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Annual Report 2005

# Annual Report City of Barcelona 2005



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# Annual Report 2005

## City of Barcelona

### Municipal Council Plenum

Mayor of Barcelona

The Hon. Mr. Joan Clos Matheu (PSC)

1st Deputy Mayor

The Hon. Mr. Francesc Xavier Casas Masjoan (PSC)

2nd Deputy Mayor

The Hon. Mr. Jordi Portabella Calvete (ERC)

3rd Deputy Mayor

The Hon. Ms. Immaculada Mayol Beltrán (ICV-EUiA)

4th Deputy Mayor

The Hon. Mr. José Ignacio Cuervo Argudin (PSC)

5th Deputy Mayor

The Hon. Ms. Marina Subirats Martori (PSC)

Councillors

PSC:

The Hon. Mr. Pere Alcober Solanas

The Hon. Ms. Montserrat Ballarín Espuña

The Hon. Ms. Núria Carrera Comes

The Hon. Ms. Catalina Carreras-Moyssi Carles-Tolrà

The Hon. Ms. Assumpta Escarp Gibert

The Hon. Mr. Jordi Hereu Boher

The Hon. Mr. Carles Martí Jufresa

The Hon. Mr. Ferran Mascarell Canalda

The Hon. Ms. M. Immaculada Moraleda Pérez

The Hon. Mr. Francesc Narváez Pazos

The Hon. Ms. Maravillas Rojo Torrecilla

CiU:

The Hon. Mr. Jaume Ciurana Llevadot

The Hon. Ms. Teresa M.<sup>a</sup> Fandos Payà

The Hon. Mr. Joaquim Forn Chiariello

The Hon. Mr. Eduard García Plans

The Hon. Ms. Magdalena Oranich Solagran

The Hon. Ms. Joana M.<sup>a</sup> Ortega Alemany

The Hon. Mr. Joan Puigdollers Fargas

The Hon. Ms. Sònia Recasens Alsina

The Hon. Mr. Xavier Trias Vidal de Llobatera

PP:

The Hon. Ms. Emma Balseiro Carreiras

The Hon. Mr. Xavier Basso Roviralta

The Hon. Mr. Jordi Cornet Serra

The Hon. Ms. Ángeles Esteller Ruedas

The Hon. Mr. Alberto Fernández Díaz

The Hon. Ms. María Caridad Mejías Sánchez

The Hon. Mr. Alberto Villagrasa Gil

ERC:

The Hon. Mr. Xavier Florensa Cantons

The Hon. Mr. Ricard Martínez Monteagudo

The Hon. Mr. Jaume Oliveras Maristany

The Hon. Ms. Pilar Vallugera Balañà

ICV-EUiA:

The Hon. Ms. Elsa Blasco Riera

The Hon. Mr. Ignasi Fina Sanglas

The Hon. Mr. Eugeni Forradellas Bombardó

The Hon. Mr. Ricard Josep Gomà Carmona

## Government Commission

### President

The Hon. Mr. Joan Clos Matheu

### Members

The Hon. Mr. Pere Alcober Solanas (PSC)  
The Hon. Ms. Montserrat Ballarín España (PSC)  
The Hon. Ms. Elsa Blasco Riera (ICV-EUiA)  
The Hon. Ms. Núria Carrera Comes (PSC)  
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The Hon. Mr. Eugeni Forradellas Bombardó (ICV-EUiA)  
The Hon. Mr. Ricard Josep Gomà Carmona (ICV-EUiA)  
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The Hon. Mr. Jordi Portabella Calvete (ERC)  
The Hon. Ms. Maravillas Rojo Torrecilla (PSC)  
The Hon. Ms. Marina Subirats Martori (PSC)  
The Hon. Ms. Pilar Vallugera Balaña (ERC)

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# Letter from the Mayor

Joan Clos Matheu, Mayor of Barcelona

In 2005, as a fundamental part of the Municipal Action Plan, we approved the package of measures to encourage and ensure standards of behaviour in public spaces. They have been adopted in response to the new situation arising from social changes in the city, and the need to make public space a hospitable place which all may enjoy and share. In addition to civic mindedness, public coexistence also requires improved social services, cleanliness, maintenance and safety.

As far as public safety is concerned, the deployment of the Mossos d'Esquadra throughout Barcelona has enabled us to increase coordination between the different branches of the police force, and thus provide a more effective response to problems arising from security and safety.

Further measures adopted in conjunction with the Generalitat de Catalunya that I would like to mention are those concerning welfare and education. First of all, the construction of fifty new facilities to provide broader social assistance to a greater number of people, and secondly, the tripling of the budget for maintenance programmes in schools. The improvement in schools and their adaptation to modern social needs are a pressing priority, since schools constitute the bedrock of social coexistence.

As far as new social facilities are concerned, I would like to mention two in particular that have given renewed social life to their respective neighbourhoods. First, the new Santa Caterina Market, a successful example of a complex redevelopment scheme in the heart of the old city. In addition to this new concept of the city market combining the traditional with the modern, other developments have been carried out around the market itself, such as new apartment buildings for older people, the enlargement of the existing car park, the recovery of archaeological remains, a new pneumatic system of garbage collection, and the improvement of adjacent streets.

The second emblematic facility is the Jaume Fuster Library, opened to the public in the Year of the Book and Reading, an event that has served to highlight the new libraries that have opened in the city. The Jaume Fuster Library is an example of a locally based social centre open to everyone, equipped with a wealth of bibliographic material and audio-visual facilities, and all the technological information backup required for the transmission of knowledge, as well as educational and leisure activities.

These two facilities are not the only ones to have opened in 2005. Improvements in this field that have already proved of benefit to the 10 city districts include nursery schools, old folks' homes, libraries, sports complexes, subsidized housing for young people and older people, to name just a few.

The City Council has also given priority to its mobility policy, which consists in improving the public transport system, creating more parking spaces, prioritizing the pedestrian, and stimulating the use of alternative transport such as bicycles. This year we have introduced the Green Area, which is designed to regulate parking in many parts of the city. This scheme has already produced good results, over 80% of the parking spaces in these areas have been made available to local residents; the number of parking offences has fallen and traffic has been decongested, especially in the city centre, all of which has enabled a more rational use of public spaces.

Looking back on 2005, I cannot fail to mention the accident that occurred in Carmel at the beginning of the year. The tragedy shocked everyone, especially those residents most directly affected. All the authorities involved, who in their different ways must accept their share of responsibility, have learned from the mistakes that led to this accident, and are determined to ensure that it does not happen again in the future. We must all be prepared to work together to provide solutions to the problems affecting our citizens.

2005 was also the year in which, after a long process of debate, we reached the final phase in the approval of the Municipal Charter. After being unanimously passed in Congress in December and in Senate in February 2006, its final approval is a fact. At last the city of Barcelona benefits from an Act aimed at reinforcing its autonomous powers, enabling it to manage its affairs more efficiently in the interest of its citizens.

Finally, I would like to encourage all the residents of Barcelona, and visitors to the city alike, to become more involved in the process of cooperation and coexistence, with the aim of creating a freer, more responsible society in which solidarity and equality of opportunity are the guiding principles.

A handwritten signature in black ink, consisting of a stylized 'J' followed by 'Clos' and a small dot at the end.

Joan Clos  
Mayor of Barcelona

# Forward

**José Cuervo Argudín,**  
Chairman of the Presidency, Finance and  
Territorial Co-ordination Commission

## Economic Framework

In 2005, the world economy continued the relatively stable expansion of the previous year with a growth once again greater than 4% on average. However, this economic growth was by no means uniform. Whereas in China, India, the main South-East Asian and Latin-American countries growth was above the average, in the United States, and especially in the European Union, growth rates were more moderate and were estimated at 3.5% and 1.7%, respectively.

Furthermore, within the European Union, diversity of growth rate was evident in the different member countries. The new European Union members, together with countries such as Ireland, Spain and Greece, registered a far more positive performance than Germany, France and Italy.

In the case of Spain, real GDP growth in 2005 was estimated at 3.4%, three decimal points higher than during the previous year. Overall, domestic demand, with an estimated increase of 5.3%, continued to support the growth in GDP. On the supply side, the process of expansion remained polarized in the construction and service sectors, a situation that with slight variations was also reflected in Catalonia.

As far as the city of Barcelona is concerned, one of the activities providing greater dynamism to economic growth is port traffic. While in broad terms world trade has grown at an annual rate of approximately 7%, the volume of goods handled in the port of Barcelona grew at a rate of 12%. The port of Barcelona continues to figure largely at an international level and has consolidated its position as an entry point for products.

With regard to the construction sector in Barcelona, it is currently operating at maximum levels of activity, with building permission for major works amounting to more than 1.85 million square metres approved during 2005, and a 41.4% increase in building permission granted for the housing construction and repair.

Barcelona is a city of services, with a service sector accounting for more than 80% of jobs, and a high degree of diversification that has enabled the city to reach the forefront in Europe in different areas of activity. In 2005, for example, Barcelona rose above Amsterdam to attain fifth position in the ranking of European cities for business, according to the European Cities Monitor survey based on the opinion of 500 leading European executives.

Within the framework of an increasingly globalized world, the economic transformation experienced by Barcelona is evident in the intense activity in the knowledge-driven sectors. These are sectors of high added value and provide jobs for qualified personnel. Achievements and advances in emerging sectors such as aeronautics, biotechnology and audiovisual fields are particularly remarkable.

Parallel with this, traditional sectors in the city such as urban commerce and social services like health and education also continue to flourish.

Likewise, Barcelona continues to consolidate its position internationally as a venue for congresses and conventions. The opening of the Centre de Convencions Internacional de Barcelona (Barcelona International Convention Centre), with a capacity for 15,000 people, or the choice of Barcelona as host city during a five-year period for the EIBTM, the leading exhibition for incentive, business travel and meetings and industry, are contributions to growth in this sector that at the same time has repercussions on other agents of the tourist sector as hotel and catering industry.

In 2005, the city's hotel sector registered around 11 million overnight stays for five million visitors, an increase of 7.7% and 11.1%, respectively, in comparison with 2004. The arrival of visitors to the city, whether for business reasons or for tourism, is also reflected in the growth of passengers passing through the port and the airport, where increases of 10.3% and 12%, respectively, were registered.

## **Barcelona's Municipal Charter**

After its recent approval by Congress, the Municipal Charter of Barcelona has become instrumental in the improvement of self-government and empowerment for the City of Barcelona. The terms of this special law provide the city with extended areas of action in the economic, social and cultural spheres, as well as for its role on the European and International scene, which requires the appropriate means in order to meet its needs.

Henceforth, Barcelona is assured of a greater presence in decisions of management and planning affecting the network of infrastructures and public transport at a state level, such as those concerning the port, the airport, the Renfe railway commuter network and maritime public property.

This new special law recognizes the metropolitan dimension of Barcelona and creates new means with which to tackle its problems. With a population of 1.5 million, Barcelona forms part of an urban conurbation composed of three million inhabitants. This real Barcelona of metropolitan dimension requires integrated measures of co-ordination and planning in which henceforth the City Council will enjoy greater participation.

The Municipal Charter is another step forward towards the recognition of the singularity of large cities, which need the appropriate means to meet the challenges of the future that awaits them. Barcelona is a spearhead in this march toward municipal empowerment and legislative modernization throughout the state.

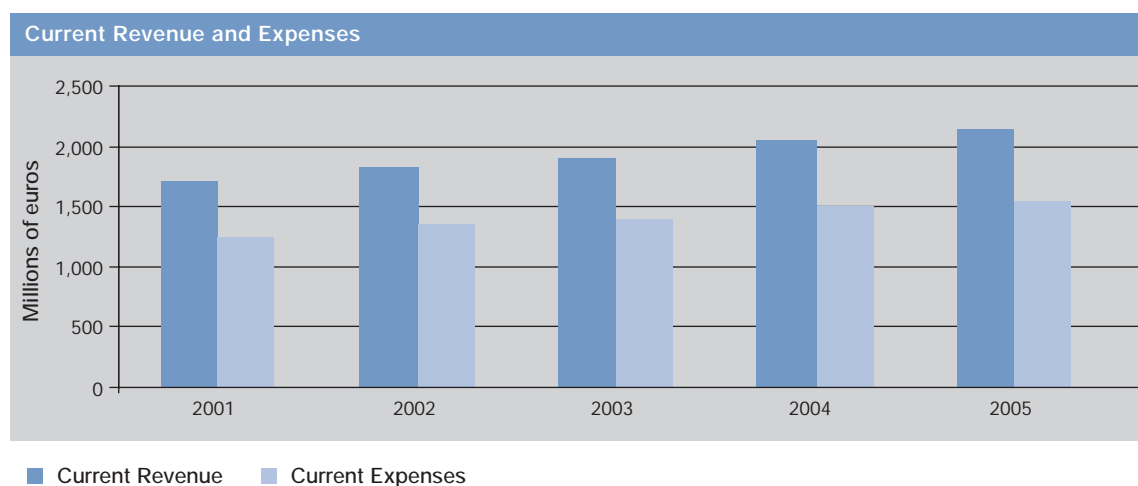
## The City of Barcelona's Group of Companies and Agencies

The City of Barcelona provides services and carries out investments in urban development which, given their diversity and complexity, require specialized and differentiated organization and management through central bodies. To this end, the City of Barcelona acts through a group of entities consisting of eleven public agencies and five municipal companies financed entirely by municipal capital.

The main new addition in 2005 was the creation of the Agència de Promoció del Carmel i Entorns, SA (Carmel and Environs Development Agency), whose purpose is to oversee the improvement and development of the Carmel, Taixonera and Vall d'Hebron neighbourhoods as well as the area of the Tres Turons. The activities of this agency are centred on improving social cohesion, revitalizing the areas under its jurisdiction, the building of new and accessible housing, the construction of facilities and green areas, and the implantation of new urban infrastructures. This agency belongs to Barcelona d'Infraestructures Municipals, SA, which includes the municipal companies responsible for investment management.

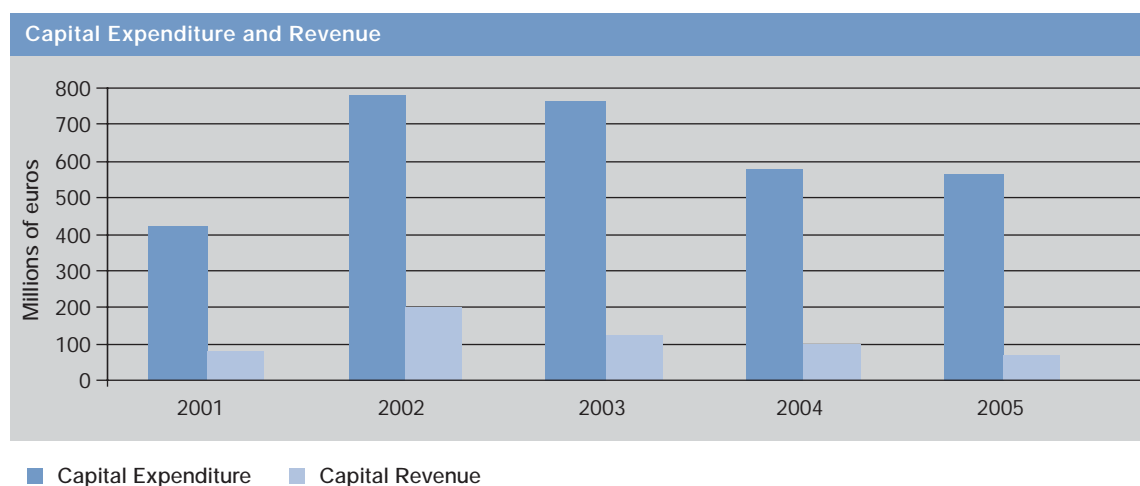
## Economic Evolution of the City of Barcelona

During the last five years, current revenue and current expenses have increased at an annual rate of 6% and 5.7%, respectively, while the consumer price index has increased by 3.3% over the same period. With regard to revenue, the sustained increase in non-earmarked transfers from Central Government has been a salient feature, while the trend for certain services to be partially financed by their own users is another, as evidenced by the increase in revenue from sales of services. As far as expenses are concerned, reduction in financial expenses to an annual rate of 17.4% has enabled operating expenses to be partially increased, resulting in an improvement of quality of services provided by the City of Barcelona.

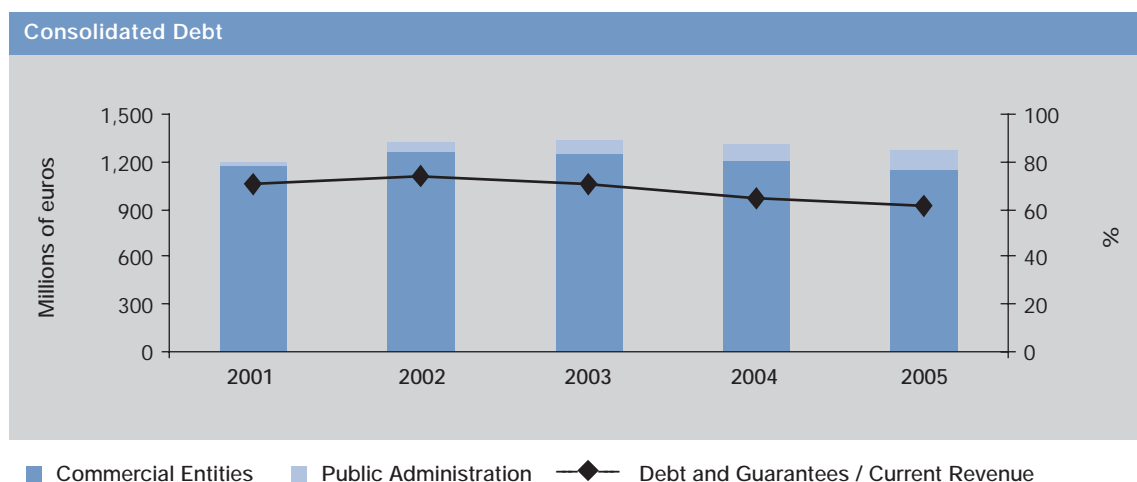


Capital expenditure over the last five years are the result of municipal investment programmes included in the 2000-2003 and the 2004-2007 Municipal Action Plan. During this five-year period, capital expenditure has risen to 3,113 million euros, 567 million of which have been financed by capital revenue and the rest by the gross savings generated by current operations. In the 2001-2005 period, 81% of capital expenditure was devoted to direct investment and the rest to capital transfers, mainly to Barcelona Holding Olímpico, SA (HOLSA), the Metropolitan Transport Authority (ATM) and to cultural facilities.

The extensive changes arising from urban development in a badly run-down area in the east of the city made 2002 and 2003 the years of greatest investment during this time. Nevertheless, it must be taken into account that gross investment during this period has not fallen below 24% of current revenue obtained throughout these same five years.



The consolidated debt as of December 31, 2005, was 1,270 million euros, a figure slightly less than that registered at the end of the year 2000. During this period, debt fell from 80.1% of current revenue to 59.2% in relative terms by 2005. The debt of the public administration sector rose to 1,148 million euros, while the debt of commercial entities amounted to 122 million euros.



The fact that the objectives set out in the Municipal Action Plan have been attained is thanks to all the people in the City of Barcelona and its group of agencies and companies, whose daily work and efforts are devoted to the service of its citizens. I would like to express my gratitude to them all for their dedication to the task.

# 1



## The Political and Administrative Organization of the City of Barcelona

### 1.1. The Barcelona Municipal Charter

Law 22/1998 of December 30<sup>th</sup>, approved by the Catalan Parliament, and law 1/2006 of March 13<sup>th</sup>, approved by the Spanish Parliament, set the terms for Barcelona's Municipal Charter. This special legislation strengthens the city's autonomy regarding the provision of effective administrative management for its citizens and widens decentralization. It also extends municipal legal powers within the framework of institutional collaboration and increases the mechanisms of citizen participation.

Law 22/1998 of December 30<sup>th</sup> determines the organization of the Municipal Government and the districts, municipal regulations, citizen participation, residents' rights, executive municipal organization, municipal powers and the process of arbitration in consumer affairs.

Law 1/2006 of March 13<sup>th</sup>, for its part, sets out the different areas of competence of the City of Barcelona in such matters as the Port of Barcelona, the coastline, telecommunications, mobility and citizen security. Furthermore, it provides for the *Justícia de Proximitat*, a new system of district Justices of the Peace for the resolution of conflicts arising from citizen coexistence without the need of dealing with such matters in the higher courts.

As regards the special financial administration of the City of Barcelona, a series of points concerning public revenue and municipal participation in State taxes is set forth, in which two special cases referring to the city of Barcelona are included: the existence of the metropolitan area, and the financing of institutions with particular relevance and projection for the municipality.

Finally, the Municipal Charter includes particular reference to the City of Barcelona in questions regarding economic planning, budget and public spending.

## 1.2. Municipal Government Structure

The organization of the City of Barcelona is structured on two different levels. First on a political level, in which local policies and the strategic decisions concerning such policies are adopted. Secondly, the management level, which deals with the administration of services in accordance with the aims established in the political sphere.

The political sphere is composed of different government bodies: the Municipal Council, the mayor, the Government Commission, the District Councils and the District chairpersons and councillors.

The Municipal Council is the highest government body in the city representing citizens, and is chaired by the mayor. It meets in ordinary session on a monthly basis and the sessions are open to the public.

The Municipal Council consists of 41 councillors. Municipal elections are held every four years on the basis of proportional representation. The results of the last municipal elections held in May, 2003, yielded a coalition government composed of the PSC, ERC and ICV-EUiA, with a total of 25 councillors from the 41 who make up the Municipal Council.

Result of the municipal elections held on May 23rd, 2003

	Number of Councillors
PSC – Partit dels Socialistes de Catalunya	15
CiU – Convergència i Unió	9
PP – Partit Popular	7
ERC – Esquerra Republicana de Catalunya	5
ICV-EUiA – Iniciativa per Catalunya Verds – Esquerra Unida i Alternativa	5
Total	41

The Municipal Council carries out the higher functions of deliberation and planning, programming and monitoring, and overseeing of executive functions of government and administration. It passes the municipal action programme (PAM), the budget, the annual accounts, by-laws and urban development plans.

The Municipal Council functions through plenary sessions and commissions. The commissions of the Municipal Council have powers of decision and control as well as providing information in those areas that fall within their sphere of responsibility. They deal with those affairs which are to be submitted to the Plenary, and promote, control and oversee the activity of the bodies of executive administration. They are also charged with the authorization and granting of certain administrative and private contracts, as well as the initial approval of by-laws and regulations that come within their jurisdiction. The composition of each commission is proportional to the number of councillors belonging to each political party on the Municipal Council.

The six standing commissions of the Municipal Council approved during the Municipal Council Plenary of June 14<sup>th</sup>, 2003, are the following:

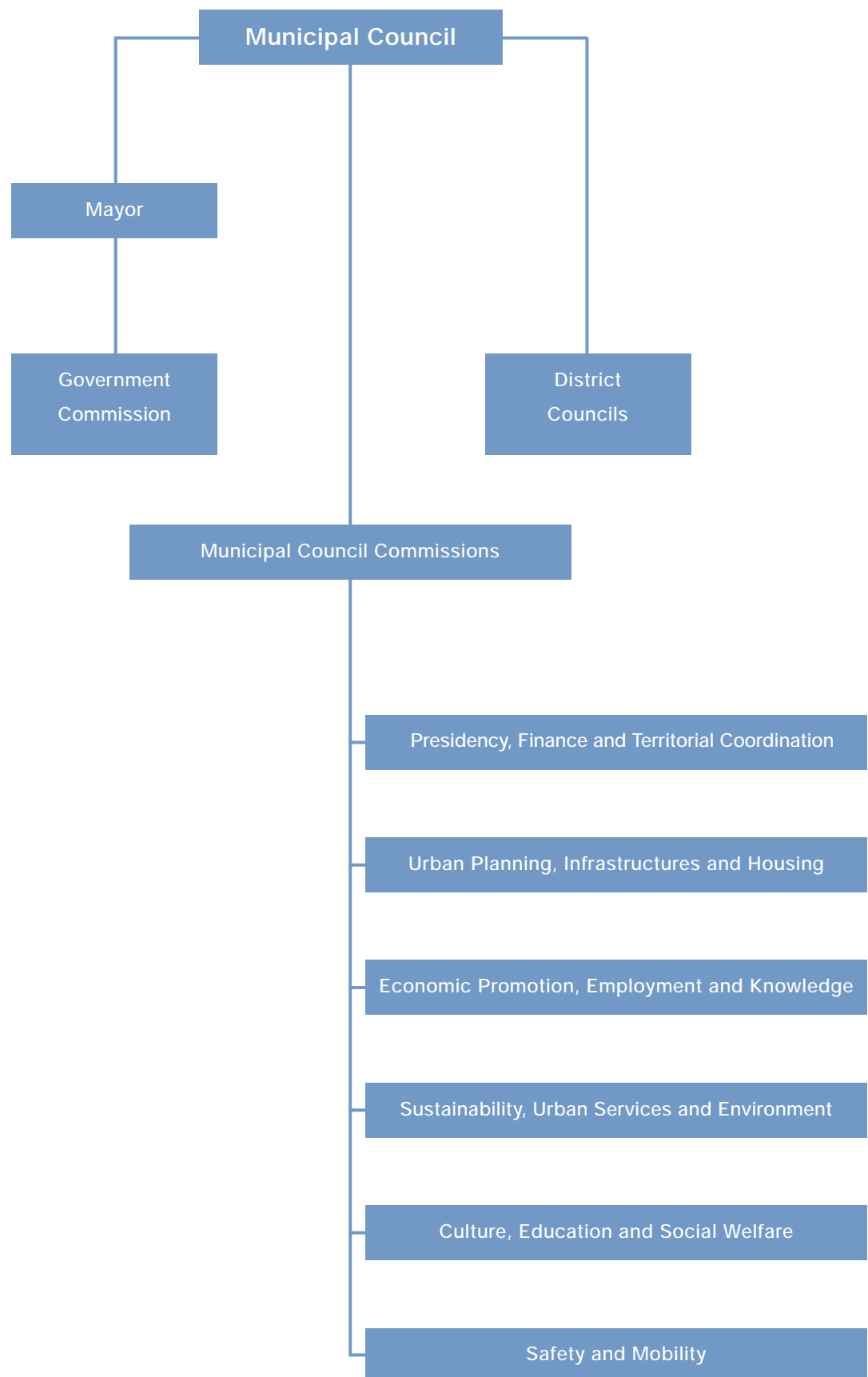
Commissions	Sphere of Action
Presidency, Finance and Territorial Coordination	Municipal Organization, Financial, Taxation and Budgetary Policy. Institutional and Citizens Relations.
Urban Planning, Infrastructures and Housing	Policies of Territorial Balance, Urban Planning and Infrastructures. Promotion of Housing.
Economic Promotion, Employment and Knowledge	Economic Promotion of the City, Business Support and Employment Initiatives. Tourism and Trade, IT Promotion.
Sustainability, Urban Services and Environment	Maintenance of the City and Urban Services. Parks, Gardens and Beaches. Environmental Policy.
Culture, Education and Social Welfare	Education, Culture and Sport. Social Work, Youth Policy and Civil Rights.
Safety and Mobility	Citizen Safety, Civil Protection, Public Transport and Traffic Control.

The mayor is the chairperson of the municipal corporation and exercises the powers conferred on him by the Barcelona Municipal Charter, the general legislation concerning local government, and the specific laws and municipal regulations. These powers include the ordinary management of the municipal government, the representation of the municipality, and the presidency of the Municipal Council and the Government Commission.

The Government Commission is the collegiate body of the executive municipal government and consists of councillors appointed by the mayor. At present its members are all the 25 councillors belonging to the government coalition. They meet once a month to approve or examine and report on the items of business included on the agenda of the Plenary and the Municipal Council commissions, depending on the subjects to be dealt with and the sums involved. These items will have been prepared and reported on beforehand by the Executive Committee.

The City of Barcelona is administrated on a decentralized pattern consisting of ten districts divided territorially. The highest governing body in each district is the District Municipal Council, which is chaired by a councillor appointed by the mayor and made up of fifteen councillors designated by the municipal groups in accordance with the votes obtained by each political group in its corresponding district. Furthermore, the mayor delegates to a councillor, known as the district councillor, those powers required for the running of the district within its territorial boundaries.

The districts are territorial bodies whose purpose is to facilitate management, decentralize administration and encourage citizen participation. The municipal budget is obliged to devote annually at least 15% of the ordinary municipal resources to the districts.



### 1.3. Managerial Organization

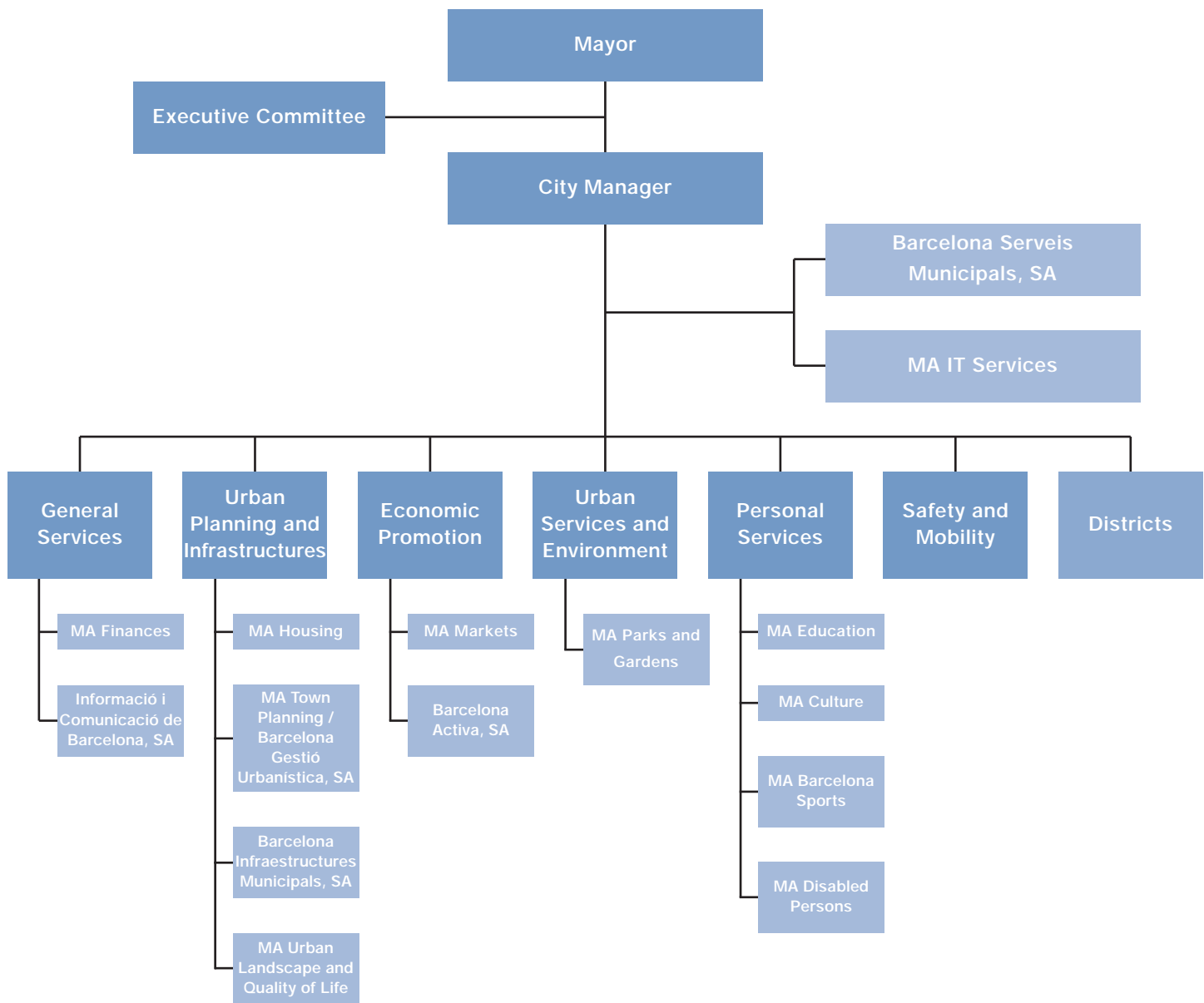
The executive level of municipal administration is divided functionally into six sectors of activity, territorially into ten districts, and in accordance with its functional specialization in a group of legally constituted bodies, comprising both public organizations and municipal companies.

The different sectors of activity are: General Services, Urban Planning and Infrastructures, Economic Promotion, Urban Services and Environment, Personal Services, and Safety and Mobility. Both the sectors of activity and the districts are run by managers appointed by the mayor.

The Executive Committee is the collegiate managing body of the executive

Administration. It is chaired by a councillor delegated by the mayor, and the municipal manager is the vice-chairperson. It consists of all the sector and district managers whose main functions are: a) to coordinate the measures adopted by the different sectors of activity; b) to establish general management criteria; c) to prepare and report on matters to be submitted to the different local government bodies; and d) to inform the managers of political approaches and the priorities of the Municipal Government.

The public organization and the municipal companies are functionally integrated into one of the sectors of activity according to the services they provide, and are coordinated with the manager of the sector in question.



## 1.4. Citizen Participation

The City of Barcelona guarantees citizen participation, especially in matters affecting citizens' quality of life most directly, by means of different bodies and mechanisms of participation.

The bodies of citizen participation are: the Council of the City, the District Council of the City and the Sectorial Councils, which may concern either the city or the district.

The Council of the City consists of representatives of the economic, social, cultural and professional entities as well as representatives of neighbourhood associations. It is a body whose purpose is to debate the Municipal Action Programme, the municipal budgets, the principal projects in the city and the indicators arising from the results of municipal management. It meets twice a year in ordinary session and provides support for the District Councils of the City and the Sectorial Councils.

The District Council of the City is the highest consultative body and organ of citizen participation in each district, and is empowered to address all the questions that fall within its competence. It is composed of the district representatives as well as representatives belonging to the entities, associations and citizens within its territorial boundaries.

The Sectorial Councils are formed by councillors from the different political groups, representatives of different entities, and prestigious personalities belonging to the different sectors. Some examples are: the Council for Social Welfare, the School Council, the Immigration Council and the Pact for Mobility. They issue reports on the municipal actions taken in their sector, stimulate participative processes and inform the Council of the City on their activities.

There are many mechanisms of citizen participation. For instance, in public audience citizens can receive information and propose the adoption of certain agreements to the municipal administration. Every year there is a public audience devoted exclusively to the budget and tax by-laws. Furthermore, citizen initiative is the mechanism whereby citizens may request the City of Barcelona to take particular action or exercise municipal powers in the public interest, and for which they may contribute funding, material, rights or personal work. Thirdly, non-profit making citizens' entities, organizations and associations can exercise municipal powers in cases of activities and services liable to indirect management by means of public tenders. Finally, through citizen consultation the City of Barcelona and the districts may request citizens' opinions on matters pertaining to their competence.

# 2



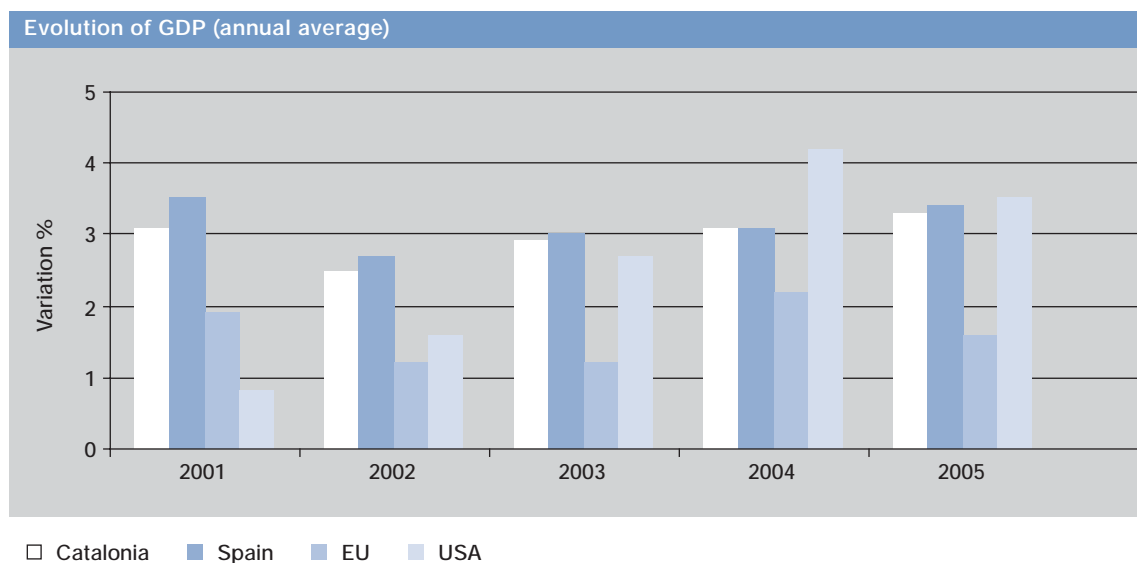
## Barcelona's Economy in 2005

### 2.1. Stabilization of World Economic Growth

Initial estimations confirm that at the end of 2005 the global economy maintained the relatively stable course of expansion it had shown during the previous year. Despite the signs of deceleration recorded during the first six months, especially in some of the most developed economies, the general upward trend was consolidated during the last half of the year, when due largely to the influence of the emerging economies, global economy was able to exceed the 4% of average annual growth at constant prices.

Nevertheless, this growth rate is not representative and has not been uniform throughout the main economic areas. For example, the annual growth rate was close to 10% in China and 8% in India, and only slightly less, but still above the world average, in most of the main emerging economies of South-east Asia, Latin America and the main oil-exporting countries. On the other hand, according to initial estimations, in the OCDE as a whole it followed a slight downward trend from 3.3% in 2004 to 2.8% in 2005. This downturn was due to increases in energy and raw material prices in the manufacturing industries, although it was partially offset by the existence on the world scene of factors such as the availability of finance at relatively low interest rates, a rise in company profits and the wealth effect arising from the revaluation of the majority of assets.

Within the OCDE, both the United States and the European Union have experienced a certain slowing in their respective growth rates. In the former case, this adjustment, foreseeable to a certain extent after the strong upturn in 2004, meant a fall of six decimal points, while growth in 2005 held steady at 3.5%. As far as the European Union is concerned, the upturn in the second half of the year was not enough to bring the average growth in 2005 –estimated provisionally at 1.7%– close to the 2.2% recorded in the previous year. The diversity in growth rates



between different countries has once again been the dominant trend and one of the most notable features. With the exception of Spain, Ireland, Greece and Denmark, most of the European Union member states before the extension have recorded growth rates lower than or equal to the overall average. Italy, which during most of 2005 was on the verge of recession, and Germany, in spite of acceleration during the latter months of the year, are the most evident examples, neither country exceeding an annual growth rate of 1%. On the other hand, most of the new member states, with a level of development lower than that of the EU-15, have reached GDP percentage growth rates greater than those of the European average.

## 2.2. Solid Economic Growth in Spain and Catalonia

First official reports on the evolution of the GDP in Spain during 2005 estimate real growth at 3.4%, three decimal points higher than in the

previous year and almost the same as in 2001, the highest figure in the last five-year period. Once again, and for the eleventh year in succession, the growth rate of the Spanish economy has been greater than that of the European Union. Furthermore, last year's results reflect one of the widest growth differentials of the last decade, a relative difference of two percentage points when compared with the whole of the Euro Area. This evolution cannot be entirely divorced from the statistical effect produced by the extraordinary regularization of workers from abroad, as well as the changes in methodology introduced recently into the EAPS (Economically Active Population Survey), and those introduced into the GDP valuation system after the change in the basis of the Spanish National Chart of Accounts.

Analysis of the major factors of demand reveal a growth of over 7% in gross fixed capital formation, while private consumption growth slowed slightly throughout the year, a trend also followed by public consumption. In general, domestic demand, with a growth estimated at

5.3%, four decimal points less than the previous year, has continued to support growth in the GDP. A further trend maintained during the last financial year was the absorption of growth capacity by imports from abroad. While exports of goods and services increased by only 1%, imports rose to almost 7%.

On the supply side, growth in the Spanish economy during 2005 arose from a process of expansion that remained dependant on the construction and service sectors. In industry as a whole, energy production was the most outstanding performer with a growth rate well in excess of that of the GDP as a whole. In spite of an upward trend throughout the year, manufacturing industries showed small growth due to the sluggish performance of domestic European demand, while in the agricultural sector there was a downturn in production as a result of the severe drought affecting most of the country.

In Catalonia, the latest estimates of GDP growth indicate a rate of 3.3%, two decimal points more than the previous year. Broadly speaking, evolution in each sector is necessarily similar in both Catalonia and Spain as a whole.

### **2.3. Logistics and Transport of Goods Continue to Rise Steadily**

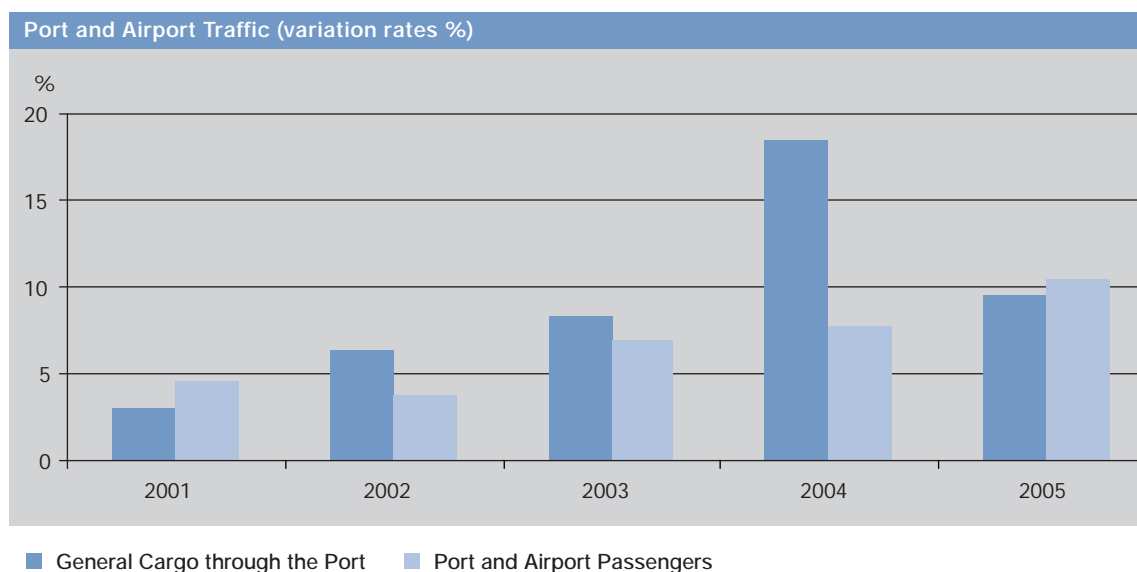
In an increasingly globalized world, where commercial flow, logistic activity and international travel are on the increase, one of the activities that lend dynamism and stability to the city's economic growth is port traffic. Once again, the growth of goods traffic through the port of Barcelona has been spectacular. While in general terms world trade has increased at an

annual rate of 7%, goods traffic in the port of Barcelona has grown by 12%, a rate which in relative terms has placed it at the head of the major European ports. The most expansive percentage evolution has been in bulk solids –mainly metallurgical products and animal feedstuffs– which have grown by 18%; bulk liquids –chiefly natural gas and oil derivatives– 14%, and general cargo, products with the greatest added value, which have grown by nearly 10%. As for container traffic, the 2.07 million TEUs transported represent an increase of 8% in comparison with the previous year.

### **2.4. Sustained Growth in Passenger Transport and Tourism**

The 2.2 million passengers who have passed through the port of Barcelona by regular ferry services and cruise lines in 2005 translate into an annual growth rate of 12%, an increase in absolute terms of almost a quarter of a million passengers. The transformation registered in this segment of port activity in recent years has been dramatic, representing an increase of half a million transactions for passenger traffic on regular ferry lines and a million on cruise lines.

As far as the airport is concerned, the rise in arrival flights with the introduction of the third runway has served once again to maintain the growth of passenger transport in 2005, when the 27.1 million passengers marked a new all-time high, equivalent to 2.5 million passengers, 10.3% more than in the previous year. The new trend with regard to previous years is that the increase in the number of flights and destinations has tended to be concentrated within the national sphere.

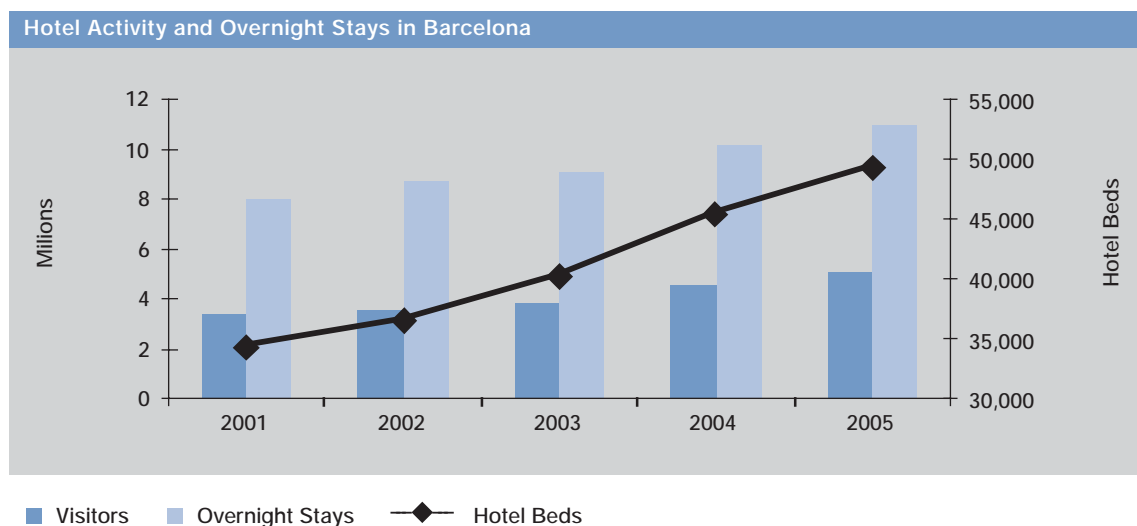


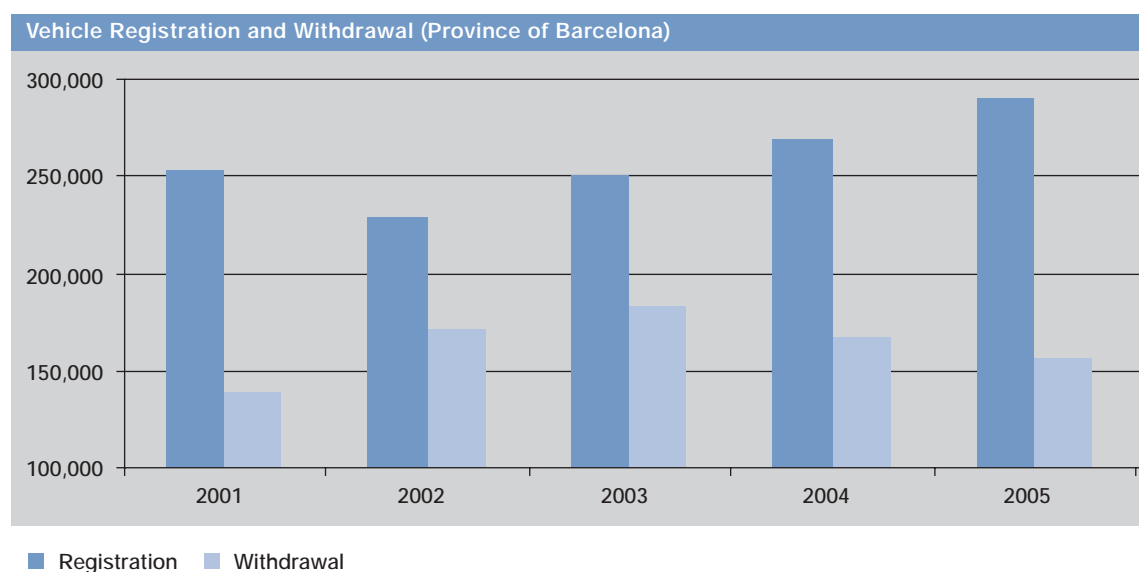
The sustained growth rate with a two-point increase in passenger traffic through Barcelona airport is mirrored by a corresponding expansion in hotel accommodation. In fact, in the wake of the continuing rise in hotel accommodation –at the end of 2005 hotels in Barcelona offered accommodation for 50,000 people, 50% more than at the close of the year 2000– hotels in the city charged more than 5 million visitors for almost 11 million overnight stays. These are record figures that exceed by 7.7% and 11%, respectively, the volume of overnight stays and visitors during 2004. The

greater growth rate in the number of visitors for professional reasons in comparison with those who do so for pleasure goes some way to explain the slight shortening in the average length of stay.

## 2.5. Price and Consumption Indicators on the Increase

In the context of investment growth in capital goods and the availability of comparatively low-price bank loans, the number of cars on the





road and the number of new vehicles registered continue to rise. According to the latest available figures, vehicle registration in the province of Barcelona exceeded 290,000, 7.7% more than in the previous year and another new high.

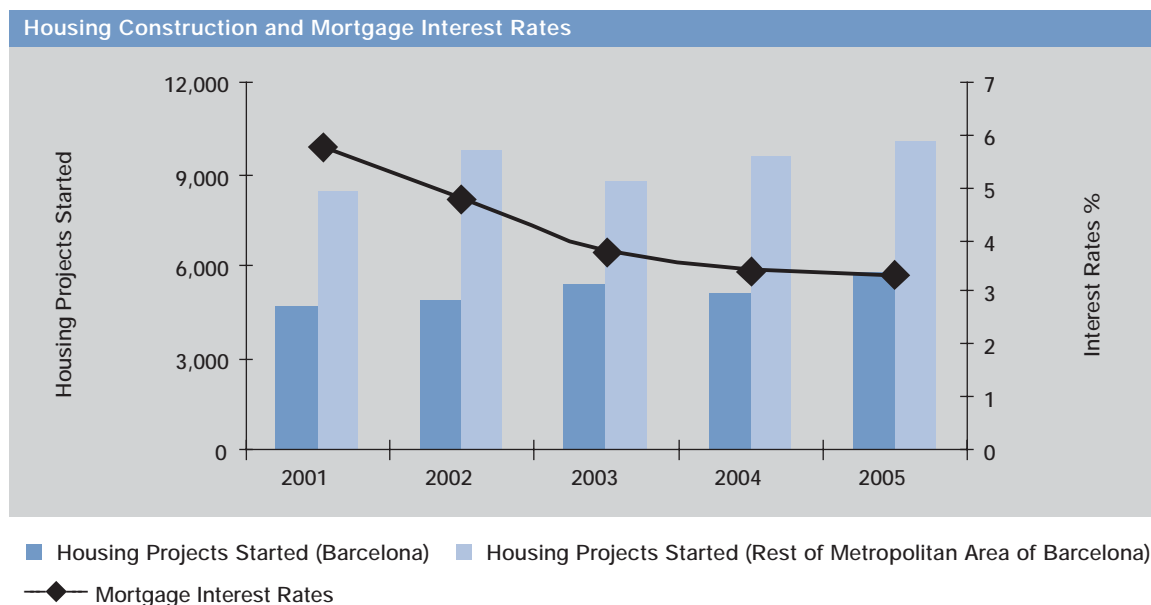
Maintenance of the growth rate at a level of around 8% in private consumption, and the increase in the price of oil-derived products and other raw materials are factors that account for most of the 3.7% rise in the retail price index during 2005. These factors show little variation and were likewise the reason for the upturn in inflation during 2004.

## 2.6. Construction and Property Market Prices: Signs of a Gradual Slowdown of Growth

Any reference to the building sector in Spain during 2005 cannot fail to underline the prolonged period of intense activity that has been its hallmark, as well as the fact that it is the driving force behind the current expansive

cycle in the economy. In Barcelona and the immediate metropolitan area, the physical frontiers limiting expansion have not prevented construction from going ahead at an intensive rate, particularly taking into account the process of urban renewal that the city has undergone in recent years. The more than 1.85 million m<sup>2</sup> of new housing space for which planning permission was granted during 2005 reflect this fact, especially considering that these figures represent the second annual maximum since 1990, a year in which the city was involved in preparations for the Olympic Games.

Furthermore, a series of construction projects are under way for the extension and/or improvement of large-scale infrastructures such as the port, the airport, the trade fair, Line 9 of the underground system, and the new station and track for the high speed train. At the same time, the amount of planning permission granted in 2005 is a reflection of the enormous vitality in the improvement and renewal of public facilities and services, particularly in education and health.



In parallel with these projects –and of undoubted importance for social and territorial cohesion, as well for stimulating economic enterprise– the other main sector of activity is housing construction. In 2005, permission was granted for the construction and improvement of 7,607 dwellings, a figure exceeding that of the previous year by 41.4% and equal to the all-time high registered in 1999. Also worthy of mention are the 2,076 new municipal housing projects for which planning permission has been granted.

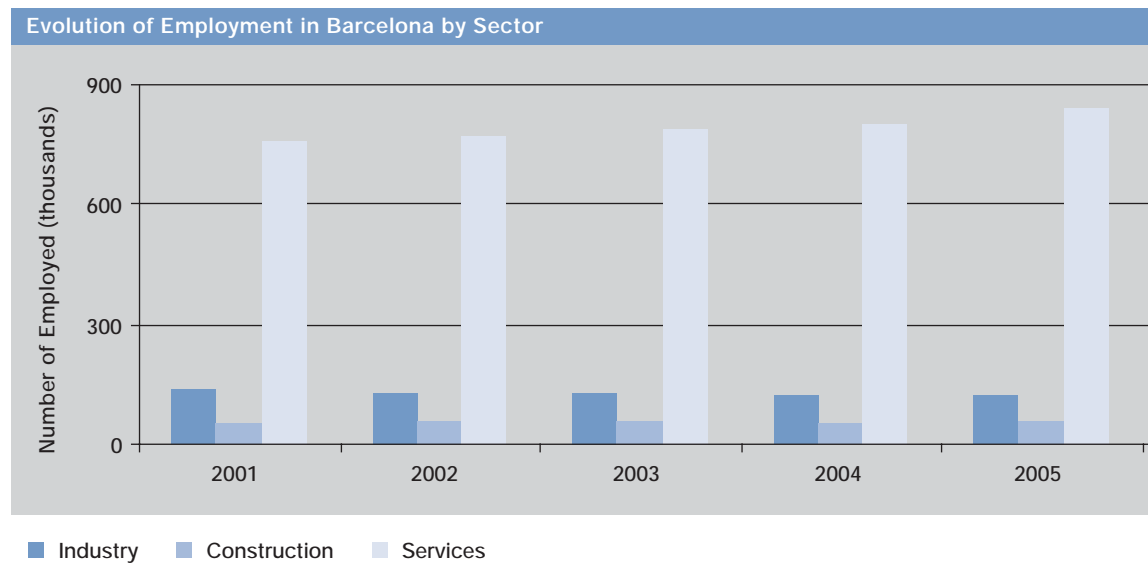
As is known, the high level of housing construction in recent years in Barcelona and throughout the country is linked to the increase in demand, a situation fuelled by factors both economic –above all, the high employment and low interest rates– and demographic, the most significant being the increase in immigration during recent years. Although still relatively insignificant in quantitative terms, the rise in interest rates registered at the end of 2005 marks a change in the rules of the game that have prevailed in recent years, and will in all

likelihood serve to slow down the mortgage rate, which reached a new high in 2005.

Repeated reports of the slowdown in price increases during 2005 have only been reflected sporadically on the ground, although it appears they will find definite confirmation in 2006. The overall picture is one of moderate price deceleration and a corresponding gradual downturn in production.

## 2.7. Positive Evolution of the Labour Market

Any analysis of the evolution of the labour market in Spain during 2005 is bound to take into account the impact of the extraordinary increase in the number of immigrants on the figures of employed persons belonging to the Social Security system. If to this fact we add the changes in methodology introduced into the EAPS at the beginning of the year, and the new registration system for the unemployed, it is obvious that the figures for this year allow only a general evaluation.



The slight increase in the GDP indicates that it has gone hand in hand with a very similar increase in the number of persons finding employment. According to figures from the National Chart of Accounts, it is estimated that the number of persons in full-time employment has risen by 3.2%, six decimal points higher than the previous year. In such exceptional circumstances, these figures are useful for differentiating between the real increase in employment and the number of employed persons belonging to Social Security. As far as Catalonia and Spain are concerned, by the end of the year the inter-annual increase of this latter variable stood at 5.8%.

Parallel with the creation of new jobs reflected by these figures, there has also been an equally notable increase in the active population due to the above-mentioned changes in methodology,

whose aim is to show the effect of the latest wave of immigration on the labour market. In the case of the city itself, the EAPS estimates the annual average of active persons residing in Barcelona during 2005 at almost 800,000, 4.45% more than in the previous year. At the same time, other similar changes in methodology have resulted in an increase in the registered number of unemployed. All these changes in methodology have had an incidentally negative effect on the active population and unemployment rates, an effect which, thanks to the current economic expansion, showed signs of redress as the year progressed.

In short, the main indicators for the labour market in Barcelona and the metropolitan area clearly registered an expansive evolution during 2005.

# 3



## The City of Barcelona and its Services

### 3.1. Introduction

What follows is a summary of the services provided by the City of Barcelona, including their most relevant aspects in 2005. Firstly, a review of services to citizens, that is to say, the services provided for all the city's inhabitants collectively. Secondly, an explanation of the services to the city as a physical space of public coexistence; and lastly, a review of the measures taken for the promotion of economic activity in our city.

### 3.2. Services to Citizens

The City of Barcelona seeks to provide a response to the new circumstances arising from the social changes taking place in order to foster and guarantee the accessibility of all citizens to the different services offered by the city. It is likewise concerned with adapting municipal services to the diversity of the population and to new social requirements.

#### Information, Documents and Most Frequent Procedures

Communication with citizens is a vital factor in the process of involving people in the public affairs of the city, as well as a means of understanding their needs and concerns before adopting the most suitable measures of resolving them.

To this end, the *Strategic Plan of Information Systems* has been set in motion. It is a scheme based on information and communication technologies aimed at improving services to citizens, increasing communication with the community and encouraging public participation in the city's internal management. Instruments such as the *Carpeta del*

*Ciutadà* (Citizen's File), the IRIS project –a new service for dealing with incidents, claims and suggestions from the public– the electronic expedient or Barcelona Mobile City are an example of the municipal government's commitment to continue improving its attention to citizens. They are aimed at providing a quicker response to demands, simplifying

administrative procedures, and improving and extending the channels of access to information.

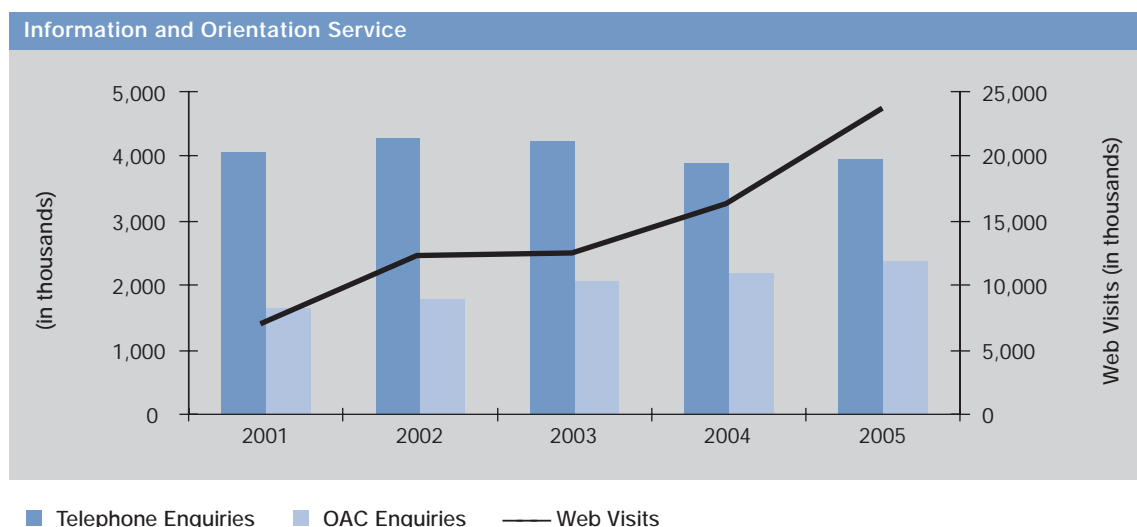
These channels providing access to a broad range of municipal information and issues of interest in the city are: the Internet, the telephone and the centres of attention to the public.

Information and Citizen Orientation Services					
	2001	2002	2003	2004	2005
Citizens' telephone service (calls attended to)	4,079,871	4,299,705	4,218,420	3,882,137	3,943,597
Offices attending to the public (enquiries dealt with)	1,621,682	1,804,548	2,073,859	2,185,896	2,385,791
Number of web visits: www.bcn.es website	6,984,326	12,131,074	12,327,194	16,255,852	23,530,991
Administrative procedures carried out over the Internet	188,320	591,947	983,520	1,132,478	1,317,692

A wide range of information about Barcelona is available via the [www.bcn.es](http://www.bcn.es) portal on the Internet. Structured in four main sections –the city, the Council, tourism and business– this service also provides either partial or total access to more than 90% of all municipal procedures. In 2005, the number of web visits rose by 45% in comparison with 2004, while the number of administrative procedures carried out over Internet increased by 16%. The most visited sections were, in decreasing order: the City Guide, facilities and the events agenda. As regards administrative procedures, those most frequently processed concerned urban planning, tax, population, and those dealing with incidents and claims.

In February 2005, Barcelona City Council opened the 900 226 226 line, a new telephone

service available 365 days a year. This is a line accepting calls free of charge from any landline in the metropolitan area or by cell phone. It enables citizens to report all types of incidents or to make enquiries about the city and municipal services. Via this service they can also register standing orders for taxes and charges, public prices enquires, as well as the payment of fines and municipal charges by credit card. The services available via this line also cover requests for the collection of discarded furniture and junk, the pruning of trees or the disposal of dead animals; reports of damage to urban furniture, non-function of traffic lights, sewage systems or public escalators; reports of full, overflowing or damaged containers, and registration in the network of civic-mindedness. This service can also be accessed through the [www.bcn.es](http://www.bcn.es)



website in the section "*The City Council Listens to You*", and forms part of the City of Barcelona campaign to stimulate coexistence in the city.

As a result of this new service, the 010 citizens' attention line, which until now handled claims and incidents, has become the means for providing information about the city and municipal services. Via this line the public can now obtain information about activities taking place in the city, available facilities, and the companies and means of city transport. It also enables the public to process administrative procedures regarding the municipal services file, as well as providing information about procedures concerning other organizations and public bodies.

The fourteen offices that attend to the public (OACs) are distributed around the city to provide further channels for citizens' information and orientation. The OACs are information points where the City of Barcelona offers direct personalized assistance with procedures or clarifies doubts about the municipality. Furthermore, there are seventeen specialized offices dealing with specific social situations,

able to provide detailed information about issues concerning citizens' rights.

## Education

The Institut Municipal d'Educació (*Municipal Education Agency*) ([www.bcn.es/educacio](http://www.bcn.es/educacio)) is responsible for directing and planning the structure and administration of the municipal schools.

Throughout 2005 work has gone ahead to achieve the goals established by the Municipal Action Plan, such as that of ensuring education for all children of school attendance age, increasing the number of places available in municipal nursery schools, improving the relation between education and productive activity by providing training opportunities in consonance with the changing needs of companies, and the promotion and participation of the educational community.

In the 2005-2006 school year, the Agency is in charge of the 86 municipal schools, as well as being responsible for the conservation,

maintenance and security of the Generalitat de Catalunya (*Autonomous Government of Catalonia*) primary schools, a total of 254 schools and buildings. In addition, since March 2005 the Agency has been responsible for the cleaning and supply of these schools, a service formerly provided by the municipal districts.

Of the 14,233 pupils enrolled during the 2005-2006 academic year at the different educational levels, the number of children attending municipal nursery schools has risen by 96, a figure set to increase in the coming academic

year thanks to the construction in 2005 of two new nursery schools –the EBM La Farinera in the Sant Martí district and the EBM Nic in the Sants Montjuïc district. These schools opened in January, 2006, and will provide 91 and 81 new places, respectively.

The City of Barcelona publishes the *Barcelona és una bona escola* (Barcelona is a Fine School) guide, an edition consisting of 200,000 copies which contains guidance about the pre-registration and enrolment process for pupils in the city's state-run and grant-maintained schools.

#### Number of Students at Municipal Centres

School Year	Pre-schools	Primary Education	Secondary Education	Fine Arts	Others	Total
2001-2002	2,276	2,581	2,440	3,201	942	11,440
2002-2003	2,790	2,782	3,306	3,076	1,070	13,024
2003-2004	2,972	2,781	3,442	3,000	1,175	13,370
2004-2005	3,209	2,747	3,820	2,953	1,483	14,212
2005-2006	3,304	2,741	3,587	3,058	1,543	14,233
No. of Centres 2005	52	13	9	6	6	86



El Coll Ludothèque,  
in Gràcia District

In order to facilitate access to educational opportunities, the *Projecte Èxit* (Success Project) has been set up, which together with a shared teaching scheme involving different entities in different territories provide support for students, teaching staff and families of 5th and 6th course primary pupils and 1st, 2nd, 3rd and 4th course secondary pupils to ensure a smooth transition from primary to secondary level. More than 1,600 students, 223 teachers and 93 monitors from 66 schools and 4 bodies took part in this scheme during the last academic year.

Furthermore, with the aim of helping school leavers to find employment and assist in their transition to the world of work, the *Pla Jove Formació-Ocupació* (Youth Training-Employment Plan) gave courses for 2,472 young people between the ages of 16 and 18 during 2005.

Another important activity of the Education Agency is teacher training and assessment. In 2005, 5,250 teachers took part in 340 training schemes including teaching resources, support initiatives and platforms of debate.

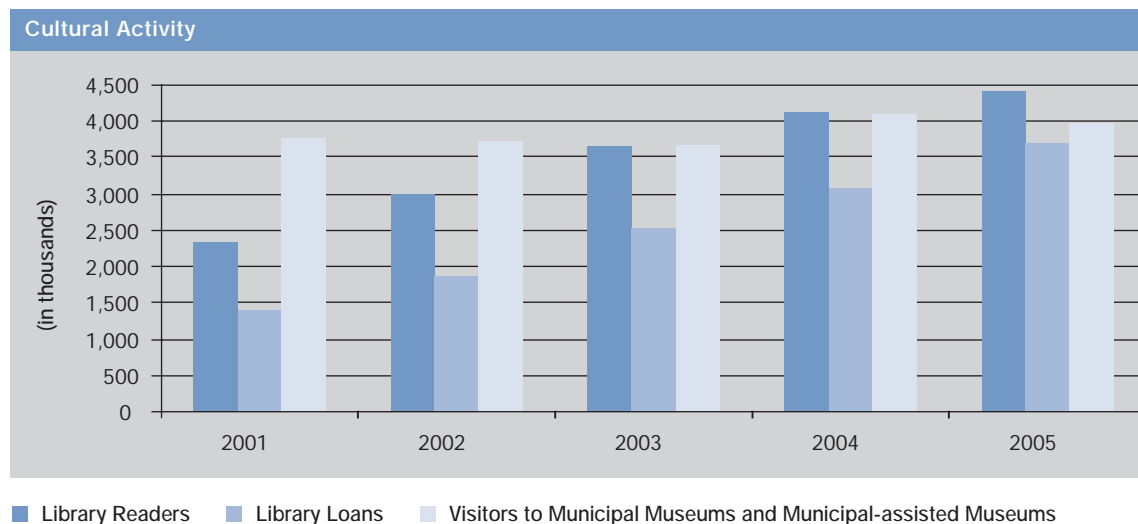
Finally, bodies such as the *Consell Escolar Municipal* (Municipal School Board), the *Consell*

*de la Formació Professional* (Occupational Training Board), the *Consell de Coordinació Pedagògica* (Pedagogic Coordination Board) and the *Projecte Educatiu de Ciutat* (City Educational Project), are spaces where the educational community participates in and shares responsibility with the public administration in the make up and management of education.

## Culture

The Institut de Cultura de Barcelona (*Barcelona Agency of Culture*) ([www.bcn.es/cultura](http://www.bcn.es/cultura)) is the institution responsible for planning and running municipal services in the cultural sphere.

In 2005, the “Year of the Book and Reading” was held to celebrate the 400th anniversary of the publication of *Don Quijote de la Mancha*. Over this twelve month period an intensive campaign has been carried out in Barcelona to raise awareness about books and reading, consisting of some 1,700 different activities in which more than 8,000 people have taken part and which more than two and a half million





Jaume Fuster Library, in Gràcia District

people have attended. The declaration of 2005 as the “Year of the Book and Reading” has given momentum to the book sector, encouraged reading activity and the identification of Barcelona as a space for the book and a city of writers, publishers, booksellers and libraries.

The “Year of the Book and Reading” has also been the initiative around which many of the activities promoted by the Agency of Culture have revolved. A good example of this is the city museums programme which included exhibitions such as “Barcelona and Don Quixote” at the Museu d’Història de la Ciutat (*the History of the City Museum*), “Books Illustrated by Picasso” at the Museu Picasso (*Picasso Museum*), “Mythology of the Dinosaurs” at the Museu de Ciències Naturals (*Museum of Natural Sciences*), “The Figurative Word, the Presence of the Book in the Museum Collections” at the Museu Nacional d’Art de Catalunya (*National Art Museum of Catalonia-MNAC*), and “Visions of Don Quixote” at the Caixa de Catalunya Cultural Centre in la Pedrera. The almost four million visitors to the municipal and municipal-assisted museums of Barcelona have also enjoyed other

exhibitions such as “Jean Hélion” at the Museu Picasso, “The Primitive Line” at the Museu Tèxtil i d’Indumentària (*Museum of Textiles and Clothing*), “Gems of the Iberian Peninsula” at the Museu de Ciències Naturals, “Birds and Felines: Compared Arts” at the Museu Barbier-Mueller d’Art Precolombí (*Barbier-Mueller Museum of Pre-Columbian Art*), “Barcelona and Photography” at the Museu d’Història de la Ciutat, Casa Padellàs, “Toy Theatres” at the Museu Marès (*Marès Museum*), “The Laboratory of Jewellery 1940-1990” at the Museu Tèxtil i d’Indumentària, and “Portraits of Grass”, at the Institut Botànic de Barcelona (*Barcelona Botanical Institute*).

In its annual programme of festivities, Barcelona seeks to combine traditional and popular culture with contemporary culture. The legend of the Three Wise Men was revamped in the traditional Cavalcade in January, 2005, in order to reflect the multicultural reality of the city. In February, the celebrations to commemorate the ancient figure of Santa Eulàlia, the protectress of Barcelona, were based on the participation of popular culture groups (*castellers* or human towers, *geganters* or giants puppets, Catalan

folk dancers, *diablos* or fire devils, etc.) and the artistic education sector (music schools, dance academies, theatre groups). More than 1,500 boys and girls took part in the 115 activities consisting of childrens' concerts, parades, street theatre, exhibitions, fairs, prizes and firework displays. In June, the Music Festival was held, an opportunity for "amateur" musicians to show their skills and perform experimental sounds that cannot find an outlet on the commercial circuit.

The festival of La Mercè was held between 22nd and 25th of September. This year the Annual Festival of Barcelona revolved around five main themes; citizen participation, with the 10th Mostra d'Entitats fair and the new format of the

City of People; tradition, with the giants' procession (*gegants*), sardana dances, the *castellers*, and the annual street parade, which on this occasion was devoted to books and reading and attracted more than 80,000 spectators; music, where up and coming bands had the opportunity to perform in the Barcelona Music Action (BAM) festival; street performance arts, with the circus returning this year to the Parc de la Ciutadella, the avinguda Cambó as a space for street artists, and the Rambla, where in addition to la Mercè events, groups of itinerant musicians performed; and finally, fire, with the traditional *correfoc* (firework party), the 8th International Firework Display of Barcelona, and the Piromusical music and firework display, the closing event of the Festival.

Cultural Activity	2001	2002	2003	2004	2005
<b>Orquestra de Barcelona i Nacional de Catalunya (OBC) (Orchestra)</b>					
No. of concerts	84	117	128	132	92
No. of spectators	145,247	190,917	225,494	202,353	165,462
<b>Auditori (Auditorium)</b>					
No. of concerts	274	249	277	311	282
No. of spectators	324,363	316,189	335,093	393,907	375,908
<b>Palau de la Música Catalana (Concert Hall)</b>					
No. of concerts	186	196	193	220	229
No. of spectators	271,011	282,050	268,201	317,674	332,277
<b>Liceu (Opera House)</b>					
No. of performances	147	164	195	240	218
No. of spectators	274,867	303,596	314,100	355,734	297,353

The "Setmana de l'aeronàutica i l'espai" (*Aeronautical and Space Week*) was held during the last week in September. In addition to the now traditional Festa al cel (*Festival of the Sky*), with its powered paragliders, kites, air balloons

and exhibitions of aeromodelling, this year the Mostra de l'Aeronàutica i l'Espai (*Aeronautical and Space Fair*) was held for the first time in Barcelona in the Plaça del Fòrum. Furthermore, as part of the Nit de l'Aviació (*Night of Aviation*),

the Flyer 2005 Prizes were awarded, aimed at companies and organizations that have helped to develop and promote the sector and aeronautical culture.

The 29th Grec Barcelona Summer Festival consolidated its position as the foremost producer of theatre in Catalonia. 45 productions, including sixteen completely new ones, figured on the programme over a six week period. Among the other festivals held as part of the cultural programme, the Sónar was the most highly attended (89,349 participants), followed by Primavera Sound (44,000), the Festival of Alternative Cinema (30,000) and the Festival Àsia (14,000).

The libraries of Barcelona took an active part in the Year of the Book and Reading by organizing day-long activities such as *Sota Quarantena* (In Quarantine) –devoted to new trends in Catalan fiction– and the season of conversational get-togethers *Vine a fer un cafè amb...* (Come and have a coffee with...), as well as participating in the Primera Trobada Europea de Novel·la Negra (*First European Crime Novel Convention*), Mòn Llibre (*Book World*), Mòn Verne (*The World of Verne*), the Mercè Festival and the Saló del Llibre (*Book Salon*). Moreover, 2005 saw the opening of the Jaume Fuster Library in Gràcia, the 8th District library to open in the city. The 4.5 million library visits, a 7% increase on 2004, and the 3.7 million books checked out on loan, a 21% increase, are a reflection of the high response to library facilities in the city.

In 2005, the city of Barcelona provided the location for more than 1,200 film shoots, including ads., short films and feature films, consolidating its position as the venue for many

professionals in the audiovisual sector, both at state and international level. In fact, the Barcelona Plató Film Commission, the municipal office of the Agency of Culture devoted to providing a broad range of services for audiovisual productions in Barcelona, collaborated in 418 of these projects as well as participating in the main European audiovisual festivals and markets. Its aim is to promote the city as a location for film shooting, set up meetings with local, regional and national producers, and strengthen relations with the institutions involved in the audiovisual field.

The 69 activities scheduled for the 9th Barcelona Poesia, held between 3rd and 11th of May, included the voices of more than 250 poets who gave readings of their work in different parts of the city, attracting approximately seven thousand people. The closing event, the 21st International Poetry Festival of Barcelona, took place in the Palau de la Música. This year the accent was on voices from the Mediterranean and was attended by 1,148 people.

The diffusion of culture throughout the city area owes much to the + A Prop (*Closer*) programme, the result of collaboration between Agency of Culture and the ten city districts, including disciplines such as dance, theatre, urban music and contemporary art.

At an international level, in addition to holding the presidency of the Fòrum Cultural d'Eurociutats (*Eurocities Culture Forum*) and del Grup de Treball de Cultura de Ciutats i Guberns Locals Units (*United Cities and Local Governments Working Group on Culture*), the city of Barcelona presented the Year of the Book and Reading at the Guadalajara Fair in Mexico.



Barcelona Associations Exhibition, in Les Corts District

Furthermore, with the support of the European Commission, the city collaborated in a project with the libraries of Morocco MED-ACT, as well as participating in the Setmana de Barcelona (*Barcelona Week*) in Medellín and organized the Gaudí Exhibition in Genoa.

### Personal Social Services

2005 saw the approval of the Municipal Plan for Social Inclusion, which sets out municipal policy in this sphere for the 2005-2010 period. The approval of this plan entails a more than 20% increase in the budget for domiciliary care services, which has enabled the following measures to be taken:

- Social and educational projects for families at risk of exclusion and /or care for people with special needs to enable them to remain within their family or social circle and improve their quality of life.
- Increase the number of people benefiting from the tele-assistance service by almost 65%.
- The creation of new care services for people belonging to the social inclusion programme,

such as two primary social care facilities with 160 places, a night refuge facility with 40 beds, or small communal units an apartments of inclusion as the last phase in the transition to personal autonomy within society for those people who, after being marginalized, have improved their personal, human and social skills.

- Provide support for many citizens from abroad in the administrative process of regularization initiated by Central Government, and to assist their integration as citizens enjoying full rights in their host society. In this sense, the reception service for immigrants, foreigners and refugees has attended to approximately 25,000 people in 2005.
- Increase professional care services for people with special difficulties by the incorporation of social educators –to work actively with children and young people who have made the street their living space and place of social relations– and of new social workers in the social service centres and teams of detection and primary care for the homeless.

- Continue the project to provide accommodation with services for elderly people with special needs, which in 2005 has resulted in an increase of 68% in this type of service.

Social Welfare					
	2001	2002	2003	2004	2005
<b>Population in General</b>					
No. of Call-outs Carried out by Primary Social Care Teams	139,591	140,437	132,765	132,969	137,890
No. of Cases Dealt with at Social Service Centres	36,642	41,066	39,456	38,429	41,793
No. of Homes with Home Assistance	4,276	4,126	4,275	4,480	5,409
No. of Call-outs Carried out by the Municipal Response Centre for Social Emergencies (CMAUS)	3,742	2,925	4,201	2,627	2,008
<b>Poverty and Homelessness</b>					
No. of Clients Dealt with by Social Insertion Teams (SIS)	2,545	2,613	3,477	3,459	2,874
No. of Night Refuge Stays by Homeless People	67,426	75,292	83,390	81,741	83,610
No. of Meals Served in Food Shelters	192,930	215,138	246,179	253,240	232,754
<b>Infancy</b>					
No. of Children Attended to Through High Social Risk (EAIA)	3,257	3,369	3,374	3,086	2,946
No. of Immigrant Minors Without Relatives Attended to	142	104	127	93	92
<b>Foreign Immigrants</b>					
No. of Persons Attended to at Care to Immigrants, Foreigners and Refugee Service (SAIER)	-	10,589	20,126	21,545	24,123
No. of Persons Discharged (SAIER)	8,190	10,188	14,947	17,141	18,473
<b>Elderly</b>					
No. of Pink Card Beneficiaries	250,254	252,836	261,846	263,501	262,366

Together with the Generalitat, in 2005 the foundations have been laid to meet future social needs with the provision of specialized social care facilities and the agreement on funding for basic primary social care.

As regards the city's social facilities, steps have been taken to provide the specialized care

facilities to assist citizens with special needs. An agreement has been signed that provides for the construction of 50 new facilities of this type, including 10 Homes with day centres for the elderly, two Homes for people with chronic mental disability, two for people with mild mental disability or behavioural dysfunction, and one intensive action socio-educational centre for children.

As a final provision for the future, the agreement on funding for basic Primary Social Care Services represents a 32% increase in resources, in addition to a specific endowment for increasing domiciliary care services, which gives an estimate of municipal participation in these services of the order of 33% or less by the year 2014.

### Care for the Disabled

The Institut Municipal de Persones amb Discapacitat (*Disabled Persons' Agency*) ([www.bcn.es/imd](http://www.bcn.es/imd)) runs the City's policies aimed at helping people with some kind of

physical, mental or sensory disability to become socially integrated, based on the principles of normalizing services and acknowledging differences. The services provided include young children's interdisciplinary teams offering comprehensive care for children aged 0 to 6 years old with special learning needs; advice on job opportunities; hostels; warden-controlled flats and specially adapted apartments; information about resources and services; specialist advice on access, mobility and transport; primary social care and personal services; communication and participation, and public transport passes for specially adapted minibuses.

Care for the Disabled					
	2001	2002	2003	2004	2005
No. of Disabled Attended to	17,218	18,080	17,778	18,770	19,870
No. of Entities Informed	5,471	5,500	5,689	5,500	5,396
No. of Enquiries (Information-Advice)	4,820	6,636	7,524	12,160	16,669
No. of Journeys by Special Transport	92,461	101,033	130,311	155,063	189,270

As regards physical accessibility, mobility and transport, many advances have been made in making Barcelona accessible for people with special needs. On one hand, improvements have been made in the "Porta a porta" (*"Door to Door"*) services with a 90% increase in the fleet of adapted buses, extending the timetable of the services and bringing them into line with the underground system; the number of adapted taxis has also increased, including a system for notifying the user of the arrival of the vehicle at the pick-up point. On the other hand, as part of the accessibility plan, which provides for the removal of all physical barriers in public spaces

in Barcelona by 2006, among other measures taken during 2005, 74% of the surface area of public thoroughfares was made accessible, 84% of all access ramps required were constructed, 1,151 sonar traffic lights were installed, and 84% of all buses are now equipped with disabled access.

### Funeral Services

Serveis Funeraris de Barcelona, SA, ([www.sfbsa.es](http://www.sfbsa.es)), a joint private and public sector company in which the City of Barcelona holds a

majority stake, is responsible for managing, developing and running the city's funeral and cremation services as well as its cemeteries, of which there are nine - Montjuïc, Collserola, Les Corts, Sant Gervasi, Sarrià, Sants, Sant Andreu, Horta and Poblenou. There are two crematoriums with six ovens –at Montjuïc and Collserola– and 74 viewing rooms in four funeral parlours –Sancho d'Àvila, Collserola, les Corts and Sant Gervasi– the latter having opened in 2005.

Serveis Funeraris de Barcelona provides services that range from handling administrative procedures in the case of death to conducting ceremonies accompanying burials and

cremations. It also deals comprehensively with the requirements of insurance companies and with private individuals, including charity and subsidized services, given that this is an essential service that must be provided in all cases.

Ten new vehicles were added to the fleet in 2005, while more than five hundred new vaults for funeral urns and sixty graves were built, and graves were repaired and rebuilt in different cemeteries. Moreover, cemetery pathways and roads were resurfaced, and once again in 2005 the company renewed its ISO-9001-2000 certificate for improvement of facilities.

Funeral Services					
	2001	2002	2003	2004	2005
No. of Funeral Services	20,330	20,203	20,770	19,244	20,340
Cremations	6,404	6,407	6,246	5,540	5,988

## Sports

The Institut Barcelona Esports (*Barcelona Sports Agency*) is the public body responsible for promoting sport in Barcelona. One of its purposes is to equip and manage municipal sports facilities –sports installations run under administrative concession. This involves using the map of existing facilities to help detect new requirements and trends in the sports sector, and to achieve a balance with the private sector concerning the need for new facilities. Furthermore, every year investment is made in the maintenance and improvement of existing facilities.

With regard to the promotion of physical activity, exercise and sport by all citizens, 2005 saw the

introduction of the web site Esports ([www.bcn.es/esports](http://www.bcn.es/esports)), which contains official information about the city's sports agenda, sports activities and programmes organized by the City of Barcelona, and about sports facilities and sports bodies in the city. This web site is intended to be the first step towards the creation of a sports information network as well as providing the public with details about the practice of sport in Barcelona, and promises to become an effective means of communication linking together all the agents belonging to the sports sector.

The Sports Agency organizes sporting events, either directly or in collaboration with other organizations. Among the 350 popular sports

events that take place annually in Barcelona, of particular note in 2005 were the departure of the 2005 Barcelona-Dakar Rally, which attracted 1,500 participants and 696 vehicles representing 39 countries; the 3rd Caminada Internacional de Barcelona (*Barcelona International Walk*) in June, also with 1,500 participants, and the 1st Cursa de les Dones (*Women's Race*) in October, which formed part of the *Taula Dones i Esport* project and attracted 2,800 participants.

In 2005, Barcelona was nominated to organize the 2006 Table Tennis World Cup, the 2007 European and pre-Olympic Baseball Championship, and the 2008 Eurogames, while its candidature as the host city for the 2008 European Triathlon Championship and the 2010 European Athletics Championship has still to be decided.

### **Housing Promotion and Improvement of the Urban Landscape**

In the sphere of housing, the measures adopted by the City of Barcelona fall into three main categories; housing promotion, rehabilitation and information, and citizen orientation and support.

The promotion of subsidized housing is aimed mainly at those who experience the greatest difficulty of acquiring a place of their own to live; young people and the elderly. The management of council land undertaken so far by the City of Barcelona has resulted in 183 sites devoted to the construction of the 10,000 subsidized and/or affordable dwellings provided for in the 2004-2010 Municipal Housing Plan, 26% of which are finished, 26% are under

construction, 22% are awaiting planning permission before being built in 2006, and the rest are at the project stage. Half of the dwellings provided for in the Plan are rented accommodation. As for distribution according to tenants, 38% are earmarked for young people and the elderly, 35% for those applying for social housing, and 27% for those requiring relocation because of development work in their neighbourhoods. More than a third of these dwellings are promoted by the Patronat Municipal de l'Habitatge (*Municipal Housing Agency*) ([www.pmhb.org](http://www.pmhb.org)). Other developers are either cooperatives, non-profit making institutions, private sector companies, or other public administrations.

The housing rehabilitation programme in Barcelona is focused on four main aspects; improvement in building conditions and safety; improvement of living conditions within dwellings and the rehabilitation of existing buildings for letting; the comprehensive rehabilitation of buildings in the old quarters of the different city districts, and the comprehensive measures for the revitalization of neighbourhoods within the framework of the Llei de Millora de Barris de la Generalitat de Catalunya (*Autonomous Government Law for the Improvement of Districts*). Both private and public developers are involved in the projects of rehabilitation and refurbishment.

With the aim of making information about subsidized housing as widely available as possible, and of facilitating the procedures involved, the City of Barcelona has set in train several different schemes. It has opened the Oficina de l'Habitatge de Barcelona (*Barcelona Housing Office*), a service providing advice and

support to the public on questions relating to housing (rented accommodation, owners' associations, acquisition of housing and rehabilitation of buildings). It has provided greater backing for the existing offices in the Ciutat Vella, l'Eixample, Gràcia and Sants-Montjuïc districts and for the Municipal Housing Agency. It has created a Housing Office in the Carmel neighbourhood and has simplified the procedures for obtaining building permission for minor projects and activities.

In 2005 the *Borsa d'Habitatges per a Lloguer Social (Housing Exchange for Social Letting)* was also established, a mediation and negotiation service for owners and tenants with the goal of mobilizing the number of vacant properties and stimulating the availability of rented accommodation. The creation of this body has enabled three services to be unified; the *Pla de Suport d'Accés a l'Habitatge (Housing Access Support Plan)*, a programme aimed at low income groups who have difficulty entering directly into the property market; the programme for making unoccupied housing available as rented accommodation, and the evaluation, processing and monitoring of applications to the Generalitat de Catalunya for assistance with rent payments.

Begun in 1986, the "Barcelona, posa't guapa" (*"Smarten yourself up, Barcelona!"*) campaign has over the years become a wide-ranging project for change and improvement in the city, giving rise to a whole area of municipal activity involving the urban landscape, a sector managed by the Institut Municipal del Paisatge Urbà i la Qualitat de Vida (*Municipal Agency of Urban Landscape and Quality of Life*) ([www.bcn.es/paisatgeurba](http://www.bcn.es/paisatgeurba)). This Agency

regularly runs programmes providing the public with financial support and technical and administrative advice aimed at the restoration and improvement of private property forming part of the city's urban landscape. This programme is divided into four main areas: building work (restoration of façades, roof terraces, air shafts, etc.); environment (solar panels, sound and heat proofing, etc.); accessibility (elevators, housing adaptation, etc.); installations (communal radio and television antennae, air conditioning units, etc.), and premises (sound-proofing, improvement of exterior appearance, etc.).

In addition, the Agency is responsible for the use of the urban landscape as laid down in the corresponding Ordinance. In 2005, 123 reports concerning impact on the urban landscape were issued, while a total of 107 agreements were signed for the recovery of buildings and other essential features in the city.

Furthermore, the Agency provides the citizens and visitors to Barcelona the opportunity of discovering the city's heritage and history through the *Rutes del Paisatge (Urban Landscape Routes)* and other related publications. A fresh impetus has been given to the diffusion of the Art Nouveau heritage in 2005 with the renovation of Barcelona's *Ruta del Modernisme (Art Nouveau Route)*. The number of places of interest to visit in Barcelona has risen to 115, which can be reached by following four different itineraries. Three new Art Nouveau centres have been opened in the plaça Catalunya, l'Hospital de la Santa Creu and Sant Pau and in the Pavellons Güell. The revenue arising from these routes is devoted to the restoration of Barcelona's Art Nouveau heritage.

Restoration, Housing and Urban Landscape Improvement					
	2001	2002	2003	2004	2005
<b>Housing Stock of the <i>Patronat Municipal de l'Habitatge</i></b>					
Dwellings to let handled	3,507	3,550	4,248	5,268	5,386
Dwellings for sale handled	3,632	3,211	3,105	2,932	2,837
Shop units	485	441	457	457	415
m <sup>2</sup> of land available	41,790	6,620	34,580	36,300	54,653
<b>"<i>Barcelona, posa't guapa</i>" Campaign</b>					
No. of Grant Registrations	2,649	2,339	3,180	2,766	2,336
No. of Grant Files Conferred	1,617	1,993	1,907	1,847	2,244
m <sup>2</sup> of Restored Façades and Roofs (000s)	715	560	703	800	610

Moreover, one of the goals of ProEixample, SA, a joint public and private sector company, is to recover the interior courts of the apartment blocks in the Eixample district for public use, which will contribute to the improvement in quality of life in a city centre area with few parks or gardens, as well as fulfilling Ildefons Cerdà's original intention for this 19th century expansion of the city. The maintenance and improvement plan for these spaces covers such aspects as urban furniture, paving, parks, children's play areas, and the repair of party and façades, gates and fences. In addition, ProEixample has drawn up several itineraries to make the 28 of these inner courts that have already been opened to the public better known.

### 3.3. City Services

#### Maintenance of Services and Urban Infrastructures

The cleaning and collection of waste in Barcelona is carried out according to various

systems depending on the morphology and level of use of the different public spaces. Apart from road and pavement cleaning, special teams exist for removing graffiti from walls and urban furniture, taking down posters and emptying litter bins, among other tasks. The more than 20,000 litter bins at present in place in the city are fitted with an identifying chip providing information about how full the bins happen to be, enabling them to be emptied as and when required and thus optimizing available resource.

The 4.2 Km of beaches in Barcelona are cleaned by both manual and mechanical means, tractors equipped with sieving machinery being employed to filter the sand. The frequency and type of cleaning varies according to the time of year, so that during the low season the sand can be sifted to a considerable depth in order to ensure its oxygenation and facilitate microbial self-regeneration.

The city of Barcelona adapts the collection of household waste according to the characteristics of each neighbourhood. The

traditional system of household collection –involving more than 17,000 containers of different sizes and capacity– is complemented by door-to-door collection using liner bags in emblematic districts –the old historic parts of the city– shopping areas, and in those zones where it is difficult to locate containers, together with pneumatic collection at emptying points or

containers connected to a central aspiration point by underground piping. At present, there are four underground aspiration centres and seven aspiration points powered by mobile generators. This system enables waste to be deposited at any time of the day without unpleasant odours, as well as reducing traffic and improving visual impact.

Lighting, Paving, Channelling and Cleaning					
	2001	2002	2003	2004	2005
<b>Lights (units)</b>	157,665	160,504	162,791	165,024	167,004
Road Lighting	131,806	134,620	137,047	139,261	139,639
Artistic Lighting	4,957	4,982	4,842	4,861	4,682
City Tunnels Lighting	10,524	10,524	10,524	10,524	12,305
Ring Road Lighting	10,378	10,378	10,378	10,378	10,378
<b>Street Paving (m²)</b>	599,515	858,985	293,565	193,464	186,631
<b>Piping (m)</b>	214,507	181,930	167,814	161,895	136,606
<b>Cleaning and Waste Collection</b>					
Urban Waste (tonnes)	836,852	850,278	860,337	874,492	882,489
Selective Collection (tonnes)	142,485	217,040	319,959	372,328	391,835
Glass	16,773	18,256	20,053	21,675	23,859
Paper	51,489	52,323	57,200	65,163	79,268
Containers	8,030	9,504	10,644	11,696	12,661
Furniture	22,768	23,949	28,222	30,322	31,267
Organic waste	29,799	48,634	74,684	86,722	86,296
Clothing	24	117	498	1,489	1,666
Other Waste in Waste Recycling Centres	11,716	13,508	13,912	14,195	14,232
Selective Collection at Mercabarna	1,885	4,180	7,046	7,953	12,116
Others: Selective from Parks	-	-	865	551	509
Rejected Fraction to Methanisation	-	46,569	106,801	132,563	129,960
Selective Collection/Total (%)	17.0	25.5	37.2	42.6	44.4

As regards selective collection, this is divided into selective domestic collection –by means of specific containers for paper and cardboard, glass, packaging and organic waste– and commercial collection –waste resulting from

shops, hotels, restaurants, offices, or services such as hospitals and schools, which are governed by the law of municipal commercial waste of Catalonia and to which tariffs adapted to real production are applied. Furthermore, the

City of Barcelona operates a network of Green Points –waste collection and recycling centres– for the type of waste which cannot be deposited in containers and which requires special treatment, as well as other services such as door-to-door collection for discarded furniture, household junk, and the *Roba amiga* or second-hand clothing scheme.

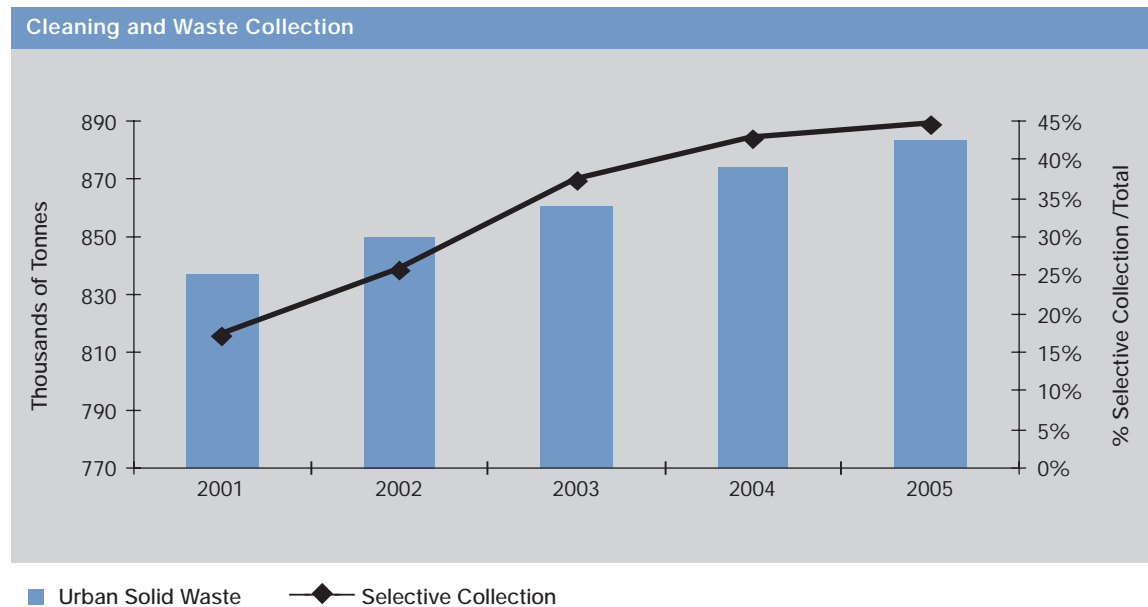
Municipal waste treatment is the responsibility of the metropolitan administration and

includes both incineration and controlled dumps and ecoparks with sorting and composting facilities. With the completion of the ecoparc del Mediterrani, there are at present three ecoparks in full operation, while in 2005 provision was made for the future Ecoparc-4, and the wood pulping plant for the treatment of wood arriving via waste collection centres and nocturnal collection of old furniture also entered into operation.

Maintenance and Urban Services					
	2001	2002	2003	2004	2005
<b>Sanitation and Environmental Control</b>					
Length of Drainage Network (Km)	1,335	1,419	1,485	1,485	1,592
Cleaning Drains Network (Km)	2,418	2,241	2,374	2,326	2,239
<b>Energy Plant of Besòs</b>					
Incinerations (tonnes)	300,524	187,176	360,193	328,832	336,418
Electricity Production (MWh)	129,802	79,977	174,037	155,409	160,406

In the sphere of public space maintenance, work goes ahead with the Pla de Manteniment Integral (*Maintenance Plan*). This plan is based on the concept of integrated management for coordinating the different municipal services with the ten city districts in order to complete all the work in less time and with minimum inconvenience. It ensures on-going improvement in the quality of public spaces and thus enhances citizens' welfare in their own neighbourhoods. Throughout 2005, a wide range of measures have been carried out, such as the conservation and improvement of 200,000 m<sup>2</sup> of roadways with sound-reducing surfacing; the repair and improvement of 150,000 m<sup>2</sup> of pavements and the renovation of 4,080 tree pits; the renovation and improvement of street lighting, with 4,862

street lamps replaced, 850 contaminating lighting substituted, or the 1,500 lighting points treated with anti-adhesive paint; the laying of 9.5 Km of underground electric cable in coordination with the electricity company, as well as 100 Km of public lighting affixed to façades or likewise laid underground; the adaptation of 3,325 pedestrian ramps to make pavements accessible for persons of limited mobility, as well as other measures such as tree-pruning, the renewal and improvement of urban furniture –traffic lights, fountains, escalators, litter bins, etc.– and specific cleaning measures such as removal of painted slogans and graffiti from façades. All these measures have contributed to a greater or lesser extent to the improvement of 786 city streets.



The sewer system of Barcelona is a network consisting of 1,592 km and daily receiving more than 500,000 m<sup>3</sup> of sewage that is treated in the Besòs and Llobregat plants. In 2005, the contract for the cleaning and maintenance of this system was awarded for a period of 8 years. This responsibility entails inspection and repair work, the overhaul and improvement of the network, and the routine cleaning tasks of the sewers and storm drains to ensure unimpeded flow and prevent untreated sewage from being washed out to sea on days of heavy rainfall. The contract also includes the cleaning of the surface of the sea with one Pelican vessel and two Marnett vessels. The chief new development in this field is the introduction of natural gas-powered vehicles –quieter and less polluting– equipped with a system for filtering and recirculating water, so that the water extracted from sewage can be used for cleaning purposes, with the consequent reduction of costs and increase in environmental sustainability. Furthermore, in accordance with the commitment to sustainability outlined in Agenda 21, water from the supply network can be reused for the treatment of sediments.

The permanent control of the level and quality of water lying beneath the city enables it to be used in a sustainable way. Of the 700,000 m<sup>3</sup> of water obtained for use every year from aquifers, 52% is employed in watering the city's parks and gardens, 25% for supplying ornamental fountains, 12% for street cleaning, and the remaining 11% for cleaning the sewer system.

Making an intensively active city like Barcelona compatible with the conservation of its natural heritage means working constantly to improve the quality of the air we breathe as well as minimizing the impact of noise pollution. The City of Barcelona carries out regular analyses and controls on the level of contamination in the city to ensure that it complies with the norms stipulated in the relevant Spanish and European regulations regarding traffic and industrial fumes, as well as monitoring the quality of the water in the mains supply, natural springs and coastal waters. Sand on the beaches, sewage and water in aquifers is likewise subject to regular periodic control. Furthermore, controls on noise pollution and campaigns to raise

awareness are carried out under the Programa de Minoració del Soroll (*Sound Reduction Programme*), with particular focus on motorcycles, terraces of bars and restaurants, road works, ambulance sirens and sundry incidents.

Sustainable practices are also encouraged in the development of renewable energy and a more efficient use of existing energy sources. As a result of the application of the Ordenança Solar Tèrmica (*Solar Energy Ordinance*) –revised and approved in February, 2006– the square area of solar panels for thermal energy in the City of Barcelona covers at present 31.050 m<sup>2</sup>, which represents a reduction in CO<sub>2</sub> emissions of 4,368 tonnes a year, or a saving of energy consumption equivalent to a city of 45,000 inhabitants. In addition, the City of Barcelona has itself installed a total of 6,250 m<sup>2</sup> of solar photovoltaic panels on municipal council buildings.

### Spaces in Contact with Nature

The city's parks, gardens, urban allotments, beaches and leisure spaces are places where people can meet and relate to each other. Through the Institut Municipal de Parcs i Jardins (*Municipal Agency of Parks and Gardens*) ([www.bcn.es/parcsijardins](http://www.bcn.es/parcsijardins)), the City of Barcelona seeks to achieve a balance between the different functions of these spaces as well as equipping them with the infrastructures necessary for improving accessibility, pursuing leisure, sports and cultural activities, and carrying out environment awareness programmes.

The sustainable and participative improvement of urban greenery and trees on public thoroughfares is one of the means of enhancing quality of life in the city. Sustainability covers aspects such as the maintenance of the different types of urban green; the selection of



Cleaning Service, in the Horta-Guinardó District

indigenous species or those adapted to the Mediterranean climate to ensure their development; water-saving measures such as automatic sprinkler systems and the use of groundwater, and the planning and execution of an inter-connecting green network both within the city and between the city and the natural spaces surrounding it.

As the number of green zones increases, nearby connection spaces also increase, providing biological corridors conducive to the proliferation of fauna and the integration of green spaces within the urban network. The reduction in the number of trees in the city streets is due to the different large scale projects currently under way in the city, such as the new Line 9 of the underground system, the tracks for the tram service, and the High Speed

Train, all of which have required the temporary withdrawal of a large number of trees.

As part of the 2004-2007 comprehensive rehabilitation programme covering 11 city parks, work commenced on three of these parks in 2005: the Ciutadella, Monterols and the Mossèn Cinto Verdaguer Parks, respectively. Comprehensive rehabilitation consists of infrastructures, facilities, vegetation and urban furniture. Moreover, as part of the Pla de Manteniment de l'Espai Públic 2004-07 (*Public Space Maintenance Plan*), improvement work is being carried out on 26 more parks; conservation and protection measures are being taken in the wooded areas around Barcelona, with particular emphasis on fire prevention, while the inner courts of apartment blocks in the Eixample are being improved in preparation for opening.

Public Spaces and Urban Facilities					
	2001	2002	2003	2004	2005
<b>Urban Green</b>					
Urban Green Zone (ha)	989	1,007	1,036	1,040	1,042
No. of Trees on Public Thoroughfare	150,912	152,230	155,279	155,433	153,343
Irrigation Through Sprinkling (000s m <sup>2</sup> )	2,085	2,157	2,236	2,505	2,461
<b>Other Spaces</b>					
No. of Children's Play Areas	586	575	624	645	628

Of work carried out in 2005, three notable examples are the rehabilitation of the Vil·la Florida Gardens, the restoration of the Miramar Gardens on Montjuïc, designed in 1929 by Forestier, and the remodelling of the lake in the Parc de la Creueta del Coll.

The tasks of environmental communication, participation and education carried out by the Agency are aimed at making Barcelona's green spaces more widely known, as well as

promoting their good use and instilling respect for nature. Two good examples of this programme are first the participation in the cultivation of urban allotments, an initiative aimed at the elderly, and the different training projects for children of school attendance age.

The Programa de Gestió Integral del Litoral de Barcelona (*Barcelona Coastline Management Programme*), which came into operation in 2004,

has kept all the questions related with the organization and management of the city's beaches under constant review. Services and facilities have been improved in order to make a trip to the beach more pleasant, especially for the disabled, and measures have been taken to minimize waste and litter on beaches. In addition, the Centre de la Platja (*Beach Centre*) has been set up. It is a new municipal facility designed to be the focal point for the beaches of Barcelona, and where information can be obtained about the use of beaches for leisure, social, environmental, sports and cultural activities.

### **Leisure Spaces**

There are three emblematic leisure spaces in Barcelona: the zoo, situated in the Parc de la Ciutadella, the Tibidabo Amusement Park and the Parc de Montjuïc.

Barcelona zoo ([www.zoobarcelona.com](http://www.zoobarcelona.com)) is a leisure space situated close to the city centre. In 2005, the number of visitors rose by 12% thanks in part to the increase in educational programmes, particularly for children and adolescents, and in the promotional campaigns undertaken by Barcelona de Serveis Municipals, SA ([www.bsmsa.es](http://www.bsmsa.es)), the company responsible for the running of the zoo. 55,725 schoolchildren attended classes held as part of the zoo's educational programme and 179 adults participated in courses at university level.

The zoo has a total of 4,869 animals belonging to 388 different species, among which we may mention the primates, felines and dolphins.

There is also an aviary with birds from all over the world and terraces with a variety of reptiles and amphibians. Furthermore, the children's zoo contains a wide range of domestic and farm animals.

Part of the zoo's policy is to carry out research and conservation projects in collaboration with international programmes for the protection of species in danger of extinction based on modern zoological methods.

The number of visitors to the Tibidabo Amusement Park has risen by 11% in comparison with the previous year, reaching a figure of 542,413 people. This rise in the number of visitors is a result of the consolidation of the Tibiclub family pass, as well as restoration work, shows, and the improvements to attractions and installations.

The Montjuïc Park has developed into a space where culture, nature and sport coincide, and now receives 15 million visitors a year. The Park is undergoing alterations designed to make it the great central park of Barcelona.

In 2005, the Parc del Fòrum became the new large space for leisure and entertainment. The project to continue invigorating this space is based on a stable and varied programme of events designed to attract a broad cross section of the public. Various children's activities have been developed, while the nocturnal festival of Sant Joan, the Festa del Cel and some of the events of la Mercè festival were held there. In addition, a new public bathing area was opened in the zone. This polyvalent Park is notable for its flexibility and its adaptability to all kinds of events.

## Transport and Traffic

The City of Barcelona's mobility policy is based on a wide range of measures aimed at increasing the availability of public transport, ordering the layout of public thoroughfares and surface area given over to parking, promoting the use of bicycles and encouraging movement on foot for short journeys.

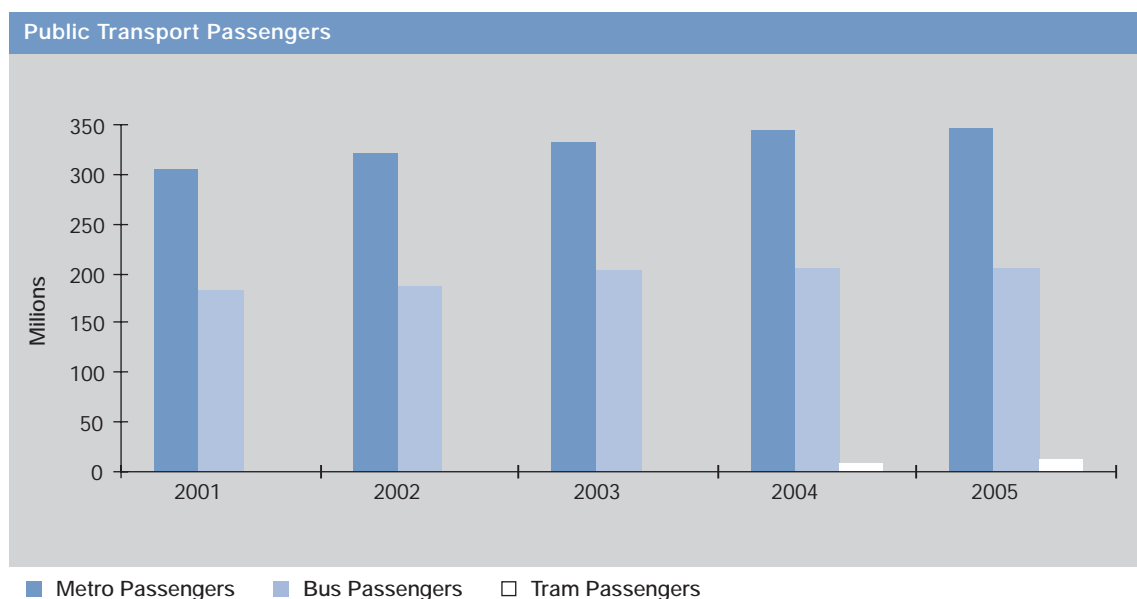
In 2005, various measures were adopted to increase and improve the availability of public transport. On the one hand, new buses were added to the fleet, 90 of which are powered by

compressed natural gas, making them quieter and reducing pollution. These comfortable, high quality vehicles are equipped with the latest technological advances, including special access for people with reduced mobility. As for user information, the iBus system went into operation, which provides details on arrival times at bus stops via cell phone and Internet. On the other hand, new rolling stock on the Metro enabled the frequency of underground train services to be increased, while the highly synchronized system of traffic lights on tracks has brought about a speedier tram service.

Mobility	2001	2002	2003	2004	2005
<b>Urban Mobility</b>					
No. of Passengers of the Metro (millions)	305.1	321.4	332.0	343.3	345.3
No. of Passengers on Buses (millions)	184.0	186.1	203.7	205.0	205.0
No. of Passengers on Trams (millions)	-	-	-	7.7	13.0
Bus / Taxi Lane (km)	92	93	98	98	101
Cycling Lane (km)	116	119	122	124	127
<b>Parking Spaces</b>					
No. of Loading and Unloading Areas	7,452	8,432	8,950	9,177	10,440
No. of Surface Parking Spaces (Free)	148,363	148,097	147,068	181,198	138,438
No. of AREA Spaces (blue zone)	6,628	6,910	6,933	7,158	10,409
No. of Green Zones Spaces	-	-	-	-	33,484
No. of Motorbike Parking Spaces	10,153	12,317	13,171	17,759	37,162

2005 was also notable for the introduction of Green Zones, a new system of regulating street parking in the city centre designed to reduce traffic congestion and provide more parking spaces for residents. This new tool of mobility management serves to reduce traffic, put order into public spaces and improve the environment through the reduction of fumes and noise pollution. Green Zones currently account for 33,000 parking spaces, 76% of which are

prioritized for residents, while the remainder are reserved spaces. This new system has also yielded new loading and unloading spaces as well as parking spaces for motorcycles. Furthermore, the permitted hours for loading and unloading have been extended, and in some cases nighttime delivery and distribution has likewise been extended, always providing it can be carried out at minimum noise levels.



The distribution of regulated parking spaces in the city streets is complemented by the Blue Zones, which once again have continued to function. For its part, Barcelona de Serveis Municipals, SA ([www.bsmsa.es/mobilitat](http://www.bsmsa.es/mobilitat)) has continued to increase the availability of municipal parking spaces in the city of Barcelona. All new car parks under construction are provided with specific parking spaces for motorcycles and bicycles in order to encourage people not to park them in the street. During 2005, the company was responsible for the management of 63 car parks, 18 exclusively for residents and 45 for residents and other citizens, amounting to a total of 21,572 parking spaces.

As regards the use of bicycle transport, the network of cycling lanes has been extended, the number of bicycle parking spaces has been increased, the timetable for transporting bicycles on the Metro has been lengthened, and the Passi Barcelona has been introduced, an identification card for cyclists including insurance coverage for greater safety.

With the purpose of improving and extending areas devoted to pedestrians, new pedestrian precincts have been created, especially in the older districts of historical interest, and the new Zones 30 have been introduced, so called because speed is limited to 30 kilometres per hour, measures which have gone hand in hand with the on-going gradual elimination of architectural barriers.

As far as road safety is concerned, 50 different improvement measures were undertaken at 42 specific danger spots around the city; disciplinary measures such as breathalyser tests were taken, as well as the introduction of a new *Guàrdia Urbana (Municipal Police)* vehicle devoted specifically to parking control, joining the vehicle already employed for keeping bus lanes clear; new permanent radar controls were installed on the main entrances to the city and the ronda del Mig ring road to curb speeding, while new school approach roads were built, bringing the number of this type of road to 40. Moreover, in the light of the increasing number

of motorcycles on the road, the Pla Estratègic de la Moto (*Strategic Plan for Motorcycles*) is being drawn up to regulate the use of this type of vehicle.

### **3.4. Promotion of Barcelona's Economic Activity**

#### **Promotion of the City's Economy**

The City of Barcelona's Economic Promotion sector is responsible for identifying the emerging and strategic areas of the economy in order to provide them with impetus and create clusters of high added value activity. To that end, the City of Barcelona participates in 10 platforms whose aim is to promote the interests of the city in those sectors. Furthermore, during 2005 and 2006 Barcelona holds the presidency of the Ariane Community of Cities, an association whose objectives are promotion of the aerospace sector and scientific and technological culture.

In addition, jointly with the Barcelona Chamber of Commerce, Business Bridges are organized around the world to attract foreign investment and to assist Catalan companies wishing to compete in international markets. Two such Bridges were organized in 2005, one in China and the other in India. The seventy Catalan companies who participated represented sectors as diverse as logistics, aeronautics, chemicals and new technologies. Prospective missions were also undertaken to Hong Kong, Guangzhou – the third largest Chinese city – and Santiago in Chile. Furthermore, assistance was given to 15 projects involving foreign investment to be set up in or around the city.

With regard to internal economic promotion, the City of Barcelona is currently bringing data on the city's small and medium-sized companies up to date through the drawing up of the Pla Director de Promoció Econòmica (*Economic Promotion Plan*). The purpose of this Plan is to extend and strengthen the small and medium-sized company sector in Barcelona to give greater dynamism to the city's business network. In the meantime, however, the requirements of small and medium-sized companies are being met by thematic workshops providing information and advice about the tools that can be employed to help this sector expand.

#### **Fostering Employment and Entrepreneurial Initiative**

Barcelona Activa, the local development agency ([www.barcelonactiva.es](http://www.barcelonactiva.es)), is devoted to fostering employment, innovation and entrepreneurial initiative. The number of participants involved in the different activities organized in 2005 reached 143,442; a rise of 13% compared with 2004 and almost double the figure of five years ago, a clear reflection of the interest aroused by this agency.

Almost 700 different activities were carried out at the Centre per a la Iniciativa Emprenedora Glòries, in which 33,353 users took part and which gave rise to 1,206 new business projects.

2005 also saw the launching of the Barcelona Emprèn en Igualtat project (*Barcelona Enterprise with Equality*), whose goal is to assist new companies created by people with special difficulties – women with family responsibilities, disabled persons, immigrants, or people at risk

of social exclusion – by means of small loans as the principal means of finance.

The Xarxactiva d'empreses (*Active Company Network*) is a meeting place for promoting

exchange among entrepreneurs, learning, and the creation of new business opportunities through company cooperation. In 2005, membership reached 385 and 71 initiatives were undertaken.

Participants in the Activities of Barcelona Activa					
	2001	2002	2003	2004	2005
Total Number of Participants	77,974	98,069	109,790	126,941	143,442
Promotion of Entrepreneurial Initiative	11,800	16,967	20,869	27,425	33,353
Porta 22, Espai Noves Ocupacions ( <i>Place of New Jobs</i> )	-	-	6,063	26,154	33,365
Cibernàrium	36,483	40,273	44,027	49,774	50,637

The Fòrum Nord centre initiated a new phase with its conversion into a Technological Park (Barcelona Nord), a market-oriented centre of technological innovation and development specializing in engineering, which produces and commercializes the results of the research projects it promotes. Its location within the urban network facilitates interaction with the rest of the city.

The activity of the park is complemented by the Cibernàrium, a space devoted to information and training in computer skills, with more than 50,000 participants per annum and open to the business world as well as to students and professionals.

Porta 22, Espai de Noves Ocupacions (*Place of New Jobs*) is the focal point for jobs with a bright future and the new work cultures. It provides its users with the tools and advice necessary to help them make the right study choice in accordance with their individual aptitudes and skills. It also provides services for those who wish to effect a change in their

professional careers. Porta 22 offers information about 700 professional profiles covering 13 different economic sectors. Furthermore, in 2005 five new multimedia applications were placed at the disposal of its users.

As regards job access, inclusion and improvement, in 2005 Barcelona Activa worked together with Escoles Taller, Tallers d'ocupació and one Casa d'Oficis (*Workshop Schools*). In addition, the training provided by Barcelona Activa in 2005 attained levels of specialization in sectors of strategic importance for the city such as new technologies and personal services.

### Commerce and Urban Industry Renewal

The process of modernization being carried out by the Institut Municipal de Mercats de Barcelona (*Municipal Agency of Markets*) ([www.bcn.es/mercatsmunicipals](http://www.bcn.es/mercatsmunicipals)) is aimed at adapting city markets to citizens' needs and integrating them into commercial areas where they exist side by side with shops and stores.



Santa Caterina Market, in Ciutat Vella District

2005 was noteworthy for the reopening of two markets that have undergone a comprehensive process of renovation, both in layout and commercially: the Poblenuu and Santa Caterina Markets. These markets are destined to provide the main impulse for the transformation of the neighbourhoods where they are situated.

The Santa Caterina Market has become an urban, commercial and tourist focal point for the city. Situated on the archaeological remains of the convent that gives the market its name, Santa Caterina occupies 3,000 m<sup>2</sup> and consists of some sixty stalls dealing in fresh produce, a supermarket, restaurants and other outlets. This is the first market to enter into service under the Programa de Noves Tecnologies (*New Technologies Programme*) for municipal markets. The market complex is also accessible via the Internet, where clients can find a web page with up to the minute information and make their purchases on-line.

In addition to these comprehensive renovations, 92 other specific improvements were carried out

in 33 municipal markets in the city in order to provide both stallholders and customers with greater convenience in their daily activity. This improvement work has taken different forms, for instance, the installation of new refrigeration chambers, new electrical wiring, overhaul and signposting of car parks, improved heating and air-conditioning, and the elimination of architectural barriers, among others.

With regard to the commercial promotion of municipal markets, action has been taken through campaigns such as Dies Grocs (*Yellow Days*), aimed at stimulating shopping on specific days of the week, or the Targeta client Mercats de Barcelona (*Barcelona Markets Royalty Card*) with a system of points providing discounts or participation in promotions and special prize draws. The growing number of customers is a reflection of the personalized service and the quality and variety of products and produce available at the municipal markets.

2005 was also the Year of Gastronomy, and the municipal markets took active part in the three

main categories of this celebration: Catalan Cooking, World Cooking and Cuina al Mercat (cooking with seasonal produce), in which hundreds of people were involved, proving that the municipal markets are the ideal places for the dissemination of healthy eating habits.

Mercabarna ([www.mercabarna.es](http://www.mercabarna.es)) is a mixed capital concern responsible for managing the central wholesale markets and the slaughterhouse situated in the Agroalimentary

Unit and the Complementary Activities Area, areas where specialized services are located and where the circle of food product commercialization (handling, storage, packaging and distribution) is completed.

Mercabarna works closely with the business sectors in the Agrolimentary Unit to improve municipal market services and functioning, to introduce new technologies, to organize promotional and advertising campaigns, and to exhibit in fairs.

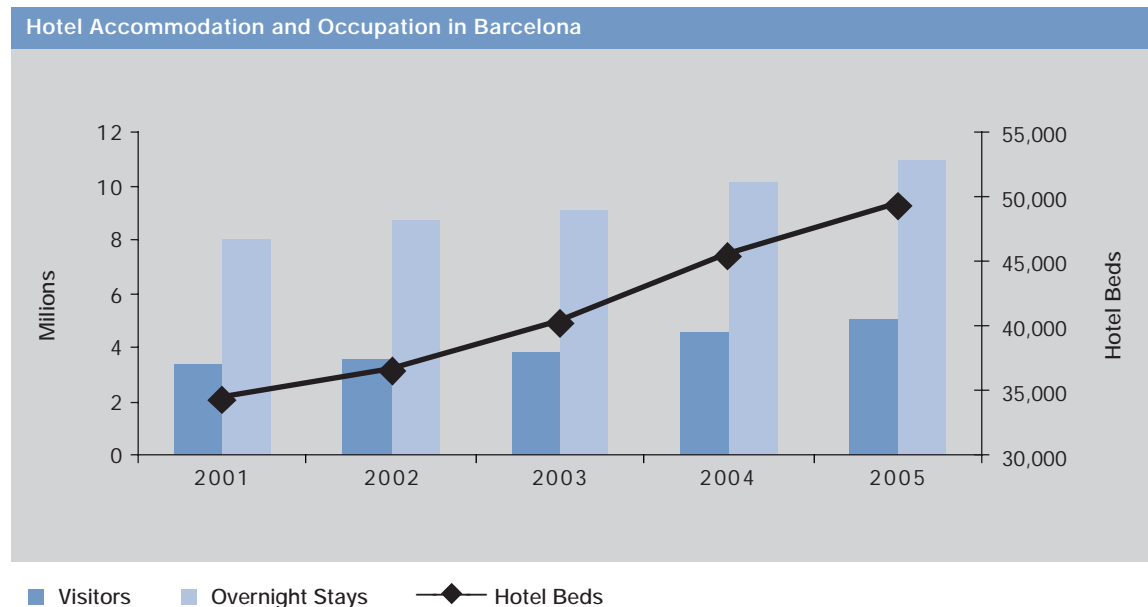
Mercabarna					
	2001	2002	2003	2004	2005
<b>Trading Tonnes</b>					
Fruit and Vegetables	912,888	922,782	961,294	967,009	1,066,955
Fresh Fish	82,070	79,131	78,827	80,712	76,195
Slaughtered Cattle	26,793	24,873	25,500	29,007	33,759
Frozen and Others	88,366	98,585	95,204	97,854	96,327

### Tourist Promotion

With five million tourists and eleven million overnight stays during 2005, Barcelona has become one of the chief destinations for urban tourism in Europe. Moreover, the number of passengers on cruise vessels rose by 20%, a figure in excess of 1.2 million passengers.

The process of change in tourist habits, the drop in transport costs and the intensive use of the Internet are bringing about a transformation in the development of tourism in the city. On one hand, there has been a reduction in the average length of stay, while on the other tourism is no longer confined to high seasons, and spending in retail outlets, restaurants, leisure pursuits and services has increased.

Tourist Promotion					
	2001	2002	2003	2004	2005
<b>Consorci de Turisme de Barcelona (Barcelona Tourist Consortium)</b>					
No. of Enquiries to the Tourist Office (000s)	1,272	1,721	1,738	2,008	2,333
No. of Visitors (000s)	3,379	3,581	3,848	4,550	5,061
No. of Users of the Tourist Bus (000s)	983	1,132	1,223	1,475	1,654
No. of Barcelona Cards Sold (000s)	27	47	60	91	102



The Consorci de Turisme de Barcelona (*Barcelona Tourist Consortium*) ([www.barcelonaturisme.com](http://www.barcelonaturisme.com)), consisting of the City of Barcelona and the Barcelona Chamber of Commerce, works to consolidate and to attract more tourism to the city, and to promote and make profitable the associated commercial sectors. To this end it is developing a series of programmes in the tourist sector such as the Barcelona Convention Bureau, Barcelona Outdoor & Corporate Training, Barcelona Health Centre, Barcelona Shopping Line and BCN Sports.

More than half the visitors to Barcelona come to the city for business reasons, whether they be for meetings, fairs, congresses or conventions. The Barcelona Convention Bureau provides the necessary support for the organization of congresses, conventions, workshops and

incentive trips. More than one thousand events of this kind are held in Barcelona every year, which are attended by approximately 360,000 people. The Fira de Barcelona (*Barcelona Trade Fair*), for its part, holds some 80 salons annually –15 of which are foremost events in its European sector– and which account for 3.5 million visitors.

The Tourist Bus has consolidated its position as an attractive option for visitors who wish to get to know the city. In 2005, it carried 1.6 million people, 8.5% more than in 2004. Other options offered by Barcelona Turisme that have proved increasingly popular are the Walking Tours, guided visits on foot to different places of interest in the city, and the Barcelona Card, a combined pass for museums and public transport that also includes discounts for shows, restaurants and leisure facilities, among others.

# 4



## Management Report

The management report shows consolidated data of the group made up of the City of Barcelona and its municipal agencies and companies, irrespective of their sources of financing.

### 4.1. Human Resources

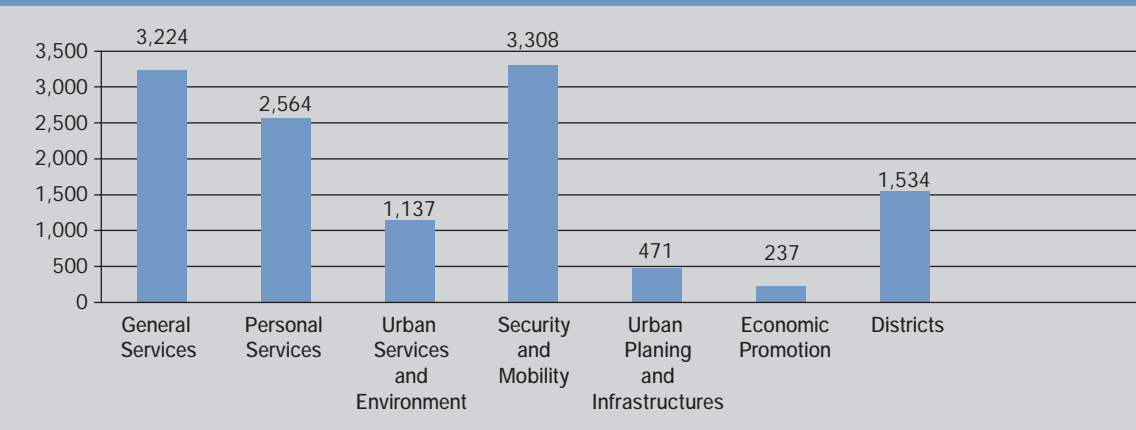
The municipal workforce of the City of Barcelona and its municipal agencies and companies consists of 12,475 people as of December 31, 2005, an increase of 65 workers on last year's figure.

Personnel of the City of Barcelona and its Municipal Agencies and Companies					
	12.31.01	12.31.02	12.31.03	12.31.04	12.31.05
City of Barcelona	6,683	6,638	6,689	6,657	6,578
Municipal Agencies and Companies	5,390	5,407	5,677	5,753	5,897
<b>Total</b>	<b>12,073</b>	<b>12,045</b>	<b>12,366</b>	<b>12,410</b>	<b>12,475</b>

The workforce showing the greatest increase of personnel during 2005 was the General Services sector. This was due to the incorporation of 270 new workers into Barcelona de Serveis Municipals, SA, whose task it is to control the green area parking spaces. Furthermore, 186 workers belonging to the City of Barcelona and its municipal agencies opted to take advantage of the early retirement plan during the year.

At a City of Barcelona Plenum held on October 14, 2005, approval was given for 200 extraordinary vacancies on the Municipal Police Force for which applications were invited, to be put into effect during 2005 and 2006. 65 of these positions correspond to members of other security forces. These 200 places were an addition to the 100 job vacancies for which applications were invited at the beginning of 2005, and form part of the process of bringing down the average age of the Municipal Police Force in order to enable it to respond better to citizens' needs.

Breakdown of the Personnel of the City of Barcelona Group as of 12.31.2005



In June, the City of Barcelona and the unions signed a collective agreement covering the 2004-2007 period. The agreement provides for economic and social improvements, such as a more flexible timetable and facilities for harmonizing work schedules and family life, with the aim of improving quality of life for workers.

In 2005 the City of Barcelona allocated 2.01% of its gross payroll budget to personnel training. 18,335 people attended the different courses throughout the year, with a total of 115,300 study hours. The subsidy from the *Instituto Nacional de Administración Pública* (National Institute of Public Administration) within the framework of the *Acuerdo Nacional de Formación Continuada* (National Agreement of

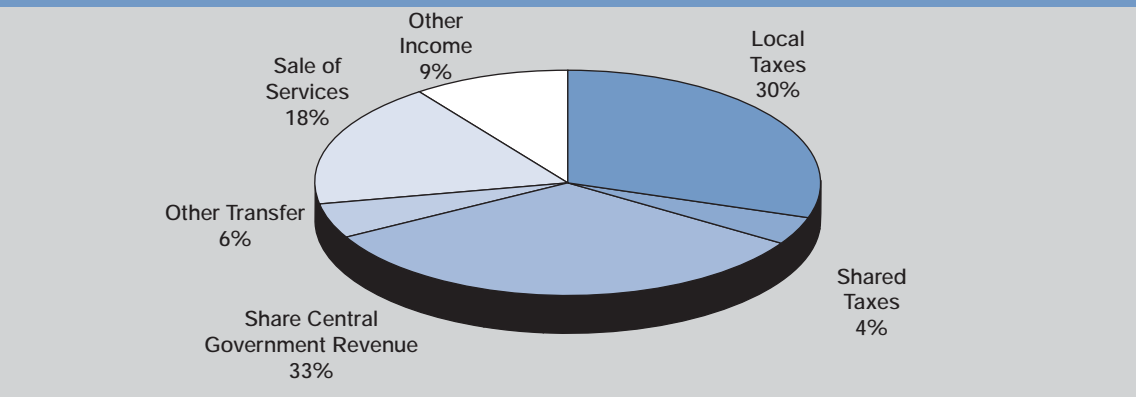
Ongoing Training) has enabled 1,994 municipal workers to benefit from the training plan.

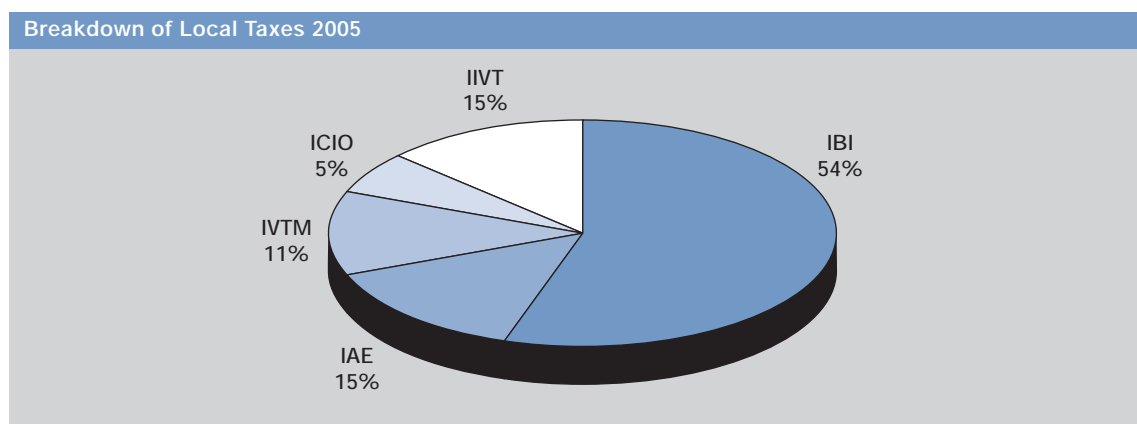
#### 4.2. Current Revenue

The current revenue of the City of Barcelona group can be divided into three sections: local income, current transfers and financial revenue. Local income, in turn, consists of local taxes, assignment of Central Government taxes (shared taxes), sale of services and other income.

The principal tax is property tax (IBI), followed by the tax on economic activities (IAE), the tax on the increase of land values (IIVT), the tax on

Breakdown of Current Revenue 2005





mechanical traction vehicles (IVTM) and construction tax (ICIO).

Furthermore, after deducting the transfer corresponding to the Autonomous Community, Central Government transfers to the City of Barcelona taxes collected in or attributable to the municipality, which comprise the following state taxes: 1.6875% of income tax, 1.7897% of value added tax, and 2.0454% of the special taxes on beer, wine and fermented beverages, intermediate products, alcohol and derived beverages, hydrocarbons and tobacco. In 2005, the amount of such shared taxes was 93 million euros.

In total, income from taxes, whether local or transferred, represents 34.3% of consolidated current revenue. The remainder of local income –from sale of services, property and corporate tax and other revenue– amounts to 26.9% of current revenue. This consists of charges, public prices, letting, concessions, special uses, fines, share in profits and special contributions.

With regard to transfers received, 84.8% come from Central Government via the Supplementary Finance Fund, regulated by the Royal Decree Law 2/2004, of March 5, which approves the

amended text of the Law regulating local taxation. This is a non-earmarked grant and is therefore devoted to meeting the general needs of citizens. The Supplementary Finance Fund increases every year at the same rate as the collection of Central Government taxes. The remaining transfers come mainly from the Generalitat de Catalunya (Autonomous Government) and from local entities. In general, these consist of transfers for specific purposes.

Current revenue has grown at a cumulative annual rate of 6% over the last five years, while inflation during the same period was at 3.3%. This is equivalent in absolute terms to an increase of 542 million euros for current revenue in 2005 in comparison with the figure for the year 2000. The main factors accounting for this evolution are various. First of all, the sustained increase in non-earmarked transfers received from Central Government, which including the taxes allocated by Central Government since 2004, have increased by an annual average of 9.5% since the year 2000. This increase is due in part to the compensation arising from the partial reduction in the tax on economic activities. Secondly, it is necessary to point out the 9.8% average annual increase in revenue from sale of services, which on the one hand

arise from the growth in services provided, and on the other from the policy in certain services of having the users of those services pay for them themselves. Thirdly, the increase in property taxes – an annual 4% - is also worthy of mention, as well as the increase in construction tax – 12.6% - and the tax on the increase in land values – 6.2%. In the case of

property tax, the increase is due mainly to the gradual introduction, begun in 2002, of the new property values approved by Central Government in 2001. As far as the construction tax and tax on the increase in land values are concerned, the increase is due to the evolution of the construction industry and the property sector in Barcelona themselves.

Current Revenue (thousands of euros)					
	2001	2002	2003	2004	2005
Property Tax	288,758	303,460	319,100	333,329	346,753
Tax on Economic Activities	162,892	164,277	89,248	84,817	93,860
Tax on Motor Vehicles	76,254	76,197	74,350	74,686	73,541
Tax on Construction Activities	22,538	21,136	32,208	34,484	33,974
Tax on Increases in Land Values	65,043	74,114	79,086	80,055	93,459
<b>Subtotal</b>	<b>615,485</b>	<b>639,184</b>	<b>593,992</b>	<b>607,371</b>	<b>641,587</b>
Shared taxes: Income Tax, VAT and Special Taxes	-	-	-	89,923	93,235
<b>Total Local Taxes</b>	<b>615,485</b>	<b>639,184</b>	<b>593,992</b>	<b>697,294</b>	<b>734,822</b>
Revenue from Sale of Services	271,643	302,348	330,400	369,663	388,886
Revenue from Property and Business	127,898	140,302	136,115	155,956	150,037
Other Revenue	28,529	37,837	33,864	57,569	38,665
<b>Total Local Revenue</b>	<b>1,043,555</b>	<b>1,119,671</b>	<b>1,094,371</b>	<b>1,280,482</b>	<b>1,312,410</b>
Share in Central Government Revenue	531,896	562,000	662,082	669,241	700,689
Transfers from Other Administrations	118,426	133,802	142,670	100,336	125,679
<b>Total Current Transfers</b>	<b>650,322</b>	<b>695,802</b>	<b>804,752</b>	<b>769,577</b>	<b>826,368</b>
<b>Financial Revenue</b>	<b>10,171</b>	<b>10,693</b>	<b>8,031</b>	<b>5,630</b>	<b>6,455</b>
<b>Total Current Revenue</b>	<b>1,704,048</b>	<b>1,826,166</b>	<b>1,907,154</b>	<b>2,055,689</b>	<b>2,145,233</b>

In 2005, current revenue rose by 4.4%, seven decimal points above the consumer price index, which was registered at 3.7%. Broadly speaking, local taxes, including taxes assigned by Central Government, rose by 5.4%; the 5.2% increase in revenue from sale of services served to offset in part the fall in the rest of local revenue, while current transfers rose by 7.4%.

Property tax revenue grew as in recent years due to the gradual application of the new

property values approved in 2001. With regard to the tax on economic activities, the increase in returns was due to settlements corresponding to 2004 which were not carried out at the time because of incidents arising from the transfer of census management of tax to Central Government administration in accordance with the Royal Decree Law 2/2004 of March 5.

Although the tax levied on constructions fell after two years of growth, it is necessary to take

into account the fact that the amount collected shows an increase of 81% greater than in the year 2000. As regards the rise of the tax levied on land values, this reflects the intense activity of the property market as well as the introduction of the new property values.

As far as the remainder of local income is concerned, evolution was determined by different factors, the most salient of which was the introduction of the green area parking spaces as a means of regulating street parking

and thereby improving mobility in the city. Green area parking spaces have contributed to an increase of revenue in terms of charges for use in the public domain. This increase in revenue was offset by expenditure involved in contracting personnel to control the green area parking spaces, as well as for the different measures required for implanting the new system (signs, communication, installation of parking metres, etc.). The share of service companies in gross income has also increased, mainly as a result of an inspection settlement from previous years.

Current Revenue (in percentages)					
	2001	2002	2003	2004	2005
Property Tax	16.9	16.6	16.7	16.2	16.2
Tax on Economic Activities	9.6	9.0	4.7	4.1	4.4
Tax on Motor Vehicles	4.5	4.2	3.9	3.6	3.4
Tax on Construction Activities	1.3	1.2	1.7	1.7	1.6
Tax on Increases in Land Values	3.8	4.0	4.1	3.9	4.4
<b>Subtotal</b>	<b>36.1</b>	<b>35.0</b>	<b>31.1</b>	<b>29.5</b>	<b>30.0</b>
Shared Taxes: Income Tax, VAT and Special Taxes	-	-	-	4.4	4.3
<b>Total Local Taxes</b>	<b>36.1</b>	<b>35.0</b>	<b>31.1</b>	<b>33.9</b>	<b>34.3</b>
Revenue from Sale of Services	15.9	16.6	17.3	18.0	18.1
Revenue from Property and Business	7.5	7.6	7.2	7.6	7.0
Other Revenue	1.7	2.1	1.8	2.8	1.8
<b>Total Local Revenue</b>	<b>61.2</b>	<b>61.3</b>	<b>57.4</b>	<b>62.3</b>	<b>61.2</b>
Share in Central Government Revenue	31.2	30.8	34.7	32.5	32.7
Transfers from Other Administrations	6.9	7.3	7.5	4.9	5.8
<b>Total Current Transfers</b>	<b>38.2</b>	<b>38.1</b>	<b>42.2</b>	<b>37.4</b>	<b>38.5</b>
<b>Financial Revenue</b>	<b>0.6</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>
<b>Total Current Revenue</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Transfers received from Central Government via the Supplementary Finance Fund (Share in Central Government Revenue) exceeded 700 million euros. It is necessary to point out that both in the case of the Supplementary Finance

Fund and in assignment of Central Government taxes, the amount of the final settlement corresponding to 2004, the base year for the new system of share in Central Government revenue, will not be known until 2006.

Moreover, the rise in other transfers is due to the increase in resources received from the Generalitat de Catalunya for purposes of education and primary care; in the latter case, a large portion of these resources has been devoted to immigration.

### 4.3. Current Expenses

The services provided by the City of Barcelona and its municipal agencies and companies are many and varied. In general terms, they can be classified in the following way:

- a) Personal services: education, culture, sport, youth schemes, social services and civil rights.
- b) Urban services and the environment: street cleaning, refuse collection and sanitation; maintenance, paving, public lighting and water services; maintenance of parks, green areas and

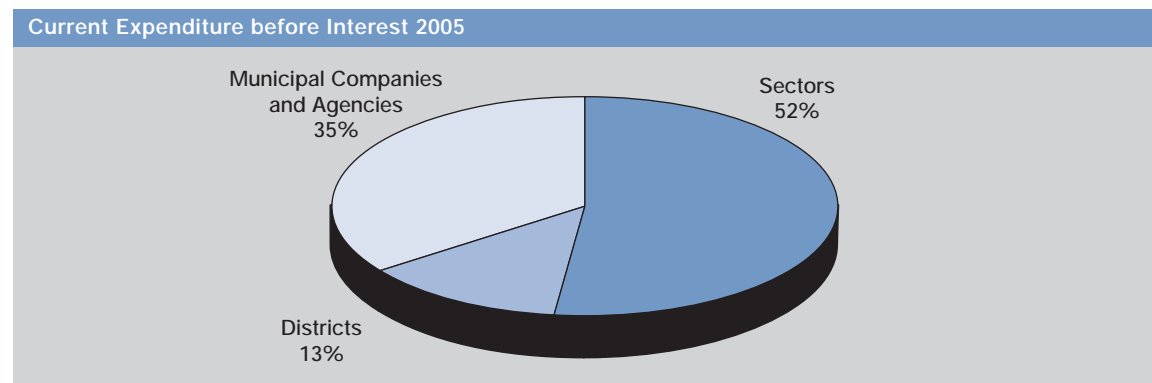
beaches; energy saving and renewable energy; environmental education and participation; monitoring and reduction of pollution.

- c) Safety and mobility: security; fire prevention and civil protection; mobility, traffic and public transport; road safety and discipline, and parking.

- d) Urban planning: territorial and urban planning and development; urban landscape and housing.

- e) Economic promotion: economic promotion of the city; employment and innovation; commerce; municipal markets network; consumption; tourism and information technologies.

- f) General services: central administration; financial and tax management; asset management and citizen participation.



In the last five years, current expenditure has gone up by an annual average of 5.7%, three decimal points less than growth in current revenue, which has entailed an average annual growth in gross savings of 6.9%. The composition of current expenditure has changed substantially during this period. Financial

expenses fell from 9% of current expenses in the year 2000 to 2.6% in 2005, which is equivalent to a reduction in annual terms of 17.4%. The decrease in financial expenses was accompanied by an increase in expenses for provision of services, which have increased both in quantity and in quality. Thus works, supplies,

subcontracted services and current transfers rose from 33.8% and 12.7%, respectively, of current expenditure in the year 2000, to 41.4% and 17.5% in 2005, with annual growth rates of

10.0% and 12.7%. Furthermore, personnel expenses and provisions fell from 37.5% and 7.0%, respectively, in the year 2000, to 35.0% and 3.5% in 2005.

Current Expenses (thousands of euros)					
	2001	2002	2003	2004	2005
Personnel Expenses	459,789	481,799	493,273	517,555	543,793
Works, Supplies and External Services	428,132	489,849	516,203	592,007	642,579
Current Transfers	177,698	201,895	235,048	244,600	271,390
Provisions	84,329	85,742	79,975	83,480	54,843
Financial Expenses	101,627	87,871	71,147	60,598	40,616
<b>Total Current Expenses</b>	<b>1,251,575</b>	<b>1,347,156</b>	<b>1,395,646</b>	<b>1,498,240</b>	<b>1,553,221</b>

Current expenses rose by 3.7% in 2005, seven decimal points below growth in current revenue. Continuing the trend of recent years, two contrasting factors can be observed in the behaviour of expenses. On the one hand, an increase of 5.2% in operating expenses with the aim of improving the quality of services, and on the other hand, a 33.0% reduction in financial expenses.

Personnel expenses rose by 5.1% in 2005 due to a 2% salary increase in accordance with the general budget law of Central Government for that year, the application of the new collective agreement signed in June for the period 2004-2007, and an increase in the workforce of 65 workers.

Current Expenses (in percentages)					
	2001	2002	2003	2004	2005
Personnel Expenses	36.7	35.8	35.3	34.6	35.0
Works, Supplies and External Services	34.2	36.3	37.0	39.5	41.4
Current Transfers	14.2	15.0	16.8	16.3	17.5
Provisions	6.7	6.4	5.8	5.6	3.5
Financial Expenses	8.1	6.5	5.1	4.0	2.6
<b>Total Current Expenses</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

2005 witnessed the launching of the plan for civic-mindedness in the urban space. This plan involves an increase in expenses regarding the Municipal Police Force, street cleaning,

maintenance of public thoroughfares, urban furniture, and in social services such as the greater number of available places in refuges for the homeless.

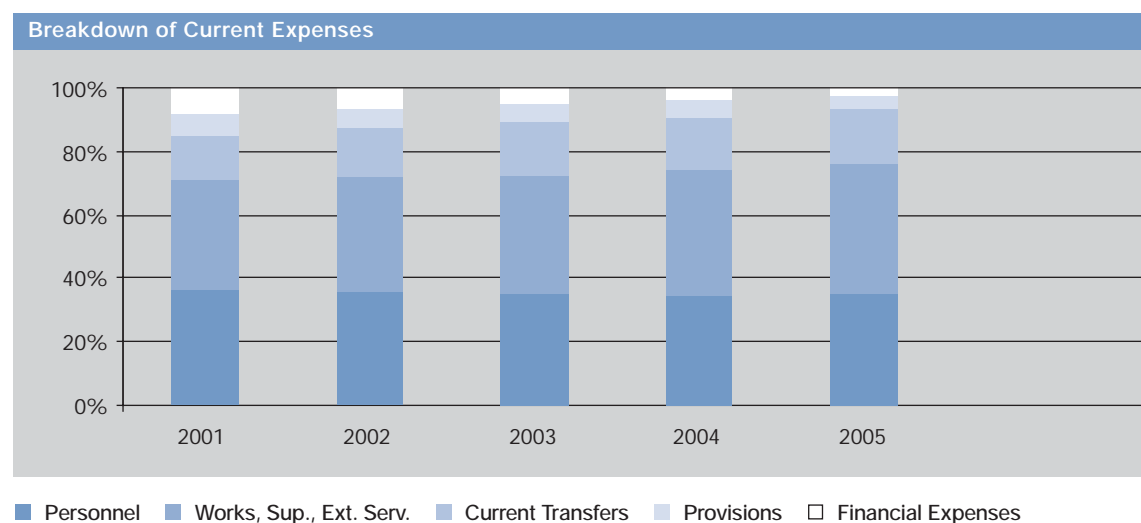
A further component involving a marked rise in expenses is public transport. The current transfers for this sector rose by 34.3% in comparison with the previous year. Improvements in public transport consist of new bus lines, the increased frequency of metro trains and the extension of nocturnal services. Such measures, together with others as for example the introduction of the green area parking spaces, are aimed at improving sustainable mobility in and around the city.

Transfers to the *Entitat Metropolitana de Serveis Hidràulics i Tractament de Residus* (Metropolitan Hydraulic Services and Waste Treatment Agency) underwent a 10.7% rise due to the

collection corresponding to the higher metropolitan rate of municipal waste treatment.

In 2005, the provision for bad debt fell in relation to previous fiscal years due to the notable reorganization measures adopted in previous years, particularly during 2004, and the application, begun in that year, of the new tax on economic activities affecting businesses with a turnover of at least one million euros, which has improved the percentage of collection within the voluntary period.

Financial expenses continued their downward trend as a consequence of the decrease in the level of borrowing and the cost of debt.



#### 4.4. Investments

Capital expenditure during the last five years is the result of municipal investment programmes included in the 2000-2003 and the 2004-2007 Municipal Action Plan. Over this five-year period, capital expenditure has risen by 3,113 million euros, 567 million of which have been financed with capital revenue, and the rest with gross

savings generated by current operations. Although 2002 and 2003 were the years in which most investment was made during this period, as a result of the considerable urban development undertaken in a very run-down area in the east of the city, it is necessary to take into account that in none of the years in this period has the gross investment carried out fallen below 24% of the current revenue obtained.

Capital Revenue and Expenses (thousands of euros)					
	2001	2002	2003	2004	2005
<b>Direct Investments</b>					
General Use	172,681	352,186	341,422	218,940	235,051
Related to Services	153,314	312,687	300,918	220,611	216,970
<b>Total Direct Investments</b>	<b>325,995</b>	<b>664,873</b>	<b>642,340</b>	<b>439,551</b>	<b>452,021</b>
<b>Capital Transfers</b>					
HOLSA	51,747	53,817	55,970	58,209	60,537
Metropolitan Transport Authority	24,617	24,179	24,179	25,388	30,269
Non-municipal Entities	15,512	22,470	34,975	57,142	23,514
<b>Total Transfers</b>	<b>91,877</b>	<b>100,466</b>	<b>115,124</b>	<b>140,739</b>	<b>114,320</b>
<b>Financial Investment</b>	<b>3,005</b>	<b>13,409</b>	<b>8,910</b>	<b>255</b>	<b>188</b>
<b>Total Capital Expenses</b>	<b>420,877</b>	<b>778,748</b>	<b>766,374</b>	<b>580,545</b>	<b>566,529</b>
<b>Capital Revenue</b>					
Capital Transfers	40,743	70,723	75,632	28,894	19,549
Asset Management	35,772	128,921	49,439	69,750	47,932
<b>Total Capital Revenue</b>	<b>76,515</b>	<b>199,644</b>	<b>125,071</b>	<b>98,644</b>	<b>67,481</b>
<b>Net Investment</b>	<b>344,362</b>	<b>579,104</b>	<b>641,303</b>	<b>481,901</b>	<b>499,048</b>

81% of capital expenditure was devoted to direct investments. These investments were for general public use –new infrastructures and urban actions– and investments related to the provision of services, such as educational, cultural and sports facilities, as well as municipal markets and administrative premises.

As regards capital transfers, they amounted to 18% of the total and were mainly made to Barcelona Holding Olímpico, SA, to the Metropolitan Transport Authority (ATM), and to cultural facilities.

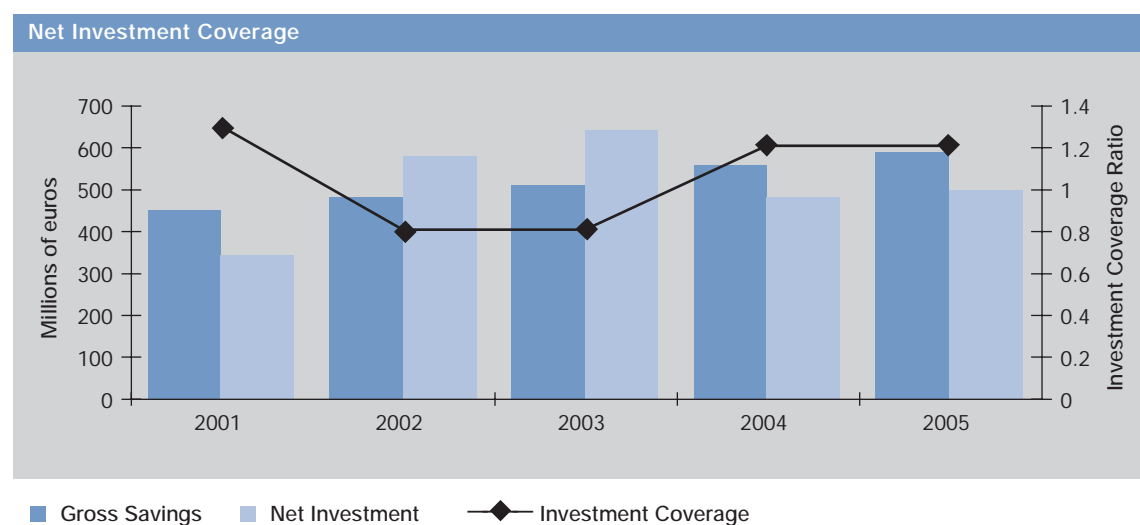
Capital revenue was obtained by capital transfers and asset management. In the former

case, transfers were received from the European Union for environmental projects, such as the construction of selective waste collection centres, rainwater tanks and recycling plants, and the removal of acoustic barriers. The Generalitat de Catalunya, for its part, provided resources principally for education and sports facilities. Transfers from other organizations and institutions were received for developing public spaces. Furthermore, asset management involved the sale of land, buildings and parts of the public highway surplus to requirement, as well as the sale of housing and business premises, mainly by the Patronat Municipal de l'Habitatge (Municipal Housing Agency).

Capital Revenue and Expenses (in percentages)					
	2001	2002	2003	2004	2005
<b>Direct Investments</b>					
General Use	50.1	60.8	53.2	45.4	47.1
Related to Services	44.5	54.0	46.9	45.8	43.5
<b>Total Direct Investments</b>	<b>94.7</b>	<b>114.8</b>	<b>100.1</b>	<b>91.2</b>	<b>90.6</b>
<b>Capital Transfers</b>					
HOLSA	15.0	9.3	8.7	12.1	12.1
Metropolitan Transport Authority	7.1	4.2	3.8	5.3	6.1
Non-municipal Entities	4.5	3.9	5.5	11.8	4.7
<b>Total Transfers</b>	<b>26.7</b>	<b>17.4</b>	<b>18.0</b>	<b>29.2</b>	<b>22.9</b>
<b>Financial Investments</b>	<b>0.9</b>	<b>2.3</b>	<b>1.4</b>	<b>0.1</b>	<b>0.0</b>
<b>Total Capital Expenses</b>	<b>122.2</b>	<b>134.5</b>	<b>119.5</b>	<b>120.5</b>	<b>113.5</b>
<b>Capital Revenue</b>					
Capital Transfers	11.8	12.2	11.8	6.0	3.9
Asset Management	10.4	22.3	7.7	14.5	9.6
<b>Total Capital Revenue</b>	<b>22.2</b>	<b>34.5</b>	<b>19.5</b>	<b>20.5</b>	<b>13.5</b>
<b>Net Investment</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Net consolidated investment in 2005 amounted to 499 million euros, a 3.6% rise in comparison with 2004. Investment coverage, measured as the ratio of gross

savings over net investments, was 1.2; that is, investments were financed by gross savings, thus avoiding the need to incur new debt.

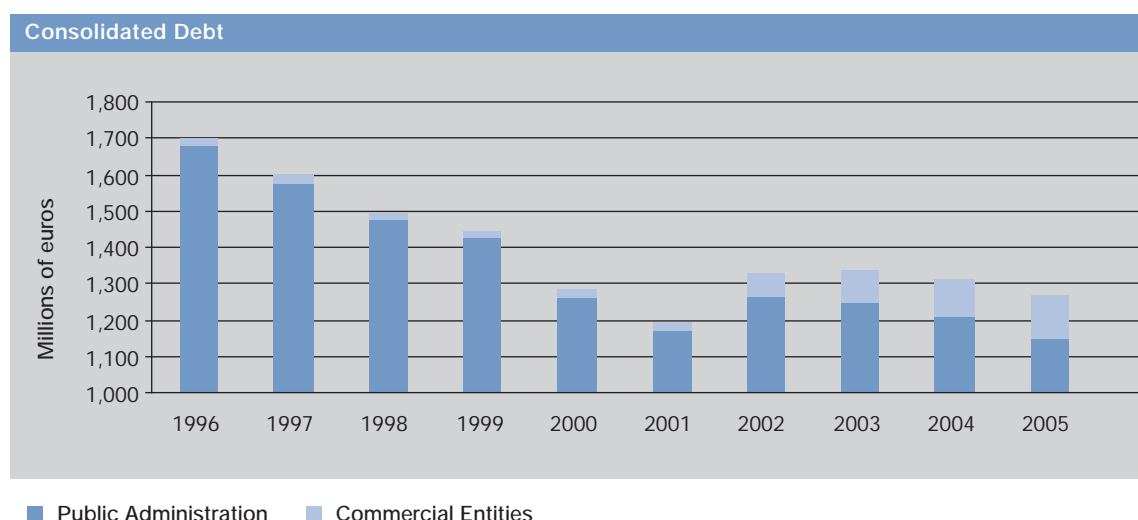


## 4.5. Financing

In 2005, consolidated debt fell by 41 million euros to a total figure of 1,270 million euros as of December 31, 2005. Of the total debt, 90.4% corresponds to the public administration sector, specifically the City of Barcelona, while the

remaining 9.6% corresponds to commercial entities, that is, those public agencies and municipal companies that are largely financed through commercial revenue, which are the Patronat Municipal de l'Habitatge (Municipal Housing Agency) and the Barcelona de Serveis Municipals group.

Consolidated Financial Debt (thousands of euros)					
	12.31.01	12.31.02	12.31.03	12.31.04	12.31.05
Public Administration	1,168,312	1,265,113	1,244,525	1,206,640	1,148,353
Commercial Entities	24,428	62,239	91,793	104,387	121,520
<b>Total Debt</b>	<b>1,192,740</b>	<b>1,327,352</b>	<b>1,336,318</b>	<b>1,311,027</b>	<b>1,269,873</b>



### Public Administration

The City of Barcelona contracted two new debt operations in 2005: a *schuldchein* 10-year loan on the German market for 80 million euros, and a bilateral 5-year loan of 20 million euros.

Of the amortized debt, which in total amounted to 158 million euros, the most notable amortization concerned the public debt issue of 1995 in the United States for 200 million dollars and a countervalue of 155 million euros, after the *swap* contracted at the time.

### Commercial Entities

Commercial entities' debt rose by 17 million euros in 2005. On the one hand, the Patronat Municipal de l'Habitatge increased its debt by 4 million euros as a result of the housing promotion policy carried out by the City of Barcelona. On the other hand, the Barcelona de Serveis Municipals group increased its financial liability by 13 million euros, largely as a consequence of its investments in car parks and in the Flower Market.

Consolidated Financial Debt (thousands of euros)					
	12.31.01	12.31.02	12.31.03	12.31.04	12.31.05
<b>European Union Market</b>					
Bank Loans	462,648	567,506	664,141	675,644	709,671
Private Placements	186,622	276,621	240,374	260,000	340,000
Public Bond Issues	327,823	327,823	276,622	220,202	220,202
<b>Subtotal</b>	<b>977,092</b>	<b>1,171,950</b>	<b>1,181,137</b>	<b>1,155,846</b>	<b>1,269,873</b>
<b>Non-European Union Market</b>					
Private Placements	60,466	221	0	0	0
Public Bond Issues	155,181	155,181	155,181	155,181	0
<b>Subtotal</b>	<b>215,647</b>	<b>155,402</b>	<b>155,181</b>	<b>155,181</b>	<b>0</b>
<b>Total Debt</b>	<b>1,192,740</b>	<b>1,327,352</b>	<b>1,336,318</b>	<b>1,311,027</b>	<b>1,269,873</b>
<b>Long-term Debt</b>	<b>1,186,702</b>	<b>1,324,198</b>	<b>1,336,231</b>	<b>1,311,027</b>	<b>1,269,873</b>
<b>Short-term Debt</b>	<b>6,038</b>	<b>3,154</b>	<b>87</b>	<b>0</b>	<b>0</b>

The City of Barcelona's financial policy is oriented towards controlling the growth in financial expenses, assuming a reasonable financial risk. To this end, the financial strategy is based on obtaining resources on financial markets in the Euro Zone; using short-term debt solely to cover transitory needs of cash resources; improving the debt profile by maturities; maintaining some contractual

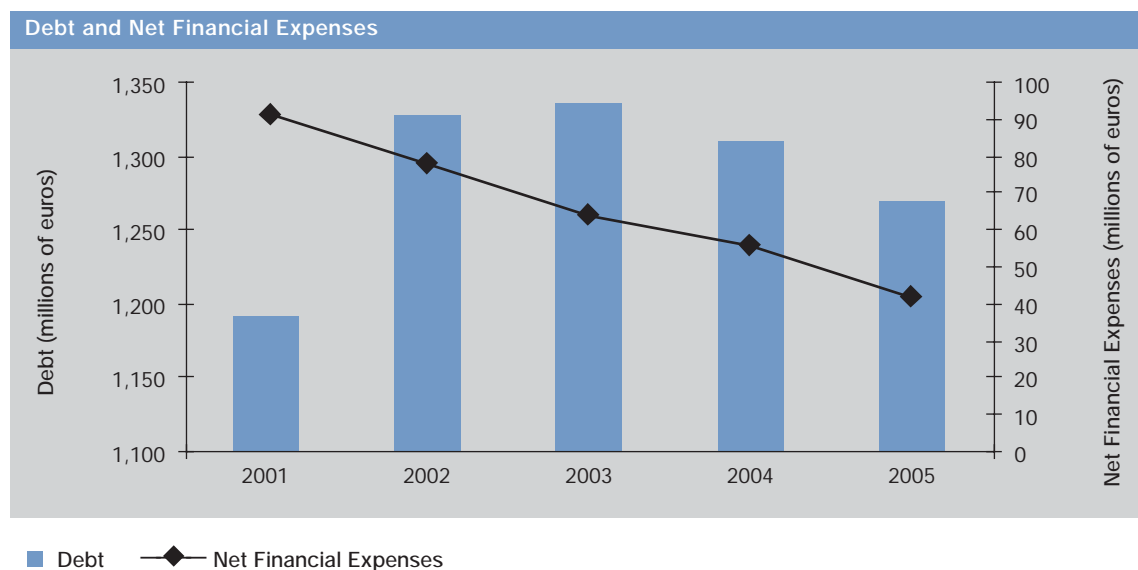
amortizations of annual debt well below gross savings, and diversifying risk by types of interest.

Current borrowing as of December 31, 2005, comes from European Union Markets. 56% correspond to bank loans and the remainder to debt formalized on the different capital markets.

Consolidated Financial Debt (in percentages)					
	12.31.01	12.31.02	12.31.03	12.31.04	12.31.05
<b>European Union Market</b>					
Bank Loans	38.8	42.8	49.7	51.6	55.9
Private Placements	15.6	20.8	18.0	19.8	26.8
Public Bond Issues	27.5	24.7	20.7	16.8	17.3
<b>Subtotal</b>	<b>81.9</b>	<b>88.3</b>	<b>88.4</b>	<b>88.2</b>	<b>100.0</b>
<b>Non-European Union Market</b>					
Private Placements	5.1	0.0	0.0	0.0	0.0
Public Bond Issues	13.0	11.7	11.6	11.8	0.0
<b>Subtotal</b>	<b>18.1</b>	<b>11.7</b>	<b>11.6</b>	<b>11.8</b>	<b>0.0</b>
<b>Total Debt</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Long-term Debt</b>	<b>99.5</b>	<b>99.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Short-term Debt</b>	<b>0.5</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

In 2005 financial expenses came to 40.6 million euros, which represents a 33.0% reduction compared with 2004.

In 2006, Fitch and Standard & Poor's have raised the City of Barcelona's credit rating from AA to AA+. The rating given by Moody's Investors Service remains at Aa2, the same level as the previous year.



## 4.6. Prospects

The evolution and previsions for the City of Barcelona group's principal financial magnitudes are as follows:

The financial forecasts are based on the following hypotheses: a) the consumer price index (CPI) is expected to be 3% in 2006 and an average of 2.5% for the rest of the period under consideration; b) the increase in the collection of Central Government taxes (ITE) is estimated at an annual average of 6%, and c) the three-month EURIBOR (Euro Interbank Offered Rate) interest rate is expected to be at an average of 3% in 2006, rising to 3.5% from 2007.

Over the next five years (2006-2010), the City of Barcelona's capital expenses in

consolidated terms are expected to exceed 3,300 million euros, providing the two financial conditions foreseen in the 2004-2007 Municipal Action Plan are met and maintained throughout the rest of the period: a) gross savings generated by current operations should be at least 25% of current revenue, and b) consolidated debt, including guarantees, should be lower than 80% of current revenue.

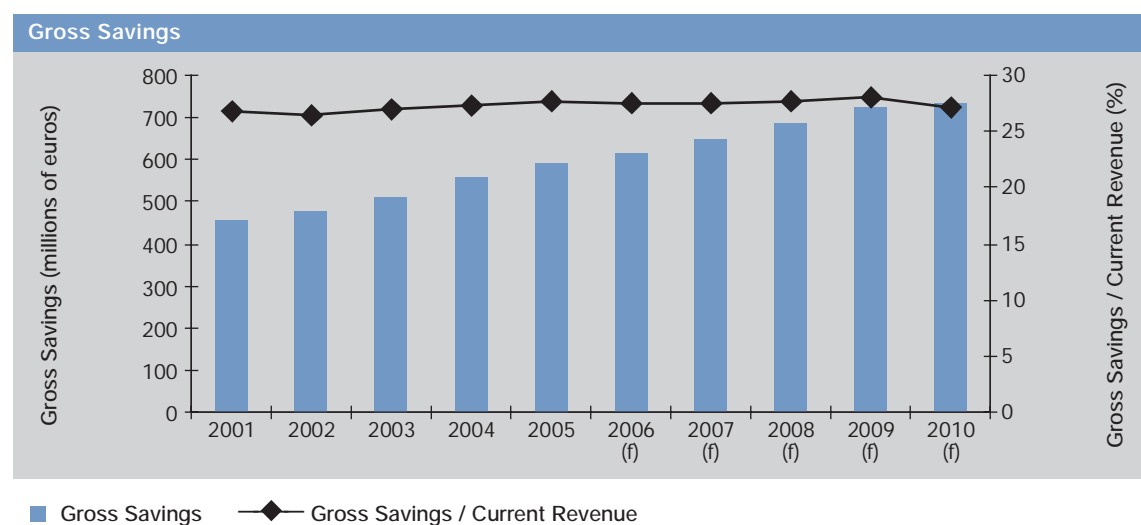
The forecast for 2006 is based on the basic lines of the initial budget approved for this year, to which an adjustment has been applied in consideration of the fact that the consumer price index for 2006 will be closer to 3% rather than the 2.7% employed when the budget was drawn up, in the light of the recent evolution of this indicator.

Current revenue over the coming years is estimated according to the following hypotheses:

- a) Local taxes are expected to increase by one point higher than inflation, except the taxes transferred by Central Government (shared taxes), which are expected to increase by 6%, the figure estimated by the hypothesis for growth in taxes collected by Central Government.
- b) The new property values will continue to be implemented in regard to property tax. In 2005 the general tax rate was 0.75% of the property value. A specific 0.85% rate of tax is levied on the 10% of properties with the highest property values in regard to every type of use other than residential.
- c) In 2006, the rates levied for the taxes on increases in land value and construction activities are 30% and 3.25%, respectively. It is

forecast that these rates will remain the same in subsequent fiscal years. The rates applied in the case of motor vehicle tax and the tax on economic activities have not been changed.

- d) It is estimated that revenue from the sale of services, revenue from property and business, and other revenue in 2006 will grow at the same rate as the consumer price index (CPI) plus two percentage points, and from 2007 at the same rate as the CPI plus 2.5 percentage points.
- e) The Supplementary Finance Fund, which includes the compensation for the partial suppression of the tax on economic activities, is expected to grow at the same rate as that forecast for the collection of Central Government taxes, i.e., an average of 6%.
- f) The remaining current transfers are expected to grow annually two percentage points higher than the predicted rate of inflation.



Current expenses estimates for the period 2006-2010 are based on the following hypotheses:

a) Personnel expenses will grow one point higher than the inflation forecast.

b) Works, supplies and subcontracted services will grow at an average annual rate of 6%.

c) Current transfers will grow at a rate of 8% in 2006, in line with the initial approved budget, and from 2007 they will grow at an annual average of around 4.8%, assuming that the transfers to the Municipal Association of the Barcelona Metropolitan Area, public transport, and the *Entitat Metropolitana de Serveis Hidràulics i Tractament de Residus* will grow by 6% and that the remaining allocations will grow in line with inflation. A higher increase in current transfers is forecast for 2010, which will correspond basically to public transport, once the outstanding debt has been paid.

d) The provision for bad debts has been estimated by applying conversion coefficients drawn from past experience to accounts receivable based on how old they are, taking the forecast for local taxes and the fines balance into account.

e) Financial expenses are based on the amount and structure of the expected debt and

assuming that the three-month EURIBOR will average 3.0% in 2006 and 3.5% a year from 2007.

With regard to capital expenses, the previsions for the years 2006 and 2007 are based on the municipal investment programme included in the 2004-2007 Municipal Action Plan, while for the remainder of the period forecasts have been based on past experience.

The 2004-2007 municipal investment programme includes a package of measures aimed mainly at public space and the environment, land and housing, mobility, facilities and new infrastructures. These measures are managed by the different operators: sectors and districts of the City of Barcelona and the municipal agencies and companies.

In the 2006-2010 period, the total amount of capital expenses is expected to exceed 3,300 million euros, with a more regular profile than that of the previous five-year period. A change in the composition of capital expenses is forecast, since the agreement with HOLSA ends in 2007, two years earlier than that initially expected, which should allow greater direct investment. Furthermore, the expected reduction in capital revenue is due to the suppression of grants from the European Union.

Capital Revenue and Expenses (thousands of euros)					
	2006 (f)	2007 (f)	2008 (f)	2009 (f)	2010 (f)
<b>Total Direct Investments</b>	<b>505,382</b>	<b>583,666</b>	<b>630,038</b>	<b>652,089</b>	<b>674,912</b>
<b>Capital Transfers</b>					
HOLSA	62,958	27,075	0	0	0
Metropolitan Transport Authority	28,590	28,590	28,590	28,590	0
Non-municipal Entities	10,148	14,948	16,145	16,548	16,962
<b>Total Transfers</b>	<b>101,696</b>	<b>70,613</b>	<b>44,735</b>	<b>45,138</b>	<b>16,962</b>
<b>Financial Investments</b>	<b>3,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>Total Capital Expenses</b>	<b>610,078</b>	<b>664,279</b>	<b>684,773</b>	<b>707,228</b>	<b>701,874</b>
<b>Capital Revenue</b>					
Capital Transfers	22,310	4,500	2,000	2,000	2,000
Asset Management	31,000	20,000	20,000	20,000	20,000
<b>Total Capital Revenue</b>	<b>53,310</b>	<b>24,500</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>
<b>Net Investment</b>	<b>556,768</b>	<b>639,779</b>	<b>662,773</b>	<b>685,228</b>	<b>679,874</b>

Over the forthcoming years, the level of debt in absolute terms is expected to stabilize, in accordance with the following details:

Consolidated Financial Debt as of December 31 (millions of euros)						
	2005	2006 (f)	2007 (f)	2008 (f)	2009 (f)	2010 (f)
Public Administration	1,148	1,091	1,058	1,026	1,017	1,017
Commercial Entities	122	173	201	227	235	235
<b>Total Debt</b>	<b>1,270</b>	<b>1,264</b>	<b>1,259</b>	<b>1,253</b>	<b>1,252</b>	<b>1,252</b>
<b>Guarantees</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>1</b>
<b>Total Debt and Guarantees</b>	<b>1,277</b>	<b>1,270</b>	<b>1,264</b>	<b>1,257</b>	<b>1,255</b>	<b>1,253</b>
<b>Total Risk/Current Revenue (%)</b>	<b>59.5</b>	<b>56.4</b>	<b>53.4</b>	<b>50.7</b>	<b>48.2</b>	<b>45.9</b>

City of Barcelona Group Economic and Financial Position and Forecast (in thousands of euros)										
	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Forecast	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast
1. Current Revenue Before Financial Income	1,693,877	1,815,473	1,899,123	2,050,059	2,138,778	2,247,238	2,357,350	2,473,090	2,594,759	2,722,671
2. Current Expenses Before Financial Expenses	1,149,948	1,259,285	1,324,499	1,437,642	1,512,605	1,595,009	1,669,692	1,748,274	1,830,970	1,948,006
3. Primary Savings	543,929	556,188	574,624	612,417	626,173	652,229	687,658	724,816	763,789	774,665
Financial Revenue	10,171	10,693	8,031	5,630	6,455	6,649	6,815	6,985	7,160	7,339
Financial Expenses	101,627	87,871	71,147	60,598	40,616	43,829	47,401	47,228	47,127	47,107
4. Gross Savings	452,473	479,010	511,508	557,449	592,012	615,049	647,072	684,573	723,822	734,897
5. Net Investment	344,362	579,104	641,303	481,901	499,048	556,768	639,779	662,773	685,228	679,874
6. Surplus (Deficit)	108,111	(100,094)	(129,795)	75,548	92,964	58,281	7,293	21,800	38,594	55,023
Additional Cash Resources	(18,579)	(35,650)	118,530	(52,398)	(55,864)	(52,613)	(1,881)	(16,095)	(37,759)	(54,502)
7. Cash Surplus (Deficit)	89,532	(135,744)	(11,265)	20,149	37,100	5,668	5,412	5,705	835	521
Assumption of Debt	1,803	1,132	2,299	5,142	4,054	0	0	0	0	0
8. Net (Increase) Decrease of Debt	91,335	(134,612)	(8,966)	25,291	41,154	5,668	5,412	5,705	835	521
9. Total Debt Outstanding at Year-end	1,192,740	1,327,352	1,336,318	1,311,027	1,269,873	1,264,205	1,258,793	1,253,088	1,252,253	1,251,732

# 5

City of Barcelona  
2005 Annual Statements and  
Accounts

**A free translation of the report on the annual accounts originally issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. In the event of a discrepancy, the Catalan language version prevails**

## AUDITORS' REPORT ON ANNUAL ACCOUNTS

To the Mayor-President of  
the Barcelona City Council:

We have audited the annual accounts of the BARCELONA CITY COUNCIL, consisting of the balance sheet as of December 31, 2005, the statement of revenues and expenses, the budget reconciliation statement and the related notes to the annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Corporation. Our responsibility is to express an opinion on these annual accounts taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain which require the examination, on a test basis, of evidence supporting the annual accounts and evaluation of their overall presentation, the accounting principles used as applicable to governmental entities in Spain and the estimates made.

For comparative purposes only, the Directors of the Corporation have presented for each item of the balance sheet, the statement of revenues and expenses and the statement of changes in financial position, the corresponding amounts for the previous year as well as the amounts for 2005. Our opinion refers exclusively to the annual accounts for 2005. On April 27, 2005, we issued our audit report on the 2004 annual accounts in which we expressed an unqualified opinion.

In our opinion, the accompanying annual accounts for the year 2005 give, in all material respects, a true and fair view of the net worth and financial position of the BARCELONA CITY COUNCIL as of December 31, 2005, and of the results of its operations as reflected in the statement of revenues and expenses and budget reconciliation statement referred to above, and its source and application of funds for the year then ended, and contain all the information, necessary for their interpretation and comprehension, in conformity with generally accepted accounting principles and standards for governmental entities in Spain, applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers Auditores, S.L.

Xavier Brossa Galofré  
Partner

April 19, 2006

Gabinete Técnico  
de Auditoría y Consultoría, S.A.

  
Enric Ribas Miràngels  
Partner

**City of Barcelona**  
**Balance Sheets as of December 31, 2005 and 2004**

(in thousands of euros)

Assets		As of December 31, 2005	As of December 31, 2004
	<b>Note</b>		
<b>Tangible Fixed Assets and Infrastructures</b>		<b>5,689,999</b>	<b>5,605,084</b>
Tangible Fixed Assets	3	6,166,560	6,030,354
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	3	(632,946)	(631,120)
Accumulated Depreciation	3	(474,772)	(417,706)
Fixed Assets Pending Classification	3	558,102	500,126
Investments in Infrastructures and Assets for Public Use	3	5,325,527	5,094,079
Investments Assigned for Public Use	3 and 7	(5,325,527)	(5,094,079)
Investments Assigned for Public Use: HOLSA	2.3 and 3	73,055	123,430
Long-term Financial Investments	4	188,879	176,578
<b>Fixed Assets</b>		<b>5,878,878</b>	<b>5,781,662</b>
<b>Deferred Expenses</b>	<b>5</b>	<b>1,287</b>	<b>1,221</b>
On-budget Receivable	6	623,180	669,097
Allowance for Bad Debt	6	(279,822)	(395,051)
		343,358	274,046
Other Off-budget Receivable		2,531	10,216
Public Entities Receivable	13	5,962	40,912
Cash		278,225	87,794
<b>Current Assets</b>		<b>630,076</b>	<b>412,968</b>
<b>TOTAL ASSETS</b>		<b>6,510,241</b>	<b>6,195,851</b>

Notes 1 to 17 of the attached annual report form an integral part of the balance sheet as of December 31, 2005.

## City of Barcelona

### Balance Sheets as of December 31, 2005 and 2004

(in thousands of euros)

Liabilities		As of December 31, 2005	As of December 31, 2004
	<b>Note</b>		
<b>Net Worth</b>	<b>7</b>	<b>4,340,476</b>	<b>4,052,779</b>
Net Worth		9,726,300	9,333,527
Property Assigned to Municipal Agencies and Third Parties		(632,946)	(631,120)
Property Delivered for Public Use		(5,325,527)	(5,094,079)
Property Assigned by Municipal Agencies and Third Parties		52,311	51,678
Results Pending Allocation		520,338	392,773
Capital Transfers and Other Capital Income	8	274,817	246,316
Long-term Provisions	9	77,948	66,009
Long-term Loans and Debentures	10	1,148,353	1,206,640
Long-term Guarantees and Deposits		14,212	13,221
Deferred Income	12	68,675	70,564
Pluri-annual Transfers to HOLSA	2.3	73,055	123,430
<b>Long-term Liabilities</b>		<b>5,997,536</b>	<b>5,778,959</b>
Accounts Payable		379,136	269,675
Payable to Public Entities	13	24,997	22,499
Other Off-budget Payables	11	49,886	47,493
Accrued Expenses	14	36,646	57,663
Suspense Account Items		22,040	19,562
<b>Current Liabilities</b>		<b>512,705</b>	<b>416,892</b>
<b>TOTAL LIABILITIES</b>		<b>6,510,241</b>	<b>6,195,851</b>

Notes 1 to 17 of the attached annual report form an integral part of the balance sheet as of December 31, 2005.

# City of Barcelona

## Statements of Revenue and Expenses for the Fiscal Years Ended as of December 31, 2005 and 2004 (see Note 15)

(in thousands of euros)

Expenses	2005	2004	Revenue	2005	2004
<b>Personnel Expenses</b>	<b>291,636</b>	<b>282,051</b>	<b>Sales and Revenue</b>	<b>91,282</b>	<b>88,817</b>
Wages and Salaries	227,161	220,439	Sales of Common Goods	706	528
Compensation for Services	2,190	1,882	Charges on Services	35,768	34,691
Social Security Expenses	61,579	59,194	Charges for Services: Municipal Agencies	31,460	32,959
Other Welfare Expenses	706	536	Rent and Revenue from Real Estate	690	375
			Public Prices for Sale of Services	22,658	20,264
<b>Financial Expenses</b>	<b>34,964</b>	<b>56,214</b>	<b>Revenue from Property and Business</b>	<b>239,524</b>	<b>224,529</b>
Interest	34,964	56,214	Interest	3,024	2,036
			Profit Sharing	3,060	17,013
<b>Taxes</b>	<b>478</b>	<b>184</b>	Surcharge on Collection Proceedings	9,068	9,431
			Late Payment Surcharge	9,522	7,540
			Fines	106,075	96,817
<b>Works, Supplies and Subcontracted Services</b>	<b>414,458</b>	<b>371,883</b>	Charge on Use of Public Domain	62,889	49,877
Rent	13,368	11,328	Charges on Use of Public Domain: MAS	23,542	16,602
Maintenance and Repair	13,337	12,046	Administrative Concessions and Special Uses	22,344	25,213
Supplies	25,690	23,964			
Communications	5,692	6,920	<b>Production-related Taxes</b>	<b>569,042</b>	<b>543,269</b>
Subcontracted Works	266,688	248,638	Property Tax (IBI)	347,599	334,035
Miscellaneous Expenses	89,683	68,987	Assignment of State Taxes	93,235	89,923
			Tax on Economic Activity (IAE)	93,863	84,820
			Tax on Construction, Installations and Works	33,974	34,484
			Replaced Taxes	371	7
<b>Welfare Benefits</b>	<b>1,453</b>	<b>1,557</b>	<b>Income and Wealth Tax</b>	<b>73,553</b>	<b>74,704</b>
			Tax on Motor Vehicles	73,553	74,704
<b>Current Transfers</b>	<b>576,174</b>	<b>522,225</b>	<b>Current Transfers</b>	<b>815,632</b>	<b>764,600</b>
To Municipal Agencies and Companies	300,494	276,654	Central Government Supplementary Finance Fund	639,689	608,837
To Municipal Agencies and Companies for Charges	53,408	43,594	From Central Government as IAE Compensation	61,000	59,557
To IMAS (health services)	11,432	11,436	Other central Government Agencies	2,738	3,625
To Consortia and Communities	174,553	158,145	From the Generalitat	64,229	48,846
Other Current Transfers	36,287	32,396	From Local Entities	44,697	39,156
			Foreign Transfers	2,331	1,172
			Sundry Specific-purpose Transfers	948	3,407
			<b>Capital Taxes</b>	<b>97,851</b>	<b>84,447</b>
			On the Increase in Land Values	93,459	80,055
			Special Contributions	4,392	4,392
<b>Provision to Allowance for Bad Debt</b>	<b>53,727</b>	<b>79,542</b>	<b>Other Revenue</b>	<b>18,759</b>	<b>40,873</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>1,372,890</b>	<b>1,313,656</b>	<b>TOTAL OPERATING REVENUE</b>	<b>1,905,643</b>	<b>1,821,239</b>
<b>Operating Surplus (Before Capital Transfers)</b>	<b>532,753</b>	<b>507,583</b>			
<b>Capital Transfers</b>	<b>120,221</b>	<b>143,262</b>			
To Municipal Agencies and Companies and Other Bodies	120,221	143,262			
<b>Operating Surplus (After Capital Transfers)</b>	<b>412,532</b>	<b>364,321</b>			
<b>Negative Extraordinary Results</b>	<b>-</b>	<b>-</b>	<b>Positive Extraordinary Results</b>	<b>164,739</b>	<b>75,998</b>
Depreciation	56,933	46,996	(Note 15.6)		
Provision for Depreciation of Financial Fixed Assets	-	550			
<b>RESULT FOR THE YEAR</b>	<b>520,338</b>	<b>392,773</b>			
<b>TOTAL</b>	<b>2,070,382</b>	<b>1,897,237</b>	<b>TOTAL</b>	<b>2,070,382</b>	<b>1,897,237</b>

Notes 1 to 17 of the attached annual report form an integral part of the 2005 statement of revenue and expenses.

## Budget Result

(in thousands of euros)

### Net Non-financial On-budget Receivable

Revenue (Cap. 1 to 7)	1,968,949
Revenue (Cap. 8)	100
<b>Total</b>	<b>1,969,049</b>

### Net Non-financial On-budget Payables

Expenses (Cap. 1 to 7)	1,753,304
Expenses (Cap. 8)	188
<b>Total</b>	<b>1,753,492</b>

<b>Gross Saving</b>	<b>215,557</b>
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### Adjustments

Revenue (Cap. 9)	100,991
Expenses (Cap. 9)	158,287
<b>Change in Financial Liabilities (Cap. 9)</b>	<b>(-) 57,296</b>

<b>Net Saving</b>	<b>158,261</b>
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### Adjustments

Positive Financial Deviations	(-) 8,092
Negative Financial Deviations	5,180
Payables Financed with Treasury Surplus	28,873

<b>Adjusted Budget Result</b>	<b>184,222</b>
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## 2005 Budget Settlement

### Summary of Status of Revenue Account Budget (in thousands of euros)

Caption		Initial Budget	Final Budget	Net Receivables	Receipts
1	Direct Taxes	624,958	624,958	662,699	626,504
2	Indirect Taxes	63,254	63,254	73,355	66,412
3	Charges and Other Revenues	231,485	265,913	344,740	235,889
4	Current Transfers	787,441	813,627	817,345	754,346
5	Capital Gains	34,937	37,789	27,137	21,787
6	Disposal of Real Property	20,000	28,155	28,212	28,155
7	Capital Transfers	5,264	22,417	15,461	1,054
8	Financial Assets	0	37,935	100	100
9	Financial Liabilities	100,000	100,000	100,991	100,991
Total		1,867,339	1,994,048	2,070,040	1,835,238

### Summary of Status of Expense Budget Account (in thousands of euros)

Caption		Initial Budget	Final Budget	Payables	Paid
1	Personnel Expenses	290,808	304,980	293,993	287,607
2	Expenses Common Goods and Services	346,082	396,201	379,564	265,365
3	Financial Expenses	62,620	54,920	42,120	42,117
4	Current Transfers	566,076	590,559	580,018	492,506
6	Real Property	325,799	107,348	95,870	52,708
7	Capital Transfers	114,667	378,753	361,739	248,731
8	Financial Assets	3,000	3,000	188	188
9	Financial Liabilities	158,287	158,287	158,287	158,287
Total		1,867,339	1,994,048	1,911,779	1,547,509

## Notes to the Annual Statements and Accounts for the Year Ended December 31, 2005

### Note 1 – Basis of Presentation

#### 1.1. Accounting Policies

The annual statements and accounts are based on the City's accounting records for the year 2005 and have been prepared according to accounting principles set out for public administrations in current Spanish legislation, specifically:

- a) Law 7/1985, of April 2, governing base law for local legislation.
- b) Royal Decree Law 781/1986, of April 18, approving the amendment to current provisions for local legislation.
- c) Legislative Decree 2/2003 of April 28, approving the Amended Text of the Municipal Law of the Local Government System of Catalonia.
- d) Legislative Royal Decree 2/2004, of March 5, approving the Amended Text of the Law Regulating Local Taxation (Law 39/1988, of December 28).
- e) Royal Decree 500/1990, implementing Law 39/1988.
- f) The Local Government Accounting Standards, dated July 17, 1990.
- g) Documents on accounting principles issued by the Commission of Public Accounting

Principles and Standards, created by Resolution of the State Secretariat for the Treasury on December 28, 1990.

- h) Order of June 28, 1999, on the implementation of Decree 94/1995, of February 21, on the financial monitoring of local entities.

#### 1.2. Annual Statements and Accounts

The annual statements and accounts for the 2005 fiscal year are comprised of the following documents:

- Balance Sheet
- Statement of Revenue and Expenses
- Budget Statement:
  - Summary of status of the revenue account budget
  - Summary of status of the expense account budget
  - Budget Results
- Notes

The figures contained in the documents composing these annual statements and accounts are expressed in thousands of euros.

The balance sheet has basically been drawn up according to the models established by the Local Government Accounting Standards of July 17, 1990. By contrast, the statement of revenue and expenses has been drawn up in more detail than required by the said Standards in order to provide more thorough information on revenue and expenses and, thereby, offer a faithful rendering of the net worth and financial position of the City of Barcelona and the results of its operations over the fiscal year, in accordance with the accounting

principles and standards applied to the sphere of public administration accounting.

The budget settlement was approved by a Decree issued by the Mayor's Office on February 28, 2006. The general accounts will be submitted to the Municipal Council Plenum for approval within the established time limits.

### 1.3. Comparability of the Information

For the purposes of presenting the annual statements and accounts, and in order to ensure that the accounts for 2005 are comparable with those for the fiscal year 2004, the following amendments have been made to the latter as a consequence of the entry into effect of the new model for the financing of the local public sector, approved by the law 51/2002, of December 27, of the reform of the law 39/1988, of December 28 for the regulation of Local Taxation.

<b>Share in Central Government Revenue</b>	<b>699,607</b>
Assignment of State Taxes	89,923
Central Government Supplementary Finance Fund	608,837
Other Central Government Bodies	847
<b>Total</b>	<b>699,607</b>

## Note 2 – Valuation Criteria

The most significant accounting procedures applied to the formulation of the annual accounts are set out hereunder:

### 2.1. Tangible Fixed Assets

These include the City's assets and those in the public domain directly assigned for the provision

of public services, which together constitute the City's long-term investments.

The assessment criteria for the fixed assets are as follows:

a) Land and buildings. Additions made prior to January 1, 1992, are assessed according to expert appraisal of their current real market value made by an independent appraisal company. For property declared to be of historic-artistic interest, this appraisal corresponds to the cost of reconstruction. To this end, with regard to non-financial fixed assets, the document on accounting principles issued by the Commission on Public Accounting Principles and Standards defines replacement value as "the sum of expenses necessary for the construction of an asset of identical nature and characteristics. For buildings declared to be of historic-artistic interest, this value shall be that of reconstruction". Subsequent additions are assessed at their purchasing price or, in case of buildings received free of charge, at their appraised value.

b) Machinery, installations, fittings, data-processing equipment and vehicles. Additions are assessed at their purchasing price.

c) Fixed assets pending classification. Additions are assessed at their purchasing price or cost of construction and are transferred to the "Property Delivered for Public Use" caption under tangible fixed assets upon completion of the investments they require.

Repairs not contributing to an extension of the useful life, as well as maintenance costs, are

directly charged to the statement of revenue and expenses. The cost of any enlargements or improvements that extend an asset's useful life are capitalized as an increase in its value.

The annual provision for depreciation is calculated using the straight-line method based on each asset's estimated useful life. For property, this begins the month after its incorporation into the City's Asset Inventory.

	Estimated Years of Useful Life
Buildings	65
Properties Assigned by Municipal Agencies and Third Parties	65
Technical Installations and Machinery	8-12.5
Vehicles	5
Fittings	6
Data-processing Equipment	4
Livestock	7
Bibliographic Funds and Others	8

The process of economic depreciation began in 1992. The estimated years of useful life listed for "Buildings" and "Properties Assigned by Municipal Agencies and Third Parties" are determined according to the criteria of the aforementioned independent appraisal company.

For properties with historic-artistic value, the depreciation is calculated based on the cost of fixed assets that would be required to replace them in terms of their capacity and usefulness. Therefore, the portion of the book value corresponding to the historic-artistic component of these structures, which amounts to 221,573 thousand euros, has been excluded from the calculation, in accordance with the aforementioned independent appraisal. This treatment is justified by the fact that the said historic-artistic component is subject to maintenance, which guarantees its permanent value.

The property assigned by municipal agencies or third parties includes the value of the property

assigned to the City of Barcelona by other entities for its operation or use.

## 2.2. Tangible Fixed Assets Assigned to Municipal Agencies or Third Parties

The caption "Tangible Fixed Assets Assigned by Municipal Agencies and Third Parties" lists the book value of those assets freely assigned by the City of Barcelona to its municipal agencies and companies or to third parties for their operation or use, respectively.

When assets are assigned, their withdrawal from the inventory is recorded on the balance sheet under the caption "Property Assigned to Municipal Agencies and Third Parties" (see Note 7), and thus, they cease to be amortized.

## 2.3. Investments in Infrastructures and Assets for Public Use

The assets delivered for public use include thoroughfare infrastructure (roads, pavements,

sidewalks, public lighting, signs), the large facilities for public services (sewers and utility supplies), green spaces, trees, gardens and, in general, all assets constituting public property provided for the public use of citizens.

Additions made prior to January 1, 1992, are assessed in accordance with the criteria described in Note 2.1. Subsequent additions are assessed at their purchasing price.

Upon completion of the investments in infrastructures and property for public use, their withdrawal is registered on the balance sheet with the charge to the "Property Delivered for Public Use" (see Note 7).

For the purpose of presentation, the assets caption on the balance sheet shows the assets assigned to municipal agencies or third parties for public use, as well as the corresponding compensatory sums to reflect their retirement. Likewise, Note 3 reflects the movements registered under these captions over the year.

Rule 220.2 of the Local Administration Standards states that, exceptionally, investments may be retained in the balance sheet even though they have been completed and assigned for public use. On December 31, 1994, in the light of extraordinary nature of the Olympic investments received from HOLSA, the City of Barcelona invoked this exception. Consequently, the assignment of these investments for public use, for an initial cost of 353,533 thousand euros, will be debited to the caption "Property Delivered for Public Use" and credited to the caption "Investments Assigned for Public Use" over a period of time similar to that which would have applied had they been ordinary investments. This

period reflects the rate of reduction in associated liability, which is recorded under the caption "Pluri-annual Transfers to HOLSA" on the attached balance sheet.

The balance of the caption "Pluri-annual Transfers to HOLSA" was reduced by 50,375 thousand euros in 2005 with a credit to extraordinary results (see Note 15.6). This corresponds to the amount owed to HOLSA as of December 31, 2005. Additionally, a charge and a credit for this cost were recorded under the captions "Property Delivered for Public Use" and "Investments Assigned for Public Use", respectively (see Note 3).

## **2.4. Long-term Investment**

Financial investments made by the City of Barcelona prior to January 1, 1992, in its municipal agencies and the municipal companies forming part of its group, as well as other shareholdings, are recorded at their technical book value as of December 31, 1991. Subsequent additions are recorded at their purchasing price.

As of December 31, 2005, the differences between the book value and the technical book value of those shareholdings for which there were substantial capital losses have been provided for in the attached statements and accounts (see Note 4).

## **2.5. On-budget Receivable**

These are recorded at their nominal value.

A provision has been established to cover the estimated sum of bad debts.

The amount of this provision is determined by applying the collectibility ratio estimated by the City based on past experience to those tax receivables currently subjected to enforced collection proceedings, as well as to receivables related to fines, both within the voluntary payment period and in the process of forcible collection.

## **2.6. Capital Transfers and Other Capital Income**

Upon their concession, capital transfers are recorded under the "Capital Transfers" caption in the liabilities column of the balance sheet and moved to assets when the investment they were financing is assigned for public use. For any appraisal of the City's net worth, these transfers should be considered as additional net worth as of December 31, 2005.

Other capital income is recorded at the time that the administrative operation giving rise to the revenue is carried out.

## **2.7. Deferred Income**

Early collection on amounts deferred to years subsequent to the year of collection are recorded under the caption "Deferred Revenue" (see Note 12), save for the portion of such amounts that has been deferred to the immediately following year, which is recorded under the caption "Accrual Accounts" (see Note 14) under liabilities on the balance sheet prior to being credited to results.

## **2.8. Long-term Provisions**

The balance of this caption includes the provisions established to cover the economic costs of contingent or possible debts.

## **2.9. Classification of Long- and Short-term Debts**

On the attached balance sheet, those debts with maturity over twelve months are classified as long-term debts. Those with maturity of less than twelve months are classified as short-term debts.

## **2.10. Revenue and Expenses**

### **a) Financial and Budget Accounting**

Revenue and expenses are basically attributed to the statement of revenue and expenses in the fiscal year in which they occur, depending on the real flow of assets and services they represent and independently of the timing of the monetary or financial flow from which they are derived, except for those capital grants and transfers derived from agreements or conventions requiring the treatment described in Sections 2.6 and 2.10.b, respectively.

Revenue and expenses are incorporated into the budget settlement at the time of the administrative act recognizing the respective rights and obligations.

### **b) Grants and Transfers Derived from Agreements and Conventions**

To record the expenses for transfers and grants stemming from agreements subscribed by different parties, be they collaborative agreements, co-operative agreements, contract programmes, or other similar agreements signed to co-finance or develop specific projects or activities (including capital grants to offset

accumulated negative results), the grantor's obligation to pay arises at the moment when the debt matures and is liquid and payable on demand, in other words, when the requirements for payment have been met. Recognition of the grantor's payment obligation is recorded upon passage of the resolution by which the beneficiary's right to collect is recognized and quantified (approval of the budgets for each fiscal year).

#### c) Assigned Capital Transfers

This entry includes contributions made by the City of Barcelona charged to the budget for the financing of investment processes not carried out by municipal agencies or companies belonging to the municipal economic group.

### **2.11. Corporate Tax**

Pursuant to the Legislative Royal Decree 4/2004 of March 5, approving the amended text of the Company Tax Act, the City of Barcelona is exempt from payment of this tax and is not subject to the retention of earnings on its moveable capital.

### **2.12. Environment**

Expenses derived from actions intended to protect and improve the environment are recorded, where applicable, as expenses in the year when they are incurred. This notwithstanding, should they entail incorporations to tangible fixed assets as a result of actions to minimize impacts on the environment or to protect and improve it, they are recorded as increased value of the fixed asset in question.

### Note 3 – Tangible Fixed Assets and Infrastructures

The movement registered under the different tangible fixed asset and infrastructures accounts was as follows:

	12.31.2004	Additions	Retirements	Transfers	12.31.2005
Land	316,880	43,020	(4,706)	13,779	368,973
Buildings	4,976,214	26,340	(3,512)	20,301	5,019,343
Fixed Assets Assigned to Municipal Agencies and Third Parties	631,120	3,883	–	(2,057)	632,946
<b>Land and Properties</b>	<b>5,924,214</b>	<b>73,243</b>	<b>(8,218)</b>	<b>32,023</b>	<b>6,021,262</b>
Vehicles	9,648	764	–	–	10,412
Machinery, Equipment, Installations and Tools	23,474	915	–	24,814	49,203
Data-processing Equipment	46,466	1,487	–	5,080	53,033
Office Furniture and Equipment	23,637	4,526	–	–	28,163
Others (includes Intangible Fixed Assets)	2,915	367	–	1,205	4,487
<b>Other Fixed Assets</b>	<b>106,140</b>	<b>8,059</b>	<b>–</b>	<b>31,099</b>	<b>145,298</b>
<b>Total Tangible Fixed Assets</b>	<b>6,030,354</b>	<b>81,302</b>	<b>(8,218)</b>	<b>63,122</b>	<b>6,166,560</b>
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	(631,120)	(3,883)	–	2,057	(632,946)
Fixed Assets Pending Classification	500,126	316,807	(14,981)	(243,850)	558,102
Investments in Infrastructures and Assets for Public Use	5,094,079	3,493	(11,082)	239,037	5,325,527
Investments Assigned for Public Use	(5,094,079)	(3,493)	11,082	(239,037)	(5,325,527)
Investments for Public Use HOLSA	123,430	–	–	(50,375)	73,055
<b>Gross Tangible Fixed Assets and Infrastructure</b>	<b>6,022,790</b>	<b>394,226</b>	<b>(23,199)</b>	<b>(229,046)</b>	<b>6,164,771</b>
<b>Accumulated Depreciation</b>	<b>(417,706)</b>	<b>(57,105)</b>	<b>104</b>	<b>(65)</b>	<b>(474,772)</b>
<b>Net Tangible Fixed Assets and Infrastructures</b>	<b>5,605,084</b>	<b>337,121</b>	<b>(23,095)</b>	<b>(229,111)</b>	<b>5,689,999</b>

In accordance with the applicable regulations, the City of Barcelona records the value of lands containing any type of building under the caption "Buildings". Within this caption,

2,322,252 thousand euros, as of December 31, 2005, and 2,319,867 thousand euros, as of December 31, 2004, correspond to the value of lands with buildings.

Additions made over the fiscal year include the following:

Actions Currently Being Carried Out, Pending Inclusion in the City's Asset Inventory:	
Carried out by decentralized entities pursuant to the terms of the Decree of April 3rd, 1997, issued by the Mayor's Office	234,014
Carried out by the City of Barcelona	77,794
Carried out by Third Parties	5,000
Incorporations into the Inventory of Municipal Assets:	
Real Estate	69,318
Movables	7,426
Assigned Assets Received	632
Assets Received in Compensation for Debt	42
	<b>394,226</b>

Disposals made over the fiscal year include:

By Sale	19,177
Surface Rights Assigned Free of Charge	3,883
For Others Assigned Free of Charge	35
	<b>23,095</b>

Transfers during the fiscal year had the following balancing entries:

Property Delivered for Public Use	239,037
Property Assigned to Municipal Agencies or Third Parties	(2,057)
VAT receivable from Treasury for assisted contributions registered at the time as greater Fixed Asset Value	5,600
Extraordinary Result of Fixed Assets:	
Delivery of Investments Financed by Third Parties	(13,076)
Reclassification of Property by Reparcelling Operations	1,115
Others	680
Others	(2,188)
	<b>229,111</b>

The additions in accumulated depreciation (57,105 thousand euros) correspond to the provision for the depreciation of tangible fixed assets in 2005, for the amount of 56,933 thousand euros, and to additional provisions registered and charged to the extraordinary results of tangible fixed assets (172 thousand euros). The retirement from amortizations correspond to the disposal, transfer and

demolition of assets for the amount of 104 thousand euros, while the transfers correspond to legal reclassification of assets and the reversion of assigned assets in favour of the City of Barcelona.

In addition, the cost of acquisition of items totally written off as of December 31, 2005, are as follows:

Vehicles	3,839
Machinery, Equipment, Installations and Tools	7,800
Data-processing Equipment	20,101
Office Furniture and Equipment	6,944
Others	341
<b>Total</b>	<b>39,025</b>

It is the policy of the City of Barcelona to contract the insurance policies that it deems necessary to cover the possible risks that could affect the fixed asset elements.

## Note 4 – Long-term Financial Investments

The movement registered under the long-term financial investments account over 2005 was as follows:

	12.31.2004	Additions	Retirements	12.31.2005
Financial Investments	169,725	188	(40)	169,872
Long-term Deposits and Guarantees	1,584	250	(1,572)	262
Long-term Disposal of Fixed Assets	7,111	14,991	(1,515)	20,587
Provision for Depreciation of Financial Fixed Assets	(1,842)	–	–	(1,842)
<b>Total</b>	<b>176,578</b>	<b>15,430</b>	<b>(3,127)</b>	<b>188,879</b>

The main changes that have occurred throughout the 2005 fiscal year correspond to the following facts:

- The incorporation into the Barcelona d'Infraestructures Municipals, SA group of the Agència de Promoció del Carmel i Entorns, SA with a social capital of 60,100 euros. This incorporation was approved at the Municipal Plenum of May 20th, 2005, with the social purpose of carrying out the measures provided for in the Àrea Extraordinària de Rehabilitació Integral (AERI) of the borough of Carmel and environs, including the neighbourhood of la Taxonera and the areas of Tres Turons and the Vall d'Hebron. These measures comprise various schemes, principally of repair and refurbishment, new housing, public spaces and a new urban layout for the territory covered by the AERI.

- The shares of increase of capital carried out by Serveis Funeraris de Barcelona, S.A and GL Events CCIB, SL during the fiscal year 2004 were transferred to the Barcelona de Serveis Municipals Group.
- Barcelona Emprèn SCR, SA carried out an increase of capital during the fiscal year 2005, in which the City of Barcelona participated with a contribution of 188,000 euros.
- The additions for sale of fixed assets correspond basically to exchanges for the following future assets.

Works of Infrastructure and Urbanization	10,295
Expropriation by the City of Barcelona	3,005
Others	1,691
<b>Total</b>	<b>14,991</b>

The long-term financial investments of the City of Barcelona as of December 31, 2005, are summarized in the table below:

**Long-term Financial Investments. As of December 31, 2005**

Name	Interest Held %	Net Worth as of 12.31.05, Before Result (1)	2005 Fiscal Year Result (1)	Technical Book Value 12.31.05 (1)	Book Value of the Holding 12.31.05 (*)
<b>Municipal Agencies</b>					
MA Housing	100	36,980	1,139	38,119	19,086
MA Disabled Person	100	1,271	(617)	654	698
MA Culture	100	2,392	(176)	2,216	182
MA Mies Van Der Rohe Foundation	100	6,190	87	6,277	946
MA Education	100	5,595	(1,049)	4,546	257
MA IT Services	100	(79)	1,365	1,286	–
MA Town Planning	100	1,791	238	2,029	562
MA Finances	100	884	25	909	513
MA Parks and Gardens	100	1,556	874	2,430	–
MA Markets	100	5,451	65	5,516	–
MA Barcelona Sports	100	–	88	88	–
MA Urban Landscape and Quality of Life	100	1,296	54	1,350	–
<b>Total</b>		<b>63,327</b>	<b>2,083</b>	<b>65,410</b>	<b>22,244</b>
<b>Municipal Companies</b>					
Barcelona de Serveis Municipals, SA Group (2)	100	165,424	12,706	178,130	69,808
Barcelona d'Infraestructures Municipals, SA Group (2)	100	15,426	769	16,195	12,949
Informació i Comunicació de Barcelona, SA	100	1,537	60	1,597	1,500
Barcelona Activa, SA	100	2,259	32	2,291	2,013
Barcelona Gestió Urbanística, SA	100	499	23	522	61
<b>Total</b>		<b>185,145</b>	<b>13,590</b>	<b>198,735</b>	<b>86,331</b>
<b>Interest of Less than 50%</b>					
Barcelona Holding Olímpic, SA (HOLSA)	49	43,772	(610)	43,162	42,878
Barcelona Emprèn CR, SA	29.27	1,890	(90)	1,800	1,691
Barcelona Sagrera Alta Velocitat, SA	25	150	–	150	150
Barcelona Regional AMDUI, SA	20.63	371	3	374	271
Fira 2000, SA	12.77	14,220	471	14,691	14,220
Others					245
<b>Total</b>		<b>60,403</b>	<b>(226)</b>	<b>60,177</b>	<b>59,455</b>
<b>Total Financial Investments</b>					<b>168,030</b>
<b>Long-term Guarantees and Deposits</b>					<b>262</b>
<b>Long-term Disposal of Fixed Assets</b>					<b>20,587</b>
<b>Total Long-term Financial Investments</b>					<b>188,879</b>

(\*) Included in the individual financial statements of the City of Barcelona as of December 31, 2005.

(1) Adjusted according to the proportion of the interest held.

(2) Net Worth includes the negative differences of consolidation, which for Barcelona de Serveis Municipals, SA amounts to 2,652 thousand euros, and for Barcelona d'Infraestructures Municipals, SA, 281 thousand euros.

The details concerning the groups Barcelona de Serveis Municipals, SA and Barcelona d'Infraestructures Municipals, SA are shown in the table below (as of December 31, 2005):

Name	Interest Held %	Net Worth as of 12. 31.05, Before Result (1)	2005 Fiscal Year Result (1)	Net Worth as of 12.31.05 (1)
<b>Barcelona de Serveis Municipals, SA Group</b>				
Barcelona de Serveis Municipals, SA	100	152,553	7,583	160,136
Parc d'Atraccions Tibidabo, SA	100	6,608	522	7,130
Selectives Metropolitanes, SA (2)	58.64	924	140	1,064
Solucions Integrals per als Residus, SA (2)	58.64	1,119	369	1,488
Carreras i Fontanals, SA (2)	58.64	65	(8)	57
Tractament i Selecció de Residus, SA	58.64	30,838	2,500	33,338
Serveis Funeraris de Barcelona, SA	51	7,153	5,865	13,018
Transports Sanitaris Parets, SL (3)	51	77	(13)	64
Mercabarna, SA	50.69	27,839	1,276	29,115
<b>Barcelona d'Infraestructures Municipals, SA Group</b>				
Barcelona d'Infraestructures Municipals, SA	100	15,124	278	15,402
Pronoubarris, SA	100	531	64	595
22 Arroba Bcn, SA	100	6,896	39	6,935
Agència de Promoció del Carmel i Entorns, SA	100	60	31	91
Proeixample, SA	51	3,911	172	4,083
Foment de Ciutat Vella, SA	51	3,505	209	3,714
Mediacomplex, SA (4)	49	6,646	(10)	6,636

- (1) Adjusted according to the percentage of shares held.  
(2) Holding through Tractament i Selecció de Residus, SA.  
(3) Holding through Serveis Funeraris de Barcelona, SA.  
(4) Holding through 22 Arroba Bcn, SA

The attached balance sheet and statement of revenue and expenses for 2005 refer to the City of Barcelona individually. The changes resulting from the application of consolidation criteria to the City of Barcelona's individual annual statements are as follows (in thousands of euros):

	City of Barcelona	Consolidated
Fixed Assets	5,880,165	6,331,061
Current Assets	630,076	822,146
<b>Total Assets</b>	<b>6,510,241</b>	<b>7,153,207</b>
Capital Before Results	3,820,138	3,975,950
Rest of Long-term Liabilities	1,657,060	1,994,820
Current Liabilities	512,705	646,244
Result of Fiscal Year	520,338	536,193
<b>Total Liabilities</b>	<b>6,510,241</b>	<b>7,153,207</b>
Ordinary Revenue	1,905,643	2,145,233
Ordinary Expenses	1,550,044	1,770,807
Extraordinary Results	164,739	161,767
<b>Result of Fiscal Year</b>	<b>520,338</b>	<b>536,193</b>

The directors intend to draw up separate consolidated annual statements and accounts.

The table below shows the total amounts corresponding to the City of Barcelona's transactions and balances with its municipal agencies, municipal companies and other companies in which it holds an interest:

	Current and Capital Transfers	Other Expenses	Revenue	Accounts Receivable	Accounts Payable
Municipal Agencies	276,840	2,858	10,940	5,205	71,498
Municipal Companies	89,814	3,395	50,409	2,378	82,100
Companies in which the City Holds an Interest	66,555	306	3,282	0	6,038
<b>Total</b>	<b>433,209</b>	<b>6,559</b>	<b>64,631</b>	<b>7,583</b>	<b>159,636</b>

## Note 5 – Deferred Expenses

As of December 31, 2005, the only deferred expenses were those corresponding to note and bond issues and loan arrangements. The movements registered in the account were as follows:

	Loan Arrangement Expenses
<b>Balance as of December 31, 2004</b>	<b>1,221</b>
Loan Arrangements of New Operations	314
Allocation to Results as Financial Expenses	(248)
<b>Balance as of December 31, 2005</b>	<b>1,287</b>

The allocation to results as financial expenses is carried out annually and is calculated linearly until the maturity of the executed operations.

## Note 6 – On-budget Receivables

On-budget receivables as of December 31, 2005, were classified according to their nature as shown below:

Item	Receivable
Direct Taxes	195,714
Indirect Taxes	12,596
Charges and Other Revenues	237,745
Current Transfers	119,350
Capital Gains	24,143
Disposal of Real Investments	582
Capital Transfers	33,050
<b>Total Receivable</b>	<b>623,180</b>

The amounts and movements registered in the account for the bad debt provision as of December 31, 2005, were as follows:

<b>Balance as of December 31, 2004</b>	<b>395,051</b>
Amount Charged to the Statement of Revenue and Expenses	53,727
Bad Debts Written Off (Note 15.6)	(168,956)
<b>Balance as of December 31, 2005</b>	<b>279,822</b>

The sum for the bad debt provision is determined by applying the estimated collectibility ratio by the City based on past experience to the accounts receivable for taxes and charges for the fiscal year (199,311 thousand euros) and to the receivables for fines (139,742 thousand euros), both in the voluntary and enforced collection periods.

## Note 7 – Net Worth

The amounts and movements registered in the net worth accounts over the fiscal year ended December 31, 2005, were as follows:

	Net Worth	Property Assigned to Municipal Agencies and Third Parties (see note 2.2)	Property Delivered for Public Use (see note 2.3)	Property Assigned by Municipal Agencies and Third Parties (see note 2.1)	Results Pending Allocation	Total
<b>Initial Balance</b>	<b>9,333,527</b>	<b>(631,120)</b>	<b>(5,094,079)</b>	<b>51,678</b>	<b>392,773</b>	<b>4,052,779</b>
2005 Surplus	–	–	–	–	520,338	520,338
Allocation of 2004 Surplus	392,773	–	–	–	(392,773)	–
Change in Property Assigned to Third Parties	–	(1,826)	–	–	–	(1,826)
Change in Property Assigned by Third Parties	–	–	–	633	–	633
Property delivered for Public use by Transfer (note 3)	–	–	(239,037)	–	–	(239,037)
Additions during the Year delivered for Public Use (note 3)	–	–	(3,493)	–	–	(3,493)
Retirements during the year Delivered for Public Use (note 3)	–	–	11,082	–	–	11,082
<b>Closing Balance</b>	<b>9,726,300</b>	<b>(632,946)</b>	<b>(5,325,527)</b>	<b>52,311</b>	<b>520,338</b>	<b>4,340,476</b>

## Note 8 – Capital Transfers

The amounts and movements under this caption on the attached balance sheet for the fiscal year ended December 31, 2005, were as follows:

Balance as of 12.31.04	Capital Transfers and Other Revenue Received	Balance as of 12.31.05
246,316	28,501	<b>274,817</b>

## Note 9 – Long-term Provisions

The “Long-term Provisions” account is intended to cover possible future commitments whose maturities and amounts are not yet known with certainty.

Movement under this caption was as follows:

<b>Balance as of December 31, 2004</b>	<b>66,009</b>
Amount Charged to “Miscellaneous Expenses”	38,901
Application of Provision to its Intended Purpose:	
With Credit to Extraordinary Results (note 15.6)	(25,633)
With Credit to Current Expenses	(1,329)
<b>Balance as of December 31, 2005</b>	<b>77,948</b>

The balance is intended to cover those contingencies of a generic nature that might arise from the activity itself, as well as the provisions for court cases and legal claims.

## Note 10 – Long-term Loans and Debentures

The outstanding capital as of December 31, 2005, corresponding to long-term loans and debentures subscribed by the City of Barcelona can be broken down as follows:

Long-term Loans and Debentures	
Description	Outstanding Capital as of December 31
European Union Market	
• Bank Loans	588,151
• Capital Market	560,202
<b>Subtotal</b>	<b>1,148,353</b>
Non-European Market	
• Capital Market	0
<b>Total Long-term Debt</b>	<b>1,148,353</b>

The movement registered under the caption "Long-term Loans and Debentures" during 2005 was as follows:

<b>Balance as of December 31, 2004</b>	<b>1,206,640</b>
Additions:	
• New Operations	100,000
Disposals:	
• Contractual Repayments	(158,287)
<b>Balance as of December 31, 2005</b>	<b>1,148,353</b>

As of December 31, 2005, there were unexecuted stand-by lines for a total of 238 million euros.

The debt profile by maturities as of December 31, 2005, was as follows:

Maturity	Amount
2006	87,147
2007	133,725
2008	121,705
2009	123,523
2010	112,020
2011	103,720
2012	93,721
2013	20,721
2014	92,754
2015	112,754
2016 and beyond	146,563
<b>Total</b>	<b>1,148,353</b>

The average interest rate during 2005 was 3.0%.

The City of Barcelona's financial debt as of December 31, 2005, comprised 61.3% at a fixed interest rate and 38.7% at variable interest rate.

## Note 11 – Other Off-budget Payables

The balances for this caption as of December 31, 2005, were:

Deposits Received	18,068
Other Payables	19,560
Payable to Administrations for IAE and IBI	12,258
<b>Other Short-term Off-budget Payables</b>	<b>49,886</b>

## Note 12 – Deferred Income

The movement registered under this caption over 2005 was as follows:

<b>Balance as of December 31, 2004</b>	<b>70,564</b>
Additions during the Year	388
Transfers to Accrued Expenses (note 14)	(2,277)
<b>Balance as of December 31, 2005</b>	<b>68,675</b>

The balance as of December 31, 2005, corresponds to income received in advance for the charge for the use of assets belonging to the City of Barcelona. The income received in advance is transferred annually to the profit and loss account by the straight-line method during the period corresponding to the assignment, whose limit is set at 2077.

## Note 13 – Public Entities

The breakdown of these accounts is as follows:

	Debit	Credit
VAT	5,962	656
Personal Income Tax	–	6,218
Social Security	–	18,123
<b>Balance as of December 31, 2005</b>	<b>5,962</b>	<b>24,997</b>

## Note 14 – Accrued Expenses

The account “Accrued Expenses” listed under liabilities on the attached balance sheet, reflects the City of Barcelona’s definite liabilities as of December 31, 2005, according to the accrual periods and regardless of the date of requirement or payment on demand. Its composition is as follows:

Unmatured Accrued Interest as of December 31, 2005	7,250
Bonus Payments to Be Made to Personnel in 2006 for Attendance and Punctuality in 2005, as well as the June Holiday Bonus	16,306
Accrued Expenses to Be Paid for Purchase of Fixed Assets	3,300
Prepaid Income on Can Tunis Nou Housing Intervention	7,513
Short-term Transfer of Deferred Income (see note 12)	2,277
<b>Total</b>	<b>36,646</b>

## Note 15 – Statement of Results for the 2005 Fiscal Year

### 15.1. Personnel Expenses

This entry includes the wages and salaries of City of Barcelona personnel, social security and other welfare expenses.

### 15.2. Welfare Benefits

Welfare benefits include the 1,453 thousand euros paid by the City in 2005 as grants to class D and E employees, as well as to the cleaning staff, parking attendants and night watchmen, and the Municipal Police Force gold medal.

### 15.3. Works, Supplies and Subcontracted Services

This entry corresponds to the purchase of goods and services needed for municipal activities to run smoothly, as well as for the conservation and maintenance of investments. It

includes the service contracts signed by the City of Barcelona with different private companies to ensure the city’s good working order, such as those for refuse collection and street cleaning.

### 15.4. Current Transfers (Expenses)

For those activities carried out by municipal agencies and companies corresponding to the provision of public services that fall within the scope of operation of the City of Barcelona, through their direct management as delegated by the City, pursuant to the terms of the current legislation (the Law regulating base law for local legislation and the Regulation for the works, activities and services of local entities), the City transfers the budgetary financing. This is reflected in the caption “Current Transfers”, listed under expenses on the attached statement of revenue and expenses.

The mentioned transfer is established bearing in mind the suppositions of a balanced

budget set out in the Law governing local taxation.

#### 15.5. Capital Transfers (Expenses)

This entry includes the contributions made by the City of Barcelona, out of its budget or on behalf of third parties, to

municipal agencies, municipal companies and other third parties to finance investment processes.

#### 15.6. Extraordinary Results

The breakdown of the extraordinary results is as follows:

	Expenses	Revenue
Pluri-annual Transfers to HOLSA (see note 2.3)	–	50,375
Fixed Assets	–	90,405
Deferred Charges Written off	173,392	–
Allocation of Provision for Accounts Receivable (note 6)	–	168,956
Allocation of Long-term Provisions (note 9)	–	25,633
Other Extraordinary Results	172	2,934
<b>Net Extraordinary Results</b>	<b>–</b>	<b>164,739</b>

#### 15.7. Sales and Operating Revenue

This entry mainly includes the charges and public prices earned for the provision of services, as well as property rents.

levied on certain businesses, in accordance with the type of activity, the space occupied and the location; taxes on construction, installations and works, levied according to the cost of the project for which the license has been requested.

#### 15.8. Revenue from Property and Business

The revenue from property and business essentially comprises holdings and profit-sharing, public prices for the private use or special operation of municipal assets in the public domain (such as parking lots, newsstands, outdoor tables for bars and restaurants, etc.), fines and other penalties for offences.

This caption also includes the amount resulting from the assignment of state taxes, as a consequence of the entry into effect of the new model of financing for the public sector, approved by the Law 51/2002, of December 27, of the reform of Law 39/1988, of December 28, regulating local taxation.

#### 15.9. Production-related Taxes

These taxes include the following: property tax, levied on property; tax on economic activities,

#### 15.10. Income and Wealth Tax

This caption includes the tax on motor vehicles, which is levied on their ownership, regardless of their class or category.

#### **15.11. Current Transfers (Revenue)**

This caption includes the amounts received from the Central Government Supplementary Finance fund, and the earmarked transfers received from the Central Government, the autonomous community and the municipal agencies and companies.

#### **15.12. Capital taxes**

The tax on the increase in urban land value is a direct tax levied on the increase in value that land experiences and which manifests itself upon transfer of ownership.

#### **Note 16 – Other Information**

As of December 31, 2005, the guarantees provided by the City of Barcelona to cover credit operations came to 5,091 thousand euros.

The fees received by PricewaterhouseCoopers Auditores, S.L. and Gabinete Técnico de Auditoría y Consultoría, S.A., for auditing services and the expenses incurred for the provision thereof in the fiscal year 2005 came to 566 thousand euros, including VAT. Pursuant to the terms of the adjudication of the audit tender, these fees, invoiced to the City of Barcelona, include those of the municipal agencies and companies forming part of the City group, and the appropriate portions thereof will be duly charged to each of them.

**Note 17 – Statements of Changes in Financial Position for the Fiscal Years 2005 and 2004**

Application of Funds	2005 Fiscal Year	2004 Fiscal Year	Source of Funds	2005 Fiscal Year	2004 Fiscal Year
Acquisition of Fixed Assets:			Funds from Operations	580,113	406,081
Net Tangible Fixed Assets	394,226	326,369	Sale of tangible Fixed Assets	28,212	25,980
Financial Fixed Assets	15,180	10,942	Disposal of Financial Fixed Assets	1,472	–
Redemption of Long-term Loans, Debentures and Received Loans	158,287	259,799	Net Changes in Long-term Guarantees and Deposits	991	861
Pluri-annual Transfers to HOLSA	50,375	40,749	Capital Transfers	28,501	14,965
Expenses for New Financial Operations Executed	314	–	Deferred Income	388	11,470
			Long-term Debts	100,000	222,000
<b>Total Funds Applied</b>	<b>618,382</b>	<b>637,859</b>	<b>Total Funds Obtained</b>	<b>739,677</b>	<b>681,357</b>
Sources of Funds in Excess of Applications of Funds (Increase in Working Capital)	121,295	43,498	Application of Funds in Excess of Sources of Funds (Decrease in Working Capital)	–	–
<b>Total</b>	<b>739,677</b>	<b>681,357</b>	<b>Total</b>	<b>739,677</b>	<b>681,357</b>

Change in Working Capital	2005		2004	
	Increase	Decrease	Increase	Decrease
Accounts Receivable	26,677	–	–	14,635
Accounts Payable	–	116,830	29,978	–
Cash	190,431	–	26,186	–
Accrued Expenses	21,017	–	1,969	–
<b>Total</b>	<b>238,125</b>	<b>116,830</b>	<b>58,133</b>	<b>14,635</b>
<b>Increase in Working Capital</b>	<b>121,295</b>	<b>–</b>	<b>43,489</b>	<b>–</b>
<b>Decrease in Working Capital</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The funds obtained from the operations were as follows:

	2005	2004
<b>Net Surplus for the Fiscal Year</b>	<b>520,338</b>	<b>392,773</b>
Provision for Depreciation (see note 3)	57,066	46,996
Deferred Expenses (see note 5)	248	100
Long-term Provisions (see note 9)	38,901	30,259
Financial Investments Provision (see note 4)	–	550
Deferred Income Transferred to Results (see note 12)	(2,277)	(2,283)
Allocation of the Provision for Financial Fixed Assets (see note 4)	–	(510)
Net Result of Tangible Fixed Assets	(7,201)	(45,204)
Capital Transfers Allocated to the Results (see note 8)	–	(906)
Long-term Provisions Allocated (see note 9)	(26,962)	(15,694)
<b>Funds Generated Through Operations</b>	<b>580,113</b>	<b>406,081</b>

# 6

## The City of Barcelona Group 2005 Consolidated Annual Accounts

**A free translation of the report on the consolidated annual accounts originally issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. In the event of a discrepancy, the Catalan language version prevails**

## **AUDITORS' REPORT ON CONSOLIDATED ANNUAL ACCOUNTS**

To the Mayor-President of  
the Barcelona City Council:

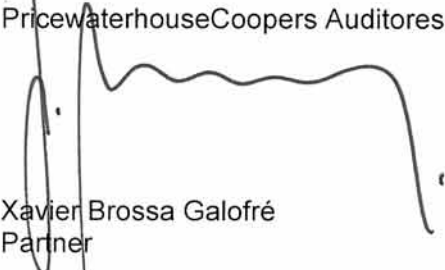
We have audited the consolidated annual accounts of the BARCELONA CITY COUNCIL AND MUNICIPAL AGENCIES AND CITY-OWNED COMPANIES, which comprise the Consolidated Group, consisting of the consolidated balance sheet as of December 31, 2005, the consolidated statement of revenues and expenses, and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Corporation. Our responsibility is to express an opinion on these consolidated annual accounts taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and evaluation of their overall presentation, the accounting principles used as applicable to governmental entities in Spain and the estimates made.


For comparative purposes only, the Directors of the Corporation have presented for each item of the consolidated balance sheet, the consolidated statement of revenues and expenses and the consolidated statement of changes in financial position, the corresponding amounts for the previous year as well as the amounts for 2005. Our opinion refers exclusively to the consolidated annual accounts for 2005. On April 27, 2005, we issued our audit report on the 2004 consolidated annual accounts in which we expressed an unqualified opinion.

In our opinion, the consolidated accompanying annual accounts for the year 2005 give, in all material respects, a true and fair view of the net worth and financial position of the BARCELONA CITY COUNCIL AND MUNICIPAL AGENCIES AND CITY-OWNED COMPANIES (Consolidated Group) as of December 31, 2005, and of the results of its operations as reflected in the consolidated statement of revenues and expenses and its source and application of fund for the year then ended, and contain all the information necessary for their interpretation and comprehension, in conformity with generally accepted accounting principles and standards for governmental entities in Spain, applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers Auditores, S.L.

Gabinete Técnico  
de Auditoría y Consultoría, S.A.

  
Xavier Brossa Galofré  
Partner

  
Enric Ribas Miràngels  
Partner

April 19, 2006

**The City of Barcelona Group**  
**Consolidated Balance Sheets as of December 31, 2005 and 2004**

(in thousands of euros)

Assets		As of December 31, 2005	As of December 31, 2004
	<b>Note</b>		
Intangible Fixed Assets	4 a)	50,071	47,005
Intangible Fixed Assets		67,243	61,781
Provisions and Depreciations		(17,172)	(14,776)
Tangible Fixed Assets and Infrastructures	4 b)	6,124,821	5,995,141
Tangible Fixed Assets		6,751,660	6,563,185
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties		(632,946)	(631,120)
Accumulated Depreciation and Provisions		(647,924)	(591,305)
Fixed Assets Pending Classification in Progress		580,976	530,951
Investments in Infrastructures and Assets for Public Use		5,325,527	5,094,079
Investments Assigned for Public Use		(5,325,527)	(5,094,079)
Investments for Public Use HOLSA	3.3	73,055	123,430
Long-term Investments		124,754	102,257
Interests in Associated Companies	5	52,122	52,523
Other Financial Investments	6	72,632	49,734
Long-term Trade Receivables	3.7	28,154	37,318
<b>Fixed Assets</b>		<b>6,327,800</b>	<b>6,181,721</b>
<b>Deferred Expenses</b>	<b>7</b>	<b>3,261</b>	<b>3,090</b>
Inventories	3.6	51,005	42,086
Provisions		(1,438)	(1,805)
		49,567	40,281
Accounts Receivable	8	694,608	744,415
Provisions	8	(288,519)	(404,890)
		406,089	339,525
Public Administrations	16	23,968	50,350
Short-term Financial Investments		40,228	24,203
Cash		300,365	131,954
Accrued Expenses		1,929	1,393
<b>Current Assets</b>		<b>822,146</b>	<b>587,706</b>
<b>TOTAL ASSETS</b>		<b>7,153,207</b>	<b>6,772,517</b>

Notes 1 to 20 of the attached annual report form an integral part of the consolidated balance sheet as of December 31, 2005.

**The City of Barcelona Group**  
**Consolidated Balance Sheets as of December 31, 2005 and 2004**

(in thousands of euros)

Liabilities		As of December 31, 2005	As of December 31, 2004
	<b>Note</b>		
Capital		4,512,143	4,204,316
Net Worth	9.1	3,814,700	3,655,202
Net Worth		9,726,300	9,333,527
Property Assigned to Municipal Agencies and Third Parties		(632,946)	(631,120)
Property Delivered for Public Use		(5,325,528)	(5,094,079)
Property Assigned by Municipal Agencies and Third Parties		46,874	46,874
Income Allocable to the City of Barcelona	9.2	536,193	403,370
Consolidated Income		545,539	410,525
Income Allocable to Minority Interests	11	(9,346)	(7,155)
Consolidated Reserves	10	161,250	145,744
Minority Interests	11	73,586	69,029
Capital Transfers and Other Capital Income	12	303,718	284,012
Deferred Income	13	129,276	121,372
Provisions for Contingencies and Expenses	14	93,656	81,013
Long-term Loans and Debentures	15	1,269,873	1,311,027
Long-term Guarantees and Deposits		15,403	14,542
Other Long-term Payables	3.7	36,253	39,323
Pluri-annual Transfers to HOLSA	3.3	73,055	123,430
<b>Long-term Liabilities</b>		<b>6,506,963</b>	<b>6,248,064</b>
Accounts Payable		380,955	280,406
Payable to Public Agencies	16	45,531	44,882
Other Non-trade Payables		167,771	131,440
Accrued Expenses	17	51,987	67,725
<b>Current Liabilities</b>		<b>646,244</b>	<b>524,453</b>
<b>TOTAL LIABILITIES</b>		<b>7,153,207</b>	<b>6,772,517</b>

Notes 1 to 20 of the attached annual report form an integral part of the consolidated balance sheet as of December 31, 2005.

**The City of Barcelona Group**  
**Consolidated Statement of Revenue and Expenses for the Years Ended December 31, 2005 and 2004**  
(in thousands of euros)

Expenses	Note	2005	2004	Revenue	Note	2005	2004
Personnel Expenses	19.1	543,793	517,555	Taxes	19.4	739,585	701,693
Works, Supplies and Subcontracted Services	19.2	642,579	592,007	Sale of Services	19.5	293,990	299,935
Financial Expenses		39,909	60,598	Revenue from Property and Business	19.6	244,933	225,684
Current Transfers	19.3	271,390	244,600	Current Transfers	19.7	826,368	769,577
Provision to Allowance of Bad Debts and Others	8	54,843	83,480	Financial Revenue		6,455	5,630
				Other Revenue		33,902	52,470
Share in Operating Result of Companies Accounted for by the Equity Method	2.2	707	–	Operating Result of Companies Accounted for by the Equity Method		–	700
<b>TOTAL OPERATING EXPENSES</b>		<b>1,553,221</b>	<b>1,498,240</b>	<b>TOTAL OPERATING REVENUE</b>		<b>2,145,233</b>	<b>2,055,689</b>
<b>Operating Result Before Capital Transfers</b>		<b>592,012</b>	<b>557,449</b>				
Capital Transfers	19.3	114,320	140,739				
<b>Operating Result After Capital Transfers</b>		<b>477,692</b>	<b>416,710</b>				
Provision for Depreciation of Fixed Assets	4	85,566	77,137				
Extraordinary Expenses	19.8	7,721	55,876	Extraordinary Revenue	19.8	169,488	133,389
<b>Pre-tax Consolidated Surplus</b>		<b>553,893</b>	<b>417,086</b>				
Corporate Income Tax	3.13	8,354	6,561				
<b>Consolidated Surplus</b>		<b>545,539</b>	<b>410,525</b>				
Surplus Allocated to Minority Interest	11	9,346	7,155				
<b>Surplus Allocated to the City of Barcelona</b>		<b>536,193</b>	<b>403,370</b>				
<b>TOTAL</b>		<b>2,314,721</b>	<b>2,189,078</b>	<b>TOTAL</b>		<b>2,314,721</b>	<b>2,189,078</b>

Notes 1 to 20 of the attached annual report form an integral part of the Statement of Revenue and Expenses as of December 31, 2005.

## City of Barcelona and its Municipal Agencies and Companies

### Consolidated Annual Statement for the Year 2005

#### Note 1 – Nature of the Consolidated Group

The City of Barcelona Group is comprised of the City of Barcelona, its municipal agencies and municipal companies that complement the city's activities through functional specialization and management improvement to offer maximum efficiency in service to its citizens.

#### Note 2 – Basis of Presentation and Consolidation Principles

##### 2.1. Accounting Policies

The consolidated annual accounts are drawn up based on the audited individual accounts of each of the consolidated entities. The annual accounts of the City of Barcelona and its municipal agencies are prepared according to the accounting principles set out for public administrations in current Spanish legislation, in particular:

- a) Law 7/1985, of April 2, governing base law for local legislation.
- b) Royal Decree Law 781/1986, of April 18, approving the amendment to current provisions for the local legislation.
- c) Legislative Decree 2/2003, of April 28, approving the Amended Text of the Municipal

Law of the Local Government System of Catalonia.

- d) Legislative Royal Decree 2/2004, of March 5, approving the Amended Text of the Law Regulating Local Taxation (Law 39/1988, of December 28).

- e) Royal Decree 500/1990, implementing Law 39/1988.

- f) The Local Government Accounting Standards, dated July 17, 1990.

- g) Documents on accounting principles issued by the Commission on Public Accounting Principles and Standards, created by Resolution of the State Secretariat for the Treasury on December 28, 1990.

- h) Order of June 28, 1999, on the implementation of Decree 94/1995, of February 21, on the financial monitoring of local entities.

The annual accounts of the municipal companies are drawn up in accordance with the Corporations Law, as amended, and with the directives set out in the Spanish General Accounting Plan, approved by Royal Decree 1643/90.

The figures contained in the documents composing these annual statements and accounts are expressed in thousands of euros.

The consolidated balance sheet has basically been drawn up according to the models established by the Local Government Accounting Standards of July 17, 1990. By contrast, the consolidated statement of the revenue and expenses has been drawn up in

more detail than required by the said Standards in order to provide more thorough information on revenue and expenses and, thereby, offering a faithful rendering of the net worth and financial position of the City of Barcelona Group and the results of its operations over the fiscal year, in accordance with the accounting principles and standards applied to the sphere of public administration accounting.

The budget statements corresponding to the City of Barcelona and its municipal agencies were approved by the Decree issued by the Mayor's Office on February 28, 2006. The General Account of the City of Barcelona and its municipal agencies, as well as the annual accounts of the municipal companies, will be submitted to the Municipal Council Plenum for approval within the established statutory period.

## 2.2. Consolidated Principles

The fully consolidated municipal agencies and municipal companies are as follows (data as of December 31, 2005):

Name	Interest Held %	Net Worth as of 12.31.05, Before Results	2005 Fiscal Year Results	Technical Book Value 12.31.05	Book Value of the Holding 12.31.05 (*)
<b>Municipal Agencies</b>					
MA Housing	100	36,980	1,139	38,119	19,086
MA Disabled Persons	100	1,271	(617)	654	698
MA Culture	100	2,392	(176)	2,216	182
MA Mies Van Der Rohe Foundation	100	6,190	87	6,277	946
MA Education	100	5,595	(1,049)	4,546	257
MA IT Services	100	(79)	1,365	1,286	–
MA Town Planning	100	1,791	238	2,029	562
MA Finances	100	884	25	909	513
MA Parks and Gardens	100	1,556	874	2,430	–
MA Markets	100	5,451	65	5,516	–
MA Barcelona Sports	100	–	78	78	–
MA Urban Landscape and Quality of Life	100	1,296	54	1,350	–
<b>Subtotal Municipal Agencies</b>		<b>63,327</b>	<b>2,083</b>	<b>65,410</b>	<b>22,244</b>
<b>Municipal Companies</b>					
Barcelona de Serveis Municipals Group (1)	100	165,424	12,706	178,130	69,808
Barcelona d'Infraestructures Municipals Group (1)	100	15,426	769	16,195	12,949
Informació i Comunicació de Barcelona, SA	100	1,537	60	1,597	1,500
Barcelona Activa, SA	100	2,259	32	2,291	2,013
Barcelona Gestió Urbanística, SA	100	499	23	522	61
<b>Subtotal Municipal Companies</b>		<b>185,145</b>	<b>13,590</b>	<b>198,735</b>	<b>86,331</b>
<b>Total</b>		<b>248,472</b>	<b>15,673</b>	<b>264,145</b>	<b>108,575</b>

(\*) Included in the individual financial statements of the City of Barcelona as of December 31, 2005.

(1) Net Worth includes the negative differences of consolidation, which for the Barcelona de Serveis Municipals Group amount to 2,652 thousand euros, and for the Barcelona d'Infraestructures Municipals Group to 281 thousand euros.

The details of the consolidated annual accounts of the Barcelona de Serveis Municipals and Barcelona d'Infraestructures Municipals groups are shown in the table below (data as of December 31, 2005):

Name	Interest Held %	Net Worth as of 12.31.05, Before Results (1)	2005 Fiscal Year Results (1)	Net Worth as of 12.31.05 (1)
<b>Barcelona de Serveis Municipals Group</b>				
Barcelona de Serveis Municipals, SA	100	152,553	7,583	160,136
Parc d'Atraccions Tibidabo, SA	100	6,608	522	7,130
Selectives Metropolitanes, SA (2)	58.64	924	140	1,064
Solucions Integrals per als Residus, SA (2)	58.64	1,119	369	1,488
Carreras i Fontanals, SA (2)	58.64	65	(8)	57
Tractament i Selecció de Residus, SA	58.64	30,838	2,500	33,338
Serveis Funeraris de Barcelona, SA	51.00	7,153	5,865	13,018
Transports Sanitaris Parets, SL (3)	51.00	77	(13)	64
Mercabarna, SA	50.69	27,839	1,276	29,115
<b>Barcelona d'Infraestructures Municipals Group</b>				
Barcelona d'Infraestructures Municipals, SA	100	15,124	278	15,402
Pro Nou Barris, SA	100	531	64	595
22 Arroba Bcn, SA	100	6,896	39	6,935
Agència de Promoció del Carmel i Entorns, SA	100	60	31	91
ProEixample, SA	51	3,911	172	4,083
Foment de Ciutat Vella, SA	51	3,505	209	3,714

(1) Adjusted according to the proportion of the interest held.

(2) Holding via Tractament i Selecció de Residus, SA.

(3) Holding via Serveis Funeraris de Barcelona, SA.

Pursuant to article 289.2 of Decree 179/1995, dated June 13, approving the regulations for the works, activities and services of local entities, once the periods of life stipulated in the by-laws of the mixed-capital companies Mercados de Abastecimientos de Barcelona, SA, ProEixample, SA and Foment de Ciutat Vella, SA, have expired, all of their assets in conditions of normal use, as well as their liabilities, will revert to the City of Barcelona. Likewise, the assets and liabilities for the

provision of cemetery and cremation services will revert to the City of Barcelona once the term of management assigned to Serveis Funeraris de Barcelona, SA has expired.

The changes during the fiscal year 2005 in what is included in the consolidation accounts were due to the following developments:

- The incorporation into the Barcelona d'Infraestructures Municipals, SA group of the

Agència de Promoció del Carmel i Entorns SA with a social capital of 60,100 euros. This incorporation was approved at the Municipal Council Plenum of May 20th, 2005, with the social purpose of carrying out the measures provided for in the Àrea Extraordinària de Rehabilitació Integral (AERI) of the borough of Carmel and environs, including the neighbourhood of la Taxonera and the areas of Tres Turons and the Vall d'Hebron. These measures comprise various schemes, principally of repair and refurbishment, new housing, public spaces and a new urban layout for the territory covered by the AERI.

- The shares of increase of capital carried out by Serveis Funeraris de Barcelona, SA and

GL Events CCIB, SL during the fiscal year 2004 were transferred to Barcelona de Serveis Municipals Group.

- Likewise, the Transports Sanitaris Parets, SL company was incorporated indirectly into the Barcelona de Serveis Municipals, SA Group, attendant upon the purchase of 51% of this company by Serveis Funeraris de Barcelona, SA.

The entities consolidated by the equity method (as the City of Barcelona holds, directly or indirectly, more than 20% of their share capital, but is not a majority or controlling shareholder) include the following mixed-capital companies:

Name	Interest Held %	Net Worth as of 12.31.05 Before Results(1)	2005 Fiscal Year Results (1)	Net Worth as of 12.31.05 (1)
Barcelona Holding Olímpic, SA (HOLSA) (2)	49.00	43,772	(610)	43,162
Mediacomplex, SA (2) (3)	49.00	6,646	(10)	6,636
Barcelona Emprèn, SCR, SA (2) (4)	29.27	1,890	(90)	1,800
Barcelona Sagrera Alta Velocitat, SA	25.00	150	–	150
Barcelona Regional, AMDUI, SA (2) (5)	20.63	371	3	374
<b>Total</b>		<b>52,829</b>	<b>(707)</b>	<b>52,122</b>

(1) Adjusted according to the proportion of the interest held.

(2) Audited annual accounts for 2005 fiscal year.

(3) Indirect shareholding via 22 Arroba Bcn, SA belonging to the Barcelona d'Infraestructures Municipals Group.

(4) The City of Barcelona holds a direct interest of 24.39% and an indirect interest, through the Municipal Agency of Culture, of 4.88%.

(5) The City of Barcelona holds a direct interest of 17.65% and an indirect interest, through Mercabarna, SA, of 2.98%.

- Barcelona Emprèn SCR, SA carried out an increase of capital during the 2005 fiscal year, in which the City of Barcelona participated with a contribution of 188,000 euros.

The remaining interests of less than 20% held by the City of Barcelona in corporations, as well as its interests in metropolitan entities, associations of municipalities, consortia and

foundations are not subject to consolidation as there exist no long-term financial investments that give rise to a fixed and established degree of dependence. Instead, they are assessed as explained in Note 3.4.

When applying consolidation methods, the following principles are borne in mind:

- a) Third parties holding interests in the Group (mixed companies) are considered minority interests.
- b) All significant balances and transactions between consolidated entities are eliminated in the process of consolidation.
- c) All significant aspects of the entries included in the individual annual accounts of the entities comprising the consolidated group are subject to prior homogenization, both with regard to temporary provisions, where applicable, and to the assessment criteria applied.

### 2.3. Comparability of the Information

For the purpose of presenting the consolidated annual accounts, and in order to ensure that the accounts for 2005 are comparable with those for fiscal 2004, the following reclassifications have been made in the latter as a consequence of the entry into effect of the new model for the financing of the local public sector, approved by the law 51/2002, of December 27, of the reform of the law 39/1988, of December 28 for the regulation of Local Taxation. This consists in the reclassification of 89,923 thousand euros from 2004, which is transferred from the caption "Current Transfers" to "Taxes".

## Note 3 – Valuation Criteria

The most significant accounting procedures applied to the formulation of the annual consolidated accounts are set out hereunder:

### 3.1. Intangible and Tangible Fixed Assets

#### a) Intangible Fixed Assets

Intangible fixed assets basically include:

- Administrative concessions. These mainly correspond to the concessions granted by third parties to Barcelona de Serveis Municipals, SA and refer to the four parking lots currently in use, the Barcelona Nord bus station and the shopping centre at the Hospital del Mar. The period of concession oscillates between 30 and 50 years. These rights are recorded at the purchasing value of the assets to which they correspond, which primarily includes the cost of constructing the aforementioned parking lots and facilities.
- Data-processing programmes. These are recorded at their purchasing price. Maintenance expenses are recorded as they occur through debits to the results.

The annual provision for the depreciation of administrative concessions is calculated by applying the straight-line method to the useful life of the corresponding assets, beginning one month from when the asset in question is put into use, as shown in the following chart:

	Estimated Years of Useful Life
Civil Works	49
Machinery, Installations, Tools and Furniture	12-15

For those assets operated under concession whose useful life is greater than the concession period, the corresponding provisions are made for the reversion funds, for the purpose of covering the net book value of the revertible assets on the date of reversion (see Note 14).

The annual provision for the depreciation of data-processing applications is calculated by applying the straight-line method to their useful life, which is estimated at 4 years.

#### **b) Tangible Fixed Assets**

These include the City's assets and those in the public domain directly assigned for the provision of public services, which together constitute the local economic group's long-term investments.

Regarding the assessment criteria for fixed assets, it is necessary to distinguish:

##### **The City of Barcelona**

- Land and buildings. Additions made prior to January 1, 1992, are assessed according to an expert estimate of their current real market value made by an independent appraisal company. For properties of historic-artistic interest, this value is equivalent to the cost of replacement. To this end, with regard to non-financial fixed assets, the document on accounting principles issued by the Commission on Public Accounting Principles

and Standards defines replacement value as "the sum of the expenses necessary for the construction of an asset of identical nature and characteristics. In the case of buildings declared to be of historic-artistic interest, this value shall be that of reconstruction".

Subsequent additions are assessed at their purchasing price or, in the case of buildings received free of charge, at their appraised value.

- Machinery, installations, data-processing equipment and vehicles. These are listed at their purchasing price.
- Fixed assets pending classification. Additions are assessed at their purchasing price or cost of construction and are transferred to the corresponding tangible fixed assets caption or "Property Delivered for Public Use" caption upon completion of the investment they require.

##### **Municipal Agencies and Companies**

- Tangible fixed assets are valued at their purchasing price, except for those corresponding to Mercabarna, SA, which are shown updated in accordance with the provisions of State Budget Laws 50/1979, 74/1980 and 9/1983 and the Royal Decree Law 7/1996, which in 1996 signified an impact of 24,281 thousand euros. As of December 31, 2005, the net effect was 16,222 thousand euros, entailing a charge to the caption "Provision for Depreciation of Fixed Assets" on the 2005 consolidated statement of revenue and expenses of 610 thousand euros; the charge to this caption for 2006 is estimated at 606 thousand euros.

Repairs not contributing to an extension of the useful life, as well as maintenance costs, are charged directly to the consolidated statement of revenue and expenses. The cost of any additions or improvements extending the useful life of an asset are capitalized as an increase in its value.

The annual provision for the depreciation of tangible fixed assets is calculated by applying the straight-line method based on each asset's estimated useful life, basically beginning one month upon its incorporation into the inventory.

	Estimated Years of Useful Life
Buildings	33-65
Technical Installations and Machinery	8-16
Vehicles	5-10
Fittings	6-13
Data-processing Equipment	4-6
Others	8-10

The City of Barcelona's process of economic depreciation began in 1992. The estimated years of useful life corresponding to the caption "Buildings" are determined according to the criteria of the aforementioned independent appraisal.

For properties with historic-artistic value, the depreciation is calculated based on the cost of the fixed assets that would be required to replace them in terms of their capacity and usefulness. Therefore, the portion of the book value corresponding to the historic-artistic component of these structures, which amounts to 221,573 thousand euros, has been excluded from the calculation, in accordance with the aforementioned independent appraisal. This

treatment is justified by the fact that the said historic-artistic component is subject to maintenance, which guarantees its permanent value.

The property assigned by the municipal agencies or third parties shows the value of the property assigned to the City of Barcelona, for their operation or use, coming from other entities.

### 3.2. Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties

The caption "Tangible Fixed Assets Assigned by Municipal Agencies and Third Parties" shows the book value of those assets freely assigned by the City of Barcelona to its municipal agencies and companies or to third parties for their operation or use, respectively.

When an asset is assigned, the retirement is recorded through a charge to the heading "Property Assigned to Municipal Agencies and Third Parties" on the balance sheet (see Note 9.1) and thus, it ceases to be amortized.

### 3.3. Investments in Infrastructure and Assets for Public Use

The property delivered for public use include thoroughfare infrastructure (roads, pavement, sidewalks, public lighting, signs), the large facilities for public services (sewers and utility supplies), green spaces, trees, gardens and, in general, all assets constituting public property provided for the public use of citizens.

Additions made prior to January 1, 1992, are assessed according to the criteria described in

Note 3.1.b. Subsequent additions are assessed at their purchasing price.

Upon completion of the investments in infrastructures and property for public use, their retirement is registered on the consolidated balance sheet with a charge to the "Property Delivered for Public Use" caption (see Note 9.1).

For the purposes of presentation, the assets caption on the consolidated balance sheet shows the assets assigned to municipal agencies or third parties for public use, as well as the corresponding compensatory sums to reflect their retirement. Likewise, Note 4.b reflects the movements registered under these captions over the year.

Rule 220.2 of the Local Administration Standards states that, exceptionally, investments may be retained in the balance sheet even though they have been completed and assigned for public use. On December 31, 1994, in light of the extraordinary nature of the Olympic investments received from HOLSA, the City of Barcelona invoked this exception. Consequently, the assignment of these investments for public use, for an initial cost of 353,533 thousand euros, will be debited to the caption "Property Delivered for Public Use" and credited to the caption "Investments Assigned for Public Use" over a period of time similar to that which would have applied had they been ordinary investments. This period reflects the rate of reduction in the associated liability, which is recorded under the caption "Pluri-annual Transfers to HOLSA" on the attached consolidated balance sheet.

The balance of the caption "Pluri-annual Transfers to HOLSA" was reduced by 50,375

thousand euros in 2005 with a credit to extraordinary results (see Note 19.8). This corresponds to the amount of HOLSA debts as of December 31, 2005. In addition, the accounts "Property Delivered for Public Use" and "Investments Assigned for Public Use" were debited and credited, respectively, for the aforementioned costs (see Note 4.b).

### **3.4. Investments and Short-term Financial Investments**

Equity securities representing more than 20% of the share capital in dependent companies that are not fully consolidated are assessed by applying the equity method criteria mentioned in Note 2.2, on the basis of the annual accounts.

All other securities are recorded on the consolidated balance sheet at their purchasing price. The differences between the book value and the technical book value of those shareholdings to experience substantial losses are provided for in the attached consolidated annual accounts.

Short-term financial investments are registered at their purchase price or selling price, if less.

### **3.5. Consolidated Goodwill**

The caption "Deferred Expenses" includes goodwill for the amount of 1,842 thousand euros arising from the positive consolidation difference corresponding to the amounts yielded by the acquisition of shares in the Parc d'Atraccions Tibidabo, SA and the Societat Transports Sanitaris Parets, SL companies, and the value of these companies' net worth on their

date of acquisition in fiscal years 2002 and 2005, respectively.

Goodwill is amortized linearly over a period of 20 years, given that this is the estimated period during which it will contribute to profits for the Group.

### 3.6. Inventories

Inventories as of December 31, 2005, mainly correspond to lands to be used for construction activities and real estate promotion, both currently under way and completed, which are recorded at their purchasing price or production cost, depending on the direct costs incurred.

Where appropriate, the necessary provision for depreciation is used to reduce these values to their real market value.

### 3.7. Accounts Receivable

These are recorded at their nominal value. An allowance has been established to cover bad debts, based on the following criteria:

- In the case of the City of Barcelona, the provision for bad debts is determined by applying the collectibility ratio estimated by the City based on its past experience to the tax receivables currently under forcible collection and receivables for fines in both the voluntary and enforced collection periods.
- In the case of municipal agencies and companies, this allowance is made for those receivables whose recovery is deemed uncertain.

The caption "Long-term Trade Receivables" on the attached consolidated balance sheet includes mainly the debts to be collected. They are recorded at their nominal value, due to their correlation to the caption "Other Long-term Accounts Payable" under liabilities on the same balance sheet. The maximum maturity date of these debts is 2035.

### 3.8. Capital Transfers and Other Capital Income

The following criteria are applied to record received capital transfers and other capital income, in accordance with the applicable legislation:

- Upon their concession, capital transfers are recorded under the "Capital Transfers" caption in the liabilities column of the balance sheet and moved to assets when the investment they were financing is assigned for public use. For appraisals of the Group's net worth, these transfers should be considered to be additional net worth as of December 31, 2005.
- Other capital income is registered at the time when the administrative operation producing it is carried out.
- Moreover, the City of Barcelona's dependent entities annually shift a portion of the transfers received to extraordinary results, depending on the depreciation rate of the assets they have financed.

### 3.9. Deferred Income

Early collection on amounts deferred to years subsequent to the year of collection are

recorded under the caption “Deferred Revenue” (see Note 13), save for the portion of such amounts that has been deferred to the immediately following year, which is recorded under the caption “Accrual Accounts” (see Note 17) under liabilities on the balance sheet prior to being credited to results.

### **3.10. Classification of Long- and Short-term Debts**

On the attached consolidation balance sheet, debts with maturity over twelve months are classified as long-term debts and debts with maturity of less than twelve months as short-term debts.

### **3.11. Revenue and Expenses**

#### **a) General Criteria**

Revenue and expenses are primarily recorded in the statement of revenue and expenses in the fiscal year in which they occur, depending on the real flow of assets and services they represent and independently of the timing of the monetary or financial flow from which they are derived, except for those capital grants and transfers derived from agreements or conventions requiring the treatment described in Sections 3.8 and 3.11.b, respectively.

#### **b) Grants and Transfers Derived from Agreements and Conventions**

To record the expenses for transfers and grants stemming from agreements subscribed by different parties, be they collaborative agreements, co-operative agreements, contract-programmes, or other similar agreements signed to co-finance or develop specific projects or activities (including capital grants to offset

accumulated negative results), the grantor’s obligation to pay arises at the moment when the debt matures and is liquid and payable on demand, in other words, when the requirements for payment have been met. The recognition of the grantor’s payment obligation is recorded upon passage of the resolution by which the beneficiary’s right to collect is recognized and quantified (approval of the budgets for each fiscal year).

#### **c) Assigned Capital Transfers**

This entry includes the City of Barcelona’s contributions charged to the budget for financing investment processes not carried out by municipal agencies or companies belonging to the municipal group.

### **3.12. Provisions for Contingencies and Expenses**

The balance of this caption reflects the provisions established to cover the economic costs of contingent or probable debts.

### **3.13. Corporate Tax**

Pursuant to Legislative Royal Decree 4/2004, of March 5, approving the Amended Text of the Company Tax Law, the City of Barcelona is exempt from payment of this tax and is not subject to the withholding of profits from its investments.

For municipal companies, the corporate tax is calculated based on their book result, which need not necessarily be the same as their fiscal result, the latter being construed as the taxable income for the tax, given that the corresponding long-term differences are taken into account.

Pursuant to the abovementioned amended corporate tax law and article 25 of the Law on local taxation, private municipal companies are eligible for a 99% rebate on taxes paid on their earnings from activities classified as public service under this legislation.

### 3.14. Environment

Expenses derived from actions intended to protect and improve the environment are recorded, where applicable, as expenses in the year they are incurred. This notwithstanding, should they entail incorporations to tangible

fixed assets as a result of actions to minimize impacts on the environment or to protect and improve it, they are recorded as increased value of the fixed asset in question.

## Note 4 – Intangible Fixed Assets, Tangible Fixed Assets and Infrastructures

### a) Intangible Fixed Assets

The movement registered in the different accounts under tangible fixed assets was as follows:

	12.31.04	Additions	Retirements	Transfers	12.31.05
Start-up Expenses	16	–	–	–	16
R+D Expenses	885	–	(280)	–	605
Concessions, Patents, Licenses and Trademarks	48,582	14,471	(1,115)	(7,275)	54,663
Data-processing Applications	9,408	3,429	(121)	15	12,731
Rights on Goods Under Financial Leasing	2,411	1,735	(7)	(670)	3,469
Others	479	–	–	(4,720)	(4,241)
<b>Intangible Fixed Assets</b>	<b>61,781</b>	<b>19,635</b>	<b>(1,523)</b>	<b>(12,650)</b>	<b>67,243</b>
<b>Accumulated Depreciation</b>	<b>(14,776)</b>	<b>(6,236)</b>	<b>518</b>	<b>3,321</b>	<b>(17,172)</b>
<b>Net Tangible Fixed Assets</b>	<b>47,005</b>	<b>13,399</b>	<b>(1,005)</b>	<b>(9,329)</b>	<b>50,071</b>

The main entry under the caption “Concessions” (20,937 thousand euros) corresponds to the parking lots managed by Barcelona de Serveis

Municipals, SA under this formula (see Note 3.1.a), the cumulative depreciation of which came to 7,687 thousand euros.

The following items had been completely written off as of December 31, 2005:

	Thousands of Euros
Concessions, Patents and Trademarks	4,187
Data-processing Applications	2,973
R+D Expenses	574
Others	258
<b>Total</b>	<b>7,992</b>

## b) Tangible Fixed Assets and Infrastructures

The movement registered in the different accounts for tangible fixed assets and infrastructures was as follows:

	12.31.04	Others	Retirements	Transfers	12.31.05
Lands and Buildings (*)	5,614,006	77,373	(18,208)	76,155	5,749,809
Fixed Assets Assigned to Municipal Agencies and Third Parties	631,120	3,883	–	(2,057)	632,946
<b>Land and Properties</b>	<b>6,245,126</b>	<b>81,256</b>	<b>(18,208)</b>	<b>74,098</b>	<b>6,382,755</b>
Vehicles	13,632	787	–	(218)	14,201
Machinery, Equipment, Installations and Tools	171,521	8,910	(24,076)	82,905	239,260
Data-processing Equipment	56,359	2,357	(78)	1,002	59,640
Office Furniture and Equipment	57,192	6,960	(1,221)	(30,630)	32,302
Others	19,355	1,952	(1,581)	4,259	23,986
<b>Other Fixed Assets</b>	<b>318,059</b>	<b>20,966</b>	<b>(26,955)</b>	<b>57,319</b>	<b>369,389</b>
<b>Total Fixed Assets</b>	<b>6,563,185</b>	<b>102,222</b>	<b>(45,163)</b>	<b>131,417</b>	<b>6,751,660</b>
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	(631,120)	(3,883)	–	2,057	(632,946)
Fixed Assets Pending Classification	530,951	367,055	(16,550)	(300,480)	580,976
Infrastructures and Assets for Public Use	5,094,079	3,493	(11,082)	239,037	5,325,527
Investments Assigned for Public Use	(5,094,079)	(3,493)	11,082	(239,037)	(5,325,527)
Investments for Public Use: HOLSA	123,430	–	–	(50,375)	73,055
<b>Gross Tangible Fixed Assets and Infrastructures</b>	<b>6,586,446</b>	<b>465,394</b>	<b>(61,714)</b>	<b>(217,381)</b>	<b>6,772,745</b>
<b>Accumulated Depreciation and Provisions</b>	<b>(591,305)</b>	<b>(80,560)</b>	<b>26,857</b>	<b>(2,916)</b>	<b>(647,924)</b>
<b>Net Tangible Fixed Assets and Infrastructures</b>	<b>5,995,141</b>	<b>384,834</b>	<b>(34,857)</b>	<b>(220,297)</b>	<b>6,124,821</b>

(\*) In accordance with applicable regulations, the group entities record the value of lands containing any type of building under the caption "Buildings". This caption includes 2,696,897 thousand euros as of December 31, 2005 and 2,674,423 thousand euros as of December 31, 2004, corresponding to the value of lands containing buildings.

The additions made over the fiscal year with regard to the Parent Company include the following items:

Actions Currently Being Carried Out, Pending Inclusion in the City's Asset Inventory:	
Carried out by decentralized entities (Municipal Agencies and Companies) pursuant to the terms of the Decree of April 3rd, 1997, issued by the Mayor's Office	234,014
Carried out by the City of Barcelona	77,794
Carried out by Third Parties	5,000
Incorporations into the City's Asset Inventory:	
Real Estate	69,318
Movables	7,426
Assigned Assets Received	632
Assets Received in Compensation for Debts	42
	<b>394,226</b>

With regard to the group Dependents, additions carried out over the fiscal year include, among others:

- Housing built on behalf of the Municipal Agency of Housing.
- The investment made by Barcelona de Serveis Municipals, SA for the entry into operation of the new Green Zone parking spaces, the improvements to the Forum Esplanade, and the new classrooms at the Children's Zoo.
- To Mercabarna, the acquisition of land and a building in the municipality of Sant Boi de Llobregat for the construction of the new Mercat Central de la Flor (Flower Central Market), and the construction of the Porta K multistorey car park. 600,000 euros of fixed assets have also been provided to cover the depreciation in value of the Mercat de la Flor provisional installations, since it is estimated that these installations will lose all their value when the Market moves to its new location in the next fiscal year.

- To Serveis Funeraris de Barcelona, SA, the construction of the new funeral parlour in Sant Gervasi at a cost of 7,496,025 euros, which will revert to the City of Barcelona upon completion of the concession. The land on which the funeral parlour is built is granted for 50 years and comes from a non-monetary contribution made by the City in the increase of capital carried out in 2004.

With regard to the Parent Company, the disposals carried out over the fiscal year are as follows:

By Sale	19,177
Surface Rights Assigned Free of Charge	3,883
For Others Assigned Free of Charge	35
	<b>23,095</b>

With regard to the dependent companies, the disposals carried out over the fiscal year basically include the following items:

- Rights to use parking spaces granted by Barcelona de Serveis Municipals, SA.

- To Tractament i Selecció de Residus, SA, (Energy Plant) complex in Montcada i Reixac, disposals corresponding to the installations entirely amortized. at the Planta de Valorització Energètica

Transfers during the fiscal year had the following balancing entries:

Property Delivered for Public Use	239,037
Property Assigned to Municipal Agencies or Third Parties	(2,057)
VAT receivable from Treasury for assisted contributions registered at the time as greater Fixed Asset Value	5,600
Extraordinary Results of Fixed Assets:	
Delivery of Investments Financed by Third Parties	(13,076)
Reclassification of Property by Reparcelling Operations	1,115
Others	680
Intangible Fixed Asset Transfers	(9,329)
Others	(2,703)
	<b>220,297</b>

Thus the main components of the transfers for the fiscal year are mainly offset by the net worth accounts (see Note 9.1).

The elements totally written off as of December 31, 2005, are the following:

	Thousands of euros
Machinery, Equipment, Installations and Tools	33,707
Data-processing Equipment	24,716
Office Furniture and Equipment	9,136
Vehicles	5,778
Others	10,141
<b>Total</b>	<b>83,478</b>

The policy of the Group is to contract the insurance policies that are considered necessary in order to cover the possible risks that could affect the fixed asset elements.

## Note 5 – Interests in Associated Companies

This heading reflects the investments made in dependent companies that could not be fully consolidated but, rather, were consolidated by the equity method, as shown in the following chart.

Barcelona Holding Olímpic, SA (Holsa)	43,162
Mediacomplex, SA	6,636
Barcelona Sagrera Alta Velocitat, SA	150
Barcelona Emprèn, SCR, SA	1,800
Barcelona Regional, AMDUI, SA	374
<b>Total</b>	<b>52,122</b>

## Note 6 – Other Financial Investments

The balance of this caption reflects the interests of less than 20% held in different companies by the City of Barcelona and the entities belonging to the Municipal Group, as well as other credits and long-term deposits and guarantees, as shown in the following chart:

Investment Portfolio	30,916
Deposits and Guarantees	3,544
Other Long-term Loans	38,172
<b>Total</b>	<b>72,632</b>

The securities portfolio can be broken down as follows:

	Company Owner	% Interest Held	Investment Cost	Provisions	Net Book Value as of 12.31.05
Fira 2000, SA	AB	12.77	14,770	(550)	14,220
Catalana d'Iniciatives, CR, SA	BSM	13.45	7,289		7,289
Túnels i Accessos de Barcelona, SA	BSM	2.82	3,568		3,568
Hotel Miramar de Barcelona, SA	BSM	10.00	1,563	(44)	1,519
Districlima, SA	TERSA	11.73	1,020	(86)	934
Ecoparc del Mediterrani, SA	TERSA	11.73	960	(56)	904
Ecoparc de Barcelona, SA	TERSA	11.73	1,472	(1,472)	–
Clavegueram de Barcelona, SA	BSM	17.50	631		631
Ecoparc del Besòs, SA	TERSA	2.93	386		386
GL Events CCIB, SL	BSM	12.00	241		241
Transferència de Runes, SA	SIRESA	17.59	180		180
Barcelona Tecnologia, SA	AB	10.74	176		176
Gestora de runes de la construcció,SA	TERSA	8.21	135		135
Other interest < 100 thousand		–	194	(61)	133
Investment Fund	MCBN	–	600		600
<b>Total Investment Portfolio</b>			<b>33,185</b>	<b>(2,269)</b>	<b>30,916</b>

Other long-term credits can be broken down as follows:

Sale of Long-term Fixed Assets	20,587
Public Treasury Receivable for Early Corporate Tax	4,515
Term Deposits	5,205
Long-term Clients and Receivables	1,983
European Grants 2007	3,705
Others	2,177
<b>Total</b>	<b>38,172</b>

## Note 7 – Deferred Expenses

The balance of this caption corresponds, on the one hand, to note and bond and loan arrangement expenses, which registered the following movements:

	Loan Arrangement Expenses
<b>Balance as of December 31, 2004</b>	<b>1,221</b>
Expenses for Arrangement of New Operations	314
Allocation to Results as Financial Expenses	(248)
<b>Balance as of December 31, 2005</b>	<b>1,287</b>

The allocation to results as final expenses is made annually and is calculated in a linear manner until the maturity of the formalized operations.

On the other hand, it includes the goodwill stemming from the acquisition in 2002 of 100% of the share capital of Parc d'Atraccions Tibidabo, SA by Barcelona de Serveis Municipals, SA, and 51% of the Societat Transports Sanitaris Parets, SL by Serveis Funeraris de Barcelona, SA in 2005. This goodwill stems from the positive consolidation difference arising from the amount paid for the acquisition of the shares and the net worth of acquired companies, and it will be amortized linearly over a period of 20 years, as this is the period for which it is estimated that it will contribute to the obtaining of profits for the group. The movement registered under this caption was as follows:

	Goodwill
<b>Balance as of December 31, 2004</b>	<b>1,775</b>
Increase by New Acquisitions of Companies	174
Amortization for the Year	(107)
<b>Balance as of December 31, 2005</b>	<b>1,842</b>

The remainder of the balance for this caption, 132 thousand euros, corresponds to the financial expenses of financial leasing operations.

## Note 8 – Accounts Receivable

Accounts receivable are classified as follows:

<b>a) By the City of Barcelona</b>	<b>622,768</b>
Direct Taxes	195,714
Indirect Taxes	12,596
Charges and Other Revenue	234,868
Current Transfers	119,350
Capital Gains	24,143
Disposal of Real Investments	582
Capital Transfers	33,050
Others	2,465
<b>b) By Municipal Agencies and Companies</b>	<b>71,840</b>
<b>Total Receivable</b>	<b>694,608</b>

The amounts and movements registered in the account for the provision for bad debts were as follows:

<b>Balance as of December 31, 2004</b>	<b>404,890</b>
Amount Charged to Statement of Revenue and Expenses	54,538
Bad Debts Written Off	(170,265)
Allocation to Extraordinary Results	(644)
<b>Balance as of December 31, 2005</b>	<b>288,519</b>

The provision for bad debt is determined by applying the estimated collectibility ratio by the City of Barcelona based on its past experience to the receivables for taxes and charges in the enforced collection period (199,311 thousand euros) and to the receivables for fines, both in the voluntary and enforced collection periods (139,742 thousand euros).

The provision for the fiscal year, 54,538 thousand euros, is shown under liabilities on the consolidated statement of revenue and expenses, along with other provisions for sundry items amounting to 305 thousand euros.

## Note 9 – Net Worth and Results

### 9.1. Net Worth

The amounts and movements registered in the net worth accounts during the fiscal year were as follows:

	Net Worth	Property Assigned to Municipal Agencies and Third Parties (see Notes 3.2 and 4.b)	Property Delivered for Public Use (see Notes 3.3 and 4.b)	Property Assigned by Municipal Agencies and Third Parties	Total
<b>Initial Balance</b>	<b>9,333,527</b>	<b>(631,120)</b>	<b>(5,094,079)</b>	<b>46,874</b>	<b>3,655,202</b>
Allocation of City of Barcelona Results 2004	392,773	–	–	–	392,773
Change in Net Worth of Municipal Agencies and Companies	–	(1,826)	–	–	(1,826)
Change in Net Worth of Property Assigned	–	–	–	–	–
Property Delivered for General Use	–	–	(231,449)	–	(231,449)
<b>Final Balance</b>	<b>9,726,300</b>	<b>(632,946)</b>	<b>(5,325,528)</b>	<b>46,874</b>	<b>3,814,700</b>

Property assigned by municipal agencies and third parties reflects the value of those assets assigned to the City of Barcelona by other entities for operation or use.

## 9.2. Results

The consolidated result allocable to the City of Barcelona can be broken down as follows:

Results of the City of Barcelona	520,338
Aggregate Result of Municipal Agencies and Companies	25,007
Share in Results by Equity Method	(707)
Consolidation Adjustments	901
Consolidated Results	545,539
Results Allocable to Minority Interests Before Interim Dividends (Note 11)	(9,346)
<b>Results Allocable to the City of Barcelona</b>	<b>536,193</b>

## Note 10 – Consolidated Reserves

The consolidated reserves and their movement can be broken down as follows:

	Balance as of 12.31.04	Result 2004 (a)	Transfers and Others	Balance as of 12.31.05
<b>Fully Consolidated</b>	<b>145,869</b>	<b>9,341</b>	<b>5,181</b>	<b>160,391</b>
MA Housing	20,785	794	(441)	21,138
MA Disabled Persons	334	255	79	668
MA Mies Van der Rohe Foundation	38	79	–	117
MA IT Services	2,689	299	134	3,122
MA Town Planning	1,278	116		1,394
MA Finances	2,415	494	(153)	2,756
MA Markets	5,172	1	609	5,782
MA Parks and Gardens	1,527	29		1,556
MA Education	5,213	650	1,666	7,529
MA Culture	1,972	555	1,045	3,572
MA Urban Landscape and Quality of Life	1,245	48	2	1,295
Barcelona de Serveis Municipals Group (b)	87,391	5,536	1,059	93,986
Barcelona d'Infraestructures Municipals Group (c)	1,898	272	71	2,241
Informació i Comunicació de Barcelona, SA	2,742	80	(649)	2,173
Barcelona Activa, SA	10,829	22	1,426	12,277
SM Barcelona Gestió Urbanística, SA	341	111	335	787
<b>By the Equity Method</b>	<b>(125)</b>	<b>576</b>	<b>408</b>	<b>859</b>
Barcelona Holding Olímpic, SA	–	893	–	893
Barcelona Emprèn, SCR, SA	(134)	(319)	408	(45)
Barcelona Regional, AMDUI, SA	9	2	–	11
<b>Total</b>	<b>145,744</b>	<b>9,917</b>	<b>5,589</b>	<b>161,250</b>

(a) Adjusted according to the interest held.

(b) Barcelona de Serveis Municipals Group includes information regarding the parent company and the companies in which it holds an interest (Parc d'Atraccions del Tibidabo, SA, Tractament i Selecció de Residus, SA, Serveis Funeraris de Barcelona, SA and Mercabarna, SA.) aggregated together.

(c) Barcelona d'Infraestructures Municipals Group includes information regarding the parent company and the companies in which it holds an interest (Pro Nou Barris, SA, 22 Arroba Bcn, SA, Agència de Promoció del Carmel i Entorns, SA, ProEixample, SA and Foment de Ciutat Vella, SA) aggregated together (see Note 2.2).

To calculate the consolidation reserves, the book and technical book values of the interests held, the dividends collected over the 2005 fiscal year and other consolidated adjustments were used to homogenize receivables and payables between the City of Barcelona and some of its dependent companies.

The main components of the "Transfers and Others" column correspond to the correction of the existing temporary difference between provision for capital transfers and the execution of the works and services financed by them.

## Note 11 – Minority Interests

The balance of this caption reflects the proportion of the net worth and results for the fiscal year of those dependent municipal companies included in the consolidation belonging to shareholders or associates who are not members of the consolidated group. Specifically, the figures refer to the Barcelona de Serveis Municipals, SA and the Barcelona d'Infraestructures Municipals, SA Groups, and can be broken down as follows:

	Capital	Reserves	Fiscal Year Result	Interim Dividend	Total
<b>BSM Group:</b>					
TERSA Group	5,973	17,155	2,123	–	25,251
SFB Group	3,830	4,641	5,615	(1,525)	12,561
Mercabarna	7,003	20,037	1,242	–	28,282
Total	16,806	41,833	8,979	(1,525)	66,094
<b>BIM Group:</b>					
Foment de Ciutat Vella, SA	2,945	423	201	–	3,568
Proeixample, SA	2,945	812	166	–	3,923
Total	5,890	1,235	366	–	7,492
<b>Total</b>	<b>22,696</b>	<b>43,068</b>	<b>9,345</b>	<b>(1,525)</b>	<b>73,586</b>

## Note 12 – Capital Transfers and Other Capital Income

The amounts and movements registered under this caption were as follows:

<b>Balance as of December 31, 2004</b>	<b>284,012</b>
Additions	35,073
Transfer to Short-term Accruals	(336)
Transfer to Current Revenue	(448)
Transfer to Deferred Income	(6,981)
Transfer to Extraordinary Revenue	(1,160)
Retirements for Delivery of Assets	(6,442)
<b>Balance as of December 31, 2005</b>	<b>303,718</b>

## Note 13 – Deferred Income

The movement under this caption is as follows (see Note 3.9):

<b>Balance as of December 31, 2004</b>	<b>121,372</b>
Additions	25,384
Transfer to Revenue for the Year	(868)
Transfer to Short-term	(7,029)
Delivery of Assets to the City of Barcelona	(9,583)
<b>Balance as of December 31, 2005</b>	<b>129,276</b>

By nature, 110,311 thousand euros correspond to revenue received in advance for the usage of assets under municipal ownership and 8,275 thousand euros to urban development fees payable by the owners of sites included in the urban planning co-operation actions, which co-finance municipal investments in the territory falling within the co-operation sphere. The revenue received in advance is transferred annually to the consolidated statement of revenue and expenses in accordance with the straight-line method over the period

corresponding to the assignment or award, which is set at 2077 at the latest. The urban development fees are charged for deliveries to the City of Barcelona of actions financed by them. Only in the case of public works does the City activate the corresponding fixed assets, which it credits to extraordinary results.

The most significant additions correspond basically to the City of Barcelona's charges for surface rights and urban development fees to Barcelona Activa, SA, 22 Arroba Bcn, SA and Serveis Funeraris de Barcelona, SA.

The amount transferred to short term is the one set to be applied to the consolidated statement of revenue and expenses for the 2005 fiscal year and is shown in the caption "Accrued Expenses" of the liabilities of the balance sheet for the fiscal year ended December 31, 2005.

The retirements for delivery correspond to the co-operative actions transferred to the City of Barcelona by the group's managerial bodies.

## Note 14 – Provisions for Contingencies and Expenses

The composition and movement of this caption were as follows:

	Balance as of 12.31.04	Provisions and Transfers	Allocations	Balance as of 12.31.05
Court Cases and Legal Claims	66,327	38,582	(26,961)	77,948
Major Overhauls	6,366	770	(1,335)	5,801
Reversion Funds	1,851	224	–	2,075
Others	6,469	1,717	(354)	7,832
<b>Total</b>	<b>81,013</b>	<b>41,293</b>	<b>(28,650)</b>	<b>93,656</b>

The balance for the provision for court cases and legal claims and for other provisions are intended to cover a variety of possible future commitments, whose maturity dates and amounts cannot yet be known.

The provision for court cases and legal claims has been charged to the caption "Works, Supplies and Subcontracted Services".

The provisions for major overhauls include funds created by Barcelona de Serveis Municipals, SA, in order to cover pluri-annual repair expenses and the partial replacement of certain fixed assets.

### Note 15 – Issue of Notes and Other Negotiable Securities and Bank Debts

The outstanding capital as of December 31, 2005, corresponding to long-term loans and debentures subscribed by the City of Barcelona can be broken down as follows:

Description	Outstanding Capital
<b>European Union Market</b>	
• Bank Loans	709,671
• Capital Market	560,202
<b>Subtotal</b>	<b>1,269,873</b>
<b>Non-European Union Market</b>	
• Capital Market	–
<b>Subtotal</b>	<b>–</b>
<b>Total Long-term Debt</b>	<b>1,269,873</b>

The movement registered under the caption "Long-term Loans and Debentures" was as follows:

<b>Balance as of December 31, 2004</b>	<b>1,311,027</b>
Additions:	
• New Operations	124,872
Disposals:	
• Contractual Repayments	159,625
• Early Amortization and Amortization by Debt Replacement and Assignment	6,401
<b>Balance as of December 31, 2005</b>	<b>1,269,873</b>

The debt profile by maturities as of December 31, 2005 was as follows:

Maturity	Amount
2006	89,033
2007	136,077
2008	123,890
2009	132,128
2010	117,225
2011	109,974
2012	100,064
2013	27,157
2014	108,187
2015	121,387
2016 and beyond	204,750
<b>Total</b>	<b>1,269,873</b>

As of December 31, 2005, there existed unexecuted stand-by lines for a total of 247,012 thousand euros.

The average interest rate over the 2005 fiscal year was 2.9 %.

As of December 31, 2005, 56% of the long-term consolidated financial debt had a fixed interest rate and 44% had a variable interest rate.

## Note 16 – Public Agencies

The account can be broken down as follows:

Item	Debit Balance	Credit Balance
Social Security	16	23,149
Value Added Tax	19,081	8,630
Personal Income Tax	–	10,956
Corporate Tax	4,868	2,777
Others	3	19
<b>Total</b>	<b>23,968</b>	<b>45,531</b>

Inspection is pending for Group entities of those fiscal years not prescribed for all applicable taxes. No significant additional liabilities are expected by entities as a result of possible inspections.

## Note 17 – Accrued Expenses

This account reflects the Group's definite liabilities as of December 31, 2005, in accordance to the accrual periods and regardless of the date of requirement of payment on demand, as well as the capital grants given to the Group pending allocation. It has the following composition:

Capital and Current Transfers	11,913
Grave Assignments	1,435
Urban Planning Fees for Infrastructure Actions	9,899
Prepaid Income on Can Tunis Nou Housing Development	7,513
Other Advanced Revenue	6,669
Accredited Unmatured Interest as of December 31, 2005	7,250
Current Transfers Given	2,298
Accrued Amounts Payable for Acquisition of Fixed Assets	3,300
Other Deferred Expenses	1,710
<b>Total</b>	<b>51,987</b>

Accredited and unmatured payments to personnel are shown under the caption "Other Non-trade Payables" and amount to 36,156 thousand euros.

## Note 18 – Other Information

As of December 31, 2005, the guarantees provided by the group to cover credit operations came to 7,897 thousand euros.

The fees received by PriceWaterhouseCoopers Auditores, S.L. and Gabinete Técnico de Auditoría y Consultoría, S.A., for auditing services and the expenses incurred for the provision thereof in fiscal 2005 came to 566 thousand euros, including VAT. Pursuant to the terms of the adjudication of the audit tender, these fees, invoiced to the City of Barcelona, include those of the municipal agencies and companies forming part of the City group, and the appropriate portions thereof will be duly charged to each of them.

## Note 19 – Statement of Revenue and Expenses

### 19.1. Personnel Expenses

This entry includes the wages and salaries of Group personnel, social security payments and other welfare expenses.

### 19.2. Works, Supplies and Subcontracted Services

This entry corresponds to the purchase of goods and services needed for municipal activities to run smoothly, as well as for the conservation and maintenance of investments. It includes the service contracts subscribed by the Group with different private companies to enhance the functioning of the city, such as, for example, those for refuse collection and street cleaning.

### 19.3. Current and Capital Transfers (Expenses)

These entries include the current and capital transfers made by the Group, from its own budget or on behalf of third parties, to external entities, companies and individuals in order to finance their operating expenses or investments. The following entities were the main recipients:

<b>Current Transfers</b>	<b>271,390</b>
Municipal Association of the Barcelona Metropolitan Area and EMSHTR	109,754
Consortia	55,926
Non-profit Organizations	48,611
Metropolitan Transport Authority	35,732
Companies	10,694
Autonomous Government	3,167
Others	7,506
<b>Capital Transfers</b>	<b>114,320</b>
Barcelona Holding Olímpic, SA	60,537
Consortia	17,815
Metropolitan Transport Authority	30,269
Others	5,699
<b>Total</b>	<b>385,710</b>

### 19.4. Taxes

This caption includes local taxes that are collected by the City of Barcelona, distributed as follows:

#### a) Production-related Taxes

These taxes include the following: property tax, levied on property; tax on economic activities, levied on certain businesses, in accordance with the type of activity, the space occupied and the location; taxes on construction, installations and works, levied according to the cost of the

project for which the license has been requested.

This caption also includes the amount resulting from the assignment of state taxes, as a consequence of the entry into effect of the new model of financing for the public sector, approved by the Law 51/2002, of December 27, of the reform of Law 39/1988, of December 28, regulating local taxation.

It can be broken down as follows:

Property Tax (IBI)	346,753
Assignment of State Taxes (IAE)	93,235
Tax on Economic Activities	93,860
Tax on Construction, Installations and Works and Other Replaced Taxes	33,974
Others	371
<b>Total</b>	<b>568,193</b>

#### **b) Income and Wealth Tax**

This caption includes the tax on motor vehicles, which is levied on the ownership thereof, irrespective of the vehicle's class of category; the amount reached 73,541 thousand euros during the 2005 fiscal year.

#### **c) Capital Taxes**

This tax incorporates 93,459 thousand euros corresponding to the tax on the increase in urban land values, a direct tax levied on the increases registered in the value of these lands made evident upon their transfer. It also includes 4,392 thousand euros corresponding to special contributions.

#### **19.5. Sale of Services**

This caption includes the charges and public prices invoiced for the provision of services and the revenue obtained by the entities within the sphere of their regular activities.

#### **19.6. Revenue from Property and Business**

The revenue from property and business basically includes those fines and penalties for offences, interest and late payment surcharges, income from concessions and special uses and profit shares. The caption can be broken down as follows:

Fines	106,075
Charges for Use of Public Domain	94,896
Concessions and Special Uses	22,312
Share of Profits	3,060
Interest and Surcharges	18,590
<b>Total</b>	<b>244,933</b>

#### **19.7. Current Transfers (Revenue)**

This caption includes the amounts received from the Central Government Supplementary Finance Fund, as well as the earmarked grants from the European Union, Central Government, the autonomous community and local entities, as detailed below:

Central Government	704,118
Generalitat de Catalunya	72,266
Local Entities	44,635
European Union	2,788
Non-profit Institutions	1,186
Private Companies	716
Other Entities	659
<b>Total</b>	<b>826,368</b>

## 19.8. Extraordinary Results

Extraordinary results can be broken down as follows:

	Note	Expenses	Revenue
Pluri-annual Transfers to HOLSA	3.3	–	50,375
Receipts Free of Charge	4.b	–	–
Receipt of Investment Projects	4.b	–	36,020
Application of Long-term Provisions	14	–	25,979
Extraordinary Results from Previous Fiscal Years	–	2,071	–
Extraordinary Results from Fixed Assets	4.b	–	54,977
Other Extraordinary Results	–	5,650	2,137
<b>Total</b>		<b>7,721</b>	<b>169,488</b>
<b>Net Extraordinary Result</b>		<b>161,767</b>	<b>–</b>

## Note 20 – Statements of Changes in Financial Position for the 2005 and 2004 Fiscal Years

Applications of Funds	2005 Fiscal Year	2004 Fiscal Year	Source of Funds	2005 Fiscal Year	2004 Fiscal Year
			Funds from Operations	555,325	453,989
Acquisition of Fixed Assets:			Disposal of Fixed Assets:		
• Tangible and Intangible	401,596	407,830	• Tangible	35,862	42,976
• Financial	24,215	10,343	• Financial	401	678
Deferred Expenses	526				
Minority Interests	–	5,716	Minority Interests	4,557	3,613
Capital Transfers	13,759	–	Capital Transfers	35,073	31,939
Transfer of Deferred Income to Short-term	7,029	3,950	Deferred Income	25,384	25,689
Applications of Deferred Income	9,583	–			
Application of Long-term Provisions	2,671	6,081			
Redemption of Long-term Loans, Debentures and Received Loans	166,026	272,315	Loans and Other Long-term Debts	124,872	247,111
Long-term Guarantees and Deposits	–	–	Long-term Guarantees and Deposits	861	1,477
Other Long-term Payables	3,070	–	Other Long-term Payables	–	236
Long-term Receivables	–	2,866	Cancellation of Long-term Receivables	9,164	–
Pluri-annual Transfers to HOLSA	50,375	40,749			
<b>Total Applications</b>	<b>678,850</b>	<b>749,850</b>	<b>Total Sources</b>	<b>791,499</b>	<b>807,708</b>
Sources of Funds in Excess of Applications of Funds (Increase in Working Capital)	<b>112,649</b>	<b>57,858</b>	Applications of Funds in Excess of Sources of Funds (Decrease in Working Capital)	–	–
<b>Total</b>	<b>791,499</b>	<b>807,708</b>	<b>Total</b>	<b>791,499</b>	<b>807,708</b>

Change in Working Capital	2005		2004	
	Increase	Decrease	Increase	Decrease
Inventories	9,286	–	–	3,443
Accounts Receivable	40,182	–	–	21,838
Accounts Payable	–	137,529	78,807	–
Short-term Financial Investments	16,025	–	–	13,212
Cash	168,411	–	23,332	–
Accrued Expenses	16,274	–	–	5,788
<b>Total</b>	<b>250,178</b>	<b>137,529</b>	<b>102,139</b>	<b>44,281</b>
<b>Decrease in Working Capital</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Increase in Working Capital</b>	<b>112,649</b>	<b>–</b>	<b>57,858</b>	<b>–</b>

The funds obtained from operations were as follows:

	Note	2005	2004
<b>Net Surplus for the Fiscal Year</b>	–	<b>536,193</b>	<b>403,370</b>
Net Results on Tangible Fixed Assets	19.8	(90,997)	(49,210)
Provisions for Depreciation	–	85,566	77,445
Provisions for Contingencies and Expenses	14	41,293	32,686
Deferred Expenses	7	355	203
Applications of Long-term Provisions	19.8	(25,979)	(11,407)
Deferred Income Transferred to Statement of Revenue and Expenses	13	(868)	(838)
Capital Grants Transferred to Results	12	(1,608)	(5,669)
Provisions for Financial Investments	–	1,317	952
Result of Minority Interests	11	9,346	7,157
Share by Equity Method	2.2	707	(700)
<b>Funds from Operations</b>		<b>555,325</b>	<b>453,989</b>

7

Five-year Data

## City of Barcelona (2001-2005)

	2001	2002	2003	2004	2005	Annual Growth (%)
Personnel	6,683	6,638	6,689	6,657	6,578	-0.5%

### Economic Position (thousands of euros)

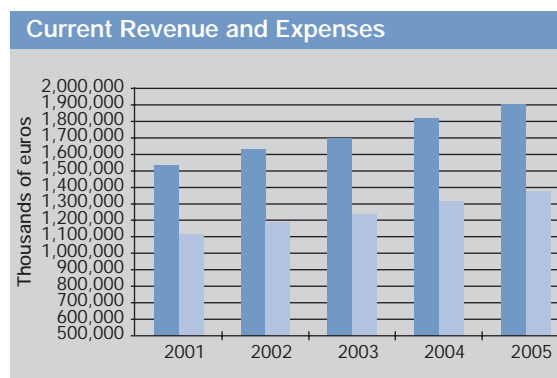
Current Revenue	1,534,756	1,631,204	1,697,039	1,821,239	1,905,643	5.9%
Current Expenses	1,118,378	1,187,549	1,237,225	1,313,656	1,372,890	5.7%
Gross Saving	416,378	443,655	459,814	507,583	532,753	6.3%
Net Investments	330,756	517,074	571,594	432,129	414,124	11.8%
Cash Surplus (Deficit)	88,235	-112,810	20,674	37,799	58,288	-

<b>Total Debt as of 12/31</b>	<b>1,152,303</b>	<b>1,265,113</b>	<b>1,244,439</b>	<b>1,206,640</b>	<b>1,148,353</b>	<b>-1.5%</b>
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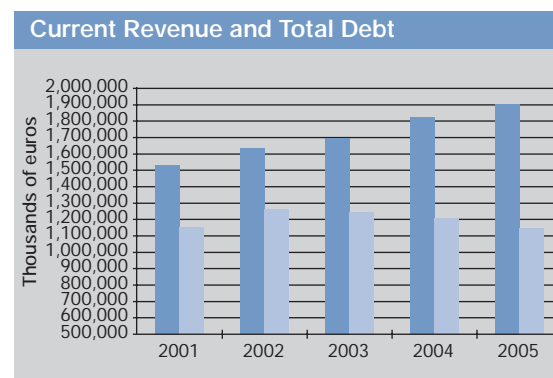
### Ratios

Gross Saving / Current Revenue (%)	27.1	27.2	27.1	27.9	28.0
Interest Coverage (x)	5.6	6.7	8.2	10.4	17.7
Capital Expenditure Coverage (x)	1.3	0.9	0.8	1.2	1.3
Capital Expenditure / Total Expenses (%)	25.1	36.5	34.8	26.9	25.0

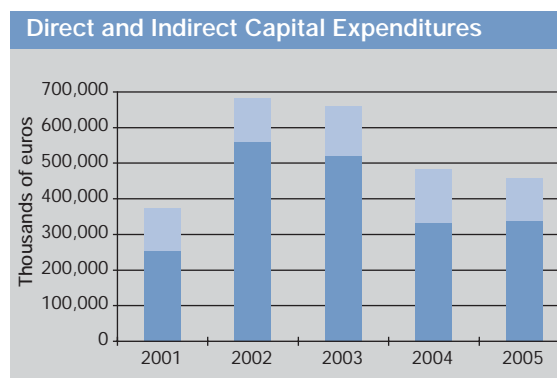
Debt / Current Revenue (%)	75.1	77.6	73.3	66.3	60.3
Debt / Primary Saving (x)	2.3	2.4	2.4	2.1	2.0
Average Life of Long-term Debt (years)	4.8	5.6	5.2	5.9	6.0



■ Current Revenue ■ Current Expense



■ Current Revenue ■ Total Debt as of 12/31



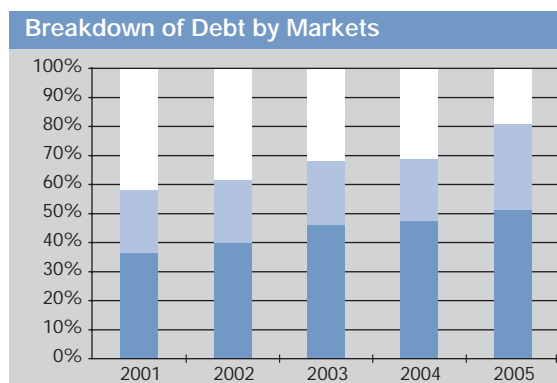
■ Direct Capital Expenditure ■ Indirect Capital Expenditure

### Debt Ratings

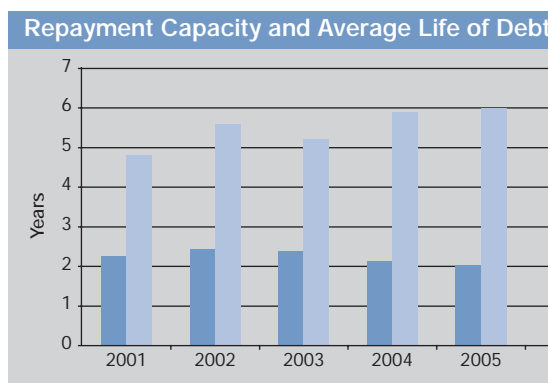
Standard & Poor's: AA+ (April 2006)  
 Fitch: AA+ (February 2006)  
 Moody's Investors Service: Aa2 (December 2003)  
 Rating & Investment Information: AA+ (July 1988)

## City of Barcelona (2001-2005)

	2001	2002	2003	2004	2005	Annual Growth (%)
<b>Balance Summary (thousands of euros)</b>						
Fixed Assets	5,250,240	5,556,938	5,736,516	5,605,084	5,689,999	1.6%
Long-term Financial Investments	160,934	159,902	165,676	176,578	188,879	3.7%
Deferred Expenses	9,574	4,074	1,321	1,221	1,287	-5.7%
Long-term Accounts Receivable	0	0	0	0	0	0.0%
<b>Fixed Assets</b>	<b>5,420,748</b>	<b>5,720,914</b>	<b>5,903,513</b>	<b>5,782,883</b>	<b>5,880,165</b>	<b>1.7%</b>
Accounts Receivable	263,176	268,645	339,809	325,174	351,851	4.5%
Cash	32,352	209,312	61,608	87,794	278,225	53.3%
<b>Current Assets</b>	<b>295,528</b>	<b>477,957</b>	<b>401,417</b>	<b>412,968</b>	<b>630,076</b>	<b>14.8%</b>
<b>Total Assets</b>	<b>5,716,276</b>	<b>6,198,871</b>	<b>6,304,930</b>	<b>6,195,851</b>	<b>6,510,241</b>	<b>2.6%</b>
Net Worth	3,764,221	3,978,509	4,043,023	4,052,779	4,340,476	3.5%
Capital Transfers Received	165,639	219,351	273,627	246,316	274,817	12.7%
Long-term Loans and Debentures	1,152,302	1,265,113	1,244,439	1,206,640	1,148,353	-1.5%
Pluriannual Transfers to HOLSA	237,333	204,255	164,179	123,430	73,055	-22.8%
Other Long-term Liabilities	59,914	85,480	125,181	149,794	160,835	32.6%
<b>Long-term Liabilities</b>	<b>5,379,409</b>	<b>5,752,708</b>	<b>5,850,449</b>	<b>5,778,959</b>	<b>5,997,536</b>	<b>2.3%</b>
Accounts Payable	336,867	446,163	454,481	416,892	512,705	6.2%
Short-term Loans	0	0	0	0	0	-
<b>Current Liabilities</b>	<b>336,867</b>	<b>446,163</b>	<b>454,481</b>	<b>416,892</b>	<b>512,705</b>	<b>6.2%</b>
<b>Total Liabilities</b>	<b>5,716,276</b>	<b>6,198,871</b>	<b>6,304,930</b>	<b>6,195,851</b>	<b>6,510,241</b>	<b>2.6%</b>



■ Bank Loans ■ Private Placements □ Public Bond Issues



■ Debt / Primary Saving ■ Average Life of Long-term Debt

## Public Administration Debt (2001-2005)

	2001	2002	2003	2004	2005	Annual Growth (%)
<b>Debt (millions of euros)</b>						
Central Government	312,394	313,780	308,374	311,376	307,695	-0.3%
Regional Government	43,682	46,461	48,993	51,935	56,123	7.4%
Local Authorities	20,089	21,429	22,816	24,031	25,382	4.9%
Spanish Municipalities	15,364	16,416	17,722	18,788	20,118	6.1%
City of Barcelona	1,152	1,265	1,244	1,207	1,148	-1.5%

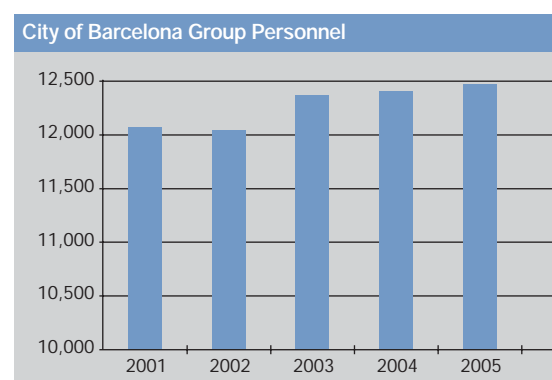
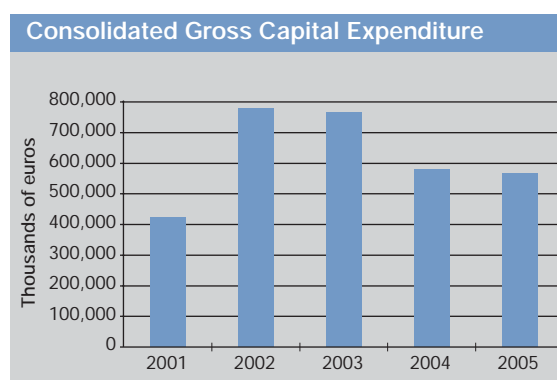
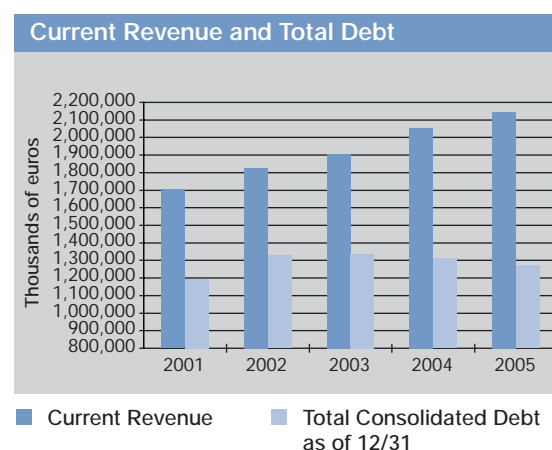
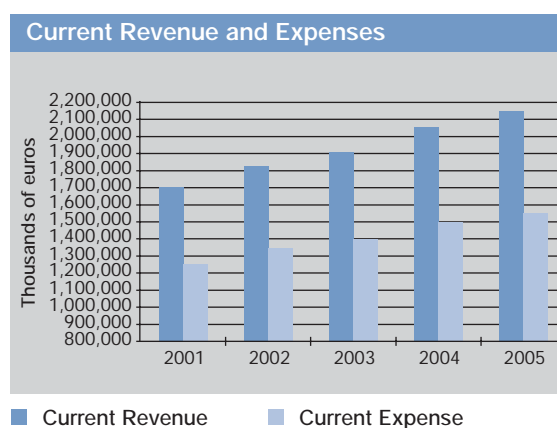
Source: Bank of Spain ([www.bde.es/infoest](http://www.bde.es/infoest)) and City of Barcelona

## City of Barcelona Group (2001-2005)

	2001	2002	2003	2004	2005	Annual Growth (%)
<b>Personnel</b>	<b>12,073</b>	<b>12,045</b>	<b>12,366</b>	<b>12,410</b>	<b>12,475</b>	<b>0.7%</b>
<b>Economic Position (thousands of euros)</b>						
Current Revenue	1,704,048	1,826,166	1,907,154	2,054,989	2,145,233	6.0%
Current Expenses	1,251,575	1,347,156	1,395,646	1,498,240	1,552,514	5.6%
Gross Saving	452,473	479,010	511,508	556,749	592,719	7.0%
Net Investment	344,362	579,104	641,303	481,901	499,048	14.6%
Cash Surplus (Deficit)	89,532	-135,743	-11,266	20,149	37,100	-
<b>Total Consolidated Debt as of 12/31</b>	<b>1,192,740</b>	<b>1,327,351</b>	<b>1,336,318</b>	<b>1,311,027</b>	<b>1,269,873</b>	<b>-0.2%</b>

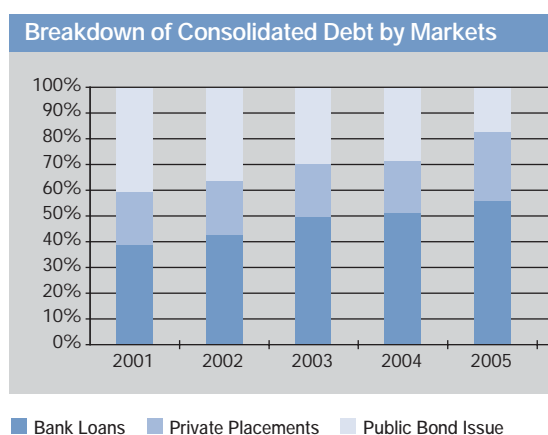
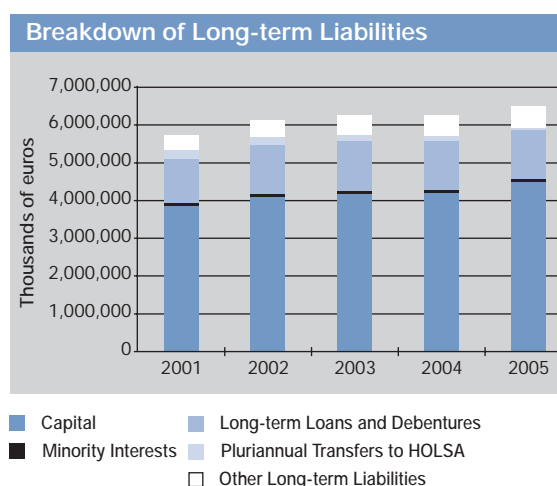
### Ratios

Gross Saving / Current Revenue (%)	26.6	26.2	26.8	27.1	27.6
Interest Coverage (x)	5.9	7.2	9.1	11.1	18.7
Capital Expenditure Coverage (x)	1.3	0.8	0.8	1.2	1.2
Capital Expenditures / Total Expenditures (%)	25.2	36.6	35.4	27.9	26.7
Debt / Current Revenue (%)	70.0	72.7	70.1	63.8	59.2
Debt / Primary Saving (x)	2.2	2.4	2.3	2.1	2.0
Average Life of Long-term Debt (years)	5.0	5.8	5.6	6.4	6.5



## City of Barcelona Group (2001-2005)

	2001	2002	2003	2004	2005	Annual Growth (%)
<b>Balance Summary (thousands of euros)</b>						
Intangible Fixed Assets	30,715	44,193	38,662	47,005	50,071	13.7%
Tangible Fixed Assets and Infrastructures	5,545,469	5,880,853	6,105,480	5,995,141	6,124,821	2.0%
Financial Intangible Assets	82,337	73,069	92,707	102,257	124,754	9.8%
Accounts Receivable for Long-term Trade Operations	37,678	35,805	34,452	37,318	28,154	-5.8%
Deferred Expenses	9,636	6,122	3,292	3,090	3,261	13.5%
<b>Fixed Assets</b>	<b>5,705,835</b>	<b>6,040,042</b>	<b>6,274,593</b>	<b>6,184,811</b>	<b>6,331,061</b>	<b>2.2%</b>
Inventories	36,900	36,215	43,724	40,281	49,567	11.9%
Accounts Receivable	327,941	358,242	413,540	391,268	431,986	5.1%
Cash	99,005	269,423	146,037	156,157	340,593	28.3%
<b>Current Assets</b>	<b>463,846</b>	<b>663,880</b>	<b>603,301</b>	<b>587,706</b>	<b>822,146</b>	<b>12.2%</b>
<b>Total Assets</b>	<b>6,169,681</b>	<b>6,703,922</b>	<b>6,877,894</b>	<b>6,772,517</b>	<b>7,153,207</b>	<b>3.1%</b>
Capital	3,874,665	4,101,585	4,183,935	4,204,316	4,512,143	3.7%
Minority Interests	60,300	57,908	63,977	69,029	73,586	5.0%
Long-term Loans and Debentures	1,186,702	1,324,197	1,336,231	1,311,027	1,269,873	-0.1%
Pluriannual Transfers to HOLSA	237,333	204,255	164,179	123,430	73,055	-22.8%
Other Long-term Liabilities	381,325	437,730	531,666	540,262	578,306	13.0%
<b>Long-term Liabilities</b>	<b>5,740,325</b>	<b>6,125,675</b>	<b>6,279,988</b>	<b>6,248,064</b>	<b>6,506,963</b>	<b>2.8%</b>
Accounts Payable	423,318	575,093	597,819	524,453	646,244	6.7%
Short-term Loans	6,038	3,154	87	0	0	-100.0%
<b>Current Liabilities</b>	<b>429,356</b>	<b>578,247</b>	<b>597,906</b>	<b>524,453</b>	<b>646,244</b>	<b>6.3%</b>
<b>Total Liabilities</b>	<b>6,169,681</b>	<b>6,703,922</b>	<b>6,877,894</b>	<b>6,772,517</b>	<b>7,153,207</b>	<b>3.1%</b>



## Consolidated Debt of the City of Barcelona: Public Administration and Commercial Entities (2001-2005)

	2001	2002	2003	2004	2005	Annual Growth (%)
<b>(millions of euros)</b>						
Public Administration	1,168	1,265	1,245	1,207	1,148	-1.9%
Commercial Entities	25	62	92	104	122	40.7%
<b>Total Debt</b>	<b>1,193</b>	<b>1,327</b>	<b>1,336</b>	<b>1,311</b>	<b>1,270</b>	<b>-0.2%</b>

