking control of these companies was allocated mainly to the property assets contributed by the Parquesol Group. The detail of the surpluses assigned to the aforementioned acquisitions is as follows:

	Parquesol Group
Acquisition price	**475,508**
Underlying carrying amount	**134,792**
Net surplus	340,716
Fair value of the assets and liabilities	
Non-current assets	101,262
Current assets	498,712
Deferred tax	(110,711)
Net asset revaluation	489,263
Portion attributable to minority interests	(179,211)
Goodwill	**30,664**

Also, in December 2007 Grupo Empresarial San José, S.A. acquired a further ownership interest of 2.30% in Parquesol and this transaction gave rise to unallocated goodwill of EUR 13,481 thousand.

Based on the estimates and projections available to Group management, the projected income of these companies attributable to the Group adequately supports the carrying amount of the recognised goodwill allocated to the related cash-generating units.

The changes (gross amounts) in 2007 in "Goodwill" in the consolidated balance sheet were as follows:

	Thousands of Euros	
	2007	2006
Beginning balance	17,626	12,665
Additions	44,145	4,961
Other	311	
Disposals	(1,560)	-
Ending balance	**60,550**	**17,626**

The most significant additions to goodwill on consolidation in 2006 arose from the inclusion of San José Perú S.A.C. in the scope of consolidation and the increase in the ownership interest in subsidiaries of Inmobiliaria Udra, S.A.

In 2007 the additions related mainly to 1681 West Avenue, LLC and Corporación San Bernat SCR, S.A. (CORSABE).

11. Other intangible assets

"Other Intangible Assets" includes the Group's concessions and licences. The breakdown of the balance of this heading in the consolidated balance sheet at 31 December 2007 and of the changes therein in 2007 is as follows:

	Thousands of Euros
Cost:	
Balances at 1 January 2007	330
Additions/Disposals (net) due to change in the scope of consolidation	257
Additions	325
Disposals	-
Transfers and other	20
Balances at 31 December 2007	932
Accumulated amortisation:	
Balances at 1 January 2007	(57)
Additions/Disposals (net) due to change in the scope of consolidation	-
Charge for the year	(69)
Disposals	-
Transfers	-
Balances at 31 December 2007	(126)
Impairment losses-	
At 31 December 2007	
Intangible assets net	**806**

No material impairment losses were recognised.

At 31 December 2007, there were no intangible assets developed internally by the Group or intangible assets with an indefinite useful life.

12. Investments accounted for using the equity method

The Group's most significant investments in associates at 31 December 2007 were as follows:

Thousands of Euros	2007	2006
Carlos Casado, S.A.	23,263	-
Desarrollo Urbanístico Chamartín, S.A.	19,510	19,855
Green Cines, S.L.	487	-
Pinar de Villanueva, S.L.	395	-
Panamerican Mall, S.A.	10,818	8,438
Pontegrán, S.L.	15,453	13,937
Antigua Rehabitalia, S.A.	521	531
Zonagest, S.L	1,016	976
Nuevo Parque de Bomberos, S.A.	537	-
Other	48	-
Total, gross	72,048	43,737
Less- Impairment losses	-	-
Total net	**72,048**	**43,737**

The investment in Pontegrán, S.A. includes goodwill amounting to EUR 9,275 thousand at 31 December 2007. This goodwill is allocable to unrealised gains on the property assets owned by the company.

The gross changes in 2007 in this heading in the consolidated balance sheet were as follows:

	Thousands of Euros
Beginning balance	43,737
Profit for the year	3,259
Acquisition of Carlos Casado	22,947
Incorporation of Nuevo Parque de Bomberos	624
Acquisition of Parquesol	930
Addition of Panamerican Mall, S.A.	2,380
Dividends	(1,800)
Other	(29)
Ending balance	**72,048**

Appendix II details the main investments in associates including their name, the country of incorporation and the Group's percentage of ownership of the capital.

13. Inventories

The breakdown of the balance of "Inventories" in the accompanying consolidated balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Buildable plots of land	734,560	184,615
Raw materials and other procurements	7,014	2,049
Short-cycle construction in progress	71,259	32,802
Long-cycle construction in progress	258,198	76,131
Completed construction work	185,248	21,587
Advances	38,028	4,098
Other	1,603	2,048
Impairment allowance	(3,249)	(6,137)
Total	**1,292,661**	**317,193**

Inventories that will foreseeably be realised within more than 12 months relate to the land and long-cycle property developments.

At 31 December 2007, the Group had entered into agreements for the sale of property amounting to EUR 199,848 thousand. The Group recognised the advances, in the form of cash or notes receivable, received from customers with whom it had entered into the aforementioned sale agreements, amounting to EUR 31,344 thousand, under "Trade Payables - Advances Received on Orders".

At 31 December 2007 the Group owned inventories amounting to EUR 108,574 thousand which had been mortgaged as security for mortgage loans or development loans granted by financial institutions for EUR 123,091 thousand (see Note 16.1).

At 31 December 2007, the Group had entered into various memorandums of understanding or agreements giving it the option to acquire land amounting to EUR 181,000 thousand, of which at that date the Group had paid EUR 39,510 thousand, and this amount was recognised under "Advances to Suppliers" in the accompanying consolidated balance sheet.

At 2007 year-end the Group owned land with a total area of approximately 2,896,913 m^2. The detail, by location, of the Group's land is as follows:

	Thousands of Euros
Spain	662,762
United States	6,424
Portugal	37,284
Argentina	16,806
Peru	16,492
	739,768

Inventories under litigation

The balance under "Inventories" at 31 December 2007 and 2006 includes the carrying amount of a property development (whose initial cost amounted to EUR 7,936 thousand) which the subsidiary Lardea, S.L. (Parquesol Group) is carrying out on a building lot situated at C/ Jacinto Benavente, in Marbella (Malaga). With respect to this development, as a result of the start of construction work by Lardea, S.L., on 18 January 1999 the ecological association "Aedenat-Malaka" filed a complaint against the Municipal Corporation of Marbella City Council, considering that it had committed a planning offence by granting the aforementioned subsidiary a building permit for a zone classified in the Marbella City Master Plan as a "green zone".

In an order dated 29 October 1999, confirmed by the court order of 18 November 1999 and the order of the Criminal Division of the Malaga Provincial Appellate Court of 5 February 2000, the Court decided to suspend the effects of the building permit granted by the Marbella Municipal Council to Lardea, S.L., while also ordering the immediate halt of the building work being performed by the subsidiary on the aforementioned building lot, and this measure was implemented. In addition, on 28 June 2000, a court order was issued ordering Lardea, S.L. to carry out certain compliance work, initially at its own expense, notwithstanding subsequent charge to third parties.

Neither Lardea, S.L. nor its legal representatives have been charged with any offence or any degree of participation and, therefore, it has been considered that Lardea, S.L. has no involvement in the offence. In this respect, the subsidiary appeared at the abbreviated proceeding as the aggrieved party and, in addition, brought a claim for liability against Marbella Municipal Council for the damage and losses sustained by Lardea, S.L. This claim was not admitted by the Municipal Council and, therefore, an appeal for a judicial review was filed. At the date of preparation of these consolidated financial statements, these court proceedings are in progress. In addition, Lardea, S.L. filed an appeal for a judicial review with the High Court in Malaga against the Resolution of the Governing Committee of the Marbella Municipal Council dated 26 November 1999 which, among other matters, rendered null and void the building permit granted to this company for the construction of the buildings on the aforementioned building lot. On 23 October 2006, the Judicial Review Chamber of the High Court of Andalucía upheld the appeal lodged by Lardea, S.L. and declared the act cancelling the building permit to be null and void, and in February 2007 the related notice was given to the Marbella Municipal Council to enforce the judgement.

As a result of the foregoing, on the basis of a report by an independent expert determining the value of the building lot, taking into account its condition, legal status and use in line with current planning regulations, the aforementioned subsidiary recognised in 2004 a decline in value of this building lot amounting to EUR 3,510 thousand. As a result, the carrying amount of the building plot amounted to EUR 4,426 thousand at 31 December 2007 and 2006. The Parent's directors consider that under no circumstances will the outcome of the court proceedings in progress result in additional material losses for the Group to those already considered in these 2007 consolidated financial statements.

Realisation of inventories

In accordance with costs and income estimated at 2007 year-end, the directors of the Parent expect all the property developments completed or in progress at 31 December 2007 and the land and building lots (through property developments or the direct sale thereof) to be settled with a profit.

In this regard, each year the Group commissions studies from independent valuers to determine the fair value of its inventories at the balance sheet date. At 31 December 2007, this study was conducted by Savills España, S.A. and Jones Lang LaSalle España, S.A. and the valuations were performed on the basis of the definition of the Royal Institution of Chartered Surveyors (RICS) and in accordance with the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC), which group together international and European asset valuation institutions.

The dynamic residual method was used to calculate the fair value. According to this method, the residual value of the property in question is obtained by discounting the cash flows calculated on the basis of projected expenses and income at the rate established, taking into account the period until these flows are realised. The total cash receipts deemed to have been received prior to the valuation date are added to this amount to thus obtain the total value. The discount rate used is that which represents the average annual return of the project, excluding external financing, than an average developer would obtain from a development similar to that analysed. This discount rate is calculated by adding the risk premium determined by evaluating the risk of the development, taking into account the property asset to be constructed, its location, liquidity, the construction period and the investment required) to the risk-free interest rate. When the determination of the cash flows takes into account external financing, the aforementioned risk premium must be increased in proportion to the percentage of the financing (degree of leverage) attributed to the project and the standard interest rates in the mortgage market.

At 31 December 2007, the fair value of the Group's inventories based on the aforementioned studies amounted to approximately EUR 1,981,368 thousand, far in excess of the carrying amount thereof.

In any case, the situation of the residential market in 2007 may give rise to differences between the fair value of the Group's inventories and the effective realisable value thereof.

Insurance policy

The Group arranges insurance policies to cover the possible risks to which substantially all its inventories are subject. The Parent's directors consider that the insurance coverage arranged is sufficient.

4. Financial assets

14.1 Trade and other receivables

"Trade and Other Receivables" in the accompanying consolidated balance sheet includes the present value of uncollected revenue, measured as indicated in Note 4.8, contributed by the Group's various lines of business and which form the basis of the profit from operations.

The detail of the balance of accounts receivable from non-Group companies at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Trade receivables for real estate	11,881	-
Total non-current		
Progress billings receivable and trade receivables for sales	551,886	544,835
Amounts to be billed for work performed	126,020	126,435
Retentions	46,655	47,508
Trade receivables for real estate	14,116	-
Allowance for doubtful debts	(16,921)	(9,557)
Total current	**721,756**	**709,221**
Advances received on orders (Note 19.1)	(114,063)	(102,698)
Total net accounts receivable	**607,693**	**606,523**

The balance of "Trade Receivables for Real Estate" relates to an account receivable from the joint venture LHOTSE Desarrollos Inmobiliarios, S.L. for the sale of a building lot, which was classified as a non-current asset.

Group management considers that the carrying amount of trade and other receivables approximates their fair value.

"Amounts to Be Billed for Work Performed" includes the work performed during the year but not yet billed to customers, which is recognised as period revenue in accordance with the method of recognition of revenue for completed construction work, based on the percentage of completion method used by the Group (see Note 4.13).

The balance of "Trade Receivables for Real Estate" at 31 December 2007 relates to both trade receivables for the sale of building lots and to lease receivables. The non-current balance relates to a trade note receivable for the deferral of the collection of a portion of the selling price of a building lot, which matures in 2008. The amount deferred earns annual interest at a market rate.

The Group companies assign trade receivables to banks, without the possibility of recourse against them in the event of default. The receivables sold at year-end, which were deducted from the balance of accounts receivable, totalled EUR 87,989 thousand. These transactions bear interest at normal market rates. The Group companies continue to manage collection. Also, future collection rights arising from construction project contracts awarded under the full payment of price method were sold for EUR 9,685 thousand. This amount was deducted from the balance of "Amounts to Be Billed for Work Performed".

Substantially all the risks and rewards associated with the receivables, as well as control over the receivables, were transferred through the sale and assignment of the receivables, since no repurchase agreements have been entered into between the Group companies and the financial institutions that have acquired the assets, and the financial institutions may freely dispose of the acquired assets without the Group companies being able to limit this right in any manner. Consequently, the balances receivable relating to the receivables assigned or sold under the aforementioned conditions were derecognised.

The Group does not have a significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The average collection period of trade receivables is approximately 180 days.

14. 2 Cash and cash equivalents

"Cash and Cash Equivalents" includes the Group's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. There are no restrictions on the availability of these balances.

The detail of this balance at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Other cash equivalents	31,361	-
Cash on hand	246	622
Cash at banks and credit institutions	74,601	70,743
Total net accounts receivable	**106,208**	**71,365**

For the purposes of quantifying the Group's total cash, it should be noted that Parquesol holds 1,978,613 treasury shares (representing 4.981% of the share capital), which would increase the aforementioned liquidity of EUR 102 million. The value of these shares is not reflected in the consolidated financial statements since they were eliminated on consolidation of Parquesol.

14.3 Other current financial assets

The breakdown of "Other Current Financial Assets" in the accompanying consolidated balance sheet at 31 December 2007 is as follows:

	Thousands of Euros
Investment securities	11,840
Loans to Group companies and associates	235
Deposits and guarantees given	1,328
Other short-term loans	109,381
Total	**122,784**

"Investment Securities" includes bank deposits, short-term deposits and other credits maturing within more than three months. The carrying amount of these assets approximates their fair value.

It also includes EUR 12,238 thousand relating to CORSABE SCR, S.A. securities.

"Other Short-Term Loans" in the consolidated balance sheet at 31 December 2007 includes the account receivable of EUR 107,253 thousand from the Lábaro Group for the sale of 12% of Parquesol, to be paid in three promissory notes maturing in December 2008 (see Note 2.4-d).

The current loans granted to Group companies, totalling EUR 235 thousand, bear interest at market rates tied to Euribor.

At 31 December 2006, this item included bank deposits, short-term deposits and other credits maturing within more than three months.

It also included EUR 9,044 thousand relating to CORSABE SCR, S.A. securities.

14.4 Non-current financial assets

The detail of "Non-Current Financial Assets" in the accompanying consolidated balance sheet and of the changes therein in 2007, excluding "Investments Accounted for Using the Equity Method", is as follows:

	Thousands of Euros					
	Financial Assets at Fair Value	Loans and Other Receivables	Available-for-Sale Financial Assets	Other Investments	Allowances	Total
Balance at 1 January 2006	3,305	8,069	17,566	-	(495)	28,445
Additions or period charge	1,267	3,761	-	7,694	(513)	12,210
Disposals or reductions	-	-	(12,053)	-	70	(11,984)
Value adjustment	1,425	-	-	-	-	1,425
Balance at 31 December 2006	**5,997**	**11,830**	**5,513**	**7,694**	**(938)**	**30,096**
Additions or period charge	-	4,643	-	1,744	-	6,387
Disposals or reductions	(1,342)	-	-	(7,697)	12	(9,027)
Value adjustment	-	-	-	-	-	-
Changes in scope of consolidation	(2,464)	-	-	-	(48)	(2,512)
Balance at 31 December 2007	**2,191**	**16,473**	**5,513**	**1,741**	**(974)**	**24,944**

14.4.1 Available-for-sale financial assets

The financial assets presented above basically represent investments in equity securities of unlisted entities. These ownership interests are stated at the underlying carrying amount.

		Thousands of Euros	
Entity	**%**	**2007**	**2006**
Dycasa, S.A.	7.43	2,186	3,528
Carlos Casado, S.A.	-	-	2,465
Other	-	5	4
		2,191	**5,997**

14.4.2 Loans and receivables

"Loans and Receivables" includes mainly participating loans granted to the associate Antigua Rehabitalia, S.L., which do not bear interest since, due to their participating nature, they are linked to the profit obtained by the company.

14.4.3 Available-for-sale investments

"Available-for-Sale Investments" includes equity investments (in unlisted companies) not included in the scope of consolidation. The detail of these investments and of their carrying amount is as follows:

Entity	Thousands of Euros
Bodegas Altanza, S.A.	1,226
Renfapex 2000, S.A.	108
Unirisco SCR, S.A.	469
Udra México, S.A. de C.V.	1,032
Other	566
	3,401

15. Equity

15.1 Share capital

At 31 December 2007, the Parent's share capital was represented by 218,640 fully subscribed and paid registered shares of EUR 6 par value each.

At 31 December 2007, the shareholder structure of the Parent was as follows:

	Number of Shares	Percentage of Ownership
Jacinto Rey González	77,450	35.42%
Pinos Altos XR, S.L.	53,139	24.30%
Udra Valor, S.A.	23,567	10.77%
Other	64,484	29.51%
	218,640	**100%**

The shares of the Parent are not listed on the stock exchange.

15.2 Share premium

The Consolidated Spanish Companies Law expressly permits the use of the share premium account balance to increase the capital of the entities at which it is recognised and does not establish any specific restrictions as to its use.

15.3 Legal reserve

Under the Consolidated Spanish 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 2007, this reserve had reached the stipulated level.

15.4 Restrictions on the distribution of dividends

There are no significant restrictions on the distribution of dividends.

15.5 Consolidated reserves

The breakdown, by company, of the balance of this account in the consolidated balance sheets, after taking into account the effect of consolidation adjustments, and of the exchange differences recognised in equity as a result of the consolidation process is as follows:

Net reserves attributable to subsidiaries:

Entity	Thousands of Euros
UDRA, S.A.	31,640
SJB Müllroser	2,466
GESJ subgroup	111,520
Commercial subgroup	6,917
Udra Medios, S.A.U.	1,708
Cadena de Tiendas subgroup	(279)
	153,972

Entity	Thousands of Euros
UDRA, S.A.	29,170
SJB Müllroser	(1,958)
GESJ subgroup	109,859
Commercial subgroup	4,464
Udra Medios, S.A.U.	(206)
Cadena de Tiendas subgroup	(225)
	141,104

Net reserves attributable to companies accounted for using the equity method:

The breakdown, by company, of the balance of this account in the consolidated balance sheets, after taking into account the effect of the valuation adjustments, and of the exchange differences recognised in equity as a result of the valuation process, is as follows:

	Thousands of Euros 2007		
Entity	**Reserves**	**Exchange Differences**	**Profit or Loss**
Desarrollo Urbanístico Chamartín, S.A.	(391)	-	(345)
Pontegrán S.L.	12,588	-	3,052
Nuevo Parque de Bomberos, S.A.	-	-	(87)
Carlos Casado, S.A.	-	-	316
Antigua Rehabitalia, S.A.	51	-	(10)
Other	850	-	333
	13,098	**-**	**3,259**

	Thousands of Euros 2006		
Entity	**Reserves**	**Exchange Differences**	**Profit or Loss**
Desarrollo Urbanístico Chamartín, S.A.	(309)	-	(82)
Pontegrán S.L.	5,856	-	6,732
Antigua Rehabitalia, S.A.	-	-	51
Other	-	-	(16)
Total	**5,547**	**-**	**6,685**

"Exchange Differences" includes the net amount of exchange differences arising on non-monetary items whose fair value is adjusted against equity and specifically the differences arising on the translation to euros of the balances of the consolidated companies whose functional currency is not the euro. This item also includes the tax effect arising from the use of these exchange differences for tax purposes through period additions to the investment valuation allowance.

15.6 Valuation adjustments

"Valuation Adjustments" in the consolidated balance sheets includes the net amount of the changes in the fair value of certain derivative instruments (see Notes 4.9 and 4.11) under IAS 32 and 39 and IFRS 7.

15.7 Shares of the Parent

At 31 December 2007 the Group did not hold any treasury shares and had not carried out any transactions involving treasury shares.

15.8 Minority interests

The detail, by consolidated company, of the balance of "Minority Interests" and "Profit Attributable to Minority Interests" is as follows:

	Thousands of Euros	
Entity	**Minority Interests**	**Profit or Loss Attributable to Minority Interests**
Parquesol subgroup	274,383	18,742
San José Infraestructuras y Servicios subgroup	5,351	278
Constructora San José subgroup	251	74
Constructora Panameña de Aeropuertos, S.A.	58	-
Constructora Udra, Ltda.	364	-
San José Bau GmbH	20	-
San José Argentina, S.A.	86	-
Tecnoartel Argentina, S.A.	435	171
San José Perú, S.A.C. subgroup	2,041	-
USA subgroup	1,500	-
Corporación San Bernat SCR, S.A.	8,251	-
Grupo Empresarial San José, S.A.	51,688	6,966
Other	3,548	(3,383)
	347,976	**22,848**

	Thousands of Euros	
Entity	**Capital and Reserves**	**Profit**
Grupo Empresarial San José, S.A. subgroup	67,669	15,669
	67,669	**15,669**

The changes in "Minority Interests" in 2007 are summarised as follows:

Thousands of Euros	**2007**	**2006**
Beginning balance	83,338	61,204
Change in the scope of consolidation	274,383	(332)
Profit for the year	22,848	15,669
Exchange differences	-	(951)
Other changes	(9,745)	7,748
Ending balance	**370,824**	**83,338**

15.9 Capital management

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy reconciles the creation of value for the shareholder with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and investment plan financing needs not covered by the funds generated by the business.

The directors of the Parent consider that evidence of fulfilment of the capital management targets set is provided by the fact that the gearing ratio does not exceed 350%, taken to be the result of dividing net bank borrowings and other financial liabilities by equity.

At 31 December 2007 and 2006, the Group was achieving this parameter, as shown below:

	Gearing Ratio Thousands of Euros	
	2007	2006
Net bank borrowings and other financial liabilities-		
Non-current bank borrowings and other financial liabilities	978,755	7,277
Current bank borrowings and other financial liabilities	440,041	215,647
Cash and cash equivalents	(106,208)	(71,365)
	1,312,588	**151,559**
Equity	**573,244**	**281,043**
Gearing (percentage)	**229%**	**54%**

16. Long-term provisions

The changes in 2007 in the balance of "Long-Term Provisions" in the consolidated balance sheet were as follows:

	Thousands of Euros
Balance at 1 January 2006	**8,986**
Charge for the year	152
Amounts used	(1,546)
Changes in the scope of consolidation	695
Balance at 31 December 2006	**8,287**
Charge for the year	6
Amounts used	(397)
Changes in exchange rates	(25)
Changes in the scope of consolidation	2,168
Reclassifications and other	3,043
Balance at 31 December 2007	**13,082**

The balance at 31 December 2007 includes the balance of provisions for litigation.

17. Bank borrowings and other financial liabilities and other held-for-trading liabilities

17.1 Bank borrowings and other financial liabilities

The breakdown of the balance of "Bank Borrowings and Other Financial Liabilities" in the consolidated balance sheets is as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Non-current:		
Finance lease obligations (Note 8)	5,584	6,301
Bank loans and credits	233,101	976
Mortgage loans secured by inventories	-	-
Syndicated credit facility	740,070	-
Total non-current	**978,755**	**7,277**
Current:		
Finance lease obligations (Note 8)	860	899
Discounted drafts	18,793	20,286
Bank loans and credits	261,539	193,657
Mortgage loans secured by inventories	132,308	-
Syndicated credit facility	26,541	-
Total current	**440,041**	**214,482**
Classification by maturity of loans and credits:		
Current	439,578	86,833
Non-current -	-	-
2009	96,967	-
2010	95,879	-
2011	72,357	-
After five years	713,552	135,286
	978,755	**135,286**

All these loans bear interest at a rate tied to EURIBOR plus a market spread.

At 31 December 2007, the Group had EUR 147 million of undrawn credit facilities.

17.2 Mortgage loans

Mortgage loans secured by investment property

The Group has been granted certain loans by banks that are secured by mortgages on certain properties owned by the Group recognised under "Investment Property" in the accompanying consolidated balance sheet at 31 December 2007 for a total amount of approximately EUR 134,348 thousand (see Note 9). These loans are repaid in instalments consisting of principal and interest, maturing between 2008 and 2025.

These mortgage loans bear annual floating interest at a market rate, which in 2007 ranged from 4.11% to 6.77%.

Mortgage loans secured by inventories

As indicated in Note 4.19, all the bank borrowings associated with inventories are presented in the consolidated balance sheet under "Current Liabilities". The detail, by effective maturity, of the mortgage loans secured by inventories at 31 December 2007 is as follows:

	Thousands of Euros		
	Maturities		
	Current	Non-Current	Total
Mortgage loans secured by property developments under construction (a):			
Of the Parent	-	14,644	14,644
Of subsidiaries	-	5,789	5,789
Of joint ventures	-	8,927	8,927
	-	**29,360**	**29,360**
Mortgage loans secured by completed buildings (b):			
Of the Parent	53,637	-	53,637
Of subsidiaries	13,401	-	13,401
Of joint ventures	5,947	-	5,947
	72,985	**-**	**72,985**
Mortgage loans secured by land:			
Of joint ventures	**1,370**	**28,593**	**29,963**
Total mortgage loans secured by inventories	**74,355**	**57,953**	**132,308**

(a) Relating to the balance drawn down against the developer mortgage loans granted to the Group to finance the construction of its property developments under construction at 31 December 2006 (see Note 13). These loans will be repaid when the properties are delivered to the related buyers, which will be subrogated to the Group's position in the payment obligation. Therefore, the amount drawn down at 31 December 2006 against the loans relating to developments scheduled for completion and delivery in 2007 is presented as maturing at short term in this table.

(b) Since the Parent's directors expect a significant portion of these properties to be sold in 2007, when the buyers will be subrogated to this loan or the loan will be repaid, the outstanding balance at 31 December 2006 is presented in this table as maturing substantially in full at short term.

These mortgage loans bear annual floating interest at a market rate, which in 2007 ranged from 2.65% to 6.52%.

The outstanding principal of these loans at 31 December 2007 matures approximately as follows:

Thousands of Euros			
Maturing in:			
2008	2009	2010	Total
74,355	**22,117**	**35,836**	**132,308**

17.4 Payable to Group companies

This item includes accounts payable to Group companies of a financial nature (see Note 24).

17.5 Syndicated credit facilities

As a result of taking control of the Parquesol Group (see Note 2.4-d), Grupo Empresarial San José, S.A. and Udramed, S.L. arranged credit facilities with a syndicate of banks headed by Barclays Bank, Plc., Sucursal en España. The detail of these credits is as follows:

Syndicated credit facility to the HOLDCO subgroup (Grupo Empresarial San José, S.A., Constructora San José, S.A. subgroup, San José Tecnologías S.A.U. subgroup and Desarrollos Urbanísticos Udra, S.A.U. subgroup):

On 3 May 2007, the modifying novation of the agreement for the credit of EUR 198,406 thousand granted to GRUPO EMPRESARIAL SAN JOSÉ, S.A. was entered into. This credit facility has been drawn down in full and the amount to be repaid at 31 December 2007 stood at EUR 193,181 thousand. The aforementioned amount is broken down into two tranches:

- Tranche A: EUR 166,406 thousand, used to contribute to the equity of UDRAMED, S.L.U. Drawn down in full at 31 December 2007. Half-yearly repayments until 2013.

  The aforementioned amount was contributed to Udramed, S.L.U. by Grupo Empresarial San José, S.A. in the shape of a participating loan.

- Tranche B: EUR 32,000 thousand, used to refinance the existing debt, to meet working capital requirements and for the general corporate purposes of Grupo Empresarial San José, S.A. At 31 December 2007, EUR 32,000 had been drawn down. Repayable in full on maturity (2013).

The applicable interest rate is Euribor plus a variable spread based on the net debt/EBITDA ratio, which may range from 0.5% to 0.85%. Interest is paid monthly, quarterly or half-yearly according to the choice of Grupo Empresarial San José, S.A.

The loan is jointly and severally guaranteed by certain significant subsidiaries (Constructora San José, S.A., Cartuja Inmobiliaria, S.A. and Tecnocontrol, S.A.).

Grupo Empresarial San José, S.A. may distribute dividends up to certain percentages of net profit (50% if the net debt/EBITDA ratio is over 2.5), otherwise unrestricted).

In addition, compliance with certain ratios or covenants related to net debt/EBITDA (not over 3) and EBITDA/finance costs (minimum of 5) is required. These ratios were achieved in 2007.

Syndicated credit facility to the BIDCO subgroup (Inmobiliaria Udra, S.A. subgroup and Udramed, S.L.U. subgroup):

On 3 May 2007, the modifying novation of the agreement for the credit of EUR 580,179 thousand granted to UDRAMED, S.L.U. was entered into. This credit facility has been drawn down in full. The aforementioned amount is broken down into three tranches:

- Tranche A: up to EUR 315,179 thousand, of which EUR 308,430 thousand had been drawn down at 31 December 2007. Half-yearly repayments until 2014.
- Tranche C: up to EUR 180,000 thousand. See syndicated credit facility to Parquesol.
- Tranche D: up to EUR 85,000 thousand. See syndicated credit facility to Parquesol.

On 3 May 2007, Parquesol Inmobiliaria y Proyectos, S.A. became a party to the agreement for the syndicated credit facility granted to UDRAMED, S.L.U. On the same date the novation of the aforementioned syndicated credit facility was entered into and Parquesol Inmobiliaria y Proyectos, S.A. was granted a credit for a maximum of EUR 265,000 thousand, to be used to restructure the Parquesol Group's bank borrowings. The total amount of the credit is split into two tranches, the first of EUR 180,000 thousand and the second of EUR 85,000 thousand, which takes the shape of a revolving credit line. The first tranche matures in 2014 and the revolving credit line matures in 2012.

At 31 December 2007, the Parquesol Group had drawn down both tranches of the syndicated credit facility in full. The credit facility bears annual floating interest at a market rate (EURIBOR plus a spread), which in 2007 ranged from a minimum of 5.23% to a maximum of 5.39%.

The applicable interest rate is Euribor plus a variable spread based on the net debt/GAV ratio, which may range from 0.6% to 1.20%. Interest is paid monthly, quarterly or half-yearly according to the choice of Udramed, S.L.U.

The loan is jointly and severally guaranteed by certain subsidiaries (Inmobiliaria UDRA, S.A., Douro Atlántico Sociedad Inmobiliaria, S.A., Douro Atlántico, S.L., UDRALAR, S.L. and Burgo Fundiarios, S.A.)

Udramed, S.L.U. may distribute dividends up to certain percentages of net profit (35% if the net debt /GAV ratio is over 40%, 50% if it is between 30% and 40% and, otherwise, unrestricted).

In addition, compliance with certain ratios or covenants related to net debt/GAV (not over 50% until 2009, 45% from 2010 onwards) and EBITDA/finance costs (minimum of 2.5 in 2007 and 2008) is required. Both ratios were achieved in 2007.

The early (total or partial) maturity of the syndicated credit facility would occur, inter alia, in the following situations:

- Change of control at the Parquesol Group, at Grupo Empresarial San José, S.A. and/or at UDRAMED, S.L.U.
- Disposal of all of the assets or of a line of business of the aforementioned groups or the disposal of significant ownership interests in Group companies.
- Non-compliance by the Parquesol Group (see syndicated credit facility to PARQUESOL INMOBILIARIA Y PROYECTOS, S.L.) or by the group headed by UDRAMED, S.L.U. with certain financial ratios established in the syndicated credit facility agreement, where the situation is not remedied within 15 days of the notification of the breach by the agent of the syndicated loan.

The clauses of the syndicated credit facility agreement include the obligation of the group headed by UDRAMED, S.L.U. to comply with certain covenants, such as undertaking not to provide any guarantees on its assets except for those relating to developer or mortgage loans of up to 20% of the group's GAV (30% in certain circumstances) and ensuring that the combined balance of the personal loans with a bilateral guarantee granted to the group headed by UDRAMED, S.L.U., other than the syndicated credit facility, does not exceed EUR 100,000 thousand. The directors of the Parent consider that at 31 December 2007 the group headed by UDRAMED, S.L.U. had complied with the aforementioned covenants and expects that it will continue to do so in the future.

The Parquesol Group has entered into a senior mortgage commitment on its property assets, which will only be entered into if and when the syndicated credit facility and the hedge contract executed mature early.

When a cash surplus is generated, 90% of the surplus must be used for the early repayment of the syndicated credit facility (repaying first the tranches of the syndicated credit facility granted to UDRAMED, S.L.U.)

The directors of the Parent consider that at 31 December 2007 none of the situations for the early maturity of the syndicated credit facility had arisen and do not expect any to occur in 2008.

Pursuant to section XIII of the syndicated credit facility agreement – "General Obligations of the Borrower and of the Guarantors" – executed by the Group in 2007 (see Note 17.5), the Borrower may only distribute dividends up to the maximum percentages of net profit indicated below:

Net Debt/EBITDA Ratio	%
X > 2.5	50%
X ≤ 2.5	Unrestricted

18. Derivative financial instruments

To eliminate uncertainty regarding future fluctuations and trends in interest rates on the bank loans and finance leases outstanding at the end of 2007, certain interest rate risk hedging transactions (swaps, swaptions and collars) were arranged, whereby the Group exchanges floating interest rates for fixed interest rates during the term of the aforementioned financing arrangements.

At 31 December 2007, the balance of "Other Non-Current Assets" in the accompanying consolidated balance sheet included the changes in 2007 in the fair value of the financial instruments arranged mainly by Parquesol Inmobiliaria y Proyectos, S.A., Udramed, S.L.U, Constructora San José, S.A. and Grupo Empresarial San José, S.A.

A portion of the financial derivatives arranged by the Group at 31 December 2007 did not fully qualify for hedge accounting and, therefore, the changes in the fair value of these derivative financial instruments in 2007 were recognised under "Gains on Changes in Value of Financial Instruments at Fair Value (Net)" in the accompanying consolidated income statement.

Company and Derivative	Notional Amount (Thousands of Euros)	Commencement of Contract	Expiry of Contract	Interest Rate
Classified as hedges				
Grupo Empresarial San José, S.A. (IRS)	120,880	12/02/07	12/02/12	3.85%
Udramed, S.L.U. (IRS)	236,384	12/02/07	12/02/12	3.85%
Tecnocontrol, S.A. (IRS)	5,904	20/11/06	21/11/11	3.92%
Parquesol Inmobiliaria y Proyectos, S.A. (collar)	135,000	24/09/07	24/09/12	4.685%
Not classified as hedges				
San Jose Tecnologias, S.A. (IRS)	50,000	03/01/07	03/01/12	4%
Constructora San José, S.A.	-			
Interest rate swap	25,000	11/02/06	11/02/11	2.95%
Interest rate swap	80,000	22/02/06	22/02/09	3.33%
Parquesol Inmobiliaria y Proyectos, S.A.:				
Collar	84,000	02/01/05	02/01/09	Cap 5.6% and floor 3.70%
Interest rate swap	25,000	28/03/06	28/03/24	4.16%
Interest rate swap	25,000	31/01/09	31/12/23	4.22%
Interest rate swap	9,000	09/01/04	02/01/09	3.61%
Interest rate swap	7,500	09/01/04	09/01/09	3.63%
Interest rate swap	7,500	09/01/04	09/01/09	3.58%
Interest rate swap	7,500	09/01/04	09/01/09	3.53%
Interest rate swap	5,000	13/04/04	09/01/09	3.10%
Interest rate swap	10,000	31/08/08	31/07/23	4.18%
Interest rate swap	10,000	02/01/09	02/01/24	4.15%
Interest rate swap	8,902	30/06/06	31/10/19	4.26%
Interest rate swap	1,886	09/10/02	04/10/12	4.72%
Interest rate swap	421	30/11/99	30/11/09	4.62%
Interest rate swap	166	17/09/99	17/09/08	4.33%
Interest rate swap	235	29/10/99	30/10/09	4.61%
Interest rate swap	97	24/02/00	24/02/09	4.70%
	202,207			
Green Inmuebles, S.L. (interest rate swap)	**1,270**	31/07/00	30/07/12	5.52%

19. Trade and other payables

19.1 Trade payables

"Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs. The average payment period for trade purchases is approximately 190 days.

"Trade and Other Payables" also includes "Amounts Billed in Advance for Construction Work" totalling EUR 114,063 thousand (see Note 14.1), which relates to progress billings issued during the year for work yet to be performed which are not recognised as revenue for the period, in accordance with the method of recognition of revenue for completed construction work, based on the percentage of completion method used by the Group (see Note 4.13), and to advances received from customers relating to the property development business.

Group management considers that the carrying amount of trade payables approximates their fair value.

19.2 Other current liabilities

"Other Current Liabilities" includes mainly the accounts payable relating to joint ventures. It also includes operating provisions totalling EUR 32,122 thousand and remuneration payable amounting to EUR 6,405 thousand.

19.3 Customer advances

"Customer Advances" relates fundamentally to the advances received from the buyers of the properties in the developments in progress or completed developments at 2007 year-end, the completion and/or delivery of which are scheduled for subsequent years (see Note 13), and to advances received for the sale of investment property (see Note 9).

At 31 December 2007, most of the advances received from customers had been guaranteed by banks.

20. Risk exposure

20.1 Credit risk exposure

The Group is not exposed to significant credit risk, since its customers and the institutions in which cash placements are made or with which derivatives are arranged are highly solvent entities, in which counterparty risk is not significant.

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is mainly attributable to trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by Group management based on past experience and its assessment of the current economic environment.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have a significant concentration of credit risk, since the credit risk exposure is spread over a large number of customers.

The Group took out credit insurance enabling it to reduce commercial credit risk arising from transactions with debtors.

20.2 Interest rate risk exposure

Interest rate risk arises from changes in future cash flows from borrowings bearing interest at floating rates (or with current maturity) as a result of fluctuations in market interest rates.

The objective of interest rate risk management is to mitigate the impact on borrowing costs arising from fluctuations in interest rates. For this purpose, financial derivatives which guarantee fixed interest rates or rates with caps and floors are arranged for a substantial portion of the borrowings that may be affected by this risk.

20.3 Foreign exchange risk exposure

The Group does not have and it did not perform any foreign exchange risk hedging transactions in 2007. Its foreign currency exposure relates to its investments in the companies detailed in Note 4.15, which are financed in local currency.

20.4 Liquidity risk exposure

The Group's liquidity policy consists of the arrangement of committed credit facilities and short-term investments for an amount sufficient to cater for the projected liquidity needs for a given period based on the situations and expectations of the debt and capital markets.

At 31 December 2007, the Group had cash and cash equivalents amounting to EUR 106,208 thousand and consolidated working capital of EUR 948,137 thousand. The financial borrowings, totalling EUR 1,418,796 thousand, were principally secured by mortgages.

At 31 December 2007, the undrawn credit facilities and loans amounted to EUR 147 thousand.

Also, the Group's debt to total assets ratio was 45%.

21. Tax matters

The Group companies file individual tax returns in accordance with the tax legislation in force in each country. With regard to Spain, the San José Group, composed of Udra, S.A. as the Parent and all the Spanish subsidiaries in which it holds an ownership interest of at least 75%, files consolidated income tax returns under the special consolidated tax regime (see Note 4).

Also, Parquesol Inmobiliaria y Proyectos, S.L. and all the Spanish subsidiaries in which it has an ownership interest of at least 75%, file consolidated income tax returns, forming a separate group from the San José group.

For each of the consolidated companies, income tax is calculated on the basis of the accounting profit or loss determined by application of generally accepted accounting principles, which does not necessarily coincide with the taxable profit.

21.1 Years open for review

Grupo Empresarial San José, S.A. and the subsidiaries included in the consolidated tax group have the last four years open for review for the taxes applicable to them and 2003 for income tax.

With respect to the other subsidiaries that are either not domiciled in Spain or do not form part of the consolidated tax group, the years open for review are in accordance with the maximum period established in the legislation applicable in each country of residence. Inmobiliaria Udra S.A. is the only Spanish company that has all years from 2004 open for review for all taxes.

In 2005 and 2006 the tax authorities initiated tax audits at certain companies in the Parquesol Group in relation to the following taxes and periods:

Tax	Company	Year
Income tax	Parquesol Inmobiliaria y Proyectos, S.L. (absorbed by Parquesol Inmobiliaria y Proyectos, S.A.)	2000 to 2002
	Guadalmina Inversiones, S.L.	2001 and 2002
	Parzara, S.L.	2001 and 2002
	Green Inmuebles, S.L.	2001 and 2002
VAT	Parquesol Inmobiliaria y Proyectos, S.L. (absorbed by Parquesol Inmobiliaria y Proyectos, S.A.)	2002
	Guadalmina Inversiones, S.L.	2002
	Parzara, S.L.	2002
	Green Inmuebles, S.L.	2002
Personal income tax withholdings / prepayments	Parquesol Inmobiliaria y Proyectos, S.L. (absorbed by Parquesol Inmobiliaria y Proyectos, S.A.)	2002
	Guadalmina Inversiones, S.L.	2002
	Parzara, S.L.	2002
	Green Inmuebles, S.L.	2002

Except for these companies and periods, the other Parquesol Group companies have the last four years open for review for all the main taxes applicable to them.

The Parent's directors consider that in no case will significant additional liabilities arise as a result of the tax audits currently in progress or in the event of tax audits of the other years open for review.

21.2 Reconciliation of the accounting profit to the taxable profit

The reconciliation of accounting profit for 2007 to the taxable profit for income tax purposes is as follows:

	Thousands of Euros
	2007
Accounting profit before tax	**100,850**
Permanent differences-	
Losses of consolidated companies excluded from the consolidated tax group for which no tax asset was recognised	10,781
Increases at individual companies	1,281
Decreases at individual companies	(12,531)
Decreases arising from consolidation adjustments and adaptation to EU-IFRSs (a)	(12,106)
Share of the result of companies accounted for using the equity method	202
Temporary differences-	
Increases:	
At individual companies	6,030
Consolidation adjustments and adaptation to EU-IFRSs	46,237
Decreases:	
At individual companies	(3,800)
Consolidation adjustments and adaptation to EU-IFRSs	(14,292)
Offset of prior years' tax losses	(3,128)
Taxable profit	**119,322**
Gross tax payable (32.5% in 2007)	**38,779**
Less- Tax credits (e)	(1,954)
Estimated net tax payable	**36,825**
Less - Tax withholdings and prepayments	(19,275)
Current income tax liability	**17,550**

The effect of the income tax expense resulting from the application of different tax rates in other countries is not significant.

21.3 Tax loss carryforwards

Although at 2007 year-end some of the consolidated companies had recognised tax losses amounting to approximately EUR 18,893 thousand, the accompanying consolidated balance sheet at 31 December 2007 only includes a tax asset of EUR 162 thousand in this connection.

The detail of the tax loss carryforwards of the consolidated companies at 31 December 2007 is as follows:

	Thousands of Euros		
Company	**Year Incurred**	**Tax Losses**	**Last Year for Offset**
Spanish companies included in the Udra, S.A. consolidated tax group	2002	145	2017
	2003	-	2018
	2004	687	2019
	2005	115	2020
	2006	87	2021
Spanish companies included in the Parquesol consolidated tax group	1994 to 1999	72	2009 to 2014
	2000	172	2015
	2001	2,684	2016
	2002	1,884	2017
	2003	767	2018
Spanish companies excluded from the consolidated tax group	2002	2	2017
	2004	113	2019
	2005	260	2020
	2006	1,528	2021
	2007	7,692	2022
Foreign companies	1998	595	-
	1999	641	
	2000	446	
	2002	587	-
	2003	3,291	
	2004	3,192	
	2005	2,675	
	2006	2,793	
	2007	7,709	

In the case of the Spanish companies and under current legislation, the tax losses of a given year can be carried forward for tax purposes for offset against the taxable profits of the following 15 years. However, the final amount of the tax losses to be offset may be modified as a result of the review by the tax authorities of the years in which the losses were incurred.

21.5 Deferred tax assets and liabilities

The deferred tax assets recognised in the accompanying consolidated balance sheet at 31 December 2007 arose as a result of the following:

	Thousands of Euros
Deferred Tax Assets:	**2007 Parquesol**
Elimination of intra-Group profits on consolidation in relation to land sales	16,917
Elimination of sales proceeds recognised in individual financial statements but not yet executed in a public deed at year-end	3,158
Allocation of costs to inventory sales	1,765
Tax loss carryforwards	162
Provisions not deductible in 2007	1,034
Conditional sales	710
Instalment sales	
Finance costs not capitalisable as building lot inventories	252
Measurement of derivative financial instruments	535
Other	1,066
	25,599

The balance of "Deferred Tax Assets" at 31 December 2007 includes principally the following items:

- The tax effect arising from the elimination of the gains obtained by certain consolidated companies included in the consolidated tax group headed by the Parent of each tax group from the sale of certain building lots to other consolidated companies excluded from the related consolidated tax group.
- The tax effect arising from the elimination of the income from the sale of Parquesol Group property developments with delivery to the buyers at 31 December 2007 and recognised in the individual financial statements of the Parent, in accordance with the Spanish National Chart of Accounts as adapted for real estate companies.

The deferred tax liabilities recognised in the accompanying consolidated balance sheet at 31 December 2007 arose as a result of the following:

	Thousands of Euros	
Deferred Tax Liabilities:	**2007 Parquesol**	**2007 San Jose Group**
Revaluation of investment property in the first-time application	10,569	110,045
Changes in the scope of consolidation		3,450
Deferral for reinvestment of extraordinary income	3,599	651
Unrealised gains allocated to assets on consolidation	2,183	
Elimination of intra-Group profits on sales of non-current assets		**12,895**
Elimination of construction margin in inventories		525
Non-capitalised finance income from inventories		**545**
Elimination of deductible provisions on consolidation	1,538	
Measurement of derivative financial instruments	926	
Sales with deferred collection	787	305
Other	1,351	
	20,953	**128,416**

The balance of "Deferred Tax Liabilities" at 31 December 2007 relates basically to the following items:

- The deferred tax liability arising from the measurement at fair value of certain items of the Group's investment property at the date of transition to EU-IFRSs.
- The tax effect at Parquesol of the difference in timing between the recognition of the accounting income arising from certain non-current asset sales made in the period from 1997 to 2001 and the calculation of the taxable income derived from the accounting gains recognised, since the Group availed itself of the regime relating to the reinvestment of extraordinary profit provided for in Spanish Corporation Tax Law 43/1995, of 27 December, and deferred the tax effect of the related gains. The Group includes the extraordinary profits on the aforementioned property, plant and equipment sales in the income tax base on the basis of the depreciation of the items in which the related amounts were reinvested and, for the non-depreciable portion of those assets, at a rate of one seventh each year from the end of the reinvestment period onwards. The income not yet taxed at 31 December 2007 under income tax relating to the gains arising up to 2001 will be included in the tax base in the tax periods up to 2047, inclusive, on the basis of the depreciation taken on the asset in which the reinvestment is made.

  The deferred income arising from property, plant and equipment sales made in the period from 1997 to 2001, inclusive, was reinvested in full before 31 December 2006.
- The deferred tax liability arising from the allocation on consolidation of gains to properties as a result of the allocation of goodwill arising on the acquisition of various investees.
- The tax effect of the difference in timing between the recognition of the accounting income on the sale of a building lot, with deferred payment, in 2006 and the date on which the taxable income will be calculated in relation to the accounting gains, since it was decided to include the gain in the income tax base on the basis of the dates on which the related amounts are collected.

21.6 Tax credits

Current Spanish income tax legislation provides for certain tax incentives. The tax credits earned in the year in excess of the applicable legal limits may be deducted from the gross income tax payable in the coming years, subject to the limits and deadlines established in this connection by the related tax legislation. The Group availed itself of the tax benefits provided for in the aforementioned legislation and deducted EUR 5,426 thousand from the net consolidated income tax payable in 2007, as follows:

	Year Incurred	Thousands of Euros
Earned by the Grupo Empresarial San Jose S.A. tax group		
Tax credit for double taxation	2007	4,094
Tax credit for exports and international fairs	2007	872
Tax credit for training activities	2007	5
Tax credit for donations	2007	303
		5,274
Earned by the Parquesol Inmobiliaria y Proyectos, S.A. tax group:		
Tax credit for reinvestment of extraordinary income	2007	133
Tax credit for training activities	2007	1
Tax credit for donations	2007	21
		155

At 31 December 2007, after taking into account the amounts deducted indicated above, the Group did not have any unused tax credits.

The reinvestment requirements relating to the full amount of the tax credits for the reinvestment of extraordinary income earned by the Group in the period from 2003 to 2007, inclusive, had been met in full by 31 December 2007 within the periods established by current tax legislation.

21.7 Tax receivables and payables

The detail of the Group's tax receivables and payables at 31 December 2007 is as follows:

	Thousands of Euros	
	2007	
	Current	Non-Current
TAX ASSETS:		
Deferred tax assets	**-**	**25,599**
VAT refundable	53,548	-
Sundry tax receivables	23,892	-
Tax receivables (Note 12)	**77,440**	**-**
TOTAL TAX ASSETS	**77,440**	**25,599**
TAX LIABILITIES:		
Deferred tax liabilities	**-**	**149,369**
Current income tax liabilities	**17,550**	**-**
VAT payable	43,122	-
Personal income tax withholdings payable	4,089	-
Other tax payables	8,279	-
Accrued social security taxes payable	3,232	-
Sundry tax payables	11,742	
Tax payables (Note 20)	**70,464**	**-**
TOTAL TAX LIABILITIES	**88,014**	**149,369**

22. Guarantee commitments to third parties

At 31 December 2007, the Group had received from financial institutions and insurers guarantees provided to third parties, relating in full to subsidiaries, amounting to EUR 417 thousand, as follows:

The Group arranged the syndicated loans indicated in Note 17.5 to settle the acquisition of Parquesol, providing the shares it holds in Parquesol as security for the loan.

This balance also includes the guarantees related to companies accounted for using the equity method, totalling EUR 9,516 thousand, given by the associate Desarrollo Urbanístico Chamartín, S.A. to the Tax Department of the Madrid Autonomous Community Government as security for the stay of collection proceedings, in order to file a claim with the Madrid Regional Economic-Administrative Tribunal against the transfer tax and stamp tax assessment and payment document received on 23 December 1998 with regard to the contract awarded for the Renfe urban development rights in the Chamartín railway station area of Madrid.

The remainder of the guarantees relate to provisional and final bonds to public and private agencies for tenders and contracts, most of which are provided by banks and insurance companies.

The directors of the Parent and of the subsidiaries do not expect any material liabilities to arise in relation to the above guarantee commitments.

23. Income and expenses

23.1 Revenue

The detail of the balance of "Revenue" in the accompanying consolidated income statement for 2007 is as follows:

	Thousands of Euros
Construction	1,216,757
- Civil engineering	182,514
- Residential	438,033
- Non-residential	596,211
Real estate business	249,591
Technology	93,597
Revenue	**1,559,945**

The project backlog (work awarded but not yet performed) amounted to EUR 1,562,636 thousand at 31 December 2007, broken down as follows:

	Thousands of Euros
Construction	1,471,785
Industrial and other businesses	90,851
	1,562,636

23.2 Procurements and other external expenses

The breakdown of the balance of "Procurements" in the consolidated income statements for 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Purchases of raw materials and other supplies	278,928	360,494
Changes in goods for resale, raw materials and finished goods	10	19,000
Purchase volume discounts	(110)	(17)
Contract work carried out by other companies	715,358	560,563
Total procurements	**994,186**	**940,040**

"Contract Work Carried out by Other Companies" includes work that forms part of the Group's own production process but is subcontracted to other companies.

The breakdown of the balance of "Other External Expenses" in the consolidated income statement for 2007 is as follows:

	Thousands of Euros	
	2007	2006
Utilities	9,054	6,764
Repair and upkeep expenses	4,352	1,361
Transport and freight costs	1,692	1,610
Insurance premiums and banking services	5,176	3,694
Independent professional services	23,600	12,439
Rent	41,290	39,806
Advertising and publicity	6,066	3,108
Other services	61,194	69,860
Taxes other than income tax	12,845	13,436
Other operating expenses	4,084	7,241
Total other external expenses	**169,353**	**159,319**

The fees paid to the principal auditor for the audit of the 2007 financial statements of the consolidated companies amounted to EUR 302,336 thousand. Also, the fees paid to other auditors participating in the audit of the subsidiaries amounted to EUR 55 thousand.

The fees paid to the auditors for other services amounted to EUR 90 thousand.

23.3 Staff costs

The detail of "Staff Costs" is as follows:

	Thousands of Euros
Wages and salaries	152,536
Termination benefits	1,565
Employer social security costs	42,476
Other employee benefit costs	
	196,577

The average number of employees at the Group, by professional category, was as follows:

	Average Number of Employees	
Category	2007	2006
University graduates	442	447
Further education college graduates	782	786
Clerical staff	243	242
Manual workers and line personnel	3,345	4,158
	4,812	**5,633**

The average workforce at 31 December 2007 comprised 3,224 men and 1,588 women.

23.4 Remuneration in kind

At 31 December 2007, there was no significant remuneration involving the delivery of free or subsidised goods.

23.5 Share-based payment

There are no share-based payments.

23.6 Leases

Operating leases

At the reporting date the Group did not have any operating leases of a material amount nor had assumed future minimum lease payment obligations.

Finance leases

At 31 December 2007, the Group had acquired future lease payment obligations under finance leases entered into amounting to EUR 6,444 thousand, which fall due mainly in 2010 and 2011. This balance is included under "Bank Borrowings and Other Financial Liabilities" on the liability side of the consolidated balance sheet (see Note 16.1).

23.7 Finance income

The detail of the balance of "Finance Income" in the consolidated income statement is as follows:

	Thousands of Euros	
	2007	2006
Interest on loans	13,537	7,714
Income from equity investments	1,661	456
Other finance income	770	225
	15,968	**8,395**

23.8 Finance costs

The detail is as follows:

	Thousands of Euros	
	2007	2006
Interest on debts	65,771	11,067
Other finance costs	5,012	398
	70,783	**11,465**

23.9 Other gains or losses

The detail of other gains and losses is as follows:

	Thousands of Euros	
	2007	2006
Gains on disposals of property, plant and equipment	8,655	110
Other extraordinary profit transferred to profit from ordinary activities	819	(3,776)
	9,474	**(3,666)**

23.10 Changes in operating provisions

The changes in operating provisions in the consolidated balance sheet in 2007 were as follows:

	Thousands of Euros			
	Inventories	Doubtful Debts	Other Operating Provisions	Total
Balance at 1 January 2007	5,862	9,448	14,708	30,018
Charge for the year		217	608	825
Amounts used	(2,305)	(2,849)	(10)	(5,164)
Changes in exchange rates	(416)			(416)
Changes in the scope of consolidation		10,092	15,594	25,686
Balance at 31 December 2007	**3,141**	**16,908**	**30,900**	**50,949**

24. Balances and transactions with unconsolidated associates and joint ventures

All the material balances at year-end between the consolidated companies and the effect of the transactions performed between them during the year were eliminated on consolidation. The detail of the most significant balances between the Group and the non-consolidated associates and joint ventures and the effect of the transactions performed therewith on the consolidated income statement are as follows:

	Thousands of Euros
Liabilities:	
Pontegrán, S.A.	20,841
Other	2,469
	23,310

25. Remuneration

25.1 Remuneration of directors

The detail of the remuneration earned under all headings in 2007 by the directors of UDRA, S.A. and the Group company, jointly-controlled entity or associate obliged to pay such remuneration is as follows:

	Thousands of Euros
Wages and salaries	93

At 31 December 2007, the Company had not granted any advances, loans or other types of guarantees to its former or current directors, nor did it have any additional pension or life insurance obligations to them.

Pursuant to Article 127 ter.4 of the Spanish Companies Law, introduced by Law 26/2003 of 17 July, which amends the Securities Market Law and the Spanish Companies Law, in order to reinforce the transparency of corporations, the following information is provided about the Parent's directors:

Owner	Investee	Line of Business	Ownership Interest	Functions
Jacinto Rey González	Pinos Altos XR, S.L.	Securities holding	55%	Director
Jacinto Rey González	Grupo Empresarial San José, S.A.	Securities holding	27.96%	Director
Jacinto Rey Laredo	Udra Valor, S.A.	Securities holding	4.64%	None
Jacinto Rey Laredo	Pinos Altos XR, S.L.	Securities holding	22.5%	None
Pedro Sáenz-Díez Trías	Inmobiliaria Udra, S.A.	Development	0.33%	Director
Pedro Sáenz-Díez Trías	Inmobiliaria Americana de Desarr. Urb, S.A.	Development	-	Director
Pedro Sáenz-Díez Trías	Inmobiliaria Europea de Desarr. Urb, S.A.	Development	-	Director
Pedro Sáenz-Díez Trías	Udramed, S.L.U.	Development	-	Director acting severally
Pedro Sáenz-Díez Trías	Udramar, S.A.U.	Development	-	Director acting severally
Pedro Sáenz-Díez Trías	Udrasol, S.A.U.	Development	-	Director acting severally
Pedro Sáenz-Díez Trías	Udrasur, S.L.U.	Development	-	Director acting severally
Pedro Sáenz-Díez Trías	Inversiones Roxas, S.A.	Property	95%	Director
Pedro Sáenz-Díez Trías	Surasni, S.L.	Property	16%	Director
Jacinto Rey Laredo	Pinos Altos XR, S.L.	Securities holding	22.5%	Director
Jacinto Rey Laredo	Udra Valor, S.A.	Securities holding	-	-

Also, pursuant to the aforementioned Law, set forth below are the activities performed by the Sole Shareholder, as an employee or as an independent professional, at companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of UDRA, S.A.:

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Positions or Functions at the Company Concerned
Jacinto Rey Laredo	Construction	Independent professional	Grupo Empresarial San José, S.A.	Director
Jacinto Rey González	Securities holding	Independent professional	Uninvest, S.C.R.	Director
Jacinto Rey González	Securities holding	Independent professional	Unirisco Galicia, S.C.R.	Director
Jacinto Rey González	Securities holding	Independent professional	Udra Valor, S.A.	Representative of Pinos Altos Inversiones, S.L.

a) Detail of investments in companies engaging in a similar activity:

For the purposes of this section, and as established in Article 127 ter.4 of the Spanish Companies Law, the Parent considers that, despite the fact that its company object comprises a range of activities, which have historically been carried on by the Company, its activity is currently focused on the development of all kinds of property, the performance of public or private works, the purchase and sale, administration and operation of property; the purchase and manufacture of electronic, computer and telecommunications products and systems; the full maintenance of hospital facilities, maintenance of operating theatres and electromedical equipment; the manufacture and sale of integrated systems for operating theatres; and air conditioning projects and installation. Consequently, the information provided by the members of the Board of Directors to be disclosed in this section is confined to these activities.

b) Performance of similar activities by the directors as independent professionals or as employees:

Also, in accordance with the aforementioned article the Parent did not receive any notification of any positions held or duties discharged by the directors other than those relating to the Group companies, jointly controlled entities and associates of the UDRA Group.

Similarly, as disclosed in the foregoing section, the Company did not receive any notification from its directors declaring that they carry on, as independent professionals or as employees, any activity that is identical, similar or complementary to the activity that constitutes the company object of UDRA, S.A. as defined above.

Information relating to the Group companies, jointly controlled entities and associates of the UDRA Group is detailed in the individual financial statements of the Parent.

25.2 Remuneration and other benefits paid to senior executives

The total remuneration earned in 2007 in all connections by the Parent's general managers and by employees who perform similar functions - excluding those who simultaneously sit on the Board of Directors (whose remuneration has been detailed above) - may be summarised as follows:

Number of Employees	Thousands of Euros
64	9,445

Additionally, the Company does not have any pension or life insurance obligations to these executives.

26. Information on the environment

In view of the business activity carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to the Company's equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

27. Events after the balance sheet date

The Company is in the process of integrating with the Parquesol Group with the aim of creating a more diversified and larger group with the capacity to take on larger projects. This corporate restructuring is expected to be completed in the first half of 2008.

28. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

APPENDIX I **Consolidated subsidiaries**

APPENDIX II **Consolidated associates**

APPENDIX III **Consolidated joint ventures**

APPENDIX I
Consolidated subsidiaries

Company	Auditor	Location	Line of Business	% of Voting Rights Held by the Parents: Direct	Indirect	Other	Carrying Amount
1681 West Avenue, LLC	Unaudited	Delaware (USA)	Property development	-	70	30	5,217
Alcava Mediterranea, S.A.	Deloitte, S.L.	Valencia	Construction	-	100	-	60
Almarjurbe - Investimentos Inmobiliarios	-	Lisbon (Portugal)	Property development	-	100	-	50
Altiplano Desarrollos Inmobiliarios, S.L.	-	Valladolid	Property development	-	55	45	1,375
Argentimo	KPMG	Buenos Aires (Argentina)	Property development	-	100	-	20,035
Arserex, S.A.U.	Unaudited	Madrid	Marketing and distribution of sports items in Spain	-	100	-	2,844
Artel Ingenioeros, S.L.U.	Deloitte, S.L.	Pontevedra	Design and installation of telephone networks	-	100	-	754
Asesoram. y Gestión Integral de Edificios, S.A.U. (AGEINSA)	-	Barcelona	No activity	-	100	-	74
Azac, S.A.U.	-	Barcelona	No activity	-	100	-	13,339
Balltagi Mediterrani, S.A.U.	Deloitte, S.L.	Barcelona	Construction	-	100	-	60
Basket King, S.A.U.	Unaudited	Madrid	Marketing and distribution of sports items in Spain	-	100	-	977
Burgo Fundiarios, S.A.	Deloitte, S.L.	Porto (Portugal)	Property	-	100	-	510
Cadena de Tiendas, S.A.U.	Unaudited	Pontevedra	Marketing, production, distribution, import and export of clothes	100	-	-	60
Cartuja Inmobiliaria, S.A.U.	Deloitte, S.L.	Seville	Construction	-	100	-	3,884
Centro Comercial Panamericano, S.A	KPMG	Buenos Aires (Argentina)	Property development	-	100	-	8,198
CIMSA Argentina, S.A.	Ricardo Casal	San Luis (Argentina)	Civil engineering work	-	96	4	-
Comercial Udra, S.A.U.	Deloitte, S.L.	Pontevedra	Sales	100	-	-	2,166
Construcción, Rehabilitación y Conservación, S.L.U.	Deloitte, S.L.	Santiago de Compostela	Construction	-	100	-	653
Constructora Avalos, S.A.U.	Deloitte, S.L.	Tres Cantos (Madrid)	Construction	-	100	-	1,073
Constructora Panameña de Aeropuertos, S.A.	Bustamante y Bustamante	Panama City (Panama)	Construction	-	94.8	5.2	786
Constructora San José Argentina, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Construction	-	90	10	224
Constructora San José Cabo Verde, S.A.	Unaudited	Cape Verde	Construction	-	100	-	49
Constructora San José, S.A.	Deloitte, S.L.	Pontevedra	Construction	-	99.79	0.21	88,106
Constructora Udra Limitada	Deloitte, S.L.	Monaco (Portugal)	Complete construction, upkeep and repairs.	7	52.59	40.41	25
Copaga, S.L.U.	Deloitte, S.L.	Vigo (Pontevedra)	Property	-	100	-	1,820
Corporación San Bernat SCR,SA	Audihispana	Barcelona	Securities holding	-	50.17	49.83	12,270
Deconalva, S.A.	KPMG		Property development	-	75	25	7,263
Desarrollos Urbanisticos Udra, S.A.	Unaudited	Pontevedra	Property development	-	100	-	20,200
Douro Atlantico Sociedade Inmobiliaria, S.A.	Deloitte, S.L.	Porto (Portugal)	Property	-	100	-	11,521
Douro Atlantico, S.L.U.	Deloitte, S.L.	Pontevedra	Property	-	100	-	3,579
Edificio Avenida da Liberdade,		Lisbon (Portugal)	Leasing	-	100	-	50

APPENDIX I
Consolidated subsidiaries

Company	Auditor	Location	Line of Business	% of Voting Rights Held by the Parents: Direct	Indirect	Other	Carrying Amount
Eraikuntza, Birgaikuntza Artapena, S.L.U.	Deloitte, S.L.	Vitoria Gasteiz	Construction	-	100	-	435
Esparq Construcciones, S.A.	Deloitte, S.L.	Lima (Peru)	Construction	-	75	25	348
Espinosa Arquitectos, S.A.	Deloitte, S.L.	Lima (Peru)	Construction and development	-	75	25	1,297
Fashion King, S.A.U.	Unaudited	Madrid	Marketing, production, distribution, import and export of clothes	-	100	-	24
Fomento Inmobiliario de Gestión, S.A.	-	Madrid	Property development	-	100	-	1,174
Gabinete de Selección, S.L.	Unaudited	Vigo (Pontevedra)	Staff recruitment and placement	100	-	-	38
Green Inmuebles, S.L.	-	Valladolid	Leasing	-	50	50	1,894
Grupo Empresarial San José, S.A.	Deloitte, S.L.	Pontevedra	Development of all manner of property and construction in general, for its own account or for the account of others.	75.29		24.71	51,032
Guadalmina Inversiones, S.L.U.	-	Madrid	Property development	-	100	-	872
Hood Sports, S.A.U.	Unaudited	Madrid	Production, warehousing and distribution of manufactured goods	-	100	-	60
Hotel Rey Pelayo, S.L.	-	Gijón (Asturias)	Leasing	-	100	-	6,749
Iniciativas Galebal, S,L.	Unaudited	Palma de Mallorca	Property development	-	56	44	-
Inmobiliaria Americana de Desarrollos Urbanisticos, S.A.U.	Unaudited	Pontevedra	Property development	-	100	-	60
Inmobiliaria Europea de Desarrollos Urbanísticos, S.A.U.	Unaudited	Pontevedra	Property development	-	100	-	8,540
Inmobiliaria Sudamericana de Desarrollos Urbanísticos, S.A.	KPMG	Buenos Aires (Argentina)	Property development	-	100	-	716
Inmobiliaria Udra, S.A.	Deloitte, S.L.	Pontevedra	Property	-	100	-	88,974
Inmoprado Laguna, S.L.	-	Valladolid	Property development	-	50	50	1,503
Instal 8, S.A.U.	Unaudited	Tres Cantos (Madrid)	Hydraulic installations	-	100	-	44
Inversiones Patrimoniales Guadaiza, S.L.U.	Unaudited	Pontevedra	Property development	-	100	-	8,905
Lardea, S.L.	-	Madrid	Property development	-	100	-	10,284
Nº 11 - Investimentos Imobiliários, S.A. Edificio Duque de Loulé, Nº 106- Investimentos Inmobiliarios S.A.	-	Lisbon (Portugal)	Leasing	-	100	-	50
Nº 35 - Investimentos Imobiliários, S.A. Edificio Duque de Palmela	-	Lisbon (Portugal)	Leasing	-	100	-	50
Outdoor King, S.A.U.	Unaudited	Madrid	Production, warehousing and distribution of manufactured goods	-	100	-	60
Parque Usera, S.L.	-	Madrid	Property development	-	100	-	5,189
Parquesol Construcciones, Obras y Mantenimientos, S.L.	-	Valladolid	No activity	-	97	3	96
Parquesol Inmobiliaria y Proyectos, S.A.	Deloitte, S.L.	Valladolid	Property development		53.1	46.9	495,821
Parquesol Promociones y Desarrollos Inmobiliarios, S.L.U.	-	Valladolid	Property development	-	100	-	1,536
Parquesoles Portugal SGPS, S.A.	-	Lisbon (Portugal)	Portfolio company	-	100	-	100
Parzara, S.L.U.	-	Madrid	Property development	-	100	-	35,636

APPENDIX I
Consolidated subsidiaries

Company	Auditor	Location	Line of Business	% of Voting Rights Held by the Parents: Direct	Indirect	Other	Carrying Amount
Running King, S.A.U.	Unaudited	Pontevedra	Marketing, production, distribution, import and export of clothes	-	100	-	1
S.M.Klima, S.A.U.	Deloitte, S.L.	Seville	Installation and upkeep of air conditioning systems	-	100	-	45
San José BAU GmBH	Wisbert & Partner	Berlin (Germany)	Construction	-	84	16	101
San José Concesiones y Servicios, S.A.U.	Unaudited	Pontevedra	Provision of health care and social services	-	100	-	60
San José Construction Group, Inc	Goodman & Company	Washington (USA)	Construction	-	100	-	-
San José France, S.A.S.	Unaudited	Le Haillan (France)	Portfolio company	-	100	-	982
San José Infraestructuras y Servicios, S.A.	Deloitte, S.L.	Pontevedra	Assembly and maintenance of infrastructures	-	99.79	0.21	116
San José Perú, S.A.C.	Deloitte, S.L.	Lima (Peru)	Construction	-	75	25	4,700
San José Real Estate Development, LLC	Unaudited	Delaware (USA)	Property development	-	100	-	5,207
San José Uruguay, S.A.	Colonia Sacramento Unaudited	Manufacturing (Uruguay)	and marketing	-	100	-	38
San Pablo Plaza, S.L.U.	Unaudited	Seville	Property development	-	100	-	9,064
SCPI Parquesol Rue de la Bienfaisance	-	Paris (France)	Leasing	-	100	-	5
Sefri Ingenieros Maroc, S.A.R.L	Unaudited	Morocco	Engineering and installation services	-	75	25	-
Sefri Ingenieros, S.A.U.	Deloitte, S.L.	Tres Cantos (Madrid)	Engineering and installation services	-	100	-	2,834
Sierra de Nipe, S.A.	Unaudited	Dominican Republic	Property development	-	100	-	
SJB Mullroser	Wisbert & Partner	Müllrose (Germany)	Construction	-	84	16	-
SJB Müllroser Bauggesellschaft mbH	Unaudited	Müllrose	Construction	100	-	-	-
Sofía Hoteles, S.L.U.	-	Valladolid	Management of the facilities of the Tryp Sofía Hotel in Valladolid	-	100	-	2,849
SUPRA Desarrollos Inmobiliarios, S.L.	-	Seville	Property development	-	55	45	550
Tecnoartel Argentina, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Maintenance and installations	-	94.5	5.5	634
Tecnocontrol Servicios, S.A.U.	Deloitte, S.L.	Tres Cantos (Madrid)	Maintenance services	-	100	-	311
Tecnocontrol Sistemas de Seguridad, S.A.U.	Unaudited	Tres Cantos (Madrid)	Security systems maintenance	-	100	-	120
Tecnocontrol, S.A.U.	Deloitte, S.L.	Barcelona	Installation and assembly	-	100	-	1,898
Trendy King, S.A.U.	Unaudited	Madrid	Marketing and distribution of sports items in Spain	-	100	-	1,515
Udra Argentina, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Property	-	90	10	637
Udra Industrial, S.A.U.	Deloitte, S.L.	Pontevedra	Installations	-	100	-	6,017
Udra Mantenimiento, S.L.U.	Unaudited	Tres Cantos (Madrid)	Public telephone maintenance and money collection services	-	100	-	3,006

APPENDIX I
Consolidated subsidiaries

Company	Auditor	Location	Line of Business	% of Voting Rights Held by the Parents			Carrying Amount
				Direct	Indirect	Other	
Udra Medios, S.A.U.	Unaudited	Pontevedra	Editing, production, reproduction and public dissemination of books, newspapers, magazines and any picture or sound distribution medium	100	-	-	1,294
Udralar, S.L.	Unaudited	Tres Cantos (Madrid)	Property	-	55	45	1
Udramar Inmobiliaria, S.L.U.	Unaudited	Tres Cantos (Madrid)	Property	-	100	-	-
UdraMed, S.L.U.	Deloitte, S.L.	Tres Cantos (Madrid)	Construction	-	100	-	3
Udrasol Inmobiliaria, S.L.U.	Unaudited	Tres Cantos (Madrid)	Property	-	100	-	-
Udrasur Inmobiliaria, S.L.U.	Unaudited	Tres Cantos (Madrid)	Property	-	100	-	2
Urbemasa, S.A.U.	-	Valladolid	No activity	-	100	-	329

APPENDIX II
Consolidated associates

Company	Auditor	Location	Line of Business	% of Voting Rights Held by the Parents			Carrying Amount
				Direct	Indirect	Other	
Pontegran, S.L.	Deloitte, S.L.	Madrid	Property development	-	45	55	11,509
Antigua Rehabilitalia, S.A.	Deloitte, S.L.	Madrid	Property development	-	40	60	480
Zonagest, S.L.	Unaudited	Madrid	Property development	-	20	80	1,000
Desarrollo Urbanístico Chamartín, S.A.	Deloitte, S.L.	Madrid	Property development	-	27.5	72.5	19,855
Panamerican Mall, S.A.	KPMG	Buenos Aires (Argentina)	Property development	-	20	80	6,067
Carlos Casado, S.A.	Ricardo Casal	Buenos Aires (Argentina)	Property development	-	46.7	53.3	-
Nuevo Parque de Bomberos, S.A.	Unaudited	Palma de Mallorca	Construction and operation of a new fire station	28	-	72	-
Otoño, S.L.		Valladolid	No activity	-	67	33	59
Pinar de Villanueva, S.L.		Valladolid	Operation of rural properties and buildings, urban development and property development	-	50	50	428
Villa del Prado Patrimonio, S.L.		Valladolid	No activity	-	50	50	27
Villa del Prado Gestión, S.L.		Valladolid	No activity	-	50	50	3
Green Cines, S.L.		Valladolid	Operation of cinemas	-	50	50	603
Discoval 2000, S.L.		Valladolid	No activity	-	50	50	271

APPENDIX III
Consolidated joint ventures

Joint Venture	Percentage of Ownership	"Sales (Thousands of Euros)"
UTE ALTEA	100%	-
UTE A.I. LA NAVA	100%	1
UTE ABASTECIMIENTO FUENSALDAÑA	20%	-
UTE AC-301 PADRON	100%	84
UTE ACCESO ZONA CONTACTO TOLEDO	100%	-
UTE ADECUACION EDIFICIO CAMARA DE COMERCIO	100%	2,844
UTE Aeropuerto de Barcelona	33%	9,725
UTE AEROPUERTO DE MENORCA	50%	10,331
UTE AGUA POTABLE PROTECCION LEGIONELOSIS	20%	-
UTE ALCOI	100%	19
UTE ALCORCON	100%	151
UTE ALJARFE	75%	-
UTE ALMANJAYAR	75%	6,962
UTE ALMURADIEL	20%	-
UTE AMPL. CAFETERIA UNIV. JAUME Y	100%	-
UTE AMPLIACION HOSP.VERGE CINTA	20%	-
UTE AMPLIACION HOSPITAL POZOBLANCO	40%	1,792
UTE ANDÚJAR	80%	-
UTE ANILLO NORTE ESTACION DELICIAS	63%	3,755
UTE ARROYO DE LA VEGA AMPLIACION EDAR	50%	829
UTE AUTOVÍA A-50 SALAMANCA	100%	9,565
UTE AUTOVIA ENCINAS REALES CORDOBA	70%	8,026
UTE AUTOVÍA VERÍN-FRONTERA PORTUGUESA	50%	66
UTE AVENIDA DE EUROPA JEREZ	100%	-
UTE BAEZA	100%	-
UTE Bajondillo	25%	-
UTE VALDEBEBAS LOTE 6	50%	3,257
UTE BARAÑAIN	50%	-
UTE BARRIO BAJO	80%	-
UTE BECERRIL	100%	-
UTE C.P L. ELIANA	100%	93
UTE CAMPO DE FUTBOL MUNICIPAL LA VINYASSA	50%	49
UTE CAN ZARIQUEY	100%	-
UTE CAÑADA ANCHA	100%	34
UTE CAP RUBI	100%	(77)
UTE CAPTACION BOMBEO CUBILLO DE BUTRON	100%	11
UTE CASA DE NIÑOS	100%	-

Joint Venture	Percentage of Ownership	"Sales (Thousands of Euros)"
UTE CCB MALLORCA	55%	-
UTE CEIP JOAN MARAGALL	80%	408
UTE CEIP SAN JORDI	100%	94
UTE CEIP SAN JOSE CALASANZ - BIGASTRO	100%	1,215
UTE CEJOYSA	60%	-
UTE CENTRO DE SALUD LUCERO	100%	6,645
UTE CHICLANA	100%	-
UTE CHIPIONA	100%	-
UTE CINTURON DE VIGO	50%	-
UTE CIUDAD DE LA CULTURA	50%	-
UTE CIUDAD DE LA LUZ - ALICANTE	20%	-
UTE CIUDAD DE LA LUZ - ALICANTE	20%	-
UTE CLIMATIZACION BASE EL EMPECINADO	100%	282
UTE COLEGIO ALAMEDA DE OSUNA	65%	3,759
UTE COMUNICACIÓN DE COCHERAS VALLECAS	100%	727
UTE CONSTRUCCION DEL EDIFICIO PÚBLICO "ESPEJO DE LA PARTICIPACION DE AL	100%	430
UTE COPISA-TECNO S.FERROVIARI L'ANOIA I EL BAGES	40%	14,262
UTE COVETA FUMA	20%	-
UTE Cutar de Málaga	80%	169
UTE CYMITEC SERV.CENTRALES CIUDAD DE LA CULTURA SANTIAGO	50%	410
UTE DAIMIEL	100%	-
UTE DEPURADORA CUTAR	20%	34
UTE DESAGÜE DE PLUVIALES RONDA PARQUE	20%	-
UTE DESALADORA EL MOJON	25%	826
UTE EDIFICIO CIUDAD CULTURA	50%	1,477
UTE EL EJIDILLO	60%	9,411
UTE EL PUERTO	100%	2,360
UTE EL TEJAR	70%	509
UTE EMBALSE CONTRERAS	50%	31,843
UTE ENSANCHE BARAJAS	50%	81
UTE ESCOLA BRESSOL	100%	-
UTE ESCUELA UNIVERSITARIA DE MAGISTERIO	80%	499
UTE ESTACIÓN AVE ZARAGOZA	100%	401
UTE ESTADI MUNICIPAL MONTCADA	100%	40
UTE ESTERO	25%	-
UTE EXPLOTACION VALL DE NURIA	80%	88
UTE EXPO 92	100%	-

APPENDIX III
Consolidated joint ventures

Joint Venture	Percentage of Ownership	"Sales (Thousands of Euros)"
UTE EXTINCION DE INCENDIOS RESIDENCIA MILITAR ALCAZAR	80%	46
UTE FACHADA FILOLOGIA U.V.	100%	-
UTE FACULTAD CIENCIAS II	100%	-
UTE FACULTAD DE FARMACIA UV	100%	47
UTE FUNDACION ISONOMIA	100%	-
UTE GESPA MAS OLIVA-AJUNTAMENT ROSES	50%	605
UTE HANGAR AUDI	75%	-
UTE HAR PEÑARROYA VALLE DEL GUADIATO	40%	3,887
UTE HOSP ALMANSA	100%	32
UTE HOSP.VERGE CINTA	100%	1,571
UTE HOSPITAL ASTURIAS	43%	7,199
UTE HOSPITAL CRUZ ROJA	100%	-
UTE HOSPITAL DE GUADIX	100%	285
UTE HOSPITAL DE PLASENCIA	45%	240
UTE HOSPITAL GANDÍA	70%	1,344
UTE HOSPITAL VALLE DE LOS PEDROCHES	60%	1,075
UTE HOSPITAL VALLE DEL GUADIATO	60%	2,332
UTE HOSPITAL XERAL DE LUGO	50%	5,297
UTE INGENIERIA INDUSTRIAL	50%	3,543
UTE INST.COMUNICAC. NOVO HOSP.LUGO	100%	2,483
UTE JABALON (MANSERJA)	40%	-
UTE JAROSA EL ESCORIAL	100%	283
UTE LA GRANJA-JEREZ	100%	291
UTE LA LAMA	75%	-
UTE LAGUNILLAS	70%	-
UTE M-40 PAU LAS TABLAS	50%	4,381
UTE MARQUESINAS LLEIDA	20%	-
UTE METRO BOADILLA	30%	13,887
UTE MIERES	60%	1,108
UTE MONTIJO	90%	-
UTE MUSEO ANTONIA MIR	100%	173
UTE MUSEO DEL PRADO	50%	10,687
UTE NIVEL 0	100%	-
UTE NOVO HOSPITAL	95%	-
UTE NUEVA CIUDAD DEPORTIVA DE UMBRETE EN SEVILLA	100%	4,631
UTE NUEVA ESTACION PINAR DEL REY	100%	7,273
UTE NUEVA SEDE DIPUTACIÓN DE MALAGA	50%	2,531

APPENDIX III
Consolidated joint ventures

Joint Venture	Percentage of Ownership	"Sales (Thousands of Euros)"
UTE NUEVO PARQUE BOMBEROS MALLORCA, S.A.	51%	1,312
UTE O/ PARQUE LINEAL RIVAS	75%	1,307
UTE O/ URBANIZ. BARRIO SAN ISIDRO	100%	5,662
UTE O/CEIP BEETHOVEN	100%	6
UTE O/LABORATORIOS TECNOLOGIA - UJI	100%	-
UTE O/NIVEL SOTANO FCHS - UJI	100%	-
UTE OBRAS COMPLEMENTARIAS INS BIOINGENIERIA UMH	50%	441
UTE OBREMO	67%	-
UTE OCAÑA	70%	5,010
UTE PARQUE DE BOMBEROS	51%	1,312
UTE PASO INFERIOR IFEMA	50%	958
UTE PCI LINEA 3 METRO DE MADRID	80%	2,611
UTE PISCINA PARLA	40%	-
UTE PISCINA PARLA	60%	-
UTE PISCINA RIBAROJA	100%	-
UTE PISTA 18	25%	-
UTE PLANTA A-400M AIRBUS SEVILLA	40%	5,524
UTE PLANTA COLMENAR	50%	1,199
UTE PLAZA EL ARBOL	100%	140
UTE POLIDEPORTIVO CABANES	100%	(194)
UTE POLIGENERACION CERDANYOLA DEL VALLES	95%	35
UTE PROLONGACION AVENIDA ALVARO DOMECQ	100%	-
UTE PROYECTO Y OBRAS DE LA EDAR ARANJUEZ NORTE	50%	461
UTE PUENTE GENIL	100%	-
UTE PUERTO DE LA ATUNARA	80%	-
UTE Radiales M50	33%	(117)
UTE REDES TELEFONIA Y DATOS, MINISTERIO DEL INTERIOR	100%	111
UTE REDES TIC	20%	-
UTE REFORMA BIBLIOTECA EDIFICIO 20	100%	-
UTE REFORMA BIOLOGICAS-UV	100%	494
UTE REFORMA LABORATORIOS QUIMICA UV	100%	-
UTE REFORMA PABELLON 12	100%	-
UTE REFORMAS AULAS EDIFICIO 19	100%	-
UTE REFORMAS AULAS FACULTAD DERECHO UNIV. ALICANTE	100%	-
UTE REFORME DESPACHOS DERECHO U.A.	100%	-
UTE REGADIO CANAL DEL PÁRAMO BAJO	50%	2,507
UTE RENOVACION RED DE SANEAMIENTO TERUEL	20%	-

APPENDIX III
Consolidated joint ventures

Joint Venture	Percentage of Ownership	"Sales (Thousands of Euros)"
UTE RESIDENCIAL DOCENTE DO BURGO	100%	1
UTE RIO FERVEDOIRA	100%	-
UTE RIVAS OESTE	100%	-
UTE RONDA SUROESTE TOLEDO	50%	50
UTE SAN LUCAR	100%	450
UTE SANEAMIENTO EN KAREAGA GOIKOA	20%	-
UTE SANTA MARIA DE LA ISLA	20%	-
UTE SANTA MARTA MAGASCA	60%	-
UTE SERV.EXPLO.Y MANT SIST. DE SEGURIDAD AEROP.BARAJAS	50%	2,204
UTE SET CORTADURA SUBEST. 66KVEN L.A.V. TRAMO AEROP.	50%	2,468
UTE SISTEMA LUCES AEROPUERTO	20%	-
UTE SOLAR FACULTAD DE PSICOLOGÍA	100%	-
UTE SON TOUS - TECNOCONTROL CIMSA	20%	-
UTE Subestación Rio Adaja	50%	59
UTE Sum. Proyectores prog. Fomento	50%	565
UTE Sum.Equip.Inform. Canarias	50%	137
UTE Talavera	20%	(14)
UTE TARONGERS	80%	-
UTE TECNODITEC COMUNICACIONES	60%	-
UTE TECNO-TELVENT BY-PASS SUR TUNEL NORTE	50%	3,048
UTE TECOSA-TECNO SIST.SEGURIDAD ARROYOS	50%	1,019
UTE TERCIA BAENA	20%	-
UTE TERCIA DE BAENA	80%	-
UTE TORRELAGUNA	50%	-
UTE TRATAMIENTO AGUA POTABLE VILLANUBLA	20%	-
UTE TRAUMA V.HEBRON	80%	450
UTE Universidad de Santiago	100%	112
UTE VALL NURIA	20%	18
UTE VARIANTE ISCAR	100%	-
UTE VELILLA	50%	-
UTE VILANOVA	20%	-
UTE VIVIENDAS ALCOSA	80%	149
UTE VVDAS DEHESA VIEJA	50%	-
UTE W52 EU Magisterio UV	20%	499
UTE WTC III FASE	20%	-
UTE ZONA COMERCIAL AEROPUERTO MENORCA	50%	1,634
UTE ZONA DE CONTACTO TOLEDO	100%	151

APPENDIX III
Consolidated joint ventures

Company	Auditor	Location	Line of Business	% of Voting Rights Held by the Parents			Carrying Amount
				Direct	Indirect	Other	
Desarrollos Inmobiliarios Makalu, S.L.	-	Madrid	Property development	-	50	50	1,002
Kantega Desarrollos Inmobiliarios, S.A.	-	Seville	Property development	-	50	50	12,000
LHOTSE Desarrollos Inmobiliarios, S.L.	-	Madrid	Property development	-	50	50	12,000
Metrocity Investimentos Imobiliários Ibéricos, S.A.	-	Lisbon (Portugal)	Property development	-	50	50	500

UDRA, S.A. AND SUBSIDIARIES

2007 Directors' Report

1. Business performance and situation of the Group

1.1 Market performance

The Spanish economy continued to slow moderately in the fourth quarter of 2007. Specifically, GDP grew year-on-year by 3.5%, down 0.3% on the previous quarter. Average GDP growth in Spain rose to 3.8% in 2007, 0.1% down on 2006. However, the composition of GDP was more balanced in that domestic demand increased by 4.3% - 0.5% down on 2006 - but the net foreign balance also rose by the same percentage to stand at -0.7%, the best result since 2002. In full time equivalent terms, employment rose by 3%, 0.2% less than 2006, and therefore productivity increased slightly to stand at 0.8%. With regard to the external imbalance, the Spanish economy's need for financing increased to 9.5% of GDP, up 1.4% on 2006. However, the Spanish economy grew faster than that of the Eurozone and the EU, which expanded in 2007 by 2.7% and 2.9%, respectively.

From the standpoint of supply, there was a slowdown in all areas with increasingly modest growth rates in the construction sector (2.9%), which was marked by residential property (1.8%), although investment in capital goods continued to rise rapidly (8.6%). On the supply side, gross added value lost steam in various sectors, particularly in industry and construction where year-on-year growth fell by 0.1%. This was reflected in the growth in employment which slowed in the fourth quarter to a year-on-year rate of 2.5%, 0.5% down on the third quarter, leading to an apparent improvement in the productivity of labour of 0.1%.

The most recent data suggest that business activity will continue to slow down in 2008, where the beginning of the year was marked by increased pressures in the international financial markets.

1.2 Performance of the construction industry in 2007

The construction industry continued to expand notably in 2007 with output rising from EUR 186,140 million in 2006 to EUR 200,190 million in 2007, an increase of 4% in real terms. The increase in production with respect to 2006 enabled the industry to increase the number of workers by 6.1% to reach 2,697,400. The weighting of the industry in Spain's GDP increased slightly to 18%. Public tenders remained stable with regard to 2006, totalling EUR 46,546 million (-0.3% with respect to 2006). In 2007 the civil engineering-construction mix varied and the increase in civil engineering projects compensated for the decrease in public building works. The composition of public agency contracts also changed with an increase in central government contracts and a decrease in autonomous community and local government contracts.

The slowdown in the property industry is evidenced by the decrease in the number of new residential properties commenced in 2007 as compared with 2006. The residential property building rate is continuing to drop and supply is being brought into line with current demand for housing.

The construction industry grew by 4% with respect to 2006. In Building Construction, residential property saw the highest growth (4%) whereas the increase was more moderate in Non-Residential (2.5%) and Refurbishment and Maintenance (3%). Civil Engineering increased by 5.5% in 2007 to reach EUR 200,190.5 million, compared with EUR 186,137 million in 2006. In 2007, Civil Engineering accounted for 24.7% of the total output of Construction.

However, perhaps the factor that is affecting and will continue to affect the industry most adversely relates to the liquidity crisis in the financial services industry which not only implies an increase in the spreads being applied but also, in certain cases, considerable financing shortfalls faced by companies.

1.3 Risks associated with business activities

The Group carries on its activities in industries, countries and socio-economic and legal environments that entail different levels of risk. The Group controls these risks in order to avoid decreased shareholder returns or difficulties for its customers. It uses instruments in order to identify these risks sufficiently in advance or to avoid them by minimising risks.

1.4 Main indicators of consolidated financial profit

Pursuant to applicable legislation, all groups of companies whose shares are admitted to trading on secondary markets or that exercise control over listed companies or groups of companies are obliged to file consolidated financial statements from 2005 onwards.

In 2006 the San José Group launched a takeover bid through its subsidiary UDRAMED for the real estate group headed by Parquesol Inmobiliaria y Proyectos, S.L. This transaction was finally settled in January 2007 and, therefore, Udra, S.A. is legally obliged to file consolidated financial statements in accordance with IFRSs from 2007 onwards. However, the San José Group opted for early adoption and prepared financial statements under IFRSs for the first time in 2006.

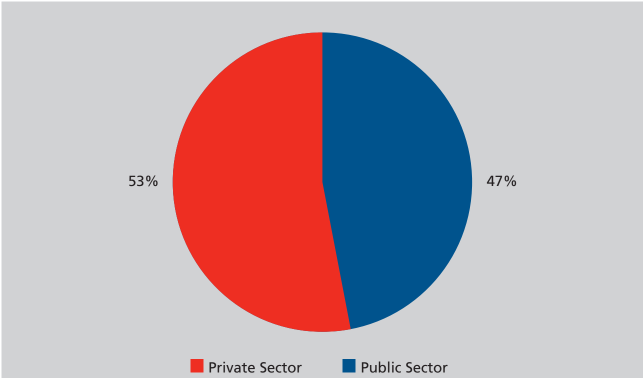
As a result, the San José Group is able to provide third parties (analysts, public authorities, financial institutions, potential partners and investors, etc.) with the following:

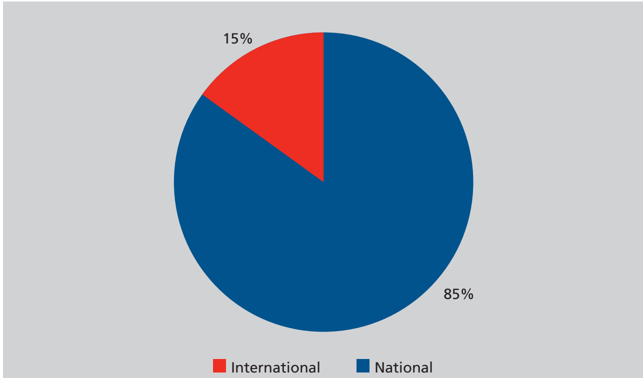
- Financial information that is uniform, convergent and comparable with that of the main construction groups in Spain and abroad that operate under IFRSs.
- A clearer and more transparent view of its financial situation and its ability to generate liquidity from its ordinary activities. Adequate information with respect to the Group's ability to manage its exposure to financial risks arising from its business diversification and international presence, disclosing the Group's risk hedging policy.
- A more detailed disclosure of the business structure and its ability to create wealth through segment reporting (by activity or market).

Equity: the Group's equity stood at slightly over EUR 573 million at 2007 year-end after the distribution of the 2006 profit of EUR 56 million and taking into account the EUR 57 million profit for 2007.

Profit: revenue increased by 19% in 2007, mainly as a result of the inclusion in the Group of the companies composing the Parquesol Group, rising from EUR 1,311 million in 2006 to EUR 1,559 million in 2007.

The breakdown of profit is as follows:





1.5 Main actions of the Group's business units

The Company's activity is characterised and defined by its position as a holding company whose main object is to manage and control the overall business activities of the companies in which it holds a material and lasting ownership interest. In this respect, after the completion of the corporate restructuring of the UDRA Group, to which it belongs, the Company is currently the Parent of Grupo Empresarial San José, S.A., which is the head of the construction, technology/energy, property and urban development divisions of the aforementioned Group.

The Company's growth responds mainly to profitability criteria and to the business expansion in the various strategic industries in which it currently operates.

Investments in other industries, represented by the securities portfolio, will continue depending on the evolution of their value and on the financial opportunities that may arise.

The basic strategy that characterises the Company as part of the UDRA Group and Subsidiaries may be summarised as follows:

1. Maintenance of the level of shareholder independence.
2. Investment in human capital formation and cutting-edge technology to drive development.
3. Industry diversification and internationalisation as the cornerstones of stability and growth.
4. Integrated project management, offering a global service.
5. Focus on companies with significant strategic importance, substantial returns on investment and a marked social component.

Objectives for 2008

Construction: place greater emphasis on territorial diversification and increase the efficiency of the cost structure. The Company's objective is clearly to consolidate its position as one of Spain's leading construction groups, while continuing to comply with quality requirements and deadlines. Strengthen the civil engineering business with further significant infrastructure projects and studying the possibility of corporate acquisitions.

Technology / Energy services: further specialisation and optimisation of resources in order to manage projects that require greater technological and financial commitment. This will enable us to position ourselves in a higher value added segment.

Property: design and optimally implement the integration of Parquesol's businesses in order to maximise the synergies that the Group can contribute to the new company.

Balance overall revenue by giving greater weight to the international business, promoting development in the countries in which we are already present and in new countries.

Increase our presence in the concession and service businesses.

1.6 Information on events relating to the environment and to human capital

In view of the business activities carried on by the Group companies, they do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to the Group's equity, financial position and results.

The Group's human resources policy consists basically of maintaining and hiring committed and knowledgeable teams with a high degree of specialisation, capable of generating new business opportunities and offering the best customer service.

In addition, specialised training in each business has been fostered in order to improve the Group's processes and security.

2. Events after the balance sheet date

The Company is in the process of integrating with the Parquesol Group with the aim of creating a more diversified and larger group with the capacity to take on larger projects. This corporate restructuring is expected to be completed in the first half of 2008.

3. Future outlook

Since a more or less soft landing is considered inevitable in the residential building industry, the Group's business strategy should focus on public sector investment.

State public-sector investments in infrastructure are based on the continued implementation of the Strategic Infrastructure and Transport Plan (PEIT) and the National Water Plan (PHN), which have a budget of EUR 24,500 million for 2008, up 11.5% on the budget for 2007. This amount includes operating expenses and staff costs whereby the amount to be invested exclusively in infrastructure totals EUR 20,274 million.

In 2008 75.6% of investments will focus on roads (24.2%), railways (29.3%) and water infrastructures (22.1%). By agency: (1) the Ministry of Public Works will have EUR 10,691.12 million, of which 50.7% will be for investment; (2) the Ministry of the Environment will have EUR 3,805.67 million of which 67.4% will be for investment; (3) the Ministry of Industry, Trade and Tourism will have EUR 465 million; and (4) the public agencies and corporations related to the Ministry of Public Works and the Ministry of the Environment.

However, the slowdown of the residential market will give rise to stiffer competition for tenders, which will inevitably lead to tighter profit margins. Also, in view of the fact that the projected volume of public-sector investment will not allow construction companies to maintain their current level of activity, they will be obliged to broaden their outlook and promote and reinforce new geographical (mainly Latin America) and business (energy in all its variants, technology, etc.) diversification policies.

In 2008 the Company will continue to manage the activities of investees in which Udra, S.A. holds a material ownership interest and will continue to consider the acquisition of ownership interests in other complementary or strategic industries for the Group. The consolidation of the various investees in their respective activity sectors and their current backlog point to a significant increase in revenue in 2008.

4. Research and development

Due to the nature of the Company's business, no research and development activities were performed in 2007.

5. Treasury share transactions

The Parent did not perform any transactions involving treasury shares in 2007.

6. Use of financial instruments in risk management

Interest rate risk: this is the main risk to which the Group is exposed as a result of the bank borrowings described in the notes to the consolidated financial statements. In order to minimise exposure to this risk, the Group's financial management has arranged cash flow hedges to protect the Company against any foreseeable interest rate increases in the future.

Currency risk: the Group's policy is to borrow in the same currency as that of the cash flows of each business. Consequently, there is currently no significant currency risk. However, noteworthy in this connection are the exchange rate fluctuations arising in translating the financial statements of foreign companies whose functional currency is not the euro. In view of the Group's geographical expansion over the last few years, exposure to currency risk may arise in the future. Should this risk arise, the best solution will be analysed in order to minimise it by arranging hedges, provided such instruments conform to the Group's corporate criteria.

Liquidity risk: the Group has sufficient liquidity to cover its expected medium- and short-term obligations in the form of credit facilities with various banks and short-term investments. Any cash surpluses are used to make short-term investments in highly liquid deposits with no risk.

Available self-financing is used as far as possible to finance investing activities, thereby ensuring shareholder return, attention to debt requirements and the management of working capital.

Credit risk: credit risk, which arises from customer defaults, is managed by means of the preventive assessment of the solvency rating of the Group's potential customers at the beginning of the relationship and throughout the duration of the contract, evaluating the credit rating of the outstanding amounts receivable and reviewing and segregating the estimated recoverable receivables from doubtful receivables.

Signatures of the Directors

The 2007 consolidated financial statements of UDRA, S.A. and Subsidiaries, consisting of the consolidated balance sheet, consolidated income statement and notes to the consolidated financial statements, and the consolidated directors' report, were authorised for issue by the Board of Directors of UDRA, S.A. at its meeting on 5 March 2008. The aforementioned consolidated financial statements and directors' report for the year ended 31 December 2007 are presented on 99 sheets of officially stamped paper, sequentially numbered from 0J2384193 to 0J2384290 and 0J2384292, the last two pages being signed by all the directors.

Jacinto Rey González

Jacinto Rey Laredo

Ramón Barral Andrade

Pedro Sáenz-Díez Trías

Jerónimo Páez López

Pinos Altos X.R., S.L., represented by Javier Rey Laredo

Pinos Altos Inversiones, S.L., represented by Jacinto Rey González

Udra Valor, S.A., represented by Santiago Martínez Carballal

Constructora San José S.A., represented by Pedro Pérez Fernández de la Fuente

From left to right:

The City of Culture, Santiago de Compostela.

Colón Theater, Buenos Aires.

Wind Park.

GRUPO SANJOSE

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