Auditor's Report on Avalis de Catalunya, S.G.R.

(Together with the annual accounts and directors' report of Avalis de Catalunya, S.G.R. for the year ended 31 December 2019)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
Barcelona

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the members of Avalis de Catalunya, S.G.R.

Opinion

We have audited the annual accounts of Avalis de Catalunya, S.G.R. (the "Company"), which comprise the balance sheet at 31 December 2019, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Accounts section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Impairment of the portfolio of financial and technical guarantees and doubtful receivables from members due to credit risk (notes 2 (e), 4 (d), 3, 8 and 16)

Description

The process of estimating the impairment due to credit risk of the outstanding exposure of financial and technical guarantees and doubtful receivables from members entails a significant and complex estimate, especially with regard to the identification and classification of exposures through loans, portfolio segmentation, and the use of significant assumptions such as the realisable value of the collateral associated with credit transactions or the portion of the credit risk that is counter-guaranteed.

As a result of the aforementioned judgement and complexity factors, we understand that the process of estimating impairment due to credit risk in the portfolio of financial and technical guarantees and doubtful receivables from members due to credit risk, is a significant risk, and has therefore been considered a relevant aspect of the audit.

Our response

Our audit procedures included understanding the Company’s control environment in relation to the monitoring of the outstanding exposure through financial and technical guarantees and doubtful receivables from members, for which we focused on the review of the Company's assessment of risks and monitoring alerts as well as evaluating the borrower review process aimed at determining their classification and the impairment to be recognised.

We also performed the following substantive procedures in relation to the estimate of impairment:

– Review of a sample of borrowers to assess whether they had been adequately classified.

– Recalculation of the provisions recognised by the Company.

– Validation of the correct functioning of the calculation engine, reviewing key factors for a sample therein (borrower risk segmentation, percentages covered and counter-guaranteed, default dates and discounting of collateral and guarantees).

– We obtained confirmation from the counter-guarantors of the balances by counter-guaranteed doubtful receivable from members, by standard outstanding exposure and counter-guaranteed doubtful receivable, as well as the counter-guaranteed provisions associated with these balances.

We also assessed whether the information on impairment due to credit risk in the portfolio of financial and technical guarantees and doubtful receivables from members disclosed in the annual accounts meets the requirements of the applicable financial reporting framework.

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Other Information: Directors' Report

Other information solely comprises the 2019 Directors' Report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2019 and the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Annual Accounts

The Company's Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company's Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

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As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Directors.

– Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Directors of the entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated to the Directors of Avalis de Catalunya, S.G.R., we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the most significant risks.

We describe these risks in our auditor’s report unless law or regulation precludes public disclosure about the matter.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors (“ROAC”) with No. S0702

(Signed on original in Spanish)

Fernando Renedo Avilés
On the Spanish Official Register of Auditors (“ROAC”) with No. 22,478

12 May 2020

AVALIS DE CATALUNYA, S.G.R.

BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

ASSETS	Euros	
	31/12/2019	31/12/2018 (*)
ASSETS		
Cash (note 9)	**14.332.756**	**4.538.392**
Trade and other receivables	**29.329.103**	**29.267.270**
Doubtful receivables from members (note 8)	15.849.570	16.085.010
Other receivables (note 7)	13.150.915	12.844.943
Public entities, other (note 15)	287.598	296.297
Other receivables (note 7)	41.020	41.020
Investments (note 9)	**43.534.189**	**53.114.348**
Equity instruments	329	329
Debt securities	39.033.272	39.858.485
Term deposits in credit institutions	4.500.588	13.255.534
Non-current assets held for sale (note 11)	**1.863.591**	**1.773.327**
Property and equipment (note 6)	**68.289**	**59.795**
Technical installations and other items	68.289	59.795
Intangible assets (note 5)	**200.035**	**171.821**
Other assets	**191.743**	**262.990**
TOTAL ASSETS	**89.519.706**	**89.187.943**
MEMORANDUM ITEM		
Outstanding risk through financial and technical guarantees extended (note 16	**392.516.929**	**393.908.262**
Financial guarantees	341.603.783	343.888.292
Of which: doubtful	29.366.346	32.400.855
Other guarantees	50.913.146	50.019.970
Of which: doubtful	1.708.263	1.385.521
Risks and other counter-guaranteed assets	**211.373.735**	**207.492.531**
Of which: doubtful financial and technical guarantees	16.202.897	16.916.081
Of which: doubtful receivables from members	10.488.634	10.517.939
Of which: foreclosed assets	1.015.381	1.109.208

LIABILITIES	Euros	
	31/12/2019	31/12/2018 (*)
LIABILITIES	**54.715.147**	**54.377.681**
Trade and other payables (note 12)	**756.195**	**762.258**
Other payables	687.779	692.374
Current tax liabilities (notes 12 and 15)	68.416	69.884
Payables (note 13)	**3.788.746**	**2.328.754**
Guarantees and deposits received	3.148.342	1.527.201
Counter-guarantors	202.873	30.661
Other payables	437.531	770.892
Liabilities associated with financial and technical guarantees (note 14)	**13.328.722**	**13.387.689**
Financial guarantees	12.957.733	13.031.084
Other guarantees	370.989	356.605
Provisions (note 8)	**10.133.675**	**11.636.779**
Provisions for financial and technical guarantees	10.133.675	11.636.779
Other provisions	-	-
Technical provisions. Collective coverage of all transactions (note 10.c)	**9.292.809**	**8.794.401**
Other liabilities	-	-
Capital repayable on demand (note 4.l)	**17.415.000**	**17.467.800**
EQUITY	**34.804.559**	**34.810.262**
Capital and reserves (note 10.a)	**18.509.343**	**18.515.046**
Capital (Nota 4.l)	**19.000.000**	**19.000.000**
Share capital (note 10.a)	36.415.000	36.467.800
Patron members	17.193.200	17.670.400
Participating members	19.221.800	18.797.400
Less:- Uncalled capital	-	-
Less:- Share capital repayable on demand	(17.415.000)	(17.467.800)
Reserves (note 10.b)	**207.398**	**207.398**
Prior years' profit or loss (note 3)	**(692.352)**	**(692.352)**
Profit/(loss) for the year (note 3)	**(5.703)**	**-**
Technical provisions. Third party contributions (note 10.c)	**16.295.216**	**16.295.216**
TOTAL EQUITY AND LIABILITIES	**89.519.706**	**89.187.943**

(*) Presented solely and exclusively for comparison purposes (see note 2 (h))

The accompanying notes 1 to 19 form an integral part of the annual accounts for the year ended 31 December 2019.

AVALIS DE CATALUNYA, S.G.R.

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros	
	2019	**2018 (*)**
Revenues (note 18.a)	**6.524.544**	**6.299.806**
Revenues from financial and technical guarantees	6.520.044	6.294.556
Services rendered	4.500	5.250
Other operating income	10.821	**4.480**
Personnel expenses (note 18.b)	**(1.876.268)**	**(1.820.905)**
Salaries and wages	(1.413.852)	(1.381.876)
Employee benefits expense	(462.416)	(439.029)
Other operating expenses (note 18.c)	**(1.090.832)**	**(1.014.936)**
Fees and commissions paid	(124.065)	(39.707)
Other operating expenses	(966.767)	(975.229)
Provisions for financial and technical guarantees (net) (notes 8 and 18.d)	**1.343.805**	**(1.257.707)**
Impairment due to bad debts on doubtful receivables from members (net) (notes 8 and 18.d)	**(5.110.510)**	**(1.885.409)**
Appropriation to technical provisions. Collective coverage of all transactions (net) (note 18.d)	**(498.409)**	**(902.656)**
Technical provisions. Third party contributions used (note 18.d)	**-**	**-**
Amortisation and depreciation (notes 5 and 6)	**(58.582)**	**(70.868)**
Impairment and gains/(losses) on disposal of fixed assets (note 6)	**(1.491)**	**-**
Impairment and gains/(losses) on non-current assets held for sale (net) (notes 11 and 18.d)	**(80.133)**	**(39.258)**
RESULTS FROM OPERATING ACTIVITIES	**(837.055)**	**(687.454)**
Finance income (notes 9 and 18.f))	**930.807**	**876.569**
Finance costs (notes 9 and 13)	**(93.752)**	**(189.115)**
NET FINANCE COST/INCOME	837.055	**687.453**
PROFIT/(LOSS) BEFORE INCOME TAX	-	-
Income tax (note 15)	(5.703)	-
PROFIT/(LOSS) FOR THE YEAR	**(5.703)**	**-**

(*) Presented solely and exclusively for comparison purposes (see note 2 (h))

The accompanying notes 1 to 19 form an integral part of the annual accounts for the year ended 31 December 2019.

AVALIS DE CATALUNYA, S.G.R.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros	
	2019	2018 (*)
PROFIT/(LOSS) FOR THE YEAR	**(5.703)**	**-**
Income and expense recognised directly in equity	**-**	**-**
Valuation adjustments	**-**	**-**
Available-for-sale financial assets	-	-
Other	-	-
Technical provisions. Third party contributions (note 10.c)	-	-
Tax effect	**-**	**-**
Amounts transferred to the income statement	**-**	**-**
Valuation adjustments	-	-
Available-for-sale financial assets	-	-
Other	-	-
Technical provisions. Third party contributions	-	-
Tax effect	**-**	**-**
TOTAL RECOGNISED INCOME AND EXPENSE	**(5.703)**	**-**

(*) Presented solely and exclusively for comparison purposes (see note 2 (h))

The accompanying notes 1 to 19 form an integral part of the annual accounts for the year ended 31 December 2019.

AVALIS DE CATALUNYA S.G.R

STATEMENTS OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Subscribed capital	Uncalled	Reserves	Capital repayable on demand	Prior years' profit and loss	Profit/(loss) for the year	Technical provisions	Total
Closing balance for 2017 (*)	**36.379.800**	**(1.000)**	**207.398**	**(17.378.800)**	**(692.352)**	**-**	**16.295.217**	**34.810.261**
Adjustments for changes in criteria	-	-	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-	-	-
Adjusted opening balance for 2018	**36.379.800**	**(1.000)**	**207.398**	**(17.378.800)**	**(692.352)**	**-**	**16.295.217**	**34.810.261**
Total recognised income and expense	-	-	-	-	-	-	-	-
Transactions with members	**88.000**	**1.000**	-	-	-	-	-	**89.000**
Capital increases	3.647.200	1.000	-	-	-	-	-	3.648.200
(-) Capital reductions	(3.559.200)	-	-	-	-	-	-	(3.559.200)
Capital repayable on demand	-	-	-	**(89.000)**	-	-	-	**(89.000)**
Other changes in equity	-	-	-	-	-	-	**(1)**	**(1)**
Closing balance for 2018	**36.467.800**	**-**	**207.398**	**(17.467.800)**	**(692.352)**	**-**	**16.295.216**	**34.810.262**
Adjustments for changes in criteria	-	-	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-	-	-
Adjusted opening balance for 2019	**36.467.800**	**-**	**207.398**	**(17.467.800)**	**(692.352)**	**-**	**16.295.216**	**34.810.262**
Total recognised income and expense	-	-	-	-	-	**(5.703)**	-	**(5.703)**
Transactions with members	**(52.800)**	-	-	-	-	-	-	**(52.800)**
Capital increases	3.070.800	-	-	-	-	-	-	3.070.800
(-) Capital reductions	(3.123.600)	-	-	-	-	-	-	(3.123.600)
Capital repayable on demand	-	-	-	**52.800**	-	-	-	**52.800**
Other changes in equity	-	-	-	-	-	-	-	-
Closing balance for 2019	**36.415.000**	-	207.398	**(17.415.000)**	**(692.352)**	**(5.703)**	**16.295.216**	**34.804.559**

(*) Presented solely and exclusively for comparison purposes (see note 2 (h))

The accompanying notes 1 to 19 form an integral part of the annual accounts for the year ended 31 December 2019.

AVALIS DE CATALUNYA S.G.R

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros	
	2019	**2018 (*)**
CASH FLOWS FROM OPERATING ACTIVITIES	**5.560.707**	**1.293.526**
Profit/(loss) for the year before tax	**-**	**-**
Adjustments for:	**(2.793.389)**	**(2.819.941)**
Changes in operating assets and liabilities	**355.805**	**(3.544.456)**
Trade and other receivables	(11.569.357)	(7.126.818)
Other assets	12.274.036	3.696.488
Trade and other payables	(294.703)	(281.482)
Other liabilities	(54.171)	167.356
Other cash flows from operating activities	**7.998.291**	**7.657.923**
Commissions received	7.547.757	7.313.545
Interest received/(paid)	448.150	307.953
Income tax received (paid)	2.384	36.425
CASH FLOWS USED IN INVESTING ACTIVITIES	**(2.345.053)**	**(3.017.881)**
Payments for investments	**(19.175.053)**	**(12.152.881)**
Intangible assets (note 5)	(64.461)	(54.260)
Property and equipment (note 6)	(32.322)	(10.884)
Investments	(18.986.192)	(12.058.005)
Non-current assets held for sale	(92.078)	(29.732)
Proceeds from sale of investments	**16.830.000**	**9.135.000**
Intangible assets	-	-
Property and equipment	-	-
Investments	16.400.000	9.000.000
Non-current assets held for sale (note 11)	430.000	135.000
CASH FLOWS FROM FINANCING ACTIVITIES	**6.578.710**	**3.334.858**
Proceeds from and payments for equity instruments	**1.641.391**	**873.580**
Capital Issue (note 10.a)	2.904.200	2.968.000
Capital redemption (note 10.a)	(2.007.200)	(2.094.420)
Technical provisions. Third party contributions (note 10.c)	-	-
Guarantees and deposits received	744.391	-
Proceeds from and payments for financial liability instruments	**4.937.319**	**2.461.278**
Counter-guarantors	5.071.665	2.983.416
Repayment of convertible debt	(134.346)	(522.138)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9.794.364**	**1.610.503**
Cash and cash equivalents at beginning of year	4.538.392	2.927.889
Cash and cash equivalents at year end	14.332.756	4.538.392

(*) Presented solely and exclusively for comparison purposes (see note 2 (h))

The accompanying notes 1 to 19 form an integral part of the annual accounts for the year ended 31 December 2019.

Avalis de Catalunya, Sociedad de Garantía Recíproca

Notes to the Annual Accounts for the year ended 31 December 2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

1. Activity of the Company

Avalis de Catalunya, Sociedad de Garantía Recíproca (hereinafter, Avalis or "the Company") was incorporated under Spanish law on 23 May 2003 as a mutual guarantee society (S.G.R., as per the Spanish acronym), and registered with number 9847 in Banco de España's Special Registry on 28 July 2003. It is a trading company and classified as a financial institution.

Pursuant to its articles of association, the Company's statutory activity is the extension of personal guarantees, through financial and technical guarantees or any other legally recognised means other than surety insurance, to its participating members for transactions performed as part of the ordinary course of their business, and other activities permitted under prevailing legislation at any given time.

The Company's registered office is located at Gran Vía de les Corts Catalanes, 635, in Barcelona.

2. Basis of Preparation of the Annual Accounts

a) Regulatory financial reporting framework applicable to the Company

These annual accounts have been prepared by the directors in accordance with the financial reporting framework applicable to the Company, which is that set forth in the following:

- Spanish Code of Commerce, the Spanish Companies Act and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007, and other applicable legislation.

- Mandatory standards approved by the Spanish Accounting and Auditing Institute (ICAC) in drafting the Spanish General Chart of Accounts and its supplementary standards.

- Law 1/1994 of 11 March 1994 on the legal regime governing mutual guarantee companies.

- Royal Decree 2345/1996 of 8 November 1996 on administrative authorisation rules and solvency requirements for mutual guarantee societies.

- Law 26/1988 of 29 July 1988 on discipline and intervention in credit institutions by Banco de España.

- Ministry of Economy and Finance Order EHA/1327/2009 of 26 May 2009 on special rules for the preparation, documentation and presentation of the accounting information of mutual guarantee societies.

- Banco de España Circular 5/2008 of 31 October 2008 on minimum own fund requirements and other information subject to mandatory submission.

- Certain aspects of Circular 4/2017 and subsequent amendments, as well as other applicable circulars.

- Law 14/2016 of 27 September 2016 on supporting entrepreneurs and their internationalisation.

- Other applicable Spanish accounting legislation

b) True and fair view

The accompanying annual accounts have been obtained from the accounting records of the Company and prepared in accordance with the applicable financial reporting framework and, in particular, with the accounting principles and criteria set forth therein, to give a true and fair view of the equity and financial position of the Company, as well as the results of its operations and its cash flows for 2019. These annual accounts, which have been authorised for issue by the Company's directors, will be submitted for approval by the shareholders at their general meeting and are expected to be approved with no changes. The annual accounts for 2018 were approved by the shareholders at the general meeting held on 27 May 2019.

c) Non-obligatory accounting principles applied

Only obligatory accounting principles have been applied. Additionally, the directors have prepared these annual accounts taking into consideration all mandatory accounting standards and principles which have a significant effect thereon. All mandatory accounting principles were applied.

d) Own funds

In accordance with article 5 of Royal Decree 2345/1996, for the purposes of compliance with the minimum solvency requirements for mutual guarantee societies, the Company's eligible own funds at 31 December 2019 and 2018 comprise the following items:

	Euros	
	31/12/2019	31/12/2018
Subscribed capital	36.415.000	36.467.800
Uncalled share capital	-	-
Reserves	207.398	207.398
Profit and loss	(5.703)	-
Prior years' losses	(692.352)	(692.352)
Technical provisions, net (note 10.c)	25.588.025	25.089.617
Intangible assets, net	(200.035)	(171.820)
Other reduced risks (*)	(1.496.286)	(500.167)
Eligible own funds	**59.821.750**	**60.400.475**
Own funds basis of the calculation of concentration limits on property and equipment and equity investments	**61.318.036**	**60.900.280**

(*) Capital used to reduce the provision for guarantees (see note 4.e)

Banco de España Circular 5/2008 of 31 October 2008, implementing Royal Decree 2345/1996, stipulates that eligible own funds must at no time fall below the sum of:

- ✓ 8% of outstanding exposure on loan guarantees weighted by type of financial and technical guarantees and commitments benefitting from counter-guarantee agreements signed with counter-guarantors, insurers or public entities that reduce credit risk.
- ✓ For operational risk, 15% of transactions.
- ✓ The amount required to cover credit or operational risk derived from commitments made or investments undertaken other than in the normal course of business.

At 31 December 2019, the Company's net eligible own funds exceed the minimum requirements by Euros 37,157,331 (Euros 37,570,474 in 2018). At 31 December 2019 and 2018, the Company's solvency ratio stands at 21.12% and 21.17%, respectively.

In accordance with Rule three of the Circular, the value of all exposures taken on by mutual guarantee societies on behalf of a single individual or economic group shall not exceed 20% of their own funds. At 31 December 2019 and 2018, the Company fulfils this requirement.

Rule four establishes the limit on property and equipment and equity investments, the sum of which shall not exceed 25% of eligible own funds. At 31 December 2019 and 2018, the Company fulfils this requirement.

Rule five stipulates that at least 75% of the Company's eligible own funds shall be invested in debt securities issued by the central or regional governments, fixed income securities traded on secondary official markets, or loans and advances to credit institutions. At 31 December 2019 and 2018, the Company fulfils this requirement (see note 9.b).

Lastly, Law 14/2016 of 27 September 2016 establishes the minimum capital and eligible own fund requirements for mutual guarantee societies at Euros 10 million and Euros 15 million, respectively. At 31 December 2019 and 2018, the Company fulfils both requirements.

e) Critical issues regarding the measurement and estimation of uncertainty

Estimates made by the Company's directors have been used in the preparation of these annual accounts to measure certain assets, liabilities, income, expenses and commitments recognised in the accounts. These estimates basically relate to the following:

- Evaluation of possible impairment losses on certain assets (see notes 5, 6, 9 and 11).
- The useful lives of property and equipment and intangible assets (see notes 5 and 6).
- The recognition of financial guarantee contracts (see notes 7 and 14).
- Estimation of bad debt provisions. Valuation allowances for bad debts, and the review of individual balances based on members' credit ratings, market trends and the historical analysis of bad debts at an aggregated level require a high degree of judgement by the board of directors. In this regard, the Company analyses the different receivables individually, and also considers Annex IX of Banco de España Circular 4/2017 when calculating impairment (see note 8).

On 1 January 2018, Banco de España Circular 4/2017 of 27 November 2017 on public and confidential financial reporting rules, and annual accounts formats, which supersedes Banco de España Circular 4/2004 of 22 December 2004 and subsequent amendments, came into force. The first-time application of Circular 4/2017 has negatively impacted the provision for doubtful exposures and for standard exposures under special monitoring by Euros 1,087,128 (see note 8). It also positively impacted valuation allowances for bad debts by Euros 89,090 (see notes 8 and 10(c)) and the provision for non-current assets held for sale by Euros 9,124 (see note 10(c)).

Although estimates are calculated based on the best information available at the 2019 reporting date, future events may require these estimates to be increased or decreased in subsequent years. Any such changes would be recognised prospectively.

f) Aggregation of items

Certain items in the balance sheet, income statement, the statement of changes in equity and the statement of cash flows are grouped to facilitate comprehension, although these are disclosed separately in the notes to the annual accounts if they are significant.

g) Changes in accounting criteria

No significant changes were made to the accounting criteria in 2019 compared to those applied in the preceding year.

h) Comparative information

The information for 2018 included in the annual accounts is presented solely for the purpose of comparison with the information for 2019.

On 1 January 2018, Banco de España Circular 4/2017 of 27 November 2017 for credit institutions, public and confidential financial reporting rules and financial statements formats, which amended Circular 4/2016 of 27 April 2016, came into force. The aim of this Circular is to adapt the accounting regime of Spanish credit institutions to the changes in European accounting regulations derived from the adoption of the new International Financial Reporting Standards (IFRS). This Circular is applicable to the Company as regards Annex IX (classification of risk, estimation of provisions and of asset impairment). The Company carried out an implementation project with the participation of all the areas affected: management, finance, risks, IT, business areas and the legal department. Application of this new Circular entailed a change in the estimation of impairment due to bad debts on doubtful receivables from members and foreclosed assets, as well as the provisions for collateral and guarantees, and the effect on the income statement is applied prospectively.

i) Environmental impact

Due to the nature of its activity, the Company does not have any environmental liabilities, expenses, assets, provisions or contingencies that are significant in comparison to its equity, financial position or profit and loss. Accordingly, no specific disclosures about environmental matters have been included in these notes to the annual accounts.

3. Distribution of Profit/Application of Loss

The income statement for 2019 shows a loss of Euros 5,703. The directors will propose to the shareholders at their next general meeting that this loss be carried forward as prior years' losses.

The income statement for 2018 presented results equal to zero. Consequently, no distribution of profit or application of loss was proposed for that year.

4. Significant Accounting Policies

The main accounting policies used by the Company to prepare the annual accounts for 2019 are as follows:

a) Intangible assets

This caption includes the cost of acquisition, net of accumulated amortisation and impairment losses, if any, of computer systems and programs acquired from third parties, the useful lives of which foreseeably extend over several years. Computer software maintenance costs are expensed as incurred. Intangible assets are amortised on a straight-line basis over a maximum period of three years from the date on which they come into service.

	Annual rate	Depreciation method	Estimated years of useful life
Computer software	33%	Lineal	3

Impairment of property, plant and equipment and intangible assets

At each year end (in the case of goodwill or assets with indefinite useful lives), or whenever there are indications of impairment, the Company tests assets for impairment that would reduce their recoverable amount to less than their carrying amount.

The recoverable amount is the higher of fair value less costs to sell and value in use.

Where an impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit is increased to the revised estimate of its recoverable amount. The increased carrying amount of an asset may not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment are recognised as income.

b) Property and equipment

Functional property and equipment are initially measured at cost of acquisition, less accumulated depreciation and impairment, if any, in accordance with the criteria indicated in note 4.a.

The Company depreciates property and equipment on a straight-line basis, over the estimated useful life of the respective assets, as follows:

	Years
Other installations, equipment and furniture	3-10
Other property and equipment	4-8

Depreciation of property and equipment commences when the assets enter into service.

Repair and maintenance costs of property and equipment are taken to the income statement when incurred. Conversely, amounts invested in improvements that increase the capacity or efficiency or extend the useful lives of assets are recognised as an increase in the cost of those assets.

c) Non-current assets held for sale

The Company recognises assets acquired in payment of debts under “Non-current assets held for sale” (see note 11). Assets acquired in payment of debts are assets that the Company receives from debtors in full or partial settlement of debt, irrespective of how ownership is acquired. The Company acquires all foreclosed assets with the intention to sell them in the shortest time possible, classifying these assets as “Non-current assets held for sale”, as permitted by Order EHA/1327/2009.

Property and equipment acquired for continued use, either for own use or as an investment property, are classified, recognised and measured in accordance with the criterion indicated in note 4.b.

In accordance with the amendment introduced by Circular 4/2017, foreclosed assets are generally recognised and measured at the lower of the carrying amount of the financial assets applied, i.e. at amortised cost, taking into account estimated impairment, and the market appraisal value of the assets received in their current state less estimated costs to sell (as provided in the aforementioned Circular). The net amount of these two items is the initial cost of the asset received. This item has not had a significant effect on the Company’s income statement following the entry into force of the new Circular (see note 2(b)).

Except in rare circumstances supported by clear evidence, assets received in payment of debts do not give rise to the recognition of gains or, where applicable, the release of provisions for the financial assets applied when these have previously been classified as doubtful assets.

All legal expenses are immediately recognised in the income statement for the period in which the asset is foreclosed. Registration fees and taxes paid could be added to the initial value of the asset, provided that the resulting amount does not exceed the appraisal value less estimated costs to sell. All costs incurred from the date of foreclosure to the date of sale to maintain and protect the asset, such as insurance, security services, etc., are expensed when incurred.

Foreclosed assets that remain in the balance sheet for a longer period than initially envisaged for their sale are tested on an individual basis and any impairment coming to light after acquisition are recognised. The impairment analysis takes into account not only reasonable offers received in the period compared with the asking price but also difficulties in finding buyers and, in the case of property and equipment, any physical impairment that may reduce their value.

At the reporting date, the Company assesses whether there is any internal or external indication that an asset may be impaired, such as significant falls in market value, evidence of obsolescence and rises in interest rates that may materially affect the recoverable amount of the asset. If any such indication exists, the Company estimates the recoverable amount of the asset.

In the event that the carrying amount of the assets exceeds fair value less cost to sell, the Company adjusts the carrying amount of the assets for the amount of this excess, with a balancing entry in “Impairment and gains/(losses) on non-current assets held for sale (net)” in the income statement. Where there are subsequent increases in the fair value of the assets, the Company reverses the previously recognised loss by increasing the carrying amount of the assets up to the amount recorded prior to impairment, with a balancing entry in “Impairment and gains/(losses) on non-current assets held for sale (net)” in the income statement.

Any foreclosed assets related to counter-guarantors are recognised as assets in accordance with the criteria set forth in the agreements entered into with these companies, and the amount payable to the counter-guarantor is recognised in “Counter-guarantors” under liabilities until the payment date.

d) Financial instruments

1. <u>Financial assets</u>

The Company’s financial assets are classified as follows:

a) Loans and receivables: these balances comprise financial assets originating from the sale of goods or the rendering of services related to the Company’s trading operations or those which, while non-commercial in origin, do not constitute equity instruments or derivatives, are receivable in a fixed or determinable amount and are not traded in an active market.

b) Held-to-maturity investments: debt securities with fixed maturity and determinable payments traded in an active market and that the Company has the positive intention and ability to hold to maturity.

Measurement at recognition

In general, financial assets are recognised initially at the fair value of the consideration paid plus any directly attributable transaction costs.

Subsequent measurement

Loans, receivables and held-to-maturity investments are measured at amortised cost using the effective interest method. Amortised cost is understood as the cost of acquisition of a financial asset or financial liability plus or minus, as appropriate, the principal repayments and the cumulative amortisation taken to the income statement of the difference between the initial cost and the maturity amount. The amortised cost of financial assets also includes any impairment losses.

The effective interest rate is the discount rate that exactly matches the initial value of a financial instrument to all its estimated cash flows for all items over its remaining life. For fixed rate financial instruments, the effective interest rate is the same as the contractual interest rate established on the acquisition date plus any fees that can be equated with a rate of interest, in light of their nature. In the case of floating rate financial instruments, the effective interest rate is the rate of return prevailing until the first date on which the benchmark interest rate will be revised. Nevertheless, financial assets which have no established interest rate, which mature or are expected to be received in the short term (less than one year), and for which the effect of discounting is immaterial, are measured at their nominal amount.

The Company tests financial assets not carried at fair value for impairment at least at each year end. Objective evidence of impairment is considered to exist when the carrying amount of the financial asset exceeds the recoverable amount. Impairment losses are recognised in the income statement.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership have been transferred.

Interest and dividends

Interest is recognised using the effective interest method.

Dividends from investments in equity instruments are recognised when the Company is entitled to receive them. If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investment since acquisition have been distributed, the carrying amount of the investment is reduced.

2. Financial liabilities

Financial liabilities comprise debts and payables deriving from the purchase of goods and services relating to the Company's commercial operations, or also those which, although non-commercial in origin, cannot be considered as derivative financial instruments.

Debts and payables are initially measured at the fair value of the consideration received, adjusted for any directly attributable transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, as described above.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term (less than one year), and for which the effect of discounting is immaterial, are measured at their nominal amount.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

3. Financial and technical guarantees extended

3.a) Financial guarantees

Financial guarantees are those requiring the Company to make specific payments to reimburse the holder for losses incurred when a particular debtor fails to meet a payment obligation under the original or amended conditions of a debt instrument such as a guarantee. This item includes guarantees used to secure, directly or indirectly, payables such as credit facilities, loans, finance leases and payment deferrals on all types of debt.

These contracts are initially recognised as liabilities under "Liabilities associated with guarantees - Financial guarantees". They are initially measured at fair value, which is equal to the fees and commissions or premium received plus the present value of any fees and commissions or premiums receivable as consideration for granting financial guarantees, discounted at the interest rate applicable to the guaranteed transaction when the guarantee is granted.

After initial recognition, the value of financial guarantee contracts not classified as doubtful is the amount initially recognised as a liability, less the portion recognised in the income statement as accrued income.

This income is recognised under "Revenues from financial and technical guarantees" in the income statement over the estimated life of the guarantee (see note 14).

Fees and commissions and premiums receivable are recognised in "Trade and other receivables - Sundry receivables" and are measured at their present value, discounting future cash flows at the same interest rate as that used to calculate liabilities associated with financial and technical guarantees. Interest generated by these assets is calculated using the interest rate at which they are initially discounted and recognised as finance income in the income statement.

However, transactions maturing in less than one year, liabilities associated with financial and technical guarantees and fees and commissions receivable are measured at their nominal amount when the effect of not discounting cash flows is immaterial.

Fees and commissions received at the inception of transactions that offset transaction costs are recognised under "Revenues from financial and technical guarantees" in the income statement. Fees and commissions received that are earmarked for offsetting transaction costs do not exceed 0.4% of the guaranteed risk and are limited to Euros 400 per transaction.

In no case do the revenues recognised for offsetting transaction costs exceed the fees and commissions received at the inception of the transaction.

For fees and commissions received when guarantees facilities are granted, the amounts not used to offset transaction costs are not taken to income until a guarantee is granted.

3.b) Other guarantees

Other guarantee contracts that do not qualify as a financial guarantee receive the same treatment, for measurement and presentation purposes, as financial guarantees, and are recognised under "Liabilities associated with financial and technical guarantees - Other guarantees".

The discount interest rate is the average interest rate at which the transactions secured by the Company are granted over a range of time that varies depending on interest rate fluctuations.

For transactions with no maturity date, the Company estimates it on the basis of historical experience with similar contracts.

3.c) Doubtful financial and technical guarantees

Financial guarantees and other guarantees, whatsoever the instrumentation, in which payment difficulties are expected and the Company considers their recovery to be doubtful, are classified as doubtful.

When a guarantee is classified as doubtful, the related fees and commissions receivable are reclassified to "Trade and other receivables - Doubtful receivables from members", and the balance under "Liabilities associated with financial and technical guarantees" related to the doubtful transaction is reclassified to "Provisions for financial and technical guarantees", and an impairment allowance for the asset and the necessary provisions are recognised.

e) Doubtful receivables from members, bad debt provisions and provisions for financial and technical guarantees

"Trade and other receivables - Doubtful receivables from members" in the accompanying balance sheet reflect amounts receivable from members for amounts paid by the Company to the beneficiaries of the guarantees when the corresponding guarantee is called, net of the corresponding provisions. It also includes expenses related to any legal proceedings and other receivables such as fees and commissions receivable and revenue from the rendering of services. Any amounts recovered and adjustments for write-offs of doubtful receivables from members are deducted from this item.

As explained in note 4.d).3.c), Doubtful financial and technical guarantees, it also includes fees and commissions receivable on doubtful financial and technical guarantees (see note 8).

Based on the insolvency risk attributable to the customer or the transaction, they are classified in one of the following categories:

- Standard exposure: transactions that do not meet the requirements for classification in other categories. Within standard exposure, a distinction is drawn between:

    - Standard exposures under special monitoring: transactions that, while not meeting the criteria for individual classification as doubtful or write-off, present weaknesses that may lead to losses exceeding those on other similar transactions classified as standard exposures.

- Doubtful exposures:

    - Doubtful exposures as a result of borrower arrears: This includes the amount of debt instruments, whosoever the borrower and whatever the guarantee or collateral, any part of whose principal, interest or contractually agreed expenses is more than 90 days past due, unless such instruments should be classified as write-offs. This category also includes guarantees given if the guaranteed party has fallen into arrears in the guaranteed transaction. This category includes the amounts of all a borrower's transactions if the transactions with amounts more than 90 days past-due exceed 20% of outstanding balances. For the sole purpose of determining the indicated percentage, the gross carrying amount of the transactions classified as doubtful due to arrears with past-due amounts shall form the numerator, and the gross carrying amount of all the debt instruments granted to the borrower shall form the denominator. If the percentage thus calculated exceeds 20%, both the debt instruments and the off-balance sheet exposures entailing credit risk will be transferred to doubtful due to arrears.

    - Reasons other than borrower arrears: This category includes debt instruments, whether past due or not, which are not classifiable as write-off or doubtful due to borrower arrears, but for which there are reasonable doubts about their full repayment (principal and interest) under the contractual terms. Also included are off-balance sheet exposures not classified as doubtful due to borrower arrears whose payment by the entity is likely but whose recovery is doubtful.

- Write-off: Avalis derecognises transactions when individual analysis indicates that their recovery is very unlikely. This category includes exposures of customers subject to bankruptcy proceedings with an application for liquidation, and transactions classified as doubtful due to arrears that have been in this category for more than four years, except those with sufficient effective collateral. It also includes transactions that are not in either of the two preceding situations, but whose solvency has undergone a manifest and irreversible deterioration.

To make the provision for bad debts, Avalis takes into consideration Annex IX of Banco de España Circular 4/2016, amended by Banco de España Circular 4/2017:

✓ Individual analysis: individually significant assets are analysed to identify customers showing objective evidence of impairment, and the incurred loss is calculated based on the present value of the expected future cash flows (repayment of principal plus interest) for each customer transaction (discounted using the original effective interest rate). The present value is then compared with the carrying amount.

✓ Collective analysis: for exposures not considered significant that show objective evidence of impairment and for other exposures, a collective calculation is made in accordance with the alternative solution provided for by Circular 4/2017 to determine the bad debt provision.

The balance of the bad debt provision is increased by the net charges made to profit and loss for each year (see note 8) and reduced by cancellations of debts considered uncollectible and recoveries arising in respect of amounts for which provisions had previously been recognised.

When a write-off occurs, the Company recognises the amount to be recovered from write-off hedging contracts (see note 8) as a receivable under “Trade and other receivables - Other receivables” with a credit to “Trade and other receivables - doubtful receivables from members” in the balance sheet. At 31

December 2019 the Company has receivables totalling Euros 1,482,399. At 31 December 2018, it had balances receivable in respect of this item amounting to Euros 1,540,731 (see notes 7 and 8).

Balances written off in respect of doubtful receivables from members, net of counter-guarantees, are adjusted with a charge to the bad debt provision.

The Company has no country risk exposure at 31 December 2019 and 2018 and, accordingly, no provision has been made in this regard.

Refinancing and/or restructuring operations:

On 1 January 2018, Banco de España Circular 4/2017 of 27 November 2017, which amends Annex IX of Banco de España Circular 4/2016 of 27 April 2016, came into force, establishing the classification criteria for refinancing, refinanced and restructured transactions which the Company must apply.

The Company has a policy for the refinancing, restructuring, renewal and renegotiation of operations, which has been approved by the board of directors and included in the Policies and Procedures Manual. This policy details the requirements, conditions and situations in which the Company offers customers in financial difficulties a range of measures to assist them.

The risk and monitoring departments are responsible for carrying out an individual financial analysis of each transaction to ensure that the refinancing, restructuring or payment plan is adequate and feasible for the member, and that it also guarantees the recovery of all the secured amounts or, failing that, to recognise any amounts that are deemed irrecoverable.

f) Technical provisions

In accordance with article 9 of Law 1/1994 of 11 March 1994, the Company must set up technical provisions in order to reinforce its solvency.

Technical provisions comprise:

- Charges made by the Company to the provision for bad debts in the income statement. There is no limit thereto. This is the amount that the Company charges to the income statement in accordance with article 9.a) of Law 1/1994 of 11 March 1994, on the legal regime governing mutual guarantee societies.

  Provisions made to cover specific credit risks are recognised under “Provisions” in the balance sheet while those used to cover financial assets or foreclosed assets in payment of debts are recognised as impairment allowances, reducing the balance of “Doubtful receivables from members” and “Non-current assets held for sale”, respectively.

  Provisions made to cover the collective risk of all transactions are recognised in “Technical provisions. Collective coverage of all transactions” under liabilities with a charge to “Technical provisions. Collective coverage of all transactions (net)” in the income statement. This provision may be used to offset specific credit risk as required for the assets, guarantees or impairment allowances for foreclosed assets in payment of debts. The amounts of this provision used to offset specific allowances and provisions recorded in the income statement are recognised as income in “Technical provisions. Collective coverage of all transactions (net)”.

- Contributions from third parties to technical provisions reflect amounts paid by third parties to the Company in respect of grants, donations and other non-repayable contributions, irrespective of their nature, in accordance with article 9.b) and c) of Law 1/1994 of 11 March 1994, on the legal framework governing mutual guarantee societies.

  These contributions are initially recognised in equity under “Technical provisions. Contributions from third parties”. If the Company has not recognised sufficient technical provisions during the year, without incurring losses, the amount contributed by third parties is recognised as income in “Technical provisions. Contributions from third parties used” in the income statement to offset:

    - The minimum provision for collective coverage of all transactions.

- The specific risk provision required for assets, financial and technical guarantees.

- The impairment allowance for foreclosed assets in payment of debts.

- Technical provisions. Collective coverage of all transactions: this is the amount of technical provisions used to cover the risk on all transactions. It must be equivalent to at least 1% of the Company's total outstanding exposure on financial and technical guarantees extended, debt securities and all other amounts receivable, except for:

  - The amount of exposures for which a specific provision has been made.

  - The amount of exposures derived from securities issued by public entities, including those arising on public debt reverse repurchase agreements, regional government bodies and other dependent public entities; the amount of exposures guaranteed by the aforementioned government bodies, directly or indirectly through bodies with unlimited guarantees; risk exposures subject to counter-guarantee or reinsurance from public bodies or companies of a European Union member state whose principal activity is the provision of reinsurance, or credit surety bonds, for the covered portion; risk exposures guaranteed by cash deposits; and fees and commissions receivable for guarantees.

  - A total of 50% of the amount of exposures which are sufficiently guaranteed through mortgages on completed housing, offices, multi-purpose premises and rural property.

  - Deposits in financial institutions

Technical provisions are reduced by the amount applied to cover specific credit risk related to doubtful transactions (insolvency, financial instruments whose recovery is unlikely, and assets acquired in payment of debts). Thus, net technical provisions are equal to the technical provisions not applied to cover specific credit risk of transactions (see note 10.c).

Charges, recoveries and applications of technical provisions are made with a credit or debit, as appropriate, to "Provisions for financial and technical guarantees (net)", "Impairment of doubtful receivables from members (net)", "Technical provisions. Collective coverage of all transactions. net", "Impairment and gains/(losses) on non-current assets held for sale (net)" and "Technical provisions. Contributions from third parties used" in the income statement (see note 10.c).

g) Income and expenses

Income and expenses are recognised on an accruals basis, considering the actual flow of the goods and services they represent, irrespective of collections and payments. Income is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably.

The interest and fees and commissions accrued on doubtful receivables from members are recognised as income when collected. Similarly, deferred amounts receivable from sales of foreclosed assets in payment of debts are recognised as gains when collected, with a credit to "Impairment and gains/(losses) on non-current assets held for sale".

h) Provisions and contingencies

When preparing the annual accounts the Company's directors make a distinction between:

- Provisions: balances payable for present obligations arising from past events, settlement of which will probably require an outflow of resources of uncertain amount and/or timing.

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

The annual accounts include all the provisions for amounts for which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the annual accounts, but rather are disclosed in the notes, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount necessary to settle or transfer the obligation, taking into account available information on the event and its consequences, and any adjustments arising from the discounting of these provisions are recognised as a finance cost as and when accrued.

i) Outstanding risk through financial and technical guarantees extended

The memorandum item for outstanding risk through financial and technical guarantees extended includes the outstanding balance of loan or credit guarantees for which guarantees have been extended at the reporting date, and other guarantees extended and arranged by the Company for the maximum amount of liability vis-à-vis third parties, distinguishing between “Financial guarantees” and “Other guarantees”, where no payment has been made to or claimed by the beneficiary of the guarantee.

In guarantees in which the risk increases as a result of interest accrual, the maximum guaranteed amount includes, in addition to the guaranteed principal, interest due and payable.

The amounts guaranteed by the Company may only be reduced or removed when there is duly documented evidence that the guaranteed exposures have decreased or ceased or when those amounts are paid to third parties.

Doubtful financial and technical guarantees payable to third parties are also recognised under “Outstanding Risk through financial and technical guarantees extended, of which: doubtful”.

Impairment of doubtful transactions is recognised in “Provisions for financial and technical guarantees” under liabilities.

In 2019 and 2018 counter-guaranteed risk includes the amount of exposures transferred to Compañía Española de Reafianzamiento, S.A. (CERSA) through counter-guarantee agreements (see note 8).

j) Termination and other benefits

In accordance with prevailing legislation, the Company is obliged to pay indemnities to employees whose contracts are terminated under certain conditions. In 2019 termination benefits amounted to Euros 40 and are recognised under “Personnel expenses - Salaries, wages and similar” in the accompanying income statement (Euros 2,573 in 2018). At the 2019 and 2018 reporting dates no provision has been made for termination benefits as no situations of this nature are foreseen.

k) Leases

Leases which transfer to third parties substantially all the risks and rewards incidental to ownership of the asset are classified as finance leases. All other leases are classified as operating leases.

Expenses deriving from operating lease agreements are taken to the income statement in the year in which they are accrued. Any payment or collection made in arranging an operating lease, where material, is treated as a prepayment or as revenues received in advance and taken to the income statement over the lease period, as the rewards of the leased asset are transferred or received. At 31 December 2019 and 2018, there are no prepayments yet to be taken to the income statement.

At the 2019 and 2018 year ends, the Company has a lease on the Barcelona office. The related operating lease instalments recognised as expenses in 2019 and 2018 amount to Euros 261,247 and Euros 257,573, (including VAT) respectively (see note 18.c y 18.g). The lease agreement was signed in 2012 for a 10-year period, comprising a compulsory five-year period for both parties and five years that are discretional for the lessee and compulsory for the lessor.

Other operating leases were held in 2019 and 2018, for amounts of Euros 26,710 and Euros 34,673, respectively (see note 18.c).

l) Classification of capital as equity or non-current liabilities

In accordance with Order EHA/1327/2009 of 26 May, member contributions to the capital of mutual guarantee societies are recognised as equity under “Capital” if the Company has a right to refuse to repay them due to prohibition by law or its articles of association. Under the aforementioned Order, the amount of capital is the greater of:

- the minimum capital stipulated in the articles of association, which stands at Euros 19,000,000 at 31 December 2019 and 2018.

- the minimum required amount of own funds not covered by other items eligible as own funds, calculated in accordance with the solvency regulations applicable to these companies.

At 31 December 2019 the minimum requirement for eligible own funds amounts to Euros 22,658,716 (Euros 22,830,000 at 31 December 2018) and is fully covered by other items eligible as own funds.

As the Company’s minimum capital is Euros 19,000,000 pursuant to its articles of association, in 2019 and 2018 the Company chose the first of these options and recognised that amount as capital, with a credit of Euros 17,415,000 and Euros 17,467,800 to “Capital repayable on demand” in the balance sheet at 31 December 2019 and 2018, respectively.

Capital contributions that cannot be recorded as equity are recognised as “Capital repayable on demand” in the accompanying balance sheet.

m) Income tax

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

Current tax is the amount of taxes payable by the Company as a result of income tax settlements for a period. Deductions and other tax relief applicable to tax payable, excluding withholdings and payments on account, and tax loss carryforwards applied in the current reporting period are accounted for as a reduction in current tax.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences, which are defined as the amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax loss carryforwards and available tax credits and deductions. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all temporary differences, unless the temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

Deferred tax assets are recognised only to the extent that it is probable that the Company will obtain future taxable profit against which they can be utilised.

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

Recognised deferred tax assets are reassessed at the end of each reporting period and adjusted if there are doubts as to their future recovery. Unrecognised deferred tax assets are also assessed at each reporting date, and are recognised when it is probable that they will be recoverable against future taxable profit (see note 15).

The standard rate of tax is 25%.

Under Law 1/1994, mutual guarantee societies benefit from the following tax benefits:

- Exemption from capital transfer tax and stamp duties on corporate operations for incorporations and capital increases and decreases, as well as those involving the extension of guarantees on behalf of its members.

- Exemption from corporate income tax on contributions to technical provisions made by public entities and on the interest earned thereon.

Furthermore, Income Tax Law 43/1995 of 27 December 1995 stipulates that technical provisions charged to profit and loss will be deductible from the income tax base until such technical provisions reach the mandatory minimum amount stipulated in Royal Decree 2345/1996 (see note 4(f)). As regards the provisions charged to profit and loss in excess of this minimum amount, 75% are deductible from the income tax base.

n) Statements of changes in equity

The statement of changes in equity presents all changes in equity arising from:

- total recognised income and expense.

- Changes in equity arising from transactions with Company members or owners in their capacity as such.

- Other changes in equity.

- Adjustments to equity due to changes in accounting criteria and corrections of errors must also be presented.

This statement is prepared taking the following considerations into account:

- Profit or loss from one year is transferred to the following year in the column “Prior years’ profit and loss”.

- The profit or loss from the prior year distributed or applied in the current year is reflected under “Other changes in equity”.

o) Statement of cash flows

The statement of cash flows has been prepared using the indirect method and the following expressions and definitions:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are not subject to significant risk of changes in value.

- -Operating activities: the usual activity of the Company and other activities that cannot be classified as investing or financing activities.

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

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

p) Pension obligations

The Company has no commitments in respect of pension plans for personnel nor any other commitments involving a significant amount that may require future disbursements. Consequently, the accompanying balance sheets do not include any provisions for these items.

q) Environment

The Company's directors consider that the environmental risks deriving from the Company's activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Company did not incur any environmental expenses or receive any environment-related grants during 2019 or 2018.

5. Intangible Assets

Movement in intangible assets during 2019 and 2018 is as follows (see note 4.a):

	Euros						
	Balance at 31/12/2017	Additions or charges	Disposals or Reductions	Balance at 31/12/2018	Additions or charges	Disposals or Reductions	Balance at 31/12/2019
Cost-							
Computer software	634.409	54.260	-	688.669	64.461	(244)	752.886
Other	39.743	-	-	39.743	-	-	39.743
Total cost	**674.152**	**54.260**	**-**	**728.412**	**64.461**	**(244)**	**792.628**
Accumulated amortisation							
Computer software	(491.861)	(42.547)	-	(534.408)	(26.913)	244	(561.077)
Other	(12.851)	(9.332)	-	(22.183)	(9.333)	-	(31.516)
Total accumulated amortisation	**(504.712)**	**(51.879)**	**-**	**(556.591)**	**(36.246)**	**244**	**(592.594)**
Total net intangible assets	**169.440**	**2.381**	**-**	**171.821**	**28.215**	**-**	**200.035**

Additions to intangible assets in 2019 and 2018 amount to Euros 64,461 and Euros 54,260, respectively, and mainly reflect improvements in the Company's applications.

No impairment has been recognised in 2019 or 2018.

At 31 December 2019 and 2018, fully amortised intangible assets in use amount to Euros 505,455 and Euros 494,432, respectively.

6. Property and Equipment

Movement in property and equipment during 2019 and 2018 is as follows (see note 4.b):

	Euros						
	Balance at 31/12/2017	Additions or charges	Disposals or reductions	Balance at 31/12/2018	Additions or charges	Disposals or reductions	Balance at 31/12/2019
Cost:							
Other installations, equipment and furniture	119.782	63	-	119.845	2.283	(3.755)	118.374
Other property and equipment	256.244	10.822	(157.497)	109.569	30.038	-	139.607
Total cost	**376.026**	**10.885**	**(157.497)**	**229.414**	**32.322**	**(3.755)**	**257.981**
Accumulated depreciation							
Other installations, equipment and furniture	(96.793)	(4.599)	-	(101.392)	(4.956)	2.264	(104.084)
Other property and equipment	(211.334)	(14.390)	157.497	(68.227)	(17.380)	-	(85.607)
Total accumulated depreciation	**(308.127)**	**(18.989)**	**157.497**	**(169.619)**	**(22.336)**	**2.264**	**(189.691)**
Total net property and equipment	**67.899**	**(8.104)**	**-**	**59.795**	**9.986**	**(1.491)**	**68.289**

No impairment has been recognised in 2019 or 2018.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

During 2019 disposals of property and equipment totalled Euros 3,755, giving rise to losses of Euros 1,491, recognised under "Impairment and gains/(losses) on disposals of fixed assets" in the accompanying income statement. In 2018 disposals of property, plant and equipment did not result in any gain or loss.

At 31 December 2019 and 2018, the carrying amount of property, plant and equipment is covered by insurance policies. At those dates, fully depreciated property, plant and equipment in use amount to Euros 122,523 and Euros 118,869, respectively.

7. Trade and Other Receivables

Details at 31 December 2019 and 2018 are as follows:

	Euros	
	31/12/2019	31/12/2018
Doubtful receivables from members (note 8)	15.849.570	16.085.010
Other receivables	13.150.915	12.844.943
Fees and commissions receivable for guarantees (note 4.d) *(3.a) and b)*)	10.651.529	11.197.524
Other receivables	2.499.386	1.647.419
Public entities, other (note 15)	287.598	296.297
Other receivables	41.020	41.020
Total	**29.329.103**	**29.267.270**

"Fees and commissions receivable for guarantees" mainly reflect the present value of fees and commissions receivable for risk coverage.

At 31 December 2019 and 2018, "Public entities, other" basically comprise the amounts withheld by financial institutions for the settlement of interest, tax credits for deductions and tax loss carryforwards, and temporary differences arising from income tax calculations (see note 15).

"Other receivables" include the amount receivable from CERSA for the counter-guarantee contract amounting to Euros 1,482,399 and Euros 1,540,731 at 31 December 2019 and 2018, respectively (see note nota 4.e). In 2019 this heading also includes the Euros 1,000,000 contribution receivable from the Catalan regional government pursuant to the agreement with the "Departament de la Vicepresidència i d'Economia i Hisenda de la Generalitat de Catalunya" (see note 13).

At 31 December 2019 and 2018, "Other receivables" basically include a long-term security deposit in respect of the rental of the Company's office in Barcelona.

8. Doubtful Receivables from Members and Provisions

Details of "Doubtful receivables from members" at 31 December 2019 and 2018 are as follows (see note 4.e):

	Euros	
	31/12/2019	31/12/2018
Secured	1.724.790	3.201.700
With personal guarantee from the company	12.129.948	11.214.355
Other collateral	2.614.439	2.317.686
Unsecured	3.748.032	2.562.077
Total doubtful receivables from members in respect of guarantees	**20.217.209**	**19.295.817**
Other doubtful receivables from members (*)	9.130	10.697
Total doubtful receivables from members	**20.226.339**	**19.306.514**
Impairment of bad debts from doubtful receivables from members (note 10.c)	**(6.891.506)**	**(5.895.541)**
Commissions from portfolio of doubtful receivables from members	2.753.249	2.908.533
Provisions for doubtful receivables from members	(238.511)	(234.496)
Net commissions from portfolio of doubtful receivables from members	**2.514.738**	**2.674.037**
Total doubtful receivables from members	**15.849.570**	**16.085.010**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(*) This basically comprises expenses related to claims for doubtful receivables for financial and technical guarantees.

Movement in doubtful receivables from members in respect of guarantees in 2019 and 2018 is as follows:

	Euros				
	Balance at 31/12/2018	Additions	Disposals	Transfers to Bad debts written off (note 4.e)	Balance at 31/12/2019
Doubtful receivables from members in respect of guarantees	19.306.514	13.373.143	(3.202.439)	(9.250.880)	20.226.339
Of which: amount counter-guaranteed	**10.517.939**				**10.488.634**

	Euros				
	Balance at 31/12/2017	Additions	Disposals	Transfers to Bad debts written off (note 4.e)	Balance at 31/12/2018
Doubtful receivables from members in respect of guarantees	22.512.755	9.522.531	(3.262.094)	(9.466.678)	19.306.514
Of which: amount counter-guaranteed	**11.765.142**				**10.517.939**

The balance at 31 December 2019 and 2018 and movement during the years then ended in “Write-off assets” and “Technical provisions for write-off assets” used for write-off assets, which the Company records internally as memorandum accounts, are as follows:

	Euros				
	Balance at 31/12/2018	Additions	Recovered assets on hold	Unclaimable disposals	Balance at 31/12/2019
Total Assets on hold:					
Amounts received from sociedades de reafianzamiento	10.699.006	5.165.264	(156.598)	(183.849)	15.523.824
Bad debts written off (Notas 4.e y 10.c)	14.157.076	9.324.331	(5.279.156)	(350.341)	17.851.911
	24.856.083	**14.489.595**	**(5.435.754)**	**(534.190)**	**33.375.735**
Fondo de Provisiones Técnicas on hold	**14.157.076**	**9.324.331**	**(5.279.156)**	**(350.341)**	**17.851.911**

	Euros				
	Balance at 31/12/2017	Additions	Recovered assets on hold	Unclaimable disposals	Balance at 31/12/2018
Total Assets on hold:					
Amounts received from sociedades de reafianzamiento	7.810.585	3.119.465	(212.040)	(19.004)	10.699.006
Bad debts written off (Notas 4.e y 10.c)	8.230.016	9.819.939	(3.751.449)	(141.430)	14.157.076
	16.040.602	**12.939.404**	**(3.963.489)**	**(160.434)**	**24.856.083**
Fondo de Provisiones Técnicas on hold	**8.230.016**	**9.819.939**	**(3.751.449)**	**(141.430)**	**14.157.076**

Technical provisions for write-off assets, including those for total write-off assets not subject to claim, amount to Euros 29,566,593 and Euros 25,330,227 in 2019 and 2018, respectively.

Impairment allowances for commercial credits and the provision for financial and technical guarantees at 31 December 2019 and 2018 are as follows:

	Euros	
	31/12/2019	31/12/2018
Impairment of doubtful receivables from members	6.891.506	5.895.541
Impairment of other receivables	9.378	11.790
Provision for insolvencies of commissions for doubtful receivables from members	238.510	234.496
Total provision for doubtful receivables from members and other receivables	**7.139.394**	**6.141.827**
Provisions for financial and technical guarantees	**10.133.675**	**11.636.779**
Provisions for financial and technical guarantees (note 10.c)	7.618.938	8.962.743
Amont of commissions for doubtful guarantees (note 4.d)	2.514.737	2.674.036

Movement in the provision for impairment for bad debts, not including fees and commissions for doubtful financial and technical guarantees, in 2019 and 2018 is as follows:

	Euros		
	Impairment of doubtful receivables from members	Provision for doubtful guarantees	Total provisions
Balance at 31 December 2017	**8.873.928**	**6.617.907**	**15.491.835**
Provisions for impairment of doubtful receivables from members (net) (note 18.d)	1.885.409	-	1.885.409
Impact new Circular (net) (notes 2.e, 10.c and 18.d)	(89.020)	1.087.128	998.108
10.c and 18.d)	-	1.257.707	1.257.707
Net adjustment of bad debts written off (notes 10.c and 11)	(4.528.490)	-	(4.528.490)
Balance at 31 December 2018	**6.141.827**	**8.962.742**	**15.104.569**
Provisions for impairment of doubtful receivables from members (net) (note 18.d)	5.110.510	-	5.110.510
10.c and 18.d)	-	(1.343.805)	(1.343.805)
Net adjustment of bad debts written off (notes 10.c and 11)	(4.112.943)	-	(4.112.943)
Balance at 31 December 2019	**7.139.394**	**7.618.937**	**14.758.331**

Compañía Española de Reafianzamiento, S.A.

The Company signs an annual counter-guarantee agreement with CERSA to partially cover both general and specific provisions and bad debts written off arising from risks assumed by the Company on behalf of its member SMEs. The main clauses set forth in the agreement signed in 2019 are as follows:

- CERSA provides coverage of the principal and current interest on medium- and long-term guarantees extended by the Company on behalf of SMEs to credit institutions, government and public entities, suppliers and customers, with the exception of those related to transactions expressly excluded in the agreement. The percentages covered are established according to the characteristics of the SME, the nature of the financed assets, the rating and purpose of the transaction for which the guarantee is required, and the achievement of the guarantee targets established for the mutual guarantee society by CERSA, which range from 35% to 80%.

- CERSA offers the possibility of covering certain transactions other than those described above, which are known as special transactions, the coverage of which is analysed individually.

The amount counter-guaranteed by CERSA which reflects the portion of the risk assumed by Cersa with the same guaranteed SME or companies of the same economic group, will not, under any circumstances, exceed the limit of Euros 750,000, considering CERSA’s aggregate outstanding exposure corresponding to the company and, where applicable, its economic group for guarantees arranged by the Company and by other guarantee companies that had guarantees or other guarantee instruments extended thereto.

- The agreement specifically establishes certain limitations according to the product, sector, purpose and amount.

- The outstanding exposure on transactions counter-guaranteed by CERSA on behalf of the mutual guarantee society shall not exceed 22% of CERSA's total outstanding risk vis-à-vis the guarantee system.

- CERSA is required to pay all or part of the percentage counter-guaranteed, on condition that the transaction is considered to be written off, in accordance with the definition thereof agreed by the parties.

- The risk coverage provided in this agreement is free, provided that the relevant quality ratio (calculated annually to determine the cost of the coverage) is not exceeded. The cost of the coverage in 2019 is Euros 85,325 recognised under “Fees and commissions paid” in the accompanying income statement. There was no cost in this respect in 2018.

- The agreement entered into force on 1 January 2019 and expired on 31 December 2019.

On 31 January 2020, the Company signed an agreement with CERSA governing the transactions that will be arranged in 2020.

Information on counter-guarantees provided by CERSA is shown below:

CERSA	Euros	
	31/12/2019	31/12/2018
Counter-guaranteed outstanding risk	199.869.720	195.865.384
of which: doubtful	*16.202.897*	*16.916.081*
Insolvencies for counter-guarantee agreements for which no provision has been made	8.928.758	9.776.877
Counter-guaranteed doubtful receivables from members	10.488.634	10.517.939
Insolvencies for counter-guarantee agreements for which no provision has been made	7.357.752	7.243.163
Counter-guaranteed foreclosed assets in payment of debt	1.015.381	1.109.208
Insolvencies for counter-guarantee agreements for which no provision has been made	505.570	553.142
Funds received from CERSA, net	34.451.958	29.441.377
of which: for the year	*5.010.580*	*4.447.425*
Amounts collected by the Company over which CERSA has rights	11.598	8.845
of which: for the year	*11.598*	*8.845*
Receivable amounts declared to CERSA	1.482.399	1.540.731

Agreement with the “Departament de la Vicepresidència i d’Economia i Hisenda de la Generalitat de Catalunya”

On 5 November 2019 the Company signed a collaboration agreement with the “Departament de la Vicepresidència i d’Economia i Hisenda de la Generalitat de Catalunya” regulating the technical provision contribution scheme. This agreement replaces and nullifies the agreement signed between the “Departament d’Economia i Coneixement de la Generalitat de Catalunya” and the Company on 19 October 2015 for the same purpose.

The agreement entered into force on the date of signing and is valid for three years. The agreement can be extended up to the maximum period established in article 49 h) of Public Sector Law 40/2015 of 1 October 2015, by mutual agreement of the parties and depending on budget availability, and the extension shall be executed through the signing of an addendum to the current agreement.

The agreement specifies the following purposes for the contributions to be made:

a) Contributions to the Company’s technical provisions, for the purpose of boosting its solvency.

   To determine the need for this contribution, the Company shall request that the Catalan regional government make a contribution to technical provisions whenever the technical provisions ratio (Technical provisions through contributions from third parties + Technical provisions for collective coverage of all transactions) / Outstanding exposure through financial and technical guarantees (at 31 December of the prior year) meets the following two requirements:

   - It is below 5%.

   - It is below the Spanish mutual guarantee society sector average for the prior year.

b) Contributions to a Company fund to subsidise the cost of the guarantee, facilitating the access of SMEs to credits.

For this purpose, the Catalan regional government shall make a contribution to the Company of up to Euros 1,000,000 within the first quarter of each year. Moreover, in the event the Company does not require any contribution to boost its solvency as regulated in the preceding section, it can request before 30 September of each year, that the amount for the solvency contribution be used to facilitate the access of SMEs to financing.

The maximum amount to be contributed by the “Departament de la Vicepresidència i d’Economia i Hisenda de la Generalitat de Catalunya” shall not exceed Euros 2,000,000 in each budget year. On 3 December 2019, the Catalan regional government authorised the contribution of Euros 1,000,000 to facilitate SME access to financing. This contribution is recognised under “Other receivables” with a balancing entry in the liability caption “Guarantees and deposits received” i at 31 December 2019 (see notes 7 and 13). The amount outstanding in this respect was received on 4 March 2020. At 31 December 2019 no transactions had been arranged under this agreement.

9. Cash and investments

a) Cash

Details at 31 December 2019 and 2018 are as follows:

	Euros	
	31/12/2019	31/12/2018
Cash	568	2.304
Current demand deposits	14.332.188	4.536.088
	14.332.756	**4.538.392**

In 2019 and 2018, the interest accrued on current account balances amounted to Euros 653 and Euros 1,428, respectively, and is shown under “Finance income” in the income statement (see note 18.f).

The weighted average rate of interest earned on current accounts in 2019 was 0.01% (0.02% in 2018).

b) Investments

At 31 December 2019 and 2018, this item includes investments, which basically comprise fixed-term deposits and debt securities.

	Euros	
Investments	31/12/2019	31/12/2018
Equity Instruments	329	329
Term deposits in credit institutions	4.500.588	13.255.534
Current	4.500.588	13.255.534
Non-current	-	-
Debt securities	39.033.272	39.858.485
Current	9.198.343	20.913.134
Non-current	29.834.929	18.945.351
	43.534.189	**53.114.348**

At 31 December 2019 and 2018, "Investments - Debt securities" comprise bonds and promissory notes acquired from third parties and classified as held-to-maturity investments as follows:

	Euros					
	2019			2018		
Rating	Fixed income public debt	Fixed income private debt	Total	Fixed income public debt	Fixed income private debt	Total
A+	-	998.137	998.137	-	997.000	997.000
A	-	3.029.469	3.029.469	-	-	-
A-	1.510.925	2.533.303	4.044.228	1.003.953	7.062.409	8.066.362
BBB+	-	6.287.371	6.287.371	505.171	8.279.728	8.784.899
BBB	-	11.506.856	11.506.856	-	8.134.995	8.134.995
BBB-	-	3.164.168	3.164.168	-	3.930.616	3.930.616
BB+	-	2.538.502	2.538.502	-	-	-
BB	7.464.541	-	7.464.541	9.944.613	-	9.944.613
B+	-	-	-	-	-	-
B	-	-	-	-	-	-
No rating	-	-	-	-	-	-
Total	**8.975.466**	**30.057.806**	**39.033.272**	**11.453.737**	**28.404.748**	**39.858.485**

At 31 December 2019, 7% of investments have a residual period of less than 12 months, 13% between 12 and 24 months and the remainder between 24 and 67 months. At the 2018 reporting date, 16% of non-current investments had a term of less than 15 months, 5% between 15 and 24 months, and the remainder between 24 and 60 months.

The interest earned on term deposits in banks amounted to Euros 5,458 and Euros 13,579 in 2019 and 2018, respectively, and is shown under "Finance income" in the income statement (see note 18.f). Similarly, the interest accrued on debt securities in 2019 and 2018 amounted to Euros 381,755 and Euros 460,524, respectively, and has been recognised under "Finance income" in the income statement (see note 18.f). In 2019 and 2018, expenses arising from investments amounted to Euros 88,294 and Euros 179,688, respectively, and are recognised under "Finance costs" in the income statement for the year.

In 2019 and 2018 the average yield on investments was as follows:

Investments	2019	2018
Term deposits in credit institutions	0,07%	0,10%
Debt securities	0,74%	0,76%

No impairment of debt securities has been recognised in 2019 or 2018.

10. Equity

a) Capital

The capital of mutual guarantee societies comprises subscribed capital, uncalled capital and capital repayable on demand.

The subscribed capital of the Company, made up of contributions from members, is variable between the minimum stipulated in the articles of association and three times that amount, and is divided into equity investments of equal par value. At 31 December 2019 and 2018, the minimum registered capital established in the articles of association is Euros 19,000,000 (see note 4.l). Within the limits established, the Company's capital can be increased by the board of directors by creating new equity investments which must be fully subscribed and of which at least 25% must be paid on creation. Capital may be reduced through the repayment and cancellation of equity investments with the prior agreement of the board of directors. The board of directors may delegate these powers to the executive committee and the CEO.

In accordance with section 5 of Annex I of Ministerial Order EHA/1327/2009, at 31 December 2019 the Company has classified the excess above the minimum statutory capital under "Capital repayable on demand". As a result, at 31 December 2019 the Company has recognised "Capital repayable on demand" amounting to Euros 17,415,000 (Euros 17,467,800 at 31 December 2018).

Under Law 1/1994, patron members, whose direct or indirect equity investments may not exceed 50% of the minimum established in the articles of association, may co-exist with participating members on whose behalf guarantees have been extended. Equity investments held by public entities, regional government bodies and other public entities, trading companies in which the former entities hold majority stakes, or entities that represent or associate economic interests of a general nature are not eligible when calculating this percentage.

At 31 December 2019 and 2018, subscribed capital comprises 182,075 and 182,339 equity investments, respectively, of Euros 200 par value each. Patron members hold 85,966 of these equity investments (88,352 equity investments at 31 December 2018). Under prevailing legislation, patron members may not receive guarantees from the Company.

In accordance with the Company's articles of association, the equity investments required to obtain a guarantee from the Company must be fully paid when the guarantee is granted.

Participating members may only withdraw their membership once all outstanding transactions have been settled and in no case may the amount of capital repaid exceed the actual value of the equity investments contributed, up to the limit of their par value. Should the Company's capital be insufficient to cover debts assumed prior to the repayment date, members will be liable for the amount of capital repaid for five years following repayment. Repaid capital at 31 December 2019 stands at Euros 7,989,000 (Euros 7,623,200 at 31 December 2018). The breakdown by year of repayment is as follows (in Euros):

Year	**31/12/2019**	**31/12/2018**
2014	-	1.061.400
2015	1.859.000	1.859.000
2016	1.656.000	1.656.000
2017	1.622.000	1.622.000
2018	1.424.800	1.424.800
2019	1.427.200	-
	7.989.000	**7.623.200**

Movement in the Company's capital in 2019 and 2018 is as follows:

Subscribed capital	Euros
Balance at 31 December 2017	**36.379.800**
Plus- Member subscriptions	3.647.200
Acceptance of members	2.153.400
Capital increases of members	1.493.800
Less- Capital reduction	(3.559.200)
Member departures	(1.766.600)
Member capital reductions	(1.792.600)
Balance at 31 December 2018	**36.467.800**
Plus- Member subscriptions	3.070.800
Acceptance of members	1.873.000
Capital increases of members	1.197.800
Less- Capital reduction	(3.123.600)
Member departures	(1.344.800)
Member capital reductions	(1.778.800)
Balance at 31 December 2019	**36.415.000**

In 2019, the capital held by patron members decreased by Euros 477,200 (Euros 821,800 in 2018). In 2019 the capital held by participating members showed a net increase of Euros 424,400 (Euros 909,800 in 2018).

In addition, at 31 December 2019, the total capital reduction includes Euros 645,600 for capital applied for debt repayment in respect of doubtful receivables from members (Euros 427,845 at 31 December 2018).

At 31 December 2019 and 2018, the capital claimed by participating members and pending repayment amounts to Euros 31,384 and Euros 130,072, respectively.

At 31 December 2019 and 2018, share capital is held as follows:

	Euros	
Subscribed capital	31/12/2019	31/12/2018
Patron members	**17.193.200**	**17.670.400**
Participating members:	**19.221.800**	**18.797.400**
Guaranteed	16.568.400	16.433.600
Of which: doubtful	1.699.800	1.706.400
Without outstanding transactions	2.653.400	2.363.800
	36.415.000	**36.467.800**

At 31 December 2019, the Company had not recognised any amount in respect of unpaid subscribed capital.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The complete list of patron members, together with the amount of capital subscribed and fully paid at 31 December 2019 and 2018 is as follows:

Holder	Euros	Percentage ownership (*)
	Subscribed capital at 31/12/2019	
INSTITUT CATALÀ DE FINANCES	4.650.000	12,77%
GENERALITAT DE CATALUNYA	3.563.000	9,78%
CAIXABANK S.A.	1.993.000	5,47%
BANCO BILBAO VIZCAYA ARGENTARIA SOCIEDAD ANONIMA	1.278.200	3,51%
BANCO SANTANDER, S.A.	1.185.800	3,26%
BANKIA, S.A.	1.121.800	3,08%
BANCO DE SABADELL, S.A.	845.000	2,32%
INSTRUMENTS FINANCERS PER EMPRESES INNOVADORES, S.L.	802.400	2,20%
CONSORCI DE COMERÇ, ARTESANIA I MODA DE CATALUNYA	755.600	2,07%
INSTITUT CATALA DE LES EMPRESES CULTURALS	285.600	0,78%
CONSELL GENERAL DE CAMBRES DE CATALUNYA	204.600	0,56%
DEUTSCHE BANK, S.A.	120.000	0,33%
PRECI INVERSION,S.L	120.000	0,33%
CONFEDERACIO DE COOPERATIVES DE CATALUNYA	63.800	0,18%
FUNDACIO ESPECIAL PINNAE	24.000	0,07%
CAJA RURAL DE ARAGÓN, SOCIEDAD COOPERATIVA DE CRÉDITO	24.000	0,07%
CAIXA DE CRÉDIT DELS ENGINYERS, S.COOP. DE CRÉDIT	24.000	0,07%
CAJAMAR CAJA RURAL, SOCIEDAD COOPERATIVA DE CRÉDITO	24.000	0,07%
BANKINTER, S.A.	24.000	0,07%
ABANCA CORPORACION BANCARIA, S.A.	24.000	0,07%
ARQUIA BANK, S.A	24.000	0,07%
PIMEC PETITA I MITJANA EMPRESA DE CATALUNYA	17.600	0,05%
FOMENT DEL TREBALL	9.000	0,02%
ASSOCIACIO CATALANA DE MUNICIPIS I COMARQUES	4.800	0,01%
FEDERACIO DE SOCIETATS LABORALS DE CATALUNYA	4.800	0,01%
CAMBRA DE COMERÇ DE TARREGA	200	0,00%
Socios Protectores	**17.193.200**	**47,21%**

(*) Percentage ownership with respect to total share capital.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Holder	Euros Subscribed capital at 31/12/2018	Percentage ownership (*)
INSTITUT CATALÀ DE FINANCES	4.650.000	12,75%
GENERALITAT DE CATALUNYA	3.448.400	9,46%
CAIXABANK S.A.	1.993.000	5,47%
INSTRUMENTS FINANCERS PER EMPRESES INNOVADORES, S.L.	1.392.000	3,82%
BANCO BILBAO VIZCAYA ARGENTARIA SOCIEDAD ANONIMA	1.278.200	3,51%
BANKIA, S.A.	1.121.800	3,08%
BANCO SANTANDER, S.A.	1.185.800	3,25%
BANCO DE SABADELL, S.A.	845.000	2,32%
CONSORCI DE COMERÇ, ARTESANIA I MODA DE CATALUNYA	756.400	2,07%
INSTITUT CATALA DE LES EMPRESES CULTURALS	295.600	0,81%
CONSELL GENERAL DE CAMBRES DE CATALUNYA	204.600	0,56%
PRECI INVERSION,S.L	120.000	0,33%
DEUTSCHE BANK, S.A.	120.000	0,33%
CONFEDERACIO DE COOPERATIVES DE CATALUNYA	63.800	0,17%
CAJA RURAL DE ARAGÓN, SOCIEDAD COOPERATIVA DE CRÉDITO	24.000	0,07%
CAIXA DE CRÉDIT DELS ENGINYERS, S.COOP. DE CRÉDIT	24.000	0,07%
CAJAMAR CAJA RURAL, SOCIEDAD COOPERATIVA DE CRÉDITO	24.000	0,07%
BANKINTER, S.A.	24.000	0,07%
FUNDACIO ESPECIAL PINNAE	24.000	0,07%
ABANCA CORPORACION BANCARIA, S.A.	24.000	0,07%
CAJA DE ARQUITECTOS, S. COOP. DE CREDITO	24.000	0,07%
FOMENT DEL TREBALL	9.000	0,02%
PIMEC PETITA I MITJANA EMPRESA DE CATALUNYA	9.000	0,02%
ASSOCIACIO CATALANA DE MUNICIPIS I COMARQUES	4.800	0,01%
FEDERACIO DE SOCIETATS LABORALS DE CATALUNYA	4.800	0,01%
CAMBRA DE COMERÇ DE TARREGA	200	0,00%
Socios Protectores	**17.670.400**	**48,45%**

(*) Percentage ownership with respect to total share capital.

b) Reserves and profit and loss

Movement in reserves during 2019 and 2018 is as follows:

Legal reserve	Euros 31/12/2019	Euros 31/12/2018
Opening balance	207.398	207.398
Profit/(loss) for the year	-	-
Closing balance	**207.398**	**207.398**

The legal framework governing mutual guarantee societies makes the following provisions:

- *Limits on distribution of profit*

  Only profits actually earned or express freely distributable cash reserves may be distributed to members, provided that the actual value of assets net of callable liabilities does not fall below capital.

  The distribution of profit, if any, must be carried out within the limits stipulated in Law 1/1994 of 11 March 1994, specifically the minimum solvency requirements established therein (article 32 of the Company's articles of association).

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- *Legal reserve*

  The Company will appropriate at least 50% of post-tax profit each year to a legal reserve until it reaches the equivalent of three times its minimum capital. This reserve may only be used to offset losses in the income statement and it must be replenished whenever it drops below the level indicated (article 33 of the Company's articles of association).

- *Distribution of profit*

  Once the appropriation mentioned in the previous paragraph has been made, profits may be distributed among the members in proportion to their paid-in capital.

  To the extent permitted by existing surpluses and freely distributable reserves, profits equivalent to, at most, the legal interest rate plus two percentage points may be distributed among the members. However, in order to strengthen the Company's solvency, profits may not be distributed among the members until the sum of the legal reserve and freely distributable reserves is equal to twice the minimum capital.

  Surplus profits from previous transactions must be appropriated to freely distributable reserves (article 34 of the Company's articles of association).

c) Technical provisions, net

In 2019 and 2018, movement in this balance sheet item is as follows (in Euros) (see note 4.f):

	Technical provisions				
	Collective coverage of all transactions		Third party contributions		Net
	Standard	Applied	Standard	Applied	
Balance at 31 December 2017	**14.418.617**	**(5.537.959)**	**26.620.078**	**(10.324.862)**	**25.175.875**
Third party contributions (note 8)	-	-	-	-	-
Impact of new Circular (note 8)	-	(988.914)	-	-	(988.914)
Provisions charged to profit and loss (note 18.d)	4.091.200	-	-	-	4.091.200
Transfers to bad debts written off (notes 8 and 11)	(4.528.490)	4.528.490	-	-	-
Use of technical provisions (note 18.d)	-	(3.969.687)	-	-	(3.969.687)
Impairment of doubtful receivables from members (note 8)	-	(2.356.662)	-	-	(2.356.662)
Provision for doubtful guarantees (note 8)	-	(1.552.660)	-	-	(1.552.660)
Provision for impairment of foreclosed assets (note 11)	-	(60.365)	-	-	(60.365)
Recovery of technical provisions	-	781.144	-	-	781.144
Impairment of doubtful receivables from members (note 8)	-	471.254	-	-	471.254
Provision for doubtful guarantees (note 8)	-	294.953	-	-	294.953
Provision for impairment of foreclosed assets (note 11)	-	14.937	-	-	14.937
Balance at 31 December 2018	**13.981.327**	**(5.186.926)**	**26.620.078**	**(10.324.862)**	**25.089.617**
Contributions from third parties (note 8)	-	-	-	-	-
Provisions charged to profit and loss (note 18.d)	4.345.246	-	-	-	4.345.246
Transfers to bad debts written off (notes 8 and 11)	(4.236.366)	4.236.366	-	-	-
Use of technical provisions (note 18.d)	-	(6.226.871)	-	-	(6.226.871)
Impairment of doubtful receivables from members (note 8)	-	(5.337.907)	-	-	(5.337.907)
Provision for doubtful guarantees (note 8)	-	(807.041)	-	-	(807.041)
Provision for impairment of foreclosed assets (note 11)	-	(81.923)	-	-	(81.923)
Recovery of technical provisions	-	2.380.033	-	-	2.380.033
Impairment of doubtful receivables from members (note 8)	-	227.397	-	-	227.397
Provision for doubtful guarantees (note 8)	-	2.150.846	-	-	2.150.846
Provision for impairment of foreclosed assets (note 11)	-	1.790	-	-	1.790
Balance at 31 December 2019	**14.090.208**	**(4.797.398)**	**26.620.078**	**(10.324.862)**	**25.588.025**

Technical provisions applied have been allocated to the following provisions for balance sheet items at 31 December 2019 and 2018:

	Euros	
	31/12/2019	31/12/2018
Assets acquired in payment of debt (note 11)	391.114	434.405
Impairment of doubtful receivables from members (note 8)	7.102.831	6.102.851
Impairment of other receivables (note 8)	9.378	11.790
Provisions for doubtful financial and technical guarantees (note 8)	7.618.937	8.962.742
Total	**15.122.260**	**15.511.788**

The breakdown of net technical provisions at 31 December 2019 and 2018 is as follows:

	Euros	
	31/12/2019	31/12/2018
Technical provisions for collective coverage of all transactions	9.292.810	8.794.401
Technical provisions. Third party contributions	16.295.216	16.295.216
Total	**25.588.026**	**25.089.617**

At 31 December 2019 and 2018, the minimum level of technical provisions required for collective coverage of credit risk of all transactions amounts to Euros 2,012,507 and Euros 2,034,798, respectively (see note 4(f)).

d) Information on the nature and level of risk of financial instruments

The main financial risks affecting the Company are as follows:

a) Credit risk:

The Company is not significantly exposed to credit risk.

The Company has established risk acceptance procedures based on a detailed analysis of each transaction. Transactions are approved by each authorised body/committee, based on the characteristics of the transactions.

The Company has established limits for risks arising from third parties.

Furthermore, the Company has a monitoring committee which is responsible for oversight and control of the activities carried out by the monitoring and recovery departments.

In general the Company holds its cash and cash equivalents in accordance with the cash management procedures manual approved by the board of directors.

b) Liquidity risk:

To ensure liquidity and meet all the payment commitments arising from its activity, the Company has the cash reflected in its balance sheet, as well as the investments described in note 9.

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash. Of its investments, 50% have a residual maturity of up to 12 months.

c) Market risk:

Both the cash balances and the financial debt of the Company are exposed to interest rate risk, which could have an adverse impact on its financial results and cash flows. Consequently, it is Company policy to invest primarily in short-term fixed income investments, deposits and commercial paper.

11. Non-current Assets Held for Sale

At 31 December 2019 and 2018, this item comprises property, plant and equipment acquired in payment of debts. The Company has the positive intention to sell all the assets recognised in this line item.

Movement during 2019 and 2018 in this account is as follows:

	Euros									
	Balance at 31/12/2017	Additions or charges	Releases	Impact of new Circular	Sales and transfers to bad debts written off	Balance at 31/12/2018	Additions or charges	Releases	Sales and transfers to bad debts written off	Balance at 31/12/2019
Cost:										
Foreclosed assets	**1.578.357**	**622.720**	**-**	**-**	**(49.174)**	**2.151.903**	**734.713**	**-**	**(687.741)**	**2.198.875**
Property acquired in payment of debt	1.578.357	622.720	-	-	(49.174)	2.151.903	734.713	-	(687.741)	2.198.875
Other assets acquired in payment of debt	-	-	-	-	-	-	-	-	-	-
Other	**103.272**	**-**	**-**	**-**	**(47.443)**	**55.829**	**-**	-	-	**55.829**
	1.681.629	**622.720**	**-**	**-**	**(96.617)**	**2.207.732**	**734.713**	**-**	**(687.741)**	**2.254.704**
Provision:										
Assets acquired in payment of debt (notes 8 and 10.c)	**(398.172)**	**(60.365)**	**15.007**	**9.124**	**-**	**(434.405)**	**(41.890)**	**2.560**	**82.622**	**(391.113)**
Property acquired in payment of debt	(398.172)	(60.365)	15.007	9.124	-	(434.405)	(41.890)	2.560	82.622	(391.113)
Other assets acquired in payment of debt	-	-	-		-	-	-	-	-	-
Other	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**
	(398.172)	**(60.365)**	**15.007**	**9.124**	**-**	**(434.405)**	**(41.890)**	**2.560**	**82.622**	**(391.113)**
Total	**1.283.458**	**562.355**	**15.007**	**9.124**	**(96.617)**	**1.773.327**	**692.823**	**2.560**	**(605.119)**	**1.863.591**

In 2019 buildings acquired in payment of debts, which had been recognised with a cost of Euros 687,741 (Euros 49,174 in 2018), were sold. The related provisions totalled Euros 286,532 (with no impairment recognised in 2018), of which Euros 123,424 had been made by the Company and Euros 163,108 by CERSA. The total selling price of these assets was Euros 430,000 (Euros 135,000 in 2018). During 2019, the sale of foreclosed assets did not give rise to any profit or loss. In 2018 the sale of foreclosed assets generated a gain of Euros 6,170, which was recognised under “Impairment and gains/ (losses) on disposal of fixed assets” in the accompanying income statement for 2018.

Movements in the provision for assets acquired in payment of debts and the gains and losses on the disposal thereof are recognised under “Impairment and gains/ (losses) on non-current assets held for sale (net)” in the income statement.

12. Trade and Other Payables

Details of this item at 31 December 2019 and 2018 are as follows:

	Euros	
	31/12/2019	31/12/2018
Invoices pending receipt	179.407	188.653
Payables for the rendering of services	38.782	58.943
Salaries payable	217.744	194.656
Other payables to members	83.541	186.018
Other	168.305	64.104
Public entities (note 15)	68.416	69.884
Total	**756.195**	**762.258**

13. Payables

Details at 31 December 2019 and 2018 are as follows:

	Euros	
	31/12/2019	31/12/2018
Guarantees and deposits received	3.148.342	1.527.201
Counter-guarantors	202.873	30.661
Other payables	437.531	770.892
Total	**3.788.746**	**2.328.754**

At 31 December 2019, “Security and other deposits received” essentially reflect the balance of Euros 151,200 (Euros 304,400 in 2018) available on the Euros 500,000 contribution received from the Generalitat de Catalunya in 2014 to finance projects of small and medium-sized enterprises through the SMEs and self-employed professionals facility in the agricultural, livestock, fishing, forestry and agri-food sector. This item also includes the balance of Euros 1,127,000 (Euros 1,096,600 in 2018) available on the Euros 1,200,000 contribution received from the “Servei Públic d’Ocupació de Catalunya” (Catalan employment service) in 2016, to set up a loan facility for active employment policies, and the balance deposited by the participating members to guarantee transactions, of Euros 814,492 (Euros 70,100 in 2018). In 2019 this heading also includes the Euros 1,000,000 contribution receivable from the Catalan regional government pursuant to the agreement with the “Departament de la Vicepresidència i d’Economia i Hisenda de la Generalitat de Catalunya” (see note 8).

In 2019 and 2018, “Counter-guarantors” include amounts payable to CERSA due to its participation in the recovery of bad debts written off.

“Other payables” reflect the amount of convertible debt issued by the Company and entirely subscribed by Instruments Financers per a Empreses Innovadores, S.L. through an agreement signed by the parties on 27 December 2010. In 2015, the Company stepped out of this agreement and began making the pertinent reimbursements in the amount of converted debt not assigned to transactions. Total convertible debt reimbursed in 2019 amounts to Euros 669,395 (Euros 1,006,817 in 2018).

The purpose of the agreement was to promote Avalis' granting of guarantees to facilitate the financing of production assets (and any other assets envisaged) of small and medium-sized enterprises, including microenterprises and self-employed professionals.

For each guarantee arranged through this facility, 2.5% of the amount of the secured risk was converted into capital.

The cumulative amount of debt converted into capital through these transactions in 2019 is Euros 737,200 (Euros 1,115,200 in 2018).

Convertible debt accrues a variable rate of interest indexed to 1-year Euribor plus a spread of 1%.

Interest settlements are per calendar year in arrears, on 31 December each year. Settlements for 2019 and 2018 amount to Euros 5,458 and Euros 9,427, respectively, and have been recognised under “Finance costs” in the accompanying income statement.

14. Liabilities Associated with Financial and Technical Guarantees

This item reflects the fees and commissions received plus the present value of any fees and commissions receivable as consideration for granting financial guarantees, less the portion taken to the income statement.

Movement in 2019 and 2018 is as follows:

	Euros
Balance at 31 December 2018	**13.387.689**
Plus- Additions for the year	6.280.434
Less-	
Charges for the year	(5.927.355)
Transfers to provision for financial and technical	(412.046)
Balance at 31 December 2019	**13.328.722**

	Euros
Balance at 31 December 2017	**13.266.815**
Plus- Additions for the year	6.648.959
Less-	
Charges for the year	(5.707.819)
Transfers to provision for financial and technical	(820.266)
Balance at 31 December 2018	**13.387.689**

15. Taxation

Details of "Public entities" in the accompanying balance sheet at 31 December 2019 and 2018 are as follows:

	Euros	
2019	Assets	Liabilities
Taxation authorities, withholdings	-	-
Taxation authorities, income tax	2.100	-
Tax credits	285.071	-
Taxation authorities, rent withholdings	-	-
Social Security receivable	427	-
Taxation authorities, income tax	-	-
Value added tax	-	-
Social Security	-	35.298
Withholdings and payments on account	-	33.118
Taxation authorities, other taxes	-	-
Balance at 31 December 2019	**287.598**	**68.416**

	Euros	
2018	Activo	Pasivo
Taxation authorities, withholdings	-	-
Taxation authorities, income tax	2.384	-
Tax credits	290.774	-
Taxation authorities, rent withholdings	-	-
Social Security receivable	-	-
Taxation authorities, income tax	-	-
Value added tax	-	-
Social Security	3.139	35.373
Withholdings and payments on account	-	34.511
Taxation authorities, other taxes	-	-
Balance at 31 December 2018	**296.297**	**69.884**

Due to the treatment permitted by fiscal legislation of certain transactions, accounting profit/loss may differ from the taxable income/tax loss. A reconciliation of the accounting profit/loss for the period and the taxable income/tax loss for corporate income tax in 2019 and 2018 is as follows:

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros
	2019
- Profit/(loss) for the year before tax	**-**
- Permanent differences	**253.902**
Non-deductible expenses	1.238
Provision for risk and exposure under special monitoring	(22.812)
Excess appropriation to technical provisions	355.447
Adjustments due to difference in first-time application	(79.970)
Other adjustments	-
Gross taxable income/(tax loss)	**253.902**

	Euros
	2018
- Profit/(loss) for the year before tax	**-**
- Permanent differences	**236.582**
Non-deductible expenses	-
Provision for risk and exposure under special monitoring	124.184
Excess appropriation to technical provisions	192.137
Adjustments due to difference in first-time application	(239.911)
Positive adjustment due to transitional provision 39 of the	159.940
Other adjustments	232
Gross taxable income/(tax loss)	**236.582**

Permanent differences arise from the following:

- Non-deductible expenses, essentially fines and penalties.
- Provisioning expense during the year in respect risk and exposures under special monitoring.
- Appropriations to the technical provision made by the Company during the year.
- Adjustments for the impact of first-time application of Banco de España Circular 4/2017 of 27 November 2017.

- A reconciliation of profit/loss before tax with the income tax expense for 2019 and 2018 is as follows:

	Euros 2019
- Profit/(loss) for the year before tax	**-**
- Permanent differences	**253.902**
Non-deductible expenses	1.238
Provision for risk and exposure under special monitoring	(22.812)
Excess appropriation to technical provisions	355.447
Adjustments due to difference in first-time application	(79.970)
Other adjustments	-
Gross taxable income/(tax loss)	**253.902**
Tax loss	**(253.902)**
Taxable income	-
Gross income tax expense	(5.703)
Unused tax loss carryforwards	**-**
Prior years' income tax expense	-
Income tax expense for the year	**(5.703)**

	Euros 2018
- Profit/(loss) for the year before tax	**-**
- Permanent differences	**236.582**
Non-deductible expenses	-
Provision for risk and exposure under special monitoring	124.184
Excess appropriation to technical provisions	192.137
Adjustments due to difference in first-time application	(239.911)
Positive adjustment due to transitional provision 39 of the	159.940
Other adjustments	232
Gross taxable income/(tax loss)	**236.582**
Tax loss	(236.582)
Taxable income	**-**
Gross income tax expense	**-**
Unused tax loss carryforwards	-
Prior years' income tax expense	-
Income tax expense for the year	-

In accordance with Spanish tax legislation, losses declared may be carried forward to be offset against profits of subsequent accounting periods, the amount being distributed as considered appropriate. Losses are offset when the tax returns are filed, without prejudice to the taxation authorities' power of inspection.

In 2013, income tax for 2009, 2010 and 2011 was rectified and income tax recognised in 2012 was modified, resulting in a reduction in the income tax expense of Euros 617,434 and a tax credit of Euros 88,520, due to the capitalisation of tax loss carryforwards and unused deductions. In 2014, a request was filed with the taxation authorities to rectify income tax for 2009, 2010, 2011, 2012 and 2013, which at the end of 2014 issued a favourable ruling on income tax for 2009. This ruling entailed recognising tax loss carryforwards of Euros 2,167,874, which the Company has not capitalised as it believes the requisites for doing so are not met. In 2016, a favourable ruling was handed down by the taxation authorities for 2010, 2011, 2012 and 2013. This ruling entailed recognising tax loss carryforwards of Euros 5,507,702, which the Company has not capitalised as it believes the requisites for doing so are not met.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Details of tax loss carryforwards available for offset at 31 December 2019, in Euros, are as follows:

Origin	Tax losses generated	Offset in prior years	Offset during the year	Unused
2009	(2.167.874)	1.683.986	253.902	(229.986)
2010	(2.704.306)	-	-	(2.704.306)
2011	(187.219)	-	-	(187.219)
2012	(469.175)	-	-	(469.175)
2013	(2.147.001)	-	-	(2.147.001)

Details of available deductions at 31 December 2019 are as follows:

Item	Year	Amount
Deductions to promote certain activities (chap. IV. Title VI of Law 43/95 and Income Tax Law)	2004	108
	2005	211
	2006	1.241
	2007	4.931
	2008	2.793
	2009	745
	2010	720
Total deductions		10.749

Deductions generated up to 2009 have been capitalised in the balance sheet at the 2019 and 2018 reporting dates.

In accordance with prevailing legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed.

At 31 December 2019, the Company has open to inspection income tax for 2010 to 2013 and 2015, and all other taxes for 2016 and subsequent years.

16. Outstanding Risk through Financial and Technical Guarantees Extended

Details of financial and technical guarantees extended by the Company and in force at 31 December 2019 and 2018, and movement therein, are as follows:

	Euros						
	Balance at 31/12/2017	Arrangements	Cancellations and write offs	Balance at 31/12/2018	Arrangements	Cancellations and write offs	Balance at 31/12/2019
Financial guarantees	338.030.179	127.005.430	(121.147.317)	343.888.292	128.200.857	(130.114.628)	341.974.522
Other guarantees	52.002.530	15.390.771	(17.373.331)	50.019.970	19.005.772	(18.483.335)	50.542.407
	390.032.709	**142.396.202**	**(138.520.648)**	**393.908.262**	**147.206.629**	**(148.597.963)**	**392.516.929**

Details of financial and technical guarantees extended by the Company classified by beneficiary, and movement therein in 2019 and 2018 are as follows:

	Euros						
	Balance at 31/12/2017	Arrangements	Cancellations and write offs	Balance at 31/12/2018	Arrangements	Cancellations and write offs	Balance at 31/12/2019
Credit institutions	288.706.664	118.150.292	(113.258.823)	293.598.133	122.670.835	(121.323.296)	294.945.672
Public entities	87.471.328	18.050.631	(19.366.900)	86.155.058	19.950.655	(19.502.698)	86.603.015
Other beneficiaries	13.854.717	6.195.279	(5.894.925)	14.155.071	4.585.139	(7.771.968)	10.968.242
	390.032.709	**142.396.202**	**(138.520.648)**	**393.908.262**	**147.206.628**	**(148.597.962)**	**392.516.929**

The portion of financial and technical guarantees in force at 31 December 2019 and 2018 considered doubtful is Euros 31,074,610 and Euros 33,786,376, respectively, of which Euros 29,366,346 (Euros 32,400,855 in 2018) are financial guarantees and the remainder are of a technical or economic nature. Of these amounts, under the agreements currently in place (see note 8), an amount of Euros 16,202,897 (Euros 16,916,081 in 2018) has been counter-guaranteed, of which Euros 15,922,537 (Euros 16,907,601 in 2018) are financial guarantees and Euros 280,359 (Euros 8,480 in 2018) are technical or economic guarantees. The provision recognised in respect of the financial and technical guarantees in force amounts to Euros 7,618,938 (Euros 8,962,743 in 2018) (see notes 4.e and 8).

Outstanding Risk are reflected in the balance of outstanding risk at 31 December 2019 and 2018, after deducting maturities already serviced by the borrowers or, where applicable, by the Company as guarantor. From the date the Company commenced its activity until 31 December 2019, there have been net write-offs totalling Euros 29,566,593 (Euros 63,487,846, not considering effective cover provided by CERSA). At 31 December 2018, net write-offs amounted to Euros 25,330,228 (Euros 54,234,482, not considering effective cover provided by CERSA). The total amount of financial and technical guarantees arranged since the Company's incorporation, whether expired or in force, at 31 December 2019 is Euros 1,693,631,690 (Euros 1,546,425,062 in 2018).

The Company's board of directors has stipulated a ceiling for outstanding risk vis-à-vis a single member at any given date. At 31 December 2019 and 2018 no member exceeded the specified maximum amount.

The Company has counter-guaranteed a total of Euros 199,869,720 of outstanding risk at 31 December 2019 (Euros 195,865,584 in 2018). Of this amount, Euros 179,662,156 (Euros 172,526,463 in 2018) reflect financial and technical guarantees classed as standard exposures, Euros 16,202,897 (Euros 16,916,080 in 2018) are doubtful financial and technical guarantees and Euros 4,004,667 (Euros 6,422,840 in 2018) are exposures under special monitoring, pursuant to the agreement entered into with CERSA (see note 8).

17. Information on the Board of Directors

a) Remuneration and other payments to board of directors

In 2019 and 2018, no amounts were accrued in respect of allowances for attendance at meetings of the executive committee or the board of directors. At 31 December 2019 and 2018 the Company has not extended any advances or loans to current or former members of the board of directors. At 31 December 2019 and 2018, financial and technical guarantees have been extended under market conditions to a related company of one of the Company's directors, in an amount of Euros 1.000.000. Salaries, wages and variable remuneration paid to the directors of the Company discharging executive duties and to the management team amount to Euros 331,757 and Euros 326,103 in 2019 and 2018, respectively, and have been recognised under “Personnel expenses – Salaries, wages and similar” in the income statement for the year.

The Company has taken out public liability insurance for its directors and management. The premium for 2019 and 2018 is Euros 4,989 and has been recognised under “Other operating expenses” in the accompanying income statement.

At 31 December 2019 and 2018, the Company's board of directors comprises 11 members, 9 of whom are male and two female.

b) Details of conflicts of interest affecting the directors, pursuant to article 229 of Royal Legislative Decree 1/2010 of 2 July 2010, which approves the Revised Spanish Companies Act

At the 2019 reporting date, neither the members of the board of directors of Avalis de Catalunya S.G.R. nor their related parties, as defined by the Spanish Companies Act, have reported to the other members of the board any conflicts of interest, direct or otherwise, with the Company.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

18. Other Information

a) Revenues

The distribution of revenues from guarantees, by geographical market, in respect of the Company's ordinary activity in 2019 and 2018 is as follows:

Geographical market	Euros	
	31/12/2019	31/12/2018
Barcelona	5.287.189	5.070.129
Tarragona	366.520	327.147
Girona	315.557	399.919
Lleida	431.726	334.854
Other	123.552	167.756
	6.524.544	**6.299.806**

The distribution of these revenues by type of transaction is as follows:

Type of transaction	Percentage	
	31/12/2019	31/12/2018
Financial guarantees	89%	88%
Other guarantees	11%	12%
	100%	**100%**

b) Personnel expenses

Details of this item in 2019 and 2018 are as follows:

	Euros	
	31/12/2019	31/12/2018
Salaries and wages	1.413.851,71	1.381.876
Salaries and wages	1.215.128	1.210.707
Termination benefits	40	2.573
Other personnel	198.684	168.597
Employee benefits	462.416	439.029
Social Security	382.843	368.009
Other employee	79.574	71.021
	1.876.268	**1.820.905**

The distribution, by category, of the average employee headcount in 2019 and 2018 is as follows:

	No. of employees		Gender			
			Male		Female	
	2019	2018	2019	2018	2019	2018
Board members	1	1	1	1	0	-
Management	5	5	3	3	2	2
Graduates	20	19	11	11	9	8
Administrative staff	10	10	4	4	6	6
	36	**35**	**19**	**19**	**17**	**16**

The distribution of serving employees by category at the 2019 and 2018 reporting dates is as follows:

	No. of employees		Gender			
			Male		Female	
	2019	2018	2019	2018	2019	2018
Board members	1	1	1	1	-	-
Management	5	5	3	3	2	2
Graduates	17	20	9	11	8	9
Administrative staff	11	10	4	4	7	6
	34	**36**	**17**	**19**	**17**	**17**

The Company had no employees with any disability at 31 December 2019 and 2018.

c) Other operating expenses

Details of other operating expenses for 2019 and 2018 are as follows:

	Euros	
	31/12/2019	31/12/2018
Leases (Note 4.k)	287.957	292.246
External advisors	334.733	339.991
Repairs and	41.021	37.263
Advertising	117.026	140.064
Utilities	13.024	13.287
Insurance	28.606	21.802
Other services	126.849	115.389
Taxes	17.552	15.188
Bank fees and	124.065	39.707
Total	**1.090.832**	**1.014.936**

In 2019 and 2018 fees, not considering VAT, for audit and other services rendered either by the auditor (KPMG Auditores, S.L.), by a company in the same group or by a related company of the auditor are as follows:

2019

Euros	Services rendered by the auditor and related companies
Audit services	29.965
Other assurance services	-
Total audit and related services	**29.965**
Tax advisory services	-
Other services	4.850
Total tax services	-
Total professional services	**34.815**

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2018

Euros	Services rendered by the auditor and related companies
Audit services	29.965
Other assurance services	-
Total audit and related services	**29.965**
Tax advisory services	-
Other services	13.600
Total tax services	-
Total professional services	**43.565**

The amounts detailed in the above tables include the total fees for 2019 and 2018, irrespective of the date of invoice.

d) Change in trade provisions and change in technical provisions

	Euros	
	31/12/2019	31/12/2018
Provision for financial and technical guarantees (net) (note 8)	1.343.805	(1.257.707)
Impairment due to bad debts on doubtful receivables from members (note 8)	(5.110.510)	(1.885.409)
Impairment and gains/(losses) on non-current assets held for sale (note 11)	(80.133)	(39.258)
Appropriation to technical provisions. Collective coverage of all transactions	(498.409)	(902.656)
Appropriation to technical provisions (note 10.c)	*(4.345.246)*	*(4.091.200)*
Recoveries of technical provisions (note 10.c)	*(2.380.033)*	*(781.143)*
Use of technical provisions (note 10.c)	*6.226.871*	*3.969.687*
Appropriation to technical provisions. General provision	-	-
Surplus general provision	-	-
Technical provisions. Third party contributions used	-	-
Use of technical provisions (note 10.c)	-	-
Use of general technical provision	-	-
Recoveries of technical provisions (note 10.c)	-	-

e) Late payments to suppliers

Disclosures required by additional provision three of Law 15/2010 of 5 July 2010 are as follows:

	2019	**2018**
	Days	**Days**
Average supplier payment period	11,59	17,82
Transactions paid ratio	11,29	13,93
Transactions payable ratio	**24,37**	**106,33**
	Amount	**Amount**
Total payments made	1.486.352	1.257.661
Total payments outstanding	34.339	55.274

The payments to suppliers reflected in the above table are trade payables as they relate to goods and services, and therefore include the various items recognised in “Trade and other payables” on the balance sheet.

f) Finance income

Details of finance income, in Euros, are as follows:

Euros		
	31/12/2019	31/12/2018
Income from commission adjustment	348.498	357.433
Income from cash and investments (note 9)	387.866	475.531
Income from late payments and recoveries	194.443	43.605
Total finance income	**930.807**	**876.569**

g) Related party balances and transactions

Details of balances vis-à-vis related parties at 31 December 2019 and 2018 and of transactions conducted therewith in the years then ended, in Euros, are as follows:

2019

	Asset balances	Liability balances	Expenses	Income
Debt securities (Institut Català de Finances)	7.466.841	-	-	58.354
Convertible debt (Instruments Financers per a Empreses Innovadores)	-	437.531	(5.458)	-
Office rent (Institut Català de Finances)	-	-	(261.247)	-
Deposits received (Generalitat de Catalunya)	-	2.333.400	-	-
Revenue from the rendering of services (Institut Català de Finances)	-	-	-	4.500
Total	**7.466.841**	**2.770.931**	**(266.704)**	**62.854**

2018

	Asset balances	Liability balances	Expenses	Income
Debt securities (Institut Català de Finances)	9.944.613	-	-	59.567
Convertible debt (Instruments Financers per a Empreses Innovadores)	-	770.892	(9.427)	-
Office rent (Institut Català de Finances)	-	-	(257.573)	-
Deposits received (Generalitat de Catalunya)	-	1.456.200	-	-
Revenue from the rendering of services (Institut Català de Finances)	-	-	-	5.250
Total	**9.944.613**	**2.227.092**	**(267.000)**	**64.817**

19. Events after the Reporting Period

On 11 March 2020 the World Health Organization declared the outbreak of Coronavirus disease (COVID-19) to be a pandemic, due to its rapid spread across the globe, having affected over 150 countries. The majority of governments are taking restrictive measures to contain the spread, including: shielding, lockdown, quarantine and restrictions on the free movement of people, the closure of public and private premises (except for basic necessities and health services), border closures and a drastic reduction in air, sea, rail and land transport. In Spain, the government enacted Royal Decree 463/2020 of 14 March 2020, declaring a state of emergency to manage the health crisis triggered by COVID-19, which, a priori, will remain in force for 15 calendar days.

This situation is having a significant impact on the global economy due to the interruption or slowdown of supply chains and the substantial increase in economic uncertainty, evidenced by greater volatility in asset prices and exchange rates, and a drop in long-term interest rates.

To mitigate the economic impacts of this crisis, on Wednesday 18 March 2020, Royal Decree-Law 8/2020 of 17 March 2020 on extraordinary urgent measures to address the economic and social impact of COVID-19 was published in Spain.

The consequences derived from COVID-19 are considered an event after the reporting period that does not require an adjustment in the annual accounts for 2019, but must be disclosed in the annual accounts for 2020.

Although no consequences have arisen at the date the annual accounts were authorised for issue, the Company expects significant events to arise in the future, which cannot be reliably estimated at present. During 2020 the Company will assess the impact of the above-mentioned events on the equity and financial position at 31 December 2020 and on the results of operations and cash flows for the year then ended.

In order to provide SMEs funds to respond to the exceptional lack of liquidity brought about by the COVID-19 emergency, the Catalan regional government, through the “Departament de la Vicepresidència i d’Economia i Hisenda,” has approved the creation of the financing facility with the financial institutions “ICF-Avalis liquiditat,” which will be managed by ICF and AVALIS and is 80% guaranteed by the Catalan regional government, through ICF and AVALIS. In addition, on 25 March 2019 the Catalan regional government approved the contribution of Euros 10 million to the technical provisions of Avalis to mitigate the possible impact on the Company’s solvency. This contribution was made in 2020.

The Company also has a contingency plan to ensure its operations continue as normal during this exceptional period.

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Directors' Report for the year ended 31 December 2019

Activity

In 2019, the Company has arranged 1,734 financial and technical guarantees for an amount of Euros 151,105,989 during the course of its activity denoting a rise of 1% in the number of financial and technical guarantees and 5% in the volume of transactions arranged compared to 2018.

At 31 December 2019, the outstanding risk amounts to Euros 392,516,929, which is very similar to that of the prior year, for a total of 6,322 financial and technical guarantees. The average amount of financial guarantees arranged with financial institutions in 2019 was Euros 116,118, while other guarantees totalled Euros 30,817. In 2019, 194 newly-incorporated companies received guarantees, compared with 125 in the prior year. Guarantees granted in 2019 contributed to preserving, or created, 26,994 jobs, compared with the 27,729 in the previous year.

In 2019, in addition to its commercial activity based primarily on promotion and diffusion amongst its main influencers (financial institutions, chambers, associations, departments of the Generalitat, etc.), which has been ongoing since its incorporation, the Company strengthened its direct commercial activity through its team of sales agents.

Composition and nature of risk

Various classifications of outstanding risk at 31 December 2019, in Euros, are as follows.

By guaranteed sector:

	Number	Amount	%
Primary sector	185	14.304.366	4%
Industrial sector	1.260	79.608.506	20%
Construction sector	457	24.683.857	6%
Tertiary sector	4.420	273.920.200	70%
Total	**6.322**	**392.516.929**	**100%**

By person or entity vis-à-vis which the financial and technical guarantees was sought:

	Number	Amount	%
Banks	3.587	289.284.907	74%
Other credit institutions	72	4.510.700	1%
Suppliers	107	9.572.089	2%
Public entities	2.512	87.270.708	22%
Other	44	1.878.526	0%
Total	**6.322**	**392.516.929**	**100%**

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By type of guarantees received:

	Number	Amount	%
Actual	1.058	94.315.857	24%
Mortgage	193	17.902.355	5%
With other security	865	76.413.503	19%
Personnel	3.194	184.927.828	47%
Unsecured	2.070	113.273.243	29%
Total	**6.322**	**392.516.929**	**100%**

Default rates:

	Total	Net counter-guaranteed
Outstanding risk	392.516.929	192.647.210
Secured members past due (SAM)	20.226.339	9.737.705
Doubtful exposures	31.074.609	14.871.712
Member bad debts written off	33.375.733	17.851.910
Ratio: SAM/ Outstanding risk + SAM	4,90%	4,81%
Ratio: Doubtful exposure/ Outstanding r	7,92%	7,72%
Ratio: Bad debts written off/ Outstandin	8,50%	9,27%

Working capital

Patron members' capital has varied in 2019, due mainly to the reimbursement of capital to Instruments Financers per Empreses Innovadores, S.L (IFEM), as a result of the termination of the convertible debt facility contract signed with IFEM in 2010, and the reimbursement of the portion of capital assigned to matured transactions of the capital facility signed with Instruments Financers per Empreses Innovadores (IFEM). The net reduction amounted to Euros 477,200, bringing patron members' capital to Euros 17,193,200, comprised of 85,966 shares of Euros 200 par value each. The number of patron members is 26. Capital corresponding to patron members at 31 December 2019 represents 47.21% of total capital, compared to 48.45% at 31 December 2018. Capital of participating members has varied as follows:

	Equity investments	Capital
31 December 2018	**93.987**	**18.797.400**
Acceptance of members	9.365	1.873.000
Capital increases of members	5.113	1.022.600
Member departures	(6.724)	(1.344.800)
Capital reductions of members	(5.632)	(1.126.400)
31 December 2019	**96.109**	**19.221.800**

Compliance with ratios

At 31 December 2019, the Company complied with all of the minimum ratios stipulated in the legislation in force regarding own funds, obligatory investment thereof, the solvency ratio and the amount to be covered by the technical provision. Thus, at 31 December 2019:

- The surplus technical provision amounted to Euros 23,575,518.
- Surplus own funds totalled Euros 37,157,331.
- No exposure vis-à-vis any economic group exceeded 20% of eligible own funds.
- Investments in property and equipment and equity investments represent 0.50% of eligible own funds, and must not exceed 25% of such eligible own funds.
- With regard to the obligation to invest in certain assets (75% minimum investment), such investments held by the Company at 31 December 2019 exceed the statutory 75%.

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Corporate governance

Through its Joint Audit and Control Committee (hereinafter, JA&CC), Avalis supervises the effectiveness of the Company's internal control, internal audit and risk control. In addition to the above, it supervises the preparation of regulated financial information, and guarantees the suitability of the members of the board of directors, senior management and similar positions, and of people who hold key positions for carrying out its daily activity, during the process of selection and continuous assessment. With respect to changes in the board of directors, with effect from 27 May 2019 GESTIÓN Y REPRESENTACIÓN GLOBAL, S.L.U. was appointed board member, represented by Mr Miguel Capdevila Mulet. Subsequently, on 25 November 2019, the board member BANCO BILBAO VIZCAYA ARGENTARIA, S.A. appointed Mr Joan Piera Miquel as its new individual representative, in replacement of Mr Joan Perona Martínez. As for the CMAiC, Ms Patricia Trillo Fox continues to be the chairwoman, acting in representation of CAIXABANK, S.A., and with effect from 25 November 2019 new board members were appointed namely Mr Xavier Cañadó Fernández and Mr Pere Cots Juvé, the latter acting in representation of PIMEC-SEFES, both in replacement of Mr Joan Perona Martínez.

Corporate social responsibility

Avalis conducts its activity and renders its services, at all times, on the basis of its corporate values, namely quality, transparency and commitment to society, in both its internal professional relationships and its external relationships with customers and other stakeholders, following sustainable development objectives. As such, Avalis voluntarily applies criteria to reduce the environmental, social and good governance impact of the processes that form its activity, thus demonstrating its commitment to an efficient and responsible conduct model.

Other information

The Company has no research and development projects underway, nor has it incurred any expenses in this area during 2019.

The Company did not acquire any own equity investments in 2019, nor does it hold any such investments.

At the date of this directors' report, no events of an economic or financial nature have occurred subsequent to the reporting date that affect the financial statements presented or the Company's position.

Outlook for 2020

For 2020, the volume of transactions arranged is forecast to rise by around 6%, and outstanding risk is expected to increase by 2%. The cost containment policy will remain in place.

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus disease 2019 (COVID-19) to be a pandemic, due to its rapid spread across the globe, having affected over 150 countries. The majority of governments are taking restrictive measures to contain the spread, including: shielding, lockdown, quarantine and restrictions on the free movement of people, the closure of public and private premises (except for basic necessities and health services), border closures and a drastic reduction in air, sea, rail and land transport. In Spain, the government enacted Royal Decree 463/2020 of 14 March 2020, declaring a state of emergency to manage the health crisis triggered by COVID-19, which, a priori, will remain in force for 15 calendar days.

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Certification attesting that this document, composed of 48 sheets of standard paper in the case of the notes and 3 sheets of standard paper in the case of the directors' report, printed on both sides, each signed by the secretary to the board of directors of Avalis de Catalunya SGR (with the approval of the chairman), contains the annual accounts for the year ended 31 December 2019.

The members of the board of directors of Avalis de Catalunya, SGR have signed this certification in approval.

Date of authorisation for issue of the annual accounts: 30 March 2020

Institut Català de Finances Represented by Josep Ramón Sanromà i Celma	Josep Lores i García	Joan Carles Rovira Garcia
Anna Álvarez Santiago	CaixaBank, S.A. Represented by Patricia Trillo Fox	Banco Bilbao Vizcaya Argentaria, S.A. Represented by Joan Piera Miquel
Banco de Sabadell, S.A. Represented by Rafael José García Nauffal	Consell General de Cambres Represented by Javier Pérez Farguell	PIMEC-SEFES Represented by Pere Cots Juvé
Xavier Cañadó Fernández	Joan Roca Sagarra (Non-executive secretary)	Gestión y representación global, S.L.U. Represented by Miguel Capdevila Mulet