Auriga Capital Investments, S.L. and Subsidiaries

Consolidated Annual Accounts
31 December 2017

Consolidated Directors’ Report
2017

(With Auditor’s Report Thereon)

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Consolidated Balance Sheets

31 December 2017 and 2016

(Expressed in Euros to two decimal places)

Assets	Note	31/12/2017	31/12/2016
Cash		1,734.06	5,072.39
Financial assets held for trading	5		
Debt securities		5,599,399.42	6,678,577.65
Equity instruments		667,946.00	1,906,970.50
Memorandum item: Loaned or pledged		-	-
		6,267,345.42	8,585,548.15
Available-for-sale financial assets	6		
Debt securities		-	2,818,900.92
Equity instruments		20,562,132.20	32,784,104.09
Memorandum item: Loaned or pledged		-	*1,274,735.24*
		20,562,132.20	35,603,005.01
Loans and receivables	7		
Due from financial intermediaries		40,372,665.89	48,607,617.57
Due from customers		41,696,941.19	33,042,065.50
		82,069,607.08	81,649,683.07
Equity investments	8		
Jointly controlled entities		2,447,459.79	1,441,088.93
Associates		4,383,910.87	7,250,496.62
		6,831,370.66	8,691,585.55
Property, plant and equipment	9		
For own use		533,147.82	172,069.23
Intangible Assets	10		
Goodwill		-	665,036.60
Other intangible assets		194,179.30	165,421.31
		194,179.30	830,457.91
Tax assets	12		
Current		167,199.16	134,376.25
Deferred		3,032,895.09	56,223.68
		3,200,094.25	190,599.93
Other assets	13	23,074,375.92	9,201,155.39
Total assets		142,733,986.71	144,929,176.63

The accompanying notes form an integral part of the consolidated annual accounts for 2017.

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Consolidated Balance Sheets

31 December 2017 and 2016

(Expressed in Euros to two decimal places)

Liabilities and Equity	Note	31/12/2017	31/12/2016
Financial assets and liabilities held for trading	5		
Short positions		2,953,845.76	3,914,512.66
Financial liabilities at amortised cost	14		
Due to financial intermediaries		14,941,732.03	22,979,380.14
Due to customers		27,110,452.60	35,977,753.72
Other financial liabilities		12,984,508.07	7,290,449.01
		55,036,692.70	66,247,582.87
Provisions	15		
Provisions for taxes and other legal contingencies		16,392,503.68	-
Other provisions		-	650,000.00
		16,392,503.68	650,000.00
Tax liabilities	12		
Current		5,055,283.43	793,550.23
Deferred		1,049,161.96	5,969,176.44
		6,104,445.39	6,762,726.67
Other liabilities	13	27,885,226.20	8,265,773.27
Total liabilities		108,372,713.73	85,840,595.47
Equity	16		
Capital			
Registered capital		3,000,000.00	3,000,000.00
Share premium		18,683,668.66	18,683,668.66
Reserves		11,573,478.06	12,811,892.38
Reserves of equity-accounted investees		1,382,379.60	(3,919.34)
Profit for the year		(6,350,887.00)	1,034,313.22
		28,288,639.32	35,525,954.92
Valuation adjustments	17		
Available-for-sale financial assets		2,551,324.79	7,462,421.68
Exchange gains		515,464.88	960,563.40
		3,066,789.67	8,422,985.08
Equity attributable to the Parent		31,355,428.99	43,948,940.00
Minority interests		3,005,843.99	15,139,641.16
Total liabilities and equity		142,733,986.71	144,929,176.63

MEMORANDUM ITEM	Note	31/12/2017	31/12/2016
Risk and commitment accounts	18		
Bank and other guarantees extended		1,010,351.81	2,285,087.05
Forward securities sale-purchase commitments		635,777.15	3,129,465.38
Financial derivatives		792,204.00	1,545,034.00
		2,438,332.96	6,959,586.43
Other off-balance sheet items	18		
Portfolios managed		629,213,674.99	618,173,435.87
Other off-balance sheet items		357,556,422.34	357,581,743.92
		986,770,097.33	975,755,179.79
Total off-balance sheet items		989,208,430.29	982,714,766.22

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Consolidated Income Statements
for the years ended
31 December 2017 and 2016

(Expressed in Euros to two decimal places)

	Note	2017	2016
Interest and similar income	20	1,444,441.32	2,189,104.01
Interest expense and similar charges	21	(3,097,237.96)	(3,393,504.34)
Interest margin		(1,652,796.64)	(1,204,400.33)
Dividend income	20	2,517,357.04	1,341,484.05
Share of profit or loss of equity-accounted investees	8	401,806.00	1,049,635.73
Fee and commission income	22	25,985,314.21	31,839,564.42
Fee and commission expense	22	(6,677,490.76)	(6,762,591.17)
Gains/(losses) on financial assets and liabilities			
Held for trading	5	7,789,459.19	7,763,347.88
Other	6	20,714,422.38	(1,184,099.18)
Exchange gains		1,444,236.44	1,672,612.62
Other operating income		1,716,240.57	1,773,988.70
Other operating expenses	23	(834,538.38)	(1,613,437.50)
Gross margin		51,404,010.05	34,676,105.22
Personnel expenses	24	(16,702,616.89)	(18,777,056.58)
Overheads	25	(9,945,292.48)	(12,076,737.15)
Depreciation and amortisation	9 and 10	(241,743.56)	(298,612.02)
Allocations to provisions (net)	15	(16,392,503.68)	-
Impairment losses on financial assets (net)			
Loans and receivables	26	-	(1,771,307.31)
Results from operating activities		8,121,853.44	1,752,392.16
Impairment losses on the rest of assets (net)			
Intangible Assets	10	(665,036.60)	-
Other	8	(1,858,017.62)	-
Profit/(loss) on the derecognition of assets not classified as non-current and held for sale		(2,349.23)	-
Profit before income tax		5,596,449.99	1,752,392.16
Income tax	28	(3,366,590.90)	(1,379,871.71)
Profit from continuing operations		2,229,859.09	372,520.46
Consolidated profit for the year		2,229,859.09	372,520.46
Profit attributable to the Parent		(6,350,887.00)	1,034,313.22
Profit attributable to minority interests		8,580,746.09	(661,792.78)
Earnings per share (Euros)			
Basic		7.43	1.24

The accompanying notes form an integral part of the consolidated annual accounts for 2017.

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Consolidated Statements of Changes in Equity for the years

ended 31 December 2017 and 2016

A) Consolidated Statements of Recognised Income and Expense
for the years ended
31 December 2017 and 2016

(Expressed in Euros to two decimal places)

	2017	2016
Profit for the year	2,229,859.09	372,520.46
Other recognised income/(expense)		
Available-for-sale financial assets Valuation gains/(losses)	3,337,443.98	17,854,446.53
Amounts transferred to the income statement	(20,714,422.38)	564,709.10
Exchange gains Revaluation gains	(406,488.31)	128,107.89
Income tax	4,344,244.60	(4,636,815.88)
	(13,439,222.11)	13,910,447.64
Total recognised income and expense	(11,209,363.02)	14,282,968.10
Attributable to the Parent	(11,707,082.41)	7,275,348.85
Attributable to minority interests	497,719.39	7,007,619.25

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Consolidated Statements of Changes in Equity for the years ended 31 December 2017 and 2016

A) Consolidated Statement of Changes in Equity for the year ended 31 December 2017

(Expressed in Euros to two decimal places)

	Registered capital	Share premium	Reserves	Reserves of equity-accounted investees	Profit for the year attributable to the Parent	Total capital and reserves	Valuation adjustments	Minority interests	Total equity
Balance at 31 December 2016	3,000,000.00	18,683,668.66	12,811,892.38	(3,919.34)	1,034,313.22	35,525,954.92	8,422,985.08	15,139,641.16	59,088,581.16
Other movements	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2017	3,000,000.00	18,683,668.66	12,811,892.38	(3,919.34)	1,034,313.22	35,525,954.92	8,422,985.08	15,139,641.16	59,088,581.16
Recognised income and expense	-	-	-	-	(6,350,887.00)	(6,350,887.00)	(5,356,195.41)	497,719.39	(11,209,363.02)
Transfers between equity line items	-	-	(15,322.51)	1,049,635.73	(1,034,313.22)	-	-	-	-
Other changes in equity									
Increase/(decrease) due to business combinations									
Other movements	-	-	(1,223,091.81)	336,663.21	-	(886,428.60)	-	(12,631,516.56)	(13,517,945.16)
Distribution of dividends	-	-	-	-	-	-	-	-	-
Balance at 31 December 2017	3,000,000.00	18,683,668.66	11,573,478.06	1,382,379.60	(6,350,887.00)	28,288,639.32	3,066,789.67	3,005,843.99	34,361,272.98

The accompanying notes form an integral part of the consolidated annual accounts for 2017.

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Consolidated Statements of Changes in Equity for the years

ended 31 December 2017 and 2016

B) Consolidated Statement of Changes in Equity for the year

ended 31 December 2016

(Expressed in Euros to two decimal places)

	Registered capital	Share premium	Reserves	Reserves of equity-accounted investees	Profit for the year attributable to the Parent	Total capital and reserves	Valuation adjustments	Minority interests	Total equity
Balance at 31 December 2015	3,000,000.00	18,683,668.66	11,465,654.82	291,255.47	2,051,062.75	35,491,641.70	2,181,949.45	9,394,694.52	47,068,285.67
Other movements	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2016	3,000,000.00	18,683,668.66	11,465,654.82	291,255.47	2,051,062.75	35,491,641.70	2,181,949.45	9,394,694.52	47,068,285.67
Recognised income and expense	-	-	-	-	1,034,313.22	1,034,313.22	6,241,035.63	7,007,619.25	14,282,968.10
Transfers between equity line items	-	-	2,346,237.56	(295,174.81)	(2,051,062.75)	-	-	-	-
Other changes in equity									
Increase/(decrease) due to business combinations									
Other movements	-	-	-	-	-	-	-	(1,262,672.61)	(1,262,672.61)
Distribution of dividends	-	-	(1,000,000.00)	-	-	(1,000,000.00)	-	-	(1,000,000.00)
Balance at 31 December 2016	3,000,000.00	18,683,668.66	12,811,892.38	(3,919.34)	1,034,313.22	35,525,954.92	8,422,985.08	15,139,641.16	59,088,581.16

The accompanying notes form an integral part of the consolidated annual accounts for 2017.

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Consolidated Statements of cash flows for the years ended
31 December 2017 and 2016

(Expressed in Euros to two decimal places)

	2017	2016
1. Cash flows from (used in) operating activities	(8,351,041.70)	(67,745,740.40)
Profit for the year	2,229,859.09	1,752,392.16
Adjustments to obtain cash flows from operating activities		
Depreciation and amortisation (+)	241,743.56	298,612.02
Other items (+/-)	(5,773,245.07)	7,881,195.79
	(5,531,501.51)	8,179,807.81
Adjusted profit (+/-)	(3,301,642.42)	9,932,199.97
Net increase/(decrease) in operating assets		
Loans and receivables (+/-)	(419,924.02)	13,477,706.93
Financial assets held for trading (+/-)	2,318,202.73	7,540,097.03
Available-for-sale financial assets (+/-)	15,040,872.81	(19,644,961.24)
Other operating assets (+/-)	(13,873,220.53)	(5,564,170.47)
	3,065,930.99	(4,191,327.75)
Net increase/(decrease) in operating liabilities		
Financial liabilities at amortised cost (+/-)	(11,210,890.17)	(61,894,391.31)
Financial liabilities held for trading	(960,666.90)	(9,573,422.21)
Other operating liabilities	1,986,719.19	(6,330,359.34)
	(10,184,837.88)	(77,798,172.86)
Income tax payments (+/-)	2,069,507.61	4,311,560.24
2. Cash flows used in investing activities	117,824.08	(6,275,083.03)
Payments (-)		
Equity investments	(1,000,000.00)	(6,088,660.70)
Property, plant and equipment	(578,891.32)	(48,549.37)
Intangible assets	(97,622.25)	(137,872.96)
	(1,676,513.57)	(6,275,083.03)
Receipts (+)		
Equity investments	1,794,337.65	-
3. Cash flows used in financing activities	-	(1,000,000.00)
Dividends and interest on other equity instruments paid	-	(1,000,000.00)
4. Effect of exchange rate fluctuations on cash and cash equivalents	-	-
5. Net increase/(decrease) in cash and cash equivalents (1+2+3+4)	(8,233,217.62)	(75,020,823.43)
Cash and cash equivalents at beginning of year	48,607,617.57	123,628,441.00
Cash and cash equivalents at year end	40,374,399.95	48,607,617.57

The accompanying notes form an integral part of the consolidated annual accounts for 2017.

(1) Nature and principal activities

Auriga Capital Investments, S.L. (hereinafter, the Company or the Parent) was incorporated under Spanish law in Madrid on 2 March 2011. Its statutory activity is the purchase, subscription, swap and sale of Spanish and foreign real estate and other securities, on its own behalf and without intermediation, for the purpose of administering and managing these investments.

The Company's registered office is located at Calle Cuesta del Sagrado Corazón, 6, in Madrid.

The Group forms part of a consolidated group of financial institutions, pursuant to Royal Decree 1332/2005, with the following entities:

- Auriga Global Investors, Sociedad de Valores, S.A., Sociedad Unipersonal
- Auriga Special Holdings, LLC
- Xzerta Solar I Spain, LLC
- Auriga Renovables, S.L.
- Xzerta Mesa Spain, LLC
- Finalter, S.L.
- Auriga Sherpa I, S.L.
- General Universal Business, S.L.
- CA Metropolitan ATM 10, S.A.
- Quadriga Asset Managers S.G.I.I.C., S.A.
- Auriga Grapheno, S.L.
- Isleni Global, S.A.
- Alternative Financing, Estructuración y Originación, S.L.
- Einicia Crowdfunding, S.L.
- Carbono Puro, S.L.
- Mackay Investments 12, S.L.
- Lombotum, S.L.
- Bienes Raíces Pentágono 5, S.L.
- Auriga Investments S.a.r.l.

As required by the Spanish National Securities Market Commission (CNMV), Auriga Capital Investments, S.L. is responsible for ensuring compliance with the requirements of article 8 of Royal Decree 1332/2005 and, accordingly, prepares separate consolidated annual accounts, which are subject to an independent audit.

The Company is the head of a group formed by subsidiaries (hereinafter, the Auriga Group or the Group) that have all been fully consolidated.

In 2017 the main transactions carried out by the consolidated Group are as follows:

- On 12 April 2017, the company Quadriga Asset Managers S.G.I.I.C., S.A., a subsidiary of the Parent Company, incorporated the company Auriga Investments S.a.r.l., with an initial investment of Euros 12,500.00. This company is resident in Luxembourg and its main business is the management of collective investment undertakings located in Luxembourg.

- On 9 May 2017, the Parent acquired all the share capital of Lombotum, S.L., comprising 3,000 shares, for Euros 3,000.00. This company's main business is the sale-purchase of property on its own behalf.

- On 17 May 2017, the Parent acquired all the share capital of Bienes Raíces Pentágono 5, S.L, comprising 3,000 shares, for Euros 3,000.00. This company's main business is the sale-purchase of property on its own behalf.

- On 14 July 2017, the Parent acquired all the share capital of Mackay Investments 12, S.L., comprising 3,000 shares, for Euros 3,000.00. This company's main business is the sale-purchase of property on its own behalf. Said company is in liquidation at 2017 year-end.

In 2016 the main transactions carried out by the consolidated Group were as follows:

- On 1 July 2016, the Parent acquired all the share capital of Carbono Puro S.L., comprising 3,000 shares, for Euros 3,000.00. Subsequently, on 21 December 2016 this subsidiary increased capital by Euros 2,000,000.00 through the issue of 2,000,000 shares, giving a total capital of Euros 2,003,000.00. The Parent subscribed 1,085,400 shares in this capital increase at their par value of Euros 1,085,400.00, giving it an ownership interest of 54.34% at 31 December 2016. The Group therefore has control over this subsidiary.

- On 25 November 2015 the Group acquired all of the 3,000 shares of Alternative Financing, Estructuración y Originación, S.L. for a total of Euros 3,000.00. On 16 December 2016 the subsidiary increased capital by Euros 985.00 through the issue of 985 shares with a share premium of Euros 53.86 each. Capital stood at Euros 3,985.00 following the increase. This increase has been fully subscribed by minority interests, giving the Group an ownership interest of 75.28%.

- On 16 December 2016, the Parent sold all the shares of Finalter S.L. to the subsidiary Alternative Financing, Estructuración y Originación, S.L. The Group therefore has a 75.28% interest in Finalter S.L.

- The subsidiary Alternative Financing, Estructuración y Originación, S.L. holds 85% of the capital of Einicia Crowdfunding, S.L., giving the Group an indirect ownership interest of 64.00%.

Appendix I attached hereto, which forms an integral part of this note, includes information on the fully consolidated companies and the percentage of interest held in each at 31 December 2017 and 2016.

Appendix II attached hereto, which forms an integral part of this note, includes information on the equity-accounted associates and the percentage of interest held in each at 31 December 2017 and 2016.

Partial spin-off of the subsidiary Auriga Global Investors, S.V., Sociedad Unipersonal (spun-off company) to Ibroker Global Markets S.V., S.A. (beneficiary company)

On 31 May 2016 the board of directors of the subsidiary Auriga Global Investors, S.V., Sociedad Unipersonal (spun-off company) and Ibroker Global Markets S.V., S.A. (beneficiary company) (hereinafter, the “participating companies”) signed the draft terms for a partial spin-off, which envisages the partial spin-off and conveyance of the branch of activity that entails online brokerage of variable income securities and derivatives for retail customers (“retail brokerage activity”).

On 31 May 2016, both Auriga Capital Investments, S.L., as sole shareholder of the spun-off company, and the shareholders of the beneficiary company, at their extraordinary general meeting, approved the aforementioned draft terms of the partial spin-off.

The partial spin-off was executed in a public deed on 29 November 2016 and filed at the Mercantile Registry on 16 December 2016.

- Significant aspects of the partial spin-off

  - In compliance with article 43 of Law 3/2009 of 3 April 2009 on structural changes to trading companies (hereinafter, "LME" as per the Spanish acronym) and related provisions, on 26 October 2016 a notification was published stating that on 31 May 2016 Auriga Global Investors, S.V., S.A. and the shareholders of Ibroker Global Markets, S.V., S.A. had decided to spin-off part of the former through the transfer en bloc of the online business activity (variable income and derivatives, as well as the discretionary and personalised management of investment portfolios for retail customers using automatic trading systems) to the latter, which will acquire, by universal succession, the rights and obligations of the assets and liabilities spun-off from Auriga Global Investors, S.V., S.A., which will not be wound-up.

    This operation took place as established in the common draft terms for the spin-off, which were drawn up and approved by the respective boards of directors on 31 May 2016 in compliance with article 30, having regard to article 73 and 74 of the LME. The spin-off balance sheets closed at 31 December 2015 (for the spun-off company) and at 30 April 2016 (for the beneficiary company) were used as a reference.

  - The partial spin-off agreement was adopted under the provisions of article 42 of the LME, read in conjunction with article 73.1 of the LME, which regulates spin-offs by unanimous agreement of the shareholders. The employees of the spun-off company were notified of the spin-off.

  - Given that the spin-off agreement was adopted by way of unanimous decision of the shareholders of the participating companies, as established in article 42 of the LME, read in conjunction with article 73 of the LME, it was not necessary to publish or file the common draft terms of partial spin-off at the Madrid Mercantile Registry. Also in accordance with these provisions, the directors of the participating companies were not required to draw up a report on the draft terms of partial spin- off. In addition, because the agreement was adopted by way of unanimous decision, in accordance with article 78.3 of the LME the spin-off did not require an independent expert report.

  - The partial spin-off was conditional upon receiving the necessary administrative authorisation from the Spanish National Securities Market Commission (CNMV), which was granted on 24 November 2016.

- The exchange ratio of the shares of the beneficiary company received by the sole shareholder of the spun-off company, Auriga Capital Investments, S.L., was determined on the basis of the carrying amount of the beneficiary company, which is the same as its actual value, and on the basis of the actual value of the retail brokerage activity spun off.

The share exchange ratio under the spin-off has led to a capital increase at the beneficiary company with a par value of Euros 1,000,000 through the issue of 1,000,000 new shares of Euros 1 par value each, with Auriga Capital Investments, S.L., as sole shareholder of the spun-off company, receiving all of these shares in exchange for the retail brokerage activity contributed. No payment in cash was made to supplement the shares of the beneficiary company exchanged. At 31 December 2017 and 2016 Auriga Capital Investments, S.L. holds 50% of the share capital of the beneficiary company and does not exercise control thereof (see note 8).

- Assets and liabilities spun-off to the beneficiary company

The following items were part of the brokerage activity and were therefore transferred: i) the human resources required to perform the activities of this line of business, i.e. the employees that perform the activities transferred to the beneficiary company of the partial spin-off; and ii) the contractual positions held by the spun-off company in relation to these activities. In accordance with the draft terms for the spin-off prepared by the spun-off company's directors, the carrying amount of the net assets spun-off to the beneficiary company is as follows:

	Euros
Total assets	
Due from financial intermediaries	48,602,453.33
Due from customers	46,944,832.44
Property, plant and equipment and intangible	1,545,684.28
assets	99,017.80
Prepayments	12,918.81
Total liabilities	48,490,774.04
Due to customers	40,935,091.29
Cash guarantees	4,555,682.75
Other payables unrelated to securities transactions	3,000,000.00
Carrying amount of net assets spun-off	111,679.29
Fair value of spun-off business and investment acquired in Ibroker	1,000,000.00
Income from spin-off	888,320.71

As a result of the spin-off, the Group recognised Euros 888,320.71 under “Other operating income” in the income statement for 2016.

- Date of spin-off for accounting purposes (article 31.7 of the LME)

  As the participating companies do not belong to the same group, for accounting purposes the operations of the spun-off company will be considered to be performed by the beneficiary company from the date the public deed recording the partial spin-off is filed at the Mercantile Registry of Madrid.

(2) Basis of presentation of the consolidated annual accounts

(a) True and fair view

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Auriga Capital Investments, S.L. and its subsidiaries, which comprise the Auriga Group in Spain.

The consolidated annual accounts for 2017 have been prepared in accordance with prevailing legislation and CNMV Circular 7/2008 of 26 November 2008, partly amended by CNMV Circular 5/2011 of 12 December 2011, to give a true and fair view of the consolidated equity and consolidated financial position at 31 December 2017 and consolidated results of operations, changes in consolidated equity and consolidated cash flows for the year then ended.

The annual accounts were authorised for issue by the Parent's board of directors on 28 March 2018.

The consolidated annual accounts include certain adjustments and reclassifications necessary to harmonise the accounting and presentation principles applied by the subsidiaries with those used by the Group. These consolidated annual accounts are pending approval by the shareholders. Nevertheless, the board of directors of the Group's Parent considers that the consolidated annual accounts for 2017 will be approved with no significant changes.

(b) Comparative information

As required by accounting legislation, the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for the year ended 31 December 2017 include comparative figures for the prior year, which formed part of the consolidated annual accounts approved at the annual general meeting held on 28 April 2017.

(c) Functional and presentation currency

The figures disclosed in the consolidated annual accounts are expressed in Euros, the Parent and the Group's functional and presentation currency, rounded off to two decimal places. However, the Group includes three US subgroups whose functional currency is the US Dollar.

(d) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles

There have been no changes in the judgements and accounting estimates used by the Group in 2017 compared to the prior year.

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the consolidated annual accounts. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, is as follows:

The most significant estimates used in preparing these consolidated annual accounts are as follows:

- Estimates to calculate the fair value of the financial instruments held by the Group (see notes 5 and 6).
- Estimates to calculate the bonus payable to Group employees (see note 13).
- Estimates to calculate the income tax expense and deferred tax assets and liabilities (see notes 12 and 27).
- Estimates to calculate provisions for other legal contingencies (see note 15).

Although estimates are calculated by the Group's directors based on the best information available at 31 December 2017, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(3) Appropriation of loss of the Parent Company

The board of directors proposed to the shareholders of the Parent at their annual general meeting that the loss for the year ended 31 December 2017 be transferred to reserves.

At their annual general meeting held on 28 April 2017, the shareholders of the Parent agreed that the profit for the year ended 31 December 2016 be taken to voluntary reserves.

Details of consolidated non-distributable reserves at 31 December 2017 and 2016 are as follows:

	Euros	
	31/12/2017	31/12/2016
Non-distributable reserves:		
Legal reserve	600,000.00	600,000.00
Capitalisation reserve	130,082.85	130,082.85
	730,082.85	730,082.85

Distributable reserves and consolidated profit for the year are not subject to distribution limitations.

(4) Significant accounting policies

(a) Subsidiaries

Subsidiaries, including special purpose vehicles, are those entities over which the Company, either directly or indirectly, through subsidiaries, exercises control as defined in article 42 of the Spanish Code of Commerce.

For presentation and disclosure purposes, Group companies are those which are controlled, by any means, by one or more individuals or legal entities in conjunction or are solely managed in accordance with statutory clauses or agreements.

Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. In assessing control, potential voting rights held by the Group or other entities that are exercisable or convertible at the end of each reporting period are considered.

Subsidiaries are fully consolidated.

Information on the Group's consolidated subsidiaries is provided in Appendix I.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the acquisition date, which is when the Group obtains effective control. Transactions and balances with subsidiaries have been eliminated on consolidation.

The annual accounts of subsidiaries used in the consolidation process have the same reporting date and are for the same reporting period as those of the Parent.

(b) Business combinations

The acquisition method is applied to business combinations. The acquisition date is the date on which the Group obtains control of the acquiree.

The cost of the business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Any additional consideration contingent on future events or the fulfilment of certain conditions is included in the cost of the combination provided that it is probable that an outflow of resources embodying economic benefits will be required and the amount of the obligation can be reliably estimated.

The consideration transferred excludes any payment that does not form part of the exchange for the acquiree. Acquisition costs are recognised as an expense when incurred.

The Group recognises the assets acquired and liabilities assumed at the acquisition date. Liabilities assumed include any contingent liabilities that represent present obligations arising from past events for which the fair value can be reliably measured.

With the exception of lease and insurance contracts, the assets acquired and liabilities assumed are classified and designated for subsequent measurement based on contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the acquisition date.

Any excess of the consideration given over the value of net assets acquired and liabilities assumed is recognised as goodwill. Any shortfall, after assessing the consideration given and after identifying and measuring the net assets acquired, is recognised in profit or loss.

The measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

The potential benefit of the acquiree's income tax loss carryforwards and other deferred tax assets, which are not recognised as they did not qualify for recognition at the acquisition date, is accounted for as income tax income provided that it does not arise from an adjustment of the measurement period.

(c) Goodwill on consolidation

Goodwill on consolidation deriving from business combinations reflects the excess of the cost of the business combination over the acquisition-date value of the assets acquired, liabilities and contingent liabilities assumed from the acquired business, as explained in the preceding point.

Goodwill on consolidation is not amortised but tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired.

Each cash generating unit (CGU) is tested for impairment on the same date each year. Impairment tests are carried out by comparing the value of the net assets of each CGU with their recoverable amount, based on discounting future cash flows at the pre-tax discount rate applicable to the type of business. Cash flows are estimates made by management in its five-year financial and business plans. Management verifies the reasonableness of its plans through sensitivity analyses. The discount rate reflects the present value of money and the business risk rate associated with each CGU. Business risk is taken into account when determining cash flows. Neither the discount rate nor the business cash flows take the inflation rate into consideration.

After initial recognition, goodwill on consolidation is measured at cost less any accumulated impairment losses.

(d) Minority interests

Minority interests in subsidiaries are recognised at the acquisition date at the amount of the percentage ownership in the fair value of the identifiable net assets. Minority interests are recognised in equity in the consolidated balance sheet separately from equity attributable to the Parent. Minority interests in profit or loss for the year are also recognised separately in the consolidated income statement.

The profit or loss and changes in equity of the subsidiaries attributable to the Group and minority interests, after consolidation adjustments and eliminations, is determined based on percentage ownerships at year end, without considering the possible exercise or conversion of potential voting rights and after discounting the effect of dividends, agreed or otherwise, on preference shares with cumulative rights classified in equity accounts.

Profit or loss and income and expenses recognised in equity of subsidiaries are allocated to equity attributable to the Parent and minority interests in proportion to their respective percentage ownership, even if this results in a balance receivable from minority interests. Agreements entered into by the Group and minority interests are recognised as a separate transaction.

(e) Associates

Associates are companies over which the Parent, either directly, or indirectly through subsidiaries, exercises significant influence, and are not subsidiaries or jointly-controlled entities. Significant influence shall be deemed to exist, *inter alia*, in the following situations:

a) Representation on the board of directors or equivalent governing body of the investee;

b) Participation in the policy-making processes, including those relating to dividends and other distributions.

c) Material transactions between the investor and the investee.

d) Interchange of senior management personnel.

e) Provision of essential technical information.

When determining whether significant influence over an entity exists, the importance of the investment in the investee, the length of service on the governing bodies of the investee and the existence of potential voting rights convertible or exercisable on the reporting date shall also be taken into account.

Unless there is evidence to the contrary, significant influence shall be presumed to exist when the investor, on its own or together with the other entities of the Group, hold at least 20 per cent of the voting rights of the investee.

Investments in associates are initially recognised at cost at the acquisition date, and subsequently measured, by increasing or decreasing this amount, based on any changes in the entity's equity after that date and reflecting the share of the Parent. The Parent's income statement shall include its proportional share in the results of the investee.

The consolidated or individual financial statements of the investee shall be used when applying the equity method. On acquisition of the investment, any difference between the cost and the portion of the investee's equity attributable to the investor shall be treated as follows:

a) When positive, as goodwill on the acquisition of the investee, which, for presentation purposes, shall be included in the carrying amount of the investment. As this goodwill is not recognised separately, the analysis of its impairment shall form part of the analysis of the impairment of the whole investment.

b) When negative, the techniques and methods used as a basis for estimating the fair values of the assets and liabilities of the investee, and the resulting amounts, shall be reviewed. After this review, any remaining negative difference shall be recognised as a gain in the investor's income statement.

A proportion of the gain or loss arising from transactions between the associate and Group entities equal to that represented by the Group’s interest in the associate shall be eliminated.

The profit or loss for the period of the associate after the elimination referred to in the previous subparagraph shall, as the case may be, increase or reduce the value of the investment in the consolidated financial statements. This increase or reduction shall be limited to that part of the profit or loss attributable to the investment concerned.

The amount of this profit or loss shall be recorded in the consolidated income statement under “Share of profit or loss of equity-accounted investees”.

The changes in the valuation adjustments of the associate subsequent to the acquisition date, shall, as the case may be, increase or reduce the value of the investment. The amount of this profit or loss shall be recorded in the consolidated income statement under “Share of profit or loss of equity-accounted investees”.

The profits distributed by the associate to other Group entities shall reduce the value of the investment in the consolidated financial statements.

The investment in the associate shall be increased by the amount of items which, on account of their substance, form part of the net investment in it, such as long-term loans, unless they have sufficient guarantee or collateral, but not including trade receivables or payables.

When the share of the losses of an associate relating to the investor or, as the case may be, the Group is equal to or exceeds the carrying amount of the investment therein, the latter shall reduce the value of its investment to zero, unless it has incurred some type of legal obligation or it has to make payments on behalf of the associate. In that case, they shall be applied to the other components of the net investment by order of priority in the settlement.

Details of equity-accounted investments are provided in Appendix II.

(f) Foreign currency transactions, balances and cash flows

i. Foreign currency transactions, balances and cash flows

Foreign currency transactions are translated into Euros using the exchange rates prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was determined.

In the statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as effect of exchange rate fluctuations on cash and cash equivalents.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange gains or losses arising on monetary items forming part of a net investment in a foreign operation are recognised as translation differences in equity.

The Group uses the exchange rates published by the European Central Bank when translating foreign currency balances into Euros.

Exchange gains or losses on monetary financial assets or liabilities denominated in foreign currencies are also recognised in profit or loss.

Foreign exchange gains or losses relating to non-monetary assets and liabilities are recognised in conjunction with the change in fair value. Nevertheless, the currency risk component of non-monetary financial assets denominated in foreign currencies classified as available-for-sale and as hedged items in fair value hedges of the component is recognised in the income statement.

ii. Translation of foreign operations

Foreign operations have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, are translated at the rate at the reporting date.

- Income and expenses are translated at the average exchange rate for the year.

- All resulting exchange differences are recognised as translation differences in consolidated equity.

In the consolidated statement of cash flows, foreign currency transaction cash flows have been translated into Euros at the average exchange rate for the year.

Translation differences recorded in consolidated equity are recognised in the consolidated income statement on disposal or partial disposal of the businesses or companies. Disposal may be carried out through liquidation, repayment of the investment or abandonment. Payment of a dividend constitutes a disposal insofar as it entails reimbursement of the investment. In transactions to reduce the interest in subsidiaries, exchange gains or losses are recognised in the consolidated income statement using the criteria described for income and expenses recognised in consolidated equity.

(g) Recognition, classification and measurement of financial instruments

Financial assets and liabilities are recognised when the Group becomes party to a contract, in accordance with the terms of that contract.

Debt instruments are recognised from the date on which a legal right to receive or a legal obligation to pay cash arises and derivative financial instruments are recognised from the trade date. In general, the Group derecognises financial instruments on the date from which the rewards, risks, rights and obligations or the control thereof are transferred to the purchaser.

The Group classifies financial instruments into different categories based on the nature of the instruments and management's intentions on initial recognition.

Financial instruments are presented and measured based on their classification, using the following criteria:

- Financial assets at fair value through profit or loss:
  - Financial assets held for trading: assets held for the purpose of selling in the market in the near term and derivatives not designated as hedging instruments. These are measured at fair value and net differences with the acquisition price are recognised in the consolidated income statement.

Financial assets that are not derivatives can be reclassified out of the trading portfolio when they cease to be held for the purpose of being sold or repurchased in the near term, provided that the following circumstances arise:

* In the event of exceptional circumstances arising from a particular, isolated event not associated with the Company, in which case the assets are reclassified to available-for-sale financial assets.

* The Group has the intention and financial ability to hold the assets until maturity and the assets met the definition of loans and receivables on initial recognition, in which case they are classified as loans and receivables.

○ Other financial assets at fair value through profit or loss: hybrid financial assets, jointly-managed assets and hedging derivatives. These are measured at fair value and net differences with the acquisition price are recognised in the consolidated income statement.

- Held-to-maturity investments: debt securities with fixed maturity and fixed or determinable cash flows that the Group has decided to hold until maturity. Government debt, bonds and other fixed income securities in the held-to-maturity portfolio are initially recognised at the fair value of the consideration given and are subsequently carried at amortised cost using the effective interest rate.

- Loans and receivables: financial assets that are not derivatives, with fixed or determinable cash flows, on which the Group will recover all expenditure incurred. These assets are initially recognised at the fair value of the consideration given and are subsequently carried at amortised cost using the effective interest rate. Assets purchased at a discount are recognised at the amount disbursed. The difference between the maturity amount and the cash disbursed is recognised as finance income in the consolidated income statement over the residual period until maturity.

- Available-for-sale financial assets: those securities not classified in any of the preceding portfolios. These assets are carried at fair value and net differences with the acquisition price are recognised in equity until the asset is derecognised, whereupon the gain or loss on disposal is taken to the income statement.

- Financial liabilities at fair value through profit or loss:

  - Financial liabilities held for trading: securities issued with an intention to repurchase them in the near term, short positions, or which form part of a portfolio of identified financial instruments that are jointly managed, for which there is evidence of a recent pattern of short-term profit-taking, and derivatives other than hedging instruments. These are measured at fair value and net differences with the acquisition price are recognised in the income statement.

  - Other financial liabilities at fair value through profit or loss: hybrid financial instruments that do not form part of the trading portfolio and must therefore be measured at fair value, when the associated financial assets are also measured at fair value through profit or loss. This category also includes jointly managed liabilities and liabilities that may be cancelled by the holder at fair value. These are measured at fair value and net differences with the acquisition price are recognised in the income statement.

- Financial liabilities at fair value through consolidated equity: all financial liabilities associated with available-for-sale financial assets that have been transferred but do not meet the conditions for derecognition. These liabilities are measured in the same way as assets at fair value through equity.

- Financial liabilities at amortised cost: those securities not classified in any of the preceding portfolios. These assets are initially recognised at the fair value of the consideration received. Subsequently, these are measured at fair value and net differences with the acquisition price are recognised in the income statement.

The carrying amounts of financial instruments are adjusted with a charge to the income statement when there is objective evidence that an impairment loss has occurred.

(h) Criteria for calculating the fair value of financial instruments

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Group applies the following systematic criteria to determine the fair value of financial assets and financial liabilities:

- The Group first applies the quoted market price in the most advantageous active market to which it has immediate access, adjusted to reflect any difference in the credit risk between instruments traded in that market and the one being valued. The bid price is used for assets purchased or liabilities to be issued and the asking price is used for assets to be purchased or liabilities issued. If the Group has assets and liabilities with offsetting market risks, it uses mid-market prices for the offsetting risk positions and applies the bid or asking price to the net position, as appropriate.

- Where market prices are not available, the Company uses recent transaction prices adjusted to market conditions.

- Otherwise, for most derivatives the Group applies generally accepted valuation techniques that make maximum use of market inputs and rely as little as possible on entity-specific inputs.

(i) Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- Impairment of financial assets carried at amortised cost or cost

  Impairment losses on assets carried at cost reflect the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the present market yield for similar financial assets. These losses are not reversible and are therefore recognised directly against the value of the asset rather than as a valuation allowance.

- Impairment of available-for-sale financial assets

  When a decline in the fair value of an available-for-sale financial asset has been accounted for directly in recognised income and expense, the cumulative loss is reclassified to profit and loss when there is objective evidence that the asset is impaired, even though the financial asset has not been derecognised. The impairment loss recognised in profit or loss is calculated as the difference between the acquisition cost, net of any reimbursements or repayment of the principal, and the present fair value, less any impairment loss previously recognised in profit or loss for the year.

  Impairment losses on investments in equity instruments cannot be reversed and are therefore recognised directly against the value of the asset and not as an allowance account.

  If the fair value of debt instruments increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the increase is recognised in profit and loss up to the amount of the previously recognised impairment loss and any excess is accounted for in recognised income and expense.

(j) Transfers of financial assets

Financial asset transfers are measured as follows:

- When substantially all risks and rewards are transferred, the financial asset is derecognised and any right or obligation retained or created in the transfer is recognised.

- When substantially all risks and rewards are retained, the financial asset is not derecognised and a financial liability is recognised for an amount equal to the consideration received, which is subsequently measured at amortised cost.

- When substantially all risks and rewards are neither transferred nor retained and the Company does not retain control, the financial asset is derecognised and any right or obligation retained or created through the transfer is recognised. If the Entity retains control, the financial asset is not derecognised but remains on the consolidated balance sheet.

(k) Fees and commissions, interest and dividend income

- Fees and commissions

  Fees and commissions from activities and services rendered during a specific period of time are recognised in the income statement over the duration of the activities or services.

Fees and commissions from activities and services rendered during a period of time that is not specific are recognised in the income statement in line with the stage of completion.

Fees and commissions from a service rendered in a single act are recognised in the income statement when the single act is carried out.

Variable management fees and commissions are recognised based on the best estimate at any given time. The Group adjusts these fees and commissions, retrospectively if appropriate, when it has access to information on trends in the calculation bases.

- <u>Interest and dividend income</u>

Interest is recognised using the effective interest method.

Dividends from investments in equity instruments are recognised when the Group 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.

(l) <u>Coverage of credit risk</u>

Valuation allowances are calculated individually for overdue or doubtful debt instruments not measured at fair value through profit or loss, based on ageing, guarantees extended and recovery expectations for these balances.

(m) <u>Financial futures and forward sale and purchase transactions</u>

Financial futures and forward sale and purchase transactions are recognised in the relevant commitment account when arranged and until the position closes or the contract expires, at the effective amount arranged or the nominal amount committed, distinguishing between hedging and non-hedging transactions. Funds deposited in respect of the initial margin and additional guarantees are accounted for under assets in due from financial intermediaries.

(n) Options and warrants

Options and warrants over securities are recognised in commitment accounts when arranged and until the position closes or the contract expires, at the committed nominal amount of the underlying items in the sale and purchase agreements, distinguishing between hedging and non-hedging transactions. Funds deposited in respect of the initial margin and additional guarantees are accounted for under assets in due from financial intermediaries. Premiums for options and warrants purchased, and premiums deriving from options issued or warrants sold, are recognised in derivatives under consolidated assets or liabilities, respectively, at the date the transaction is arranged.

(o) Swaps

Swap transactions are recognised in the relevant commitment account when arranged and until the position closes or the contract expires, at the nominal amount committed, distinguishing between hedging and non-hedging transactions.

(p) Hedging transactions to reduce risks: Hedge accounting

The Group presents and measures individual hedges (distinguishing between hedged instruments and hedging instruments) based on their classification, using the following criteria:

- Fair value hedges: hedges of the exposure to changes in fair value. The gains or losses attributable to both the hedging instrument and the hedged risk are recognised immediately in the income statement.

- Cash flow hedges: hedges of the exposure to variations in cash flows that is attributable to a particular risk associated with an asset or liability or a forecast transaction. The gain or loss attributable to the portion of the hedging instrument that qualifies as an effective hedge is recognised temporarily under valuation adjustments in equity at the lower of the cumulative gain or loss on the hedging instrument from the inception of the hedge and the cumulative change in the present value of expected future cash flows of the hedged item from the inception of the hedge.

Hedges of a net investment in a foreign operation: hedges of currency risk of a subsidiary, associate or branch that operates in a different country or currency to that of the Group. The gain or loss attributable to the portion of the hedging instrument that qualifies as an effective hedge is recognised temporarily in equity, until the disposal or derecognition of the instruments, whereupon it is recognised in the income statement. The remaining gain or loss is immediately recognised in profit or loss.

The cumulative gains or losses on each hedge are taken to the income statement in the periods in which the designated hedged items affect the income statement, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or liability, in which case the gains or losses are included in the cost of that asset or liability.

(q) Property, plant and equipment

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

Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

	Years of useful life
Fixtures	5
IT equipment	3
Furniture	5
Motor vehicles	3
Other property, plant and equipment	5

Depreciation methods and useful lives of each item of property, plant and equipment are reviewed at least at each year end.

Repair and maintenance costs that do not improve the related assets or extend their useful lives are recognised in profit and loss when incurred. Only those costs likely to generate future profits are capitalised, provided that the amount of such costs can be estimated reliably.

(r) Investment property

Investment property comprises property which is earmarked totally or partially to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment under development until construction or development is complete. Nevertheless, redevelopment work to extend or improve property is classified as investment property.

The Group measures and recognises investment property following the policy for property, plant and equipment.

(s) Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and impairment.

Repair and maintenance costs that do not improve the related assets or extend their useful life are recognised in profit and loss when incurred.

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

Intangible assets with indefinite useful lives are not amortised, but are instead tested for impairment on an annual basis or whenever there is an indication that the intangible asset may be impaired.

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a systematic basis over its useful life, applying the following criteria:

	Amortisation method	Estimated years of useful life
Computer software	Straight-line	3
Other intangible assets	Straight-line	3

The depreciable amount of intangible assets is measured as the cost of the asset, less any residual value.

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(t) Leases

The Group has rights to use certain assets through lease contracts.

Leases in which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

- Finance leases

  Finance leases are those in which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee.

  When the Group acts as lessor in a finance lease transaction, the sum of the present value of future lease payments and the guaranteed residual value, generally the exercise price of the purchase option available to the lessee on expiry of the contract, is recognised as financing to third parties under “Loans and receivables” in the consolidated balance sheet, based on the nature of the lessee.

  When the Group acts as the lessee in a finance lease transaction, it presents the cost of the leased assets in the consolidated balance sheet according to the nature of the asset forming the subject-matter of the contract, and simultaneously recognises a liability for the same amount (which is the lower of the fair value of the leased asset and the sum of the present value of the lease payments to be made to the lessor plus the exercise price of the purchase option, where applicable). The depreciation policy for depreciable leased assets is consistent with that for property, plant and equipment for the Group's own use.

  In both cases, finance income and costs originating from these contracts are respectively credited and debited to the consolidated income statement, as “Interest and similar income” and “Interest expense and similar charges”, using the effective interest rate method of the operations to determine their accrual.

- Operating leases

In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When the Group acts as the lessor in an operating lease transaction, the cost of acquisition of the leased assets is recognised under "Property, plant and equipment" as investment property or other assets leased out under an operating lease, depending on the nature of the leased asset. These assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use. Income from operating leases is recognised on a straight-line basis under "Other operating income" in the consolidated income statement.

When the Group acts as the lessee in an operating lease transaction, lease expenses, including any incentives granted by the lessor, are charged to "Overheads" in the consolidated income statement on a straight-line basis.

(u) Security deposits

Security deposits paid in relation to lease contracts are measured using the same criteria as for financial assets. The difference between the amount extended and the fair value is classified as a prepayment and recognised in profit and loss over the lease term.

(v) Termination benefits

Termination benefits are recognised as a liability when the Company has a detailed formal plan for the termination and there is a valid expectation among the affected employees that termination will arise either because the plan has already started to be implemented or because its main characteristics have been published.

When termination benefits fall due more than 12 months after the reporting date, they are discounted based on the market yield on high quality corporate bonds.

Termination benefits for voluntary redundancy are recognised when the Company has made an offer it cannot realistically withdraw, and are measured based on the number of employees expected to accept the offer.

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision in the consolidated balance is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted.

(x) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for a period.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, while deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, tax loss carryforwards and unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

The Company recognises deferred tax assets in all cases, except those arising 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.

The Company recognises deferred tax assets provided that it is likely that sufficient taxable profits will be obtained in the future to offset those items, or when tax legislation allows for the future conversion of deferred tax assets into an enforceable credit in respect of the public entities.

The Company recognises the conversion of a deferred tax asset into a receivable from public entities when it becomes enforceable in accordance with prevailing tax legislation. In this connection, the deferred tax asset is derecognised against the deferred tax asset expense and the receivable is recognised against current income tax.

However, assets arising from the initial recognition of assets and liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income are not recognised;

Unless otherwise shown, it is not considered likely that the Company will have future tax profits when it is foreseeable that their future recovery will take place in a period exceeding ten years as from year-end, regardless of the nature of the deferred tax asset or, in the case of tax credits deriving from deductions and other tax benefits pending application due to insufficient tax rate, when, the activity having taken place or the return originating the deduction or credit having been obtained, there are reasonable doubts in regard to the compliance with the requirements for their enforcement.

The Company only recognises deferred tax assets deriving from tax loss carryforwards to the extent that it is probable that the Company will have future taxable profit against which the tax assets can be utilised within the legally established period, up to a maximum of ten years, unless they are likely to be recovered in a longer period, when tax legislation allows them to be utilised in a longer period or does not establish any time limits in this connection.

Conversely, it is considered likely that the Company will obtain sufficient taxable profits in the future to offset deferred tax assets, provided there are sufficient deductible temporary differences, relating to the same tax authority and referring to the same taxpayer, the reversal of which is expected in the same tax year as the deductible temporary differences are expected to be reversed or in years in which a tax loss emanating from a deductible temporary difference may be offset against prior or subsequent profit.

The Company recognises deferred tax assets that have not previously been recognised due to exceeding the ten-year recovery deadline, to the extent that the future reversal period does not exceed ten years as from the end of the period or when there are sufficient deductible temporary differences.

In determining future taxable profit, the Company takes into account tax planning opportunities, provided it intends to adopt them or is likely to adopt them.

On 20 December 2011 the Auriga Capital Investments Group submitted an application to the Spanish Ministry of Economy and Finance, notifying the taxation authorities of its decision to avail of the special consolidated tax regime. On 17 February 2012 the taxation authorities notified the Group that it had been assigned tax group number 298/12. This consolidated tax group created in 2012 comprises the following companies at 31 December 2017:

- Auriga Capital Investments, S.L. (Parent of the tax group)
- Auriga Global Investors, S.V., S.A.U
- Quadriga Asset Managers, S.G.I.I.C., S.A.
- Alternative Financing, Estructuración y Originación, S.L.
- Isleni Global, S.A.

Furthermore, at 31 December 2016, the consolidated tax group included the company Finalter, S.L., which was derecognised in 2017 due to being in pre-bankruptcy proceedings.

(y) Contributions to the Investment Guarantee Fund

The Group forms part of the Investment Guarantee Fund and makes annual contributions to this fund in compliance with Royal Decree 948/2001 of 3 August 2001 governing investor indemnity systems, amended by Law 53/2002 of 30 December 2002 governing tax, administrative and social measures.

In 2017 and 2016, the Group accrued contributions to the fund of Euros 91,080.94 and Euros 167,782.79, respectively, recognised as other operating expenses in the consolidated income statement (see note 23).

(z) Off-balance sheet customer funds

The Group recognises off-balance sheet customer funds, notably the following, in memorandum accounts:

- Securities and other financial instruments held on deposit: own or third-party securities and other financial instruments, measured at market value at the reporting date or relevant consolidated statement date, for which the Group assumes the custody risk, except for the amount of assets entrusted to other entities for the purposes of custody, management or administration.

- Own or third-party securities and other instruments held by other entities: securities and other financial instruments held by the Group or received on deposit from third parties, measured at market value at the reporting date or relevant consolidated statement date, for which the Parent retains responsibility as custodian and which are entrusted to other entities for the purposes of custody, management or administration.

- Managed portfolios: third-party securities and other financial instruments managed by the Group under the terms of the contract signed with each customer, measured at market value at the reporting date or relevant consolidated statement date.

(aa) Related party transactions

Transactions with Group companies and related parties are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

(bb) Statement of cash flows

The Group reports its consolidated cash flows using the indirect method, using the following expressions and classification criteria:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short- term, highly liquid investments subject to a low risk of changes in value.

- Operating activities: typical activities of credit institutions and other activities that cannot be classified as investing or financing.

- 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 of liabilities that do not form part of operating activities.

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Group recognises cash payments and receipts for financial assets and financial liabilities in which turnover is quick on a net basis in the consolidated statement of cash flows. Turnover is considered to be quick when the period between the date of acquisition and maturity does not exceed six months.

In the consolidated statement of cash flows, bank overdrafts that are repayable on demand and do not form an integral part of the Group's cash management are not included as a component of cash and cash equivalents. Bank overdrafts are recognised in the consolidated balance sheet as financial liabilities arising from loans and borrowings.

(cc) Statement of total changes in equity

This statement shows a reconciliation of the opening and closing carrying amounts of all items comprising equity, grouping movements according to their nature, as follows:

- Reclassifications, reflecting changes in equity due to the adjustment of balances in the financial statements as a result of changes in accounting principles or corrections of errors.

- Income and expenses recognised during the year, comprising the aggregate amount of the items recognised in the statement of recognised income and expense.

- Other changes in equity, comprising the remaining items recognised in equity, such as distribution of profit or application of losses, transactions with own equity instruments, equity-settled payments, transfers between equity line items and any other increases or decreases in equity.

(5) Financial assets and liabilities held for trading

Details of financial assets held for trading at 31 December 2017 and 2016 are as follows:

	Euros	
	31/12/2017	31/12/2016
Debt securities		
Internal portfolio		
Deposit institutions	292,494.10	342,140.90
Non-financial companies	654,217.49	729,245.57
Regional governments	-	909.67
Other financial intermediaries	73,808.59	-
External portfolio	4,523,739.73	5,568,466.63
Valuation Adjustments	-	
Accrued interest receivable	55,139.51	37,814.88
	5,599,399.42	6,678,577.65
Shares and equity investments		
Internal portfolio		
Deposit institutions	57,993.65	572,083.10
Non-financial companies	77,438.07	61,991.45
Other intermediaries	-	-
External portfolio	532,514.28	1,272,895.95
	667,946.00	1,906,970.50
	6,267,345.42	8,585,548.15
In Euros	1,234,607.10	2,807,483.59
In foreign currency	5,032,738.32	5,778,064.56
	6,267,345.42	8,585,548.15

At 31 December 2017 and 2016 details of debt securities (excluding valuation adjustments) and equity instruments included in the Group's trading portfolio, classified as listed and unlisted financial instruments, are as follows:

	Euros	
	31/12/2017	31/12/2016
Debt securities		
Internal portfolio		
Unlisted	-	343,377.49
Listed	1,020,520.18	728,918.65
External portfolio		
Unlisted	-	12,332.80
Listed	4,523,739.73	5,556,133.83
	5,544,259.91	6,640,762.77
Shares and equity investments		
Internal portfolio		
Unlisted	43,656.60	14,252.55
Listed	91,775.12	619,822.00
External portfolio		
Unlisted	-	290,424.02
Listed	532,514.28	982,471.93
	667,946.00	1,906,970.50

The Group did not transfer any financial instruments between portfolios in 2017 or 2016.

Details of the effect on the 2017 and 2016 consolidated income statements of changes in the fair value of financial assets held for trading, depending on the valuation method used, are as follows:

	Euros	
Valuation method	31/12/2017	31/12/2016
Listed prices in active markets	354,251.92	1,018,749.74

Effective interest rates by type of financial asset held for trading at 31 December 2017 and 2016 are as follows:

	Percentage	
	2017	2016
Debt securities	2.30%	1.47%

Details of interest, yield and net gains or losses on financial assets by type of instrument held for trading recognised in the consolidated income statements for 2017 and 2016 are as follows:

	Euros					
	2017			2016		
	Interest	Yield	Gains or losses on financial assets (net)	Interest	Yield	Gains or losses on financial assets (net)
Debt securities	120,135.27	-	6,182,058.10	132,797.01	-	4,804,019.17
Shares and equity investments	-	401,324.24	1,227,521.67	-	19,821.40	1,606,073.89
Trading derivatives	-	-	209,814.00	-	-	809,993.95
Other assets at fair value	-	-	170,065.42	-	-	543,260.87
	120,135.27	401,324.24	7,789,459.19	132,797.01	19,821.40	7,763,347.88
	(note 20)	(note 20)		(note 20)	(note 20)	

At 31 December 2017, financial liabilities held for trading comprise short positions totalling Euros 2,953,845.76 arranged by a US subsidiary (Euros 3,914,512.66 at 31 December 2016).

(6) Available-for-sale financial assets

Details at 31 December 2017 and 2016 are as follows:

	Euros	
	31/12/2017	31/12/2016
Debt securities		
Internal portfolio		
Unlisted	-	2,818,900.92
Shares and equity investments		
Internal portfolio		
Unlisted	12,109,049.40	5,276,640.00
Listed	5,759,815.57	4,568,709.36
External portfolio		
Unlisted	2,693,267.23	22,938,754.73
	20,562,132.20	32,784,104.09
	20,562,132.20	35,603,005.01
In Euros	19,679,721.47	33,027,286.78
In foreign currency	882,410.73	2,575,718.23
	20,562,132.20	35,603,005.01

Details of shares and equity investments at 31 December 2017 and 2016 and movement in the years then ended are as follows:

- At 31 December 2017:

	Euros				
	31/12/2016	Additions	Disposals	Valuation adjustments	31/12/2017
Debt securities (*)	3,696,346.87	-	(3,696,346.87)	-	-
Collective investment undertakings	3,093,218.23	1,101,778.39	(914,378.74)	(614,925.90)	2,665,691.98
Equity instruments	28,808,239.91	11,106,585.34	(5,259,532.53)	(16,762,052.50)	17,893,240.22
Gestora del Fondo General de Garantía de Inversiones, S.A.	5,200.00	-	(2,000.00)	-	3,200.00
	35,603,005.01	12,208,363.73	(9,872,258.14)	(17,376,978.40)	20,562,132.20

(*) Derecognitions of debt securities correspond to the conversion of these securities into shares during 2017.

- At 31 December 2016:

	Euros				
	31/12/2015	Additions	Disposals	Valuation adjustments	31/12/2016
Debt securities	-	1,295,000.12	-	2,401,346.75	3,696,346.87
Collective investment undertakings	5,560,093.70	633,405.37	(2,385,467.84)	(714,813.00)	3,093,218.23
Equity instruments	10,393,750.07	3,151,495.26	(904,918.20)	16,167,912.78	28,808,239.91
Gestora del Fondo General de Garantía de Inversiones, S.A.	4,200.00	1,000.00	-	-	5,200.00
	15,958,043.77	5,080,900.75	(3,290,386.04)	17,854,446.53	35,603,005.01

Investment funds and equity instruments are measured and recognised at fair value. The fair value of investment funds is calculated based on the net asset value of the fund provided by the management company at each month end, whereas the Group considers the best estimate of the fair value of equity instruments to be their carrying amount. The investment in Gestora del Fondo General de Garantía de Inversiones, S.A. is recognised at cost.

At 31 December 2017 and 2016, the subsidiaries Auriga Global Investors, S.A., Sociedad Unipersonal, as a securities firm, and Quadriga Asset Managers, S.G.I.I.C., S.A., as a collective investment undertaking management company, have holdings in Gestora del Fondo General de Garantía de Inversiones, S.A.

The net change over the course of 2017 in the fair value of available-for-sale assets held by the Company at 31 December 2017 was a positive Euros 3,337,443.98 (a positive Euros 17,854,446.53 at 31 December 2016). The accumulated net change since designation of the financial assets at fair value through consolidated equity attributed to the Parent, is recognised under the item “Equity-Valuation adjustments” at 31 December 2017 and 2016 net of the related tax effect (see note 17), while the related tax effect is accounted for under “Deferred tax liabilities” (see note 12).

In 2017 and 2016, the amount transferred to the income statement as a result of the sale of these assets totals Euros 20,714,422.38 (positive) and Euros 564,709.10 (negative), respectively.

All sales of financial assets classified under this category have been settled at the 2017 and 2016 reporting dates.

At 31 December 2017 and 2016 the Group has not recognised impairment for any of the assets recorded under this balance sheet item.

At 31 December 2017 the Group has pledged assets classified under this item to secure a credit facility (a Euros 1,274,735.24 credit facility at 31 December 2016).

At 31 December 2017 and 2016 the Group has no lent or borrowed assets in this line item.

In 2017 the Group received dividends of Euros 45,822.81 (Euros 754,721.37 in 2016) (see note 20).

(7) Loans and receivables

Details at 31 December 2017 and 2016 are as follows:

	Euros	
	31/12/2017	31/12/2016
Due from financial intermediaries		
Demand deposits	28,475,715.54	32,575,643.77
Receivables from transactions performed by the Company for its own account		
pending settlement		
With *Grupo de Sistemas* (Spanish Central Securities Depository)	114,511.29	3,909.44
With other financial intermediaries	11,463.36	62,299.21
Reverse repurchase agreements	-	-
Other receivables	11,770,975.70	15,965,765.15
	40,372,665.89	48,607,617.57
Due from customers		
Loans and advances for securities transactions	815,772.41	1,019,815.67
Other loans and advances	39,741,984.56	31,650,645.65
Doubtful assets	12,967.54	-
Valuation Adjustments		
Accrued interest	1,126,216.68	371,604.18
	41,696,941.19	33,042,065.50
	82,069,607.08	81,649,683.07
In Euros	74,528,185.05	63,389,827.03
In foreign currency	7,541,422.03	18,259,856.04
	82,069,607.08	81,649,683.07

(a) Demand deposits

At 31 December 2017 and 2016 “Demand deposits” comprise current account balances held with credit institutions at year end, which yield interest at a rate of between 0.00% and 1.90%.

At 31 December 2017 and 2016 this item includes balances deposited by the Group with financial intermediaries on behalf of customers, totalling Euros 12,617,099.54 and Euros 16,873,591.69, respectively.

Income obtained on demand deposits during 2017 amounts to Euros 65,483.76 (Euros 204,408.29 at 31 December 2016) (see note 20).

Customer deposits with the Group for these transactions are recognised in “Financial liabilities at amortised cost – Due to customers”.

(b) Receivables from transactions performed by the Company for its own account pending settlement

Balances in respect of transactions performed by the Company for its own account pending settlement were settled in early January of the subsequent year.

(c) Reverse repurchase agreements

At 31 December 2017 and 2016 the Company does not recognise any assets under reverse repurchase agreements. In 2016, details of reverse repurchase agreements and movement are as follows:

	Euros
Balance at 31/12/2015	32,500,000.00
Additions	2,507,882,658.89
Disposals	(2,540,382,658.89)
Balance at 31/12/2016	-

(d) Other receivables

At 31 December 2017 and 2016, this heading includes Euros 8,586,902.09 (Euros 12,670,510.00 at 31 December 2016) of receivables acquired by the Group in 2015 from a third party. These receivables are due from a finance lease in which the counterparty is Banco Mare Nostrum, S.A.

The effective interest rate on this financing is 5.54% and it is denominated in Euros.

Details of the maturities are as follows:

Maturity		Euros
2018	2019	Total
4,031,966.41	4,554,935.68	8,586,902.09

The maturity date stipulated in the receivables transfer agreement is 1 December 2019.

The leased assets are ATMs used in Banco Mare Nostrum, S.A.'s operations.

(e) Other loans and advances

Details at 31 December 2017 and 2016 are as follows:

	Euros	
	31/12/2017	31/12/2016
Other receivables		
Loans	2,943,813.94	10,732,513.71
Collection rights on the sale of financial assets	15,468,822.47	-
Collection rights from factoring	9,170,927.60	13,055,773.77
Loans to minority shareholders	2,074,898.00	-
Other	6,397,086.51	7,848,922.13
	36,055,548.52	31,637,209.61
Advances		
Other advances	3,686,436.04	13,436.04
	39,741,984.56	31,650,645.65

Details and characteristics of these loans at 31 December 2017 and 2016 are as follows:

- At 31 December 2017:

				Euros		
	Currency	Interest rates	Maturity	Loan	Interest	Total
Member of the board of directors	Euros	5%	01/08/2018	192,956.91	33,384.86	226,341.77
Xzerta Tec LLC	US Dollars	8%	31/03/2018	83,391.71	-	83,391.71
Sherpa Capital II	US Dollars	9%	2018	567,465.32	-	567,465.32
Antesticeo, S.L.	Euros	8%	06/02/2020	2,100,000.00	490,000.00	2,590,000.00
				2,943,813.94	523,384.86	3,467,198.80

- At 31 December 2016:

	Currency	Interest rates	Maturity	Euros Loan	Interest	Total
Member of the board of directors	Euros	5%	01/08/2017	192,956.91	33,384.86	226,341.77
Xzerta Tec LLC	US Dollars	8%	31/03/2017	4,921,734.18	-	4,921,734.18
Sherpa Capital II	US Dollars	9%	2017	1,565,322.62	-	1,565,322.62
Antesticeo, S.L.	Euros	8%	06/02/2020	2,100,000.00	322,000.00	2,422,000.00
Westfield Comunicación, S.L.	Euros	2%	15/06/2025	1,952,500.00	-	1,952,500.00
				10,732,513.71	355,384.86	11,087,898.57

“Collection rights on the sale of financial assets” includes an amount of Euros 15,468,822.47 pending receipt from the sale of an available-for-sale financial asset, which was received in January 2018.

“Collection rights from factoring” reflects receivables associated with invoices acquired from transferor entities by the subsidiary Finalter, S.L., under a factoring agreement, which have been conveyed to the fund IM AURIGA PYMES 1 EUR, Fondo de Titulización de Activos (hereinafter, the Fund), whose ultimate objective is the securitisation of these invoices for a bond issue. The fund was set up on 26 September 2014 by Intermoney Titulización, Sociedad Gestora de Fondos de Titulización, S.A. In accordance with note 15, in 2017 Finalter, S.L. filed for voluntary protection from creditors.

Debt collection was managed by the subsidiary Finalter S.L., which recognised the balances receivable as well as the associated liability vis-à-vis the Fund for the amounts payable once collected (see note 14 (e)). The credit risk associated with the invoice amounts settled in advance was assumed by the Fund, pursuant to the agreement signed between the Group and the Fund. The Group recognised fee and commission income from acting as the factoring intermediary between the transferor of the invoices and the Fund (see note 22).

“Loans to minority shareholders”, at 31 December 2017, includes loans amounting to Euros 2,074,898.00, which were repaid in January 2018.

At 31 December 2017, “Other advances” includes Euros 3,673,000.00 reflecting advance payments capitalisable in 2018.

At 31 December 2017 and 2016, “Other loans and advances” comprises balances receivable from related parties amounting to Euros 4,431,211.44 and Euros 9,335,575.95, respectively (see note 28 (a)). At 31 December 2017 and 2016 this item includes a Euros 226,341.77 loan extended to a member of the board of directors (see note 28 (b)).

Income obtained on loans and advances during 2017 and 2016 amounted to Euros 1,168,672.70 and Euros 1,051,128.27, respectively (see note 20).

(8) Equity Investments

Details of this item at 31 December 2017 and 2016 are as follows:

	Euros	
	31/12/17	31/12/16
Jointly-controlled entities/Joint ventures		
Real Estate Gijón, S.L.	-	1,441,088.93
Agroauriga, S.L	998,109.43	-
Urban Trawl, S.L.	1,449,350.36	-
	2,447,459.79	1,441,088.93
Associates		
Xzerta Equity Ventures, LLC	301,239.53	2,059,168.93
AUSAF VII, LLC	-	1,586,553.76
Meet With Success, S.L	160,248.13	161,467.80
Solar Credits Opportunities Fund, LLC	-	207,783.89
Simply Business, S.L.	256,401.10	237,791.98
Ibroker Global Markets SV, S.A.	3,666,022.11	2,997,730.26
	4,383,910.87	7,250,496.62
	6,831,370.66	8,691,585.55
	(note 28 (a))	(note 28 (a))

Transactions with joint ventures during 2017 and 2016 are as follows:

Real Estate Gijón, S.L. was incorporated by the Parent on 1 July 2016, which subscribed 50% of its share capital. On 18 July 2016, Real Estate Gijón, S.L. acquired all the share capital of Inmobiliaria Sulcamifer, S.A. for Euros 3,752,580.00. The Group considers its investment in this subgroup of companies to be a joint venture and it is accounted for using the equity method.

On 4 October 2017, a total spin-off of Real Estate Gijón, S.L. was carried out to Agroauriga, S.L. and Urban Trawl, S.L. The Parent Company acquired 50% of the share capital of each, so both these companies were fully consolidated at 31 December 2017. Said spin-off had no accounting impact on the Group.

Transactions with associates during 2017 and 2016 are as follows:

- Xzerta Equity Ventures, LLC

  At 31 December 2017 and 2016 the Parent held an indirect interest in this associate through the subsidiary Auriga Special Holdings, LLC.

  The restructuring of the US subsidiaries in 2016 gave rise to additional investments of Euros 2,059,168.93.

  In 2017, the Group recognised an impairment in this investment amounting to Euros 1,858,017.62, which was booked under “Impairment losses on the rest of assets” in the consolidated income statement for the year.

  At 31 December 2017 and 2016 the percentage ownership held in this US associate is 50%.

- AUSAF VII, LLC

  In 2017 the capital the Group had invested in this company was repaid. At 31 December 2016 the Parent held an indirect interest amounting to Euros 1,586,553.76 (US Dollars 2,261,827.69), in this associate through the subsidiary Xzerta Mesa Spain LLC. implying a 25.16% stake.

- Meet With Success, S.L.

  At 31 December 2017and 2016 the Parent held an indirect interest in this associate through the subsidiary Auriga Global Investors, Sociedad de Valores, S.A. The interest in this associate amounts to Euros 160,248.13 (Euros 161,467.80 at 31 December 2016), equivalent to a percentage ownership of 33.33% at 31 December 2017 and 2016.

- Solar Credits Opportunities Fund, LLC

  In 2017 the capital the Group had invested in this company was repaid. At 31 December 2016 the Parent held an indirect interest amounting to Euros 207,783.89 (US Dollars 219,025.00) in this associate through the subsidiary Auriga Special Holdings, LLC.

- Simply Business, S.L.

  In 2015 the Parent acquired an interest of Euros 121,500.00 in Simply Business, S.L. A 50% interest was held in this associate at 31 December 2017 and 2016. The directors consider that the Group does not exercise control over this company and therefore it has not been fully consolidated as a subsidiary.

- Ibroker Global Markets S.V., S.A.

  In 2016, a partial spin-off of the subsidiary Auriga Global Investors, S.V. Sociedad Unipersonal to Ibroker Global Markets S.V., S.A. was carried out, as described in note 1. The latter was incorporated with capital of Euros 2,000,000.00, of which the Parent contributed Euros 1,000,000.00 corresponding to the spun-off activity. Subsequent to this spin-off, Ibroker Global Markets S.V., S.A. performed a capital increase of Euros 2,000,000.00 with a share premium of Euros 1,000,000.00. The Parent subscribed Euros 1,000,000.00 of this increase and the entire share premium. As a result of these operations, at 31 December 2017 and 2016 the Parent holds 50% of this company and does not exercise control thereof.

The profit/loss obtained from associates in 2017 recognised in the consolidated income statement under “Share of profit or loss of equity-accounted investees” against the value of the investment was a loss of Euros 1,456,211.62 (a loss of Euros 1,049,635.73 in 2016).

Appendix II attached hereto includes information on equity-accounted associates and joint ventures and the percentage of interest held by the Parent in each at 31 December 2017 and 2016.

In 2017 the Group received dividends of Euros 2,070,209.99 (Euros 566,941.28 in 2016) (see note 20).

(9) Property, plant and equipment

(a) For own use

Details at 31 December 2017 and 2016 and movement in the years then ended are as follows:

	Euros				
2017	31/12/2016	Additions	Disposals	Exchange gains	31/12/2017
Fixtures	407,462.31	46,267.19	(136,931.92)	(35,747.06)	281,050.52
IT equipment	539,246.03	131,039.60	(68,794.14)	(46,323.47)	555,168.02
Furniture	142,847.73	51,584.53	-	(31,736.78)	162,695.48
Motor vehicles	84,586.00	-	(84,586.00)	-	-
Other property, plant and equipment	10,396.63	350,000.00	(2,622.38)	-	357,774.25
Total property, plant and equipment	1,184,538.70	578,891.32	(292,934.44)	(113,807.31)	1,356,688.27
Fixtures	(358,366.19)	(22,322.22)	153,245.57	-	(227,442.84)
IT equipment	(451,627.22)	(97,123.99)	68,794.14	45,260.95	(434,696.12)
Furniture	(140,533.34)	(303.35)	11,979.87	-	(128,856.82)
Motor vehicles	(57,217.49)	(27,368.51)	84,586.00	-	-
Other property, plant and equipment	(4,725.23)	(30,441.82)	2,622.38	-	(32,544.67)
Total accumulated depreciation	(1,012,469.47)	(177,559.89)	321,227.96	45,260.95	(823,540.45)
Net property, plant and equipment	172,069.23	401,331.43	28,293.52	(68,546.36)	533,147.82

	Euros				
2016	31/12/2015	Additions	Disposals	Exchange gains	31/12/2016
Fixtures	598,828.47	-	(202,243.22)	10,877.06	407,462.31
IT equipment	577,867.43	48,549.37	(97,329.90)	10,159.13	539,246.03
Furniture	229,358.04	-	(93,722.04)	7,211.73	142,847.73
Motor vehicles	84,586.00	-	-	-	84,586.00
Other property, plant and equipment	17,163.37	-	(6,766.74)	-	10,396.63
Total property, plant and equipment	1,507,803.31	48,549.37	(400,061.90)	28,247.92	1,184,538.70
Fixtures	(499,574.70)	(49,377.83)	201,463.40	(10,877.06)	(358,366.19)
IT equipment	(436,047.66)	(79,976.22)	74,555.79	(10,159.13)	(451,627.22)
Furniture	(226,172.29)	(871.19)	93,721.86	(7,211.73)	(140,533.34)
Motor vehicles	(28,970.68)	(28,246.81)	-	-	(57,217.49)
Other property, plant and equipment	(8,966.50)	(2,525.46)	6,766.74	-	(4,725.23)
Total accumulated depreciation	(1,199,731.83)	(160,997.51)	376,507.79	(28,247.92)	(1,012,469.47)
Net property, plant and equipment	308,071.48	(112,448.14)	(23,554.11)	-	172,069.23

At 31 December 2017 and 2016 disposals of property, plant and equipment include fully depreciated items derecognised during the year.

The Group did not recognise any gains or losses on disposals of property, plant and equipment in 2017 or 2016.

At 31 December 2017 the Group has fully depreciated items of property, plant and equipment amounting to Euros 1,339,000.71, all of which are located in the United States (Euros 586,330.92 at 31 December 2016, of which Euros 563,585.77 were located in the United States).

At 31 December 2017 and 2016, the Group has no property, plant or equipment with ownership restrictions or which have been pledged as collateral.

At 31 December 2017 and 2016, the Group has no commitments to purchase property, plant and equipment from third parties.

In 2017 and 2016 no compensation or indemnities were received or are expected to be received from third parties for the impairment or decline in value of property, plant and equipment for own use.

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The cover provided by these policies is considered sufficient.

(b) Investment property

At 31 December 2017, the Group did not recognise investment property in its balance sheet and neither has there been any movement under this income statement heading in the year. Details of this item at 31 December 2016 and movement in 2016 under investment property were as follows:

	Euros
Cost at beginning of year	163,530.64
Additions	-
Disposals	(163,530.64)
Cost at end of year	-
Depreciation at end of year	(93,377.30)
Depreciation	(64,112.90)
Disposals	157,490.20
Depreciation at end of year	-
Exchange gains	-
Carrying amount	-

During 2016 the Group sold investment property with a cost of Euros 163,530.64, giving rise to a loss of Euros 6,040.44.

(10) Intangible Assets

Details at 31 December 2017 and 2016 and movement in the years then ended are as follows:

	Euros				
2017	31/12/2016	Additions	Disposals	Exchange gains	31/12/2017
Goodwill	665,036.60	-	(665,036.60)	-	-
Other intangible assets					
Computer software	388,305.24	97,622.25	(76,451.24)	(114,895.88)	294,580.37
Other intangible assets	8,924.84	-	-	-	8,924.84
Total intangible assets	1,062,266.68	97,622.25	(741,487.84)	(114,895.88)	303,505.21
Computer software	(230,679.64)	(68,418.01)	76,451.24	114,895.88	(107,750.53)
Other intangible assets	(1,129.13)	(446.25)	-	-	(1,575.38)
Total accumulated depreciation	(231,808.77)	(68,864.26)	76,451.24	114,895.88	(109,325.91)
Net intangible assets	830,457.91	28,757.99	(665,036.60)	-	194,179.30

	Euros				
2016	31/12/2015	Additions	Disposals	Exchange gains	31/12/2016
Goodwill	711,538.30	-	-	(46,501.70)	665,036.60
Other intangible assets					
Computer software	480,355.69	128,948.12	(251,562.40)	30,563.83	388,305.24
Other intangible assets	610.00	8,924.84	(610.00)	-	8,924.84
Other intangible assets	1,192,503.99	137,872.96	(252,172.40)	(15,937.87)	1,062,266.68
Computer software	(245,716.95)	(136,485.38)	187,246.69	(35,724.00)	(230,679.64)
Other intangible assets	(610.00)	(1,129.13)	610.00	-	(1,129.13)
Total accumulated depreciation	(246,326.95)	(137,614.51)	187,856.69	(35,724.00)	(231,808.77)
Net intangible assets	946,177.04	258.45	(64,315.71)	(51,661.87)	830,457.91

In 2017 the Group impaired the goodwill in its entirety, as it considered its recoverability as being remote, the impairment being recognised under “Impairment losses on the rest of assets (net) - Intangible assets” in the consolidated income statement.

The acquisition did not entail additional consideration contingent on future events.

In 2017 and 2016 disposals of intangible assets include fully amortised items derecognised during the year.

At 31 December 2017 the Group has fully amortised items of intangible assets amounting to Euros 9,825.20, all of which are located in the United States (Euros 3,600.00 at 31 December 2016).

In 2017 and 2016 the Group incurred no computer software or program development costs that did not qualify for recognition and therefore could not be capitalised.

At 31 December 2017 and 2016 the Group has no intangible assets with ownership restrictions or which have been pledged as collateral.

At 31 December 2017 and 2016, the Group has no commitments to purchase intangible assets from third parties.

(11) Operating leases - Lessee

At 31 December 2017 and 2016 the Group has leased the buildings in which it carries out its activities, an apartment and eight garage parking spaces under an operating lease.

Details of the most relevant lease contracts at 31 December 2017 and 2016 are as follows:

Leases	Expiry/ Renewal	Penalties
C/ Cuesta del Sagrado Corazón, 6-8 Madrid	31/12/2022	Payment of full amount due under the contract until expiry date (*)
C/ Gobelas, 19, La Florida, Madrid	01/11/2018	No penalty with notice
546 546 Fifth avenue, 9th Floor, New York (10036)	28/02/2022	-
30 S. Wacker Drive, Chicago, Illinois, 60606	07/2018	-
201 King of Prussia Road, Suite 650, Radnor, Pa 19087	31/08/2018	-

(*) In the event of early termination of the contract subsequent to 1 December 2015, no penalties will be charged if 6 months' prior notice is given and all the contract terms are met.

Operating lease instalments recognised as expenses amount to Euros 677,632.66 in 2017 (Euros 759,900.97 in 2016) (see note 25).

Future minimum payments under non-cancellable operating leases are as follows:

	Euros	
	2017	2016
Minimum lease payments	126,503.25	225,953.09

At 31 December 2017 the Group has recognised Euros 231,237.96, reflecting lease security deposits, under “Other assets” (Euros 110,193.73 at 31 December 2016) (see note 13).

(12) Tax assets and liabilities

Details at 31 December 2017 and 2016 are as follows:

	Euros			
	31/12/2017		31/12/2016	
Tax assets	Current	Deferred	Current	Deferred
Public entities				
Value added tax	159,081.44	-	129,296.41	-
Withholdings and payments on account	5,523.77	-	5,079.84	-
Tax credits	2,593.95	33,818.88	-	21,612.89
Temporary differences (note 27)	-	2,999,076.21	-	34,610.79
	167,199.16	3,032,895.09	134,376.25	56,223.68
Tax liabilities				
Public entities				
Income tax				
Current year	5,055,283.43	-	793,550.23	-
Temporary differences (note 27)	-	-	-	4,085.39
Revaluation of financial instruments (note 6)	-	1,049,161.96	-	5,644,903.39
Other	-	-	-	320,187.66
	5,055,283.43	1,049,161.96	793,550.23	5,969,176.44

These assets and liabilities are denominated in Euros at 31 December 2017 and 2016.

Movement in deferred tax assets and liabilities arising from the revaluation of financial instruments in 2017 and 2016 is as follows:

	Euros	
	Assets	Liabilities
Balance at 31/12/2015	-	1,043,658.56
Additions	-	4,722,400.93
Disposals	-	(121,156.10)
Balance at 31/12/2016	-	5,644,903.39
Additions	-	834,361.00
Disposals	-	(5,430,102.43)
Balance at 31/12/2017	-	1,049,161.96

Deferred tax assets and liabilities arising from the revaluation of financial instruments reflect the effect on the Group's equity of the measurement of available-for-sale financial assets. These balances will be realised or reversed in less than 12 months.

(13) Other assets and liabilities

Details at 31 December 2017 and 2016 are as follows:

	Euros	
Other assets	31/12/2017	31/12/2016
Fees and commissions and prepaid expenses	645,240.43	548,156.90
Other items		
Security deposits (note 11)	231,237.96	110,193.73
Shareholders and senior management personnel (note 28 (a) and 28 (b))	325,371.19	301,978.95
Other	21,872,526.34	8,240,825.81
	23,074,375.92	9,201,155.39
In Euros	22,677,887.67	8,573,329.42
In foreign currency	396,488.25	627,825.97
	23,074,375.92	9,201,155.39

Other liabilities		
Accrued expenses	1,299,339.14	1,205,442.29
Public entities		
Taxation authorities, tax withholdings on salaries	211,425.63	698,291.57
Taxation authorities, VAT	-	2,461.34
Social Security contributions payable	63,801.39	131,589.81
Public entities, other	291,275.45	39,236.62
Balances payable on subscribed securities	6,000.00	6,000.00
Other payables unrelated to securities transactions	26,013,384.59	6,182,751.64
	27,885,226.20	8,265,773.27
In Euros	22,116,157.48	3,504,357.11
In foreign currency	5,769,068.72	4,761,416.16
	27,885,226.20	8,265,773.27

These assets and liabilities are on demand at 31 December 2017 and 2016.

(a) Shareholders and senior management personnel

At 31 December 2017 and 2016, this item primarily comprises balances receivable from two shareholders of the Parent.

(b) Other

This item includes mainly the following:

- At 31 December 2017, through the subsidiaries Lombotum, S.L and Bienes Raíces Pentágono 5, S.L., the Group acquired properties in the amount of Euros 6,579,724.47, as part of these companies' real estate sale-purchase activity.

- At 31 December 2017 and 2016 this item comprises receivables deriving from the activity of the subsidiary Auriga Special Holdings, LLC, as well as advances extended to the cash desk, which were collected shortly after year end.

- Furthermore, at 31 December 2017, it includes an amount of Euros 4,619,785.42 corresponding to temporary balances receivable from related parties to be settled the following year.

At 31 December 2017 and 2016, this item comprises balances receivable from related parties amounting to Euros 4,619,785.42 and Euros 953,235.31, respectively (see note 28 (a)).

(c) Accrued expenses

At 31 December 2017, the Company had no related party balances under this item. At 31 December 2016, a balance of Euros 101,250.00 is payable to a member of the Company's board of directors for services rendered in 2016 (see notes 28 (a) and 28 (b)).

At 31 December 2017 and 2016 this item also includes Euros 33,587.53 and Euros 51,006.44, respectively, reflecting monthly variable remuneration payable to employees, which was settled at the beginning of the subsequent year.

(d) Other payables unrelated to securities transactions

At 31 December 2017 and 2016, this item comprises balances payable to sales representatives and agents, as well as payables to US suppliers, amounting to Euros 5,769,068.72 and 391,682.17, respectively.

Moreover, at 31 December 2017, this item includes an amount of Euros 8,525,661.00 corresponding to the dividend pending payment to minority shareholders in the subsidiary General Universal Business, S.L.

In addition, at 31 December 2017, it includes an amount of Euros 4,900,000.00 corresponding to temporary balances payable to related parties to be settled the following year.

At 31 December 2017, this heading include payables to related parties in the amount of Euros 5,206,136.22, including Euros 204,636.22 payable to members of the board of directors (note 28 (a)).

(14) Financial liabilities at amortised cost

Details at 31 December 2017 and 2016 are as follows:

	Euros	
	31/12/2017	31/12/2016
Due to financial intermediaries		
Loans and credits	13,633,880.36	21,194,814.68
Other payables to financial intermediaries	138,669.72	-
Other intermediaries	834,956.18	163,715.87
Repurchase agreements	334,225.77	1,619,583.83
Other	-	1,265.76
	14,941,732.03	22,979,380.14
Due to customers		
Temporary balances arising from securities transactions	11,493,431.98	14,764,803.73
Other payables	15,617,020.62	21,212,949.99
	27,110,452.60	35,977,753.72
Other financial liabilities	12,984,508.07	7,290,449.01
	55,036,692.70	66,247,582.87
In Euros	54,633,038.93	66,247,582.87
In foreign currency	403,653.77	-
	55,036,692.70	66,247,582.87

(a) Loans and credits

Loans and credits reflect drawdowns on credit facilities arranged in 2017 and 2016 and bank loans obtained in 2017 and 2016 with the following terms:

- Credit facilities

At 31 December 2017:

			Euros	
Bank	Maturity date	Interest rate	Limit	Amount drawn down
Banca March	16/12/2018	12-month Euribor + 1.90%	1,500,000.00	-
Banco Popular	20/07/2018	2.25%	1,000,000.00	949,234.78
Cecabank (*)	Indefinite	Eonia + 2.5%	7,000,000.00	867,807.38
				1,817,042.16

(*) This policy is not freely available.

At 31 December 2016:

Bank	Maturity date	Interest rate	Euros Limit	Euros Amount drawn down
Banca March	16/12/2017	12-month Euribor + 1.90%	1,500,000.00	1,499,998.01
Bankia	29/04/2017	12-month Euribor + 1.90%	2,000,000.00	2,000,000.00
Bankia	16/11/2017	12-month Euribor + 1.90%	5,500,000.00	5,219,009.04
Banco Sabadell	12/09/2017	13-month Euribor + +2.75%	500,000.00	492,525.19
Banco Popular	10/06/2017	12-month Euribor + +1.85%	3,500,000.00	2,478,970.59
Banco Mare Nostrum	27/07/2017	1.75%	1,000,000.00	628,660.91
Abanca	31/03/2017	13-month Euribor + +1.75%	1,000,000.00	997,563.35
Banco Cooperativo Español	16/12/2017	12-month Euribor + +2.50%	1,000,000.00	993,554.15
Bankinter (*)	31/05/2017	12-month Euribor + +2.75%	2,000,000.00	798,184.92
				15,108,466.16

(*) Facility automatically renewed annually

- Loans

At 31 December 2017:

Bank	Maturity	Interest rate	Balance at 31/12/2017	Maturity 2018	2019	2020	2021
Banco Popular	10/05/2021	2.95%	308,466.96	84,919.79	87,452.78	90,061.32	46,033.07
Bankia	01/01/2021	2.04%	7,524,914.35	1,274,914.35	2,500,000.00	2,500,000.00	1,250,000.00
Bankinter	03/12/2019	4.65%	3,983,456.89	1,945,075.99	2,038,380.90	-	-
			11,816,838.20	3,304,910.13	4,625,833.68	2,590,061.32	1,296,033.07

At 31 December 2016:

Bank	Maturity	Interest rate	Balance at 31/12/2016	Maturity 2017	2018	2019
Sabadell	30/09/2017	2.75%	225,770.77	225,770.77	-	-
Banco Popular	10/03/2017	6.35%	20,253.39	20,253.39	-	-
Bankinter	03/12/2019	4.65%	5,840,324.36	1,856,867.47	1,945,075.99	2,038,380.90

6,086,348.52	2,102,891.63	1,945,075.99	2,038,380.90

The loan from Bankinter was arranged in 2015 to obtain part of the financing required to acquire receivables from a third party under a finance lease in which Banco Mare Nostrum is the counterparty (see note 7 (d)).

(b) Other intermediaries

At 31 December 2017, this item includes mainly unpaid fees for marketing CIUs.

(c) Repurchase agreements

At 31 December 2017 and 2016 this item reflects a repurchase agreement vis-à-vis Auriga Special Holdings, LLC for assets denominated in US Dollars.

(d) Temporary balances arising from securities transactions

The majority of temporary balances arising from securities transactions at 31 December 2017 and 2016 were settled in the following year.

(e) Other payables

Other payables mainly consist of payables for factoring transactions carried out by Finalter, S.L. with the IM AURIGA PYMES 1 EUR securitisation fund, as well as payables to the transferors of these invoices (see note 7 (e)).

(f) Other financial liabilities

At 31 December 2017 and 2016 other financial liabilities comprise the fixed-income securities issued by the Group in 2015 to obtain part of the financing necessary to acquire the receivables referred to in note 7 (d) herein. The securities issued amounted to Euros 11,200,000.00 and mature on 3 December 2019. The explicit interest rate for the issue is 4.34%. At 31 December 2017 the payable under this heading amounts to Euros 4,769,759.66 (Euros 7,290,449.01 at 31 December 2016).

At 31 December 2017 this item also includes the financing obtained in 2017 by subsidiaries Lombotum, S.L. and Bienes Raíces Pentágono 5, S.L., to commence their real estate sale-purchase activity. At 31 December 2017 this financing amounts to Euros 8,020,038.80 and corresponds to loans against shares in profits. This financing includes Euros 3,772,237.79 with related parties (see note 28 (a)).

Details of interest expense and similar charges recognised in the income statement at 31 December 2017 and 2016 by type of financial liability are provided in note 20 to these consolidated annual accounts.

(15) Provisions

Details of this item at 31 December 2017 and 2016 are as follows:

	Euros	
	31/12/2017	31/12/2016
Provisions for taxes and other legal contingencies	16,392,503.68	-
Other provisions	-	650,000.00
	16,392,503.68	650,000.00

Provisions for taxes and other legal contingencies

The subsidiary Finalter, S.L. (hereinafter, "Finalter") was incorporated in 2014. Since its incorporation, Finalter has focused on the acquisition and subsequent assignment of credit rights (instrumented in the form of invoices, promissory notes and works certificates) mainly to the asset securitisation fund IM Auriga Pymes Eur 1 (hereinafter, "the Fund").

In May 2017, the Group learned that a significant portion of the Fund's assets had hidden flaws, leading to a significant impairment of the Fund, as the possibility of recovering the credit rights recognised in the balance sheet is considered to be remote. As a result, in July 2017, Finalter filed for voluntary protection from creditors, and remains in pre-bankruptcy proceedings at the time of presenting these consolidated annual accounts.

Accordingly, in 2017 the Group's management commenced a process to negotiate with the owners of the Fund's bonds (hereinafter, "the Bondholders" and "the Bond" respectively), so as to reach an agreement to compensate Bondholders for their losses, the latter being assumed by the Auriga Group, despite not being responsible for the hidden flaws in the Fund. The proposed agreement was conditional upon its acceptance by all Bondholders.

Ultimately, the Group reached a total agreement with all the Bondholders in December 2017, and the agreements signed by Auriga Capital Investments, S.L. and the Bondholders were executed on 23 January 2018. The outline of the offer presented to the Bondholders is as follows:

- All Bondholders could choose one of the following options to exchange their Bonds:

  Option 1: Sell the Bond to the Parent Company in exchange for a cash payment on the date of executing the agreement;

  Opción 2: A swap between Bondholders and Auriga, whereby Auriga would acquire the Bonds and the Bondholders a zero coupon bond maturing in 2025, issued by the Parent Company on the date of executing the agreement.

- The Bondholders, despite selling the relevant Bonds, retained ownership of their economic rights, except for certain such rights detailed in the agreements.

- The Bond’s non-economic rights were assigned to Auriga.

- The Fund’s Bondholders waived any proceedings, directly or indirectly, against any Auriga Group company.

As a result of the aforementioned agreement with Bondholders, at 31 December 2017 the Company recognised a provision for this contingency amounting to Euros 16,392,503.68, estimated based on the agreements signed with each of the Fund’s Bondholders, with the cost for Auriga of option 1 and option 2 (updated value of the bond issued) being Euros 10,200,000.00 and Euros 6,192,503.68, respectively. Said provision was recognised under “Allocations to provisions” in the income statement for the year.

All the agreements between the Group and all the Bondholders described in the foregoing paragraphs were exercised on 23 January 2018.

Other provisions

At 31 December 2016 this item included regulatory penalties pending payment at year-end, which were paid by the Group in 2017 (see note 23).

(16) Equity

Details of equity and movement during the year are shown in the consolidated statement of changes in equity.

(a) Registered capital

At 31 December 2017 and 2016 the share capital of the Parent is represented by 300,000 indivisible and cumulative shares of Euros 10.00 par value each, subscribed and fully paid (see note 1). These shares have the same voting and profit-sharing rights.

At 31 December 2017 and 2016 the Parent's shareholder structure is as follows:

Shareholder	31/12/2017		31/12/2016	
	Number of shares	Percentage ownership	Number of shares	Percentage ownership
Marfeco, S.L.	89,000	29.67%	99,541	33.18%
Iresco Inversiones, S.L.	89,000	29.67%	99,541	33.18%
Mr Rodrigo Hernando Ortega	75,500	25.16%	54,418	18.14%
Mr Amadeo Hernández Bueno	15,000	5.00%	15,000	5.00%
Mr Ignacio Contreras González	13,530	4.51%	13,530	4.51%
Mr Francisco de Borja Torres Bruzón	12,000	4.00%	12,000	4.00%
Mr Alfredo Jiménez Fernández	3,000	1.00%	3,000	1.00%
Mr Vasco Manuel Ventura Machado	2,970	0.99%	2,970	0.99%
	300,000	100%	300,000	100.00%

At 31 December 2017 and 2016 neither the Company nor any third party operating on its behalf holds any own shares.

The Group’s shares are not listed on the stock exchange.

(b) Share premium

At 31 December 2017 and 2016 the share premium comprises the difference between the value of the assets contributed to the Company and the amount of these items at the date of their contribution.

This reserve is freely distributable.

(c) Reserves

(i) Legal reserve

The legal reserve has been appropriated in compliance with article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. This reserve may be used to increase share capital.

At 31 December 2017 and 2016 the Parent has appropriated to the legal reserve the minimum amount required by law.

(ii) Capitalisation reserve

The capitalisation reserve has been appropriated in accordance with articles 25 and 62 of the Spanish Income Tax Law, which require that an amount equal to the reduction in the tax group's taxable income for the year be appropriated to the reserve. The amount by which the tax group is entitled to reduce taxable income is equal to 10% of the increase in its equity, as defined in the aforementioned article. In no case may this reduction exceed 10% of the tax group's taxable income for the tax period prior to the reduction, before the integration referred to in article 11.12 of the Law and before offsetting tax loss carryforwards.

However, if the reduction cannot be applied because the tax group does not generate sufficient taxable income, the outstanding amounts may be applied in the tax periods ending in the two years immediately after the end of the tax period in which the tax group became entitled to the reduction, together with any reduction applicable in that period, subject to the limit indicated. The reserve is restricted and the increase in the tax group's equity must be maintained for a five-year period from the end of the tax period in which the group became entitled to the reduction, unless accounting losses are incurred.

(iii) Voluntary reserves

These reserves are freely distributable.

As a result of the Group's restructuring of its US subsidiaries, the Group's ownership interest in certain investees has increased, thereby increasing the consolidated reserves contributed by the US sub-group Auriga Special Holdings, LLC to the Group's reserves.

(Iii) Dividends

In 2017 no dividends were distributed.

At their general meeting on 29 December 2016, the Parent's shareholders approved the distribution of a dividend of Euros 1,000,000.00 with a charge to voluntary reserves, which was paid in 2016.

(d) Profit for the year attributable to the Parent

At 31 December 2017 and 2016, the contribution of each company to consolidated profit, after consolidation adjustments, is as follows:

	Euros	
	31/12/2017	31/12/2016
Auriga Capital Investments, S.L.	(9,255,827.49)	1,418,284.30
Auriga Global Investors, S.V., S.A.U	(1,428,142.39)	(1,477,274.65)
Quadriga Asset Managers, S.G.I.I.C, S.A.	1,490,673.79	829,184.73
Auriga Special Holdings, LLC	(1,053,342.47)	1,219,778.96
Xzerta Solar I Spain, LLC	25,878.17	(808,961.12)
Auriga Renovables, S.L.	(4,453.66)	(4,647.52)
Xzerta Mesa Spain, LLC	59,929.15	(135,195.53)
Finalter, S.L.	(60,323.30)	320,205.55
Auriga Sherpa I, S.L.	32,177.62	71,612.75
Auriga Grapheno, S.L.	661,559.90	(1,904.15)
Alternative Financing, Estructuración y Originación, S.L.	(1,162,970.50)	266,063.84
Einicia	(40,797.74)	(3,296.26)
Carbono Puro	(537.59)	(1,832.51)
Isleni Global, S.A.	(67,197.08)	(87,217.98)
CA Metropolitan ATM 10, S.A.	(52,211.73)	(569,836.36)
Mackay Investments	(1,555.46)	-
Lombotum, S.L.	116,019.09	-
Bienes Raíces Pentágono 5, S.L.	99,964.01	-
Auriga Investments, S.a.r.l.	3,676.83	-
General Universal Bussiness	4,286,593.85	(650.83)
	(6,350,887.00)	1,034,313.22

(e) Capital adequacy: Capital management

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and Spanish National Securities Market Commission (CNMV) Circular 2/2014 of 23 June 2014, on the solvency of investment firms and their consolidable groups, regulate the capital requirements of these companies and their consolidable groups, how capital should be determined, the different capital self-assessment processes to be implemented by entities and the public information these entities should submit to the market.

Group management has drawn up the following strategic objectives in relation to its capital management:

- Consistently comply with applicable legislation on minimum capital requirements, at both individual and consolidated level.

- Seek maximum capital management efficiency in order for capital consumption to be considered, alongside other return and risk variables, as a fundamental variable in analyses associated with the Company's decision-making.

- Reinforce the proportion of Tier I capital with respect to the Group's capital as a whole.

The Group has implemented a number of capital management policies and processes to meet these objectives. The main guidelines of these policies are as follows:

- The Group carries out monitoring and controls that continuously analyse levels of compliance with capital regulations and are equipped with alerts to guarantee, at any given time, compliance with applicable legislation and the consistency of decisions made by the different areas and units of the Company with the objectives set, to ensure that minimum capital requirements are met. Contingency plans are also in place to ensure that limits stipulated in applicable legislation are respected. Details of these contingency plans are provided in the Capital Consumption Procedures Manual.

- The impact of the Group's decisions on its capital base and the consumption-return-risk ratio are considered a key decision-making factor in strategic and commercial planning and in the analysis and monitoring of Group transactions. The Group has parameters to serve as guidelines for its decision-making on minimum capital requirements or decisions affecting such requirements.

The Group therefore considers capital and the capital requirements established by the aforementioned legislation as a fundamental management aspect.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and CNMV Circular 2/2014 of 23 June 2014 stipulate which items should be considered as own funds and the requirements that should be met at all times with respect to own funds. The Group must meet the following requirements with respect to own funds:

a) a Common Equity Tier 1 capital ratio of 4.5%.

b) a Tier 1 capital ratio of 6%.

c) a total capital ratio of 8%.

The Group must calculate its capital ratios as follows:

a) the Common Equity Tier 1 capital ratio must be equal to the entity's Common Equity Tier 1 capital expressed as a percentage of the total risk exposure;

b) the Tier 1 capital ratio must be equal to the entity's Tier 1 capital expressed as a percentage of the total risk exposure;

c) the total capital ratio must be equal to the entity's own funds expressed as a percentage of the total risk exposure.

The Group's capital management follows the conceptual definitions provided in Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and CNMV Circular 2/2014 of 23 June 2014. The minimum capital requirements stipulated in Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and CNMV Circular 2/2014 of 23 June 2014 are calculated on the basis of the Company's exposure to credit, counterparty and dilution risks, free deliveries, settlement and delivery risks, position, currency, commodities and operational risks, and risks associated with large exposures in the trading book. The Group is also required to comply with the risk concentration limits set out in the aforementioned Regulation and the capital self-assessment and interest rate risk measurement obligations, as well as obligations regarding public information to be issued to the market, also specified in this Regulation. To guarantee that these objectives are met, the Group has implemented an integrated risk management process based on the above-mentioned policies.

At 31 December 2017 and 2016 the Group's eligible capital exceeded the requirements of the aforementioned legislation.

(17) Valuation Adjustments

(a) Available-for-sale financial assets

Valuation adjustments comprise the net amount of changes in the fair value of assets classified as available-for-sale, which should be included in the Group’s equity, in accordance with note 4 (g). These changes are taken to the consolidated income statement when the related assets are sold.

Movement in 2017 and 2016 is as follows:

	Euros	
	31/12/2017	31/12/2016
Opening balance	7,462,421.68	1,317,466.97
Change in fair value of available-for-sale assets	1,726,359.76	5,721,422.88
Transfers to the income statement due to disposals	(6,637,456.65)	423,531.83
Closing balance	2,551,324.79	7,462,421.68

(b) Translation differences companies in consolidated companies

Movement in valuation adjustments relating to translation differences in 2017 and 2016 is as follows:

	Euros	
	31/12/2017	31/12/2016
Opening balance	960,563.40	864,482.48
Additions (disposals)	(445,098.52)	96,080.92
Closing balance	515,464.88	960,563.40

The breakdown of translation differences relating to each of the Group's subsidiaries at 31 December 2017 and 2016 is as follows:

	Euros	
	31/12/2017	31/12/2016
Sub-consolidated Auriga Special Holdings, LLC	478,205.75	446,227.61
Subconsolidado Xzerta Solar I Spain, LLC	-	416,480.88
Subconsolidado Xzerta Mesa Spain, LLC	37,259.13	97,854.91
Closing balance	515,464.88	960,563.40

(18) Risk and commitment accounts and other off-balance sheet items

Details at 31 December 2017 and 2016 are as follows:

	Euros	
	31/12/2017	31/12/2016
Risk and commitment accounts		
Bank and other guarantees extended	1,010,351.81	2,285,087.05
Forward securities purchase commitments	260,632.93	1,562,777.97
Forward securities sale commitments	375,144.22	1,566,687.41
Financial derivatives		
Interest rate and securities futures		
Purchased	300,624.00	1,024,474.00
Sold	491,580.00	520,560.00
Total risk and commitment accounts	2,438,332.96	6,959,586.43
Other off-balance sheet items		
Credit facilities available for drawdown (note 14 (a))	1,550,765.22	9,892,563.41
Customer purchase orders pending settlement	555,702.74	514,953.17
Customer sale orders pending settlement	506,531.56	1,359,834.87
Own and third-party financial instruments held by other entities		
Own	3,425,108.45	5,568,789.15
Third-party	345,386,121.75	340,245,603.32
	348,811,230.20	345,814,392.47
Managed portfolios (note 19 (a))		
Investments in listed domestic shares and equity holdings	62,392,574.76	68,352,814.77
Investments in listed domestic fixed income securities	66,881,588.03	82,315,918.33
Investments in listed foreign securities	400,417,826.46	348,378,998.51
Cash with financial intermediaries	94,265,929.21	113,139,137.80
Investments in unlisted foreign securities	5,255,756.53	5,986,566.46
	629,213,674.99	618,173,435.87
Other off-balance sheet items	6,132,192.62	-
Total other off-balance sheet items	986,770,097.33	975,755,179.79
TOTAL	989,208,430.29	982,714,766.22

Details of the nominal amount of financial instruments included in trading derivatives at 31 December 2017 and 2016, by maturity, fair value and type of instrument, are as follows:

	Euros		
31 December 2017	1 year	Total	Fair value
Share/index derivatives			
Organised markets			
Futures purchased	302,826.60	302,826.60	300,624.00
Futures sold	500,896.67	500,896.67	491,580.00
	803,723.27	803,723.27	792,204.00

	Euros		
31 December 2016	1 year	Total	Fair value
Share/index derivatives			
Organised markets			
Futures purchased	1,020,274.20	1,020,274.20	1,024,474.00
Futures sold	526,336.67	526,336.67	520,560.00
	1,546,610.87	1,546,610.87	1,545,034.00

Financial instruments held on deposit and own and third-party financial instruments held by other entities reflect the Group's own securities and customer securities deposited in the Group or with other custodians at 31 December 2017 and 2016, which were recognised at market value at those dates. All the securities deposited with the Group during 2016 have been transferred to accounts with other financial institutions.

Details of own and third-party securities held by the Group or other entities are as follows:

	Euros	
	31/12/2017	31/12/2016
Derivatives		-
Variable income securities	308,969,527.78	296,131,299.97
Fixed income securities	39,841,702.42	49,683,092.50
	348,811,230.20	345,814,392.47

(19) Off-balance sheet customer funds

(a) Portfolios managed

At 31 December 2017 and 2016 details of managed portfolios, by tranche, are as follows:

	Euros					
	31/12/2017			31/12/2016		
Tranche in thousands of Euros	Number of contracts	Equity	Fees and commissions December 2017	Number of contracts	Equity	Fees and commissions December 2016
60	86	47,742.02	-	63	73,201.27	-
61-300	-	-	-	1	66,746.66	-
301-600	-	-	-	-	-	-
601-1,500	-	-	-	-	-	-
1,501-6,000	3	14,103,764.53	2,247.20	4	17,041,444.29	8,308.73
More than 6,000	19	615,062,168.44	570,067.10	18	600,992,043.65	2,379,170.52
	108	629,213,674.99	572,314.30	86	618,173,435.87	2,387,479.25
		(note 18)			(note 18)	

At 31 December 2017, the Group manages primarily the portfolio of nine resident collective investment undertakings and ten non-resident collective investment undertakings (eight resident and eleven non-resident collective investment undertakings at 31 December 2016).

(20) Interest and similar income – Dividend income

Details at 31 December 2017 and 2016, based on the nature of operations, are as follows:

Interest and similar income	Euros	
	2017	2016
Financial intermediaries		
Demand deposits (note 7 (a))	65,483.76	204,408.29
Resident individuals. Other (note 7 (e))	1,074,923.25	943,577.80
Non-resident individuals. Other (note 7 (e))	93,749.45	107,550.47
Monetary assets and government debt	50.55	279.31
Other fixed income securities (note 5)	120,135.27	132,797.01
Other interest and similar income	90,099.04	800,491.13
	1,444,441.32	2,189,104.01

In 2017 and 2016 the Group's revenue was generated primarily in Spain.

At 31 December 2016 and 2015, “Other interest and similar income” comprised the income obtained from the advances on invoices not transferred to the securitisation fund, in the operations carried out by Finalter, S.L. described in note 7 (e).

Details of dividend income by type of portfolio are as follows:

	Euros	
	2017	2016
Dividend income		
Financial assets held for trading (note 5)	401,324.24	19,821.40
Available-for-sale financial assets (note 6)	45,822.81	754,721.37
Equity investments (notes 8 and 28 (a))	2,070,209.99	566,941.28
	2,517,357.04	1,341,484.05

(21) Interest expense and similar charges

Details at 31 December 2017 and 2016, based on the nature of operations, are as follows:

	Euros	
	2017	2016
Due to financial intermediaries	632,194.17	679,408.35
Due to customers	1,241,446.48	1,834,802.44
Other financial liabilities	1,223,597.31	879,293.55
	3,097,237.96	3,393,504.34

(22) Fee and commission income and expense

Details of fee and commission income and expense in 2017 and 2016, by nature, are as follows:

Fee and commission income	Euros	
	2017	2016
Processing and execution of customer orders for securities sales and purchases		
Variable income transactions	8,185,628.00	9,740,775.49
Fixed income transactions	1,959,503.94	1,087,829.01
Derivatives transactions	-	2,760,049.71
Derivatives intermediation	-	1,177,537.35
Underwriting and placement	-	336,829.11
Marketing of collective investment undertakings	130,129.05	252,670.12
Securities held on deposit and book entries	49,542.28	42,022.53
Portfolio management	13,612,424.32	13,150,739.69
Other fees and commissions	2,048,086.62	3,291,111.41
	25,985,314.21	31,839,564.42

Fee and commission expense	Euros	
	2017	2016
Securities transactions	(1,624,459.14)	(1,144,178.03)
Derivatives transactions	(34,769.46)	(1,278,949.58)
Fees and commissions paid to markets and clearing and settlement systems	(532,090.30)	(648,172.88)
Guarantees for collective market guarantee fund	(3,399.73)	(57,422.07)
Fees and commissions paid to representatives and other entities	(573,308.09)	(848,285.67)
Fees retro-assigned	(2,123,735.29)	(295,292.44)
Other fees and commissions	(1,785,728.75)	(2,490,290.50)
	(6,677,490.76)	(6,762,591.17)

At 31 December 2017 and 2016 fees received included balances receivable from related parties amounting to Euros 2,435,698.80 and Euros 1,357072.06 (see note 28 (a)).

(23) Other operating expenses

At 31 December 2017, this item of the income statement includes other expenses linked to the operation of the business, as well as the Euros 91,080.94 contribution to the Investment Guarantee Fund (Euros 167,782.79 at 31 December 2016). Moreover, at 31 December 2016, this item included an amount of Euros 800,000.00 in connection with regulatory fines, of which Euros 650,000.00 were recognised under “Provisions” in the balance sheet at 31 December 2016 (see note 15).

(24) Personnel expenses

Details of personnel expenses for 2017 and 2016 are as follows:

	Euros	
	2017	2016
Salaries and wages	14,600,462.15	16,075,481.08
Employee benefits expense		
Social Security payable by the Company	1,303,648.46	1,530,698.52
Termination benefits	107,362.70	408,910.31
Training expenses	30,061.24	8,637.34
Other personnel expenses	661,082.34	753,329.33
	16,702,616.89	18,777,056.58

Distribution of Group employees, by category and gender, is as follows:

	Annual average 2017	31/12/2017			Annual average 2016	31/12/2016		
		Male	Female	Total		Male	Female	Total
Management	9	4	1	5	4	2	2	4
Qualified personnel	104	77	26	103	129	78	24	102
Administrative staff	3	1	2	3	3	1	2	3
	116	82	29	111	136	81	28	109

The average number of Group employees with a disability rating of 33% or higher (or equivalent local rating) in 2017 and 2016, distributed by category, is as follows:

	Number	
	31/12/2017	31/12/2016
Management	-	-
Qualified personnel	2	2
	2	2

(25) Overheads

Details at 31 December 2017 and 2016 are as follows:

	Euros	
	2017	2016
Rental of buildings and facilities (note 11)	677,632.66	759,900.97
Communications	1,171,534.20	1,439,923.18
IT Systems	1,364,420.59	1,888,555.98
Utilities	127,621.16	526,793.87
Repairs and maintenance	327,843.24	285,478.20
Advertising and publicity	252,484.42	381,645.60
Entertainment and travel expenses	347,338.27	445,538.57
Governing bodies (note 28)	700,000.00	600,000.00
Outsourced administrative services	59,924.84	51,671.42
Other independent professional services	3,359,802.90	3,793,140.63
Contributions and taxes	819,974.71	575,205.84
Other expenses	736,715.49	1,328,882.89
	9,945,292.48	12,076,737.15

(26) Impairment losses on financial assets

The Group did not recognise any impairment losses on financial assets in 2017. Details of this item at 31 December 2016 were as follows:

	Euros
Loans and receivables	
Due from financial intermediaries (note 7)	1,420,241.50
Due from customers (note 7)	324,382.60
Other	26,683.21
	1,771,307.31

(27) Taxation

There follows a reconciliation between the consolidated accounting profit/loss for the years 2017 and 2016 and the taxable income the Group expects to declare following approval of the consolidated annual accounts:

	Euros	
	2017	2016
Consolidated profit before income tax	5,596,449.99	1,752,392.16
Consolidation adjustments	7,418,974.63	2,555,313.74
Accounting result before tax and after consolidation adjustments	13,015,424.62	4,307,705.90
Permanent differences	(7,734,518.52)	(2,267,880.02)
Taxable accounting income	5,280,906.10	2,039,825.88
Timing differences on profits		
Originating in current period	16,392,503.68	-
Reversal of prior periods	(11,518.79)	96,806.24
Offset of tax loss carryforwards	(45,316.88)	(372,547.64)
Gross taxable income	21,616,574.11	1,764,084.48

Profit, determined in accordance with tax legislation, in 2017 is subject to a rate of 30% of the taxable income for companies belonging to the consolidated tax group in Spain. Certain deductions may be applicable to the resulting amount.

The calculation of consolidated corporate income tax expense is as follows:

	Euros	
	2017	2016
Taxable accounting income at tax rate	1,320,226.53	1,002,716.60
Offset of tax losses	(11,329.22)	(93,136.91)
Derecognition of deferred tax assets	-	493,883.36
Temporary differences not capitalised in the year	2,049,062.96	-
Deductions	(685.06)	(529.78)
Other	9,315.70	(23,061.56)
	3,366,590.90	1,379,871.71

In 2017, temporary differences includes mainly the adjustment of the taxable income by the provision allocated to the contingency described in note 15.

In addition, temporary differences include the difference between the accounting amortisation expense and the fiscally deductible expense, as well as the impairment of non-tax-deductible financial assets. Movement in these deferred tax assets and liabilities arising from temporary differences in 2017 and 2016 is as follows:

	Euros							
	31/12/2015	Additions	Adjustment of prior periods	Disposals	31/12/2016	Additions	Disposals	31/12/2017
Assets								
Provisions for contingencies	-	-	-	-	-	2,855,643.86	-	2,855,643.86
Impairment of financial assets	493,883.36	-	-	(493,883.36)	-	-	-	-
Other	40,189.45	20,837.64	-	(26,416.30)	34,610.79	112,092.61	(3,271.05)	143,432.35
	534,072.81	20,837.64	-	(520,299.66)	34,610.79	2,967,736.47	(3,271.05)	2,999,076.21
	(note 12)				(note 12)			(note 12)
Liabilities								
Accelerated amortisation/depreciation	11,324.71	-	725.05	(7,964.37)	4,085.39	-	(4,085.39)	-
	(note 12)				(note 12)			(note 12)

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2017 the Group has open to inspection by the taxation authorities all the main applicable taxes since 1 January 2014. The directors do not expect that any significant additional liabilities would arise in the event of an inspection.

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.

At 31 December 2017 the Group recognised deferred tax assets amounting to Euros 3,032,895.09 (Euros 56,223.68 at 31 December 2016), as the directors consider that on said dates the conditions outlined in note 4 (x) herein are fulfilled, so that the relevant deferred tax assets were recognised in the balance sheet. Furthermore, the directors considered that the temporary differences in 2017 were due to identifiable causes, which are very unlikely to be repeated in the future. Moreover, the business plan envisages a scenario in which sufficient tax profits are generated to partially recover said assets. This estimate, like any assumption, may be modified in light of future events, which could prospectively affect the value of the tax assets recognised by the Group.

At 31 December 2017, the Parent has the following tax loss carryforwards to be offset against future profits of Euros 354,912.26:

(28) Related parties

(a) Related party transactions and balances

At 31 December 2017 and 2016, in addition to the amounts indicated in note 15 on equity, the Group has the following balances payable to and receivable from related parties:

	Euros	
	31/12/17	31/12/16
Assets		
Loans and receivables		
Other loans and advances (note 7 (e))	4,431,211.44	9,335,575.95
Equity investments (note 8)	6,831,370.66	8,691,585.55
Other assets (note 13)		
Shareholders and senior management personnel	325,371.19	301,978.95
Other	4,619,785.42	953,235.31
	16,207,738.71	19,282,375.76
Liabilities		
Financial liabilities at amortised cost		
Other financial liabilities (note 14 (f))	3,772,237.79	-
Other liabilities (note 13)	5,206,136.22	101,250.00
	8,978,374.01	101,250.00

Income and expenses deriving from the Group's transactions with related parties are as follows:

	Euros	
	2017	2016
Income		
Fee and commission income (note 22)	2,435,698.80	1,357,072.06
Dividends (note 20)	2,070,209.99	566,941.28
	4,505,908.79	1,924,013.34
Expenses		
Overheads (note 25)	700,000.00	600,000.00

(b) Information on the Group's directors and senior management personnel

In 2017 the board of directors accrued remuneration of Euros 850,000.00 (Euros 753,336.77 in 2016), of which Euros 700,000.00 (Euros 600,000.00 in 2016) were accrued for duties performed as members of the board of directors (see note 25), and the remainder for duties performed as senior management personnel.

The Company's senior management personnel is comprised solely of members of the board of directors.

At 31 December 2017, there were payments pending to members of the Parent Company's board of directors amounting to Euros 204,636.22 (Euros 101,250.00 pending payment at 31 December 2016) (see note 13).

At 31 December 2017, Euros 325,371.19 are receivable from former shareholders and members of senior management (Euros 301,978.95 at 31 December 2016) (see note 13 (a)). These debts accrue interest at market rates.

At 31 December 2017 and 2016 this item also includes a Euros 226,341.77 loan extended to a member of the board of directors (see note 7 (e)). This loan earns interest at market rates.

At 31 December 2017 and 2016 the Group has no pension obligations with former or current board members.

In 2017 or 2016 the Group did not extend any guarantees on their behalf. In 2017 and 2016 the Parent's directors did not perform any transactions other than ordinary business with the Parent or Group companies applying terms that differed from market conditions.

During 2017, civil liability insurance premiums amounting to Euros 69,710.79 were paid in respect of possible damage or loss caused by actions or omissions of the directors while exercising their duties (Euros 36,427.52 in 2016).

At 31 December 2017 and 2016 distribution of the board members by gender is as follows:

Male	Female	Total
4	1	5

(c) Conflicts of interest

The directors of the Group and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(29) Environmental Information

The directors consider that the environmental risks deriving from the Group’s activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Group did not incur any expenses or receive any environment-related grants during the years ended 31 December 2017 and 2016.

(30) Audit Fees

KPMG Auditores, S.L., the auditor of the Group's consolidated annual accounts, and other companies related to the auditor as defined in additional provision fourteen of legislation governing the reform of the financial system, invoiced the following fees for professional services during the years ended 31 December 2017 and 2016:

	Thousands of euros	
	2017	2016
Audit services	103,250.00	127,950.00
Other services	22,500.00	27,900.00
	125,750.00	155,850.00

The amounts detailed in the above table include the total fees for the 2017 and 2016 audits, irrespective of the invoice date.

Other affiliates of KPMG International invoiced the Group the following fees for professional services during the years ended 31 December 2017 and 2016:

	Thousands of euros	
	2017	2016
Audit services	149,340.37	149,569.42
Other services	36,000.00	-
	185,340.37	149,569.42

(31) Customer service department

In 2007 the Group implemented the appropriate measures to comply with the requirements and obligations set out in Ministry of Economy Order ECO/734/2004 of 11 March 2004 on customer service departments and the financial institution ombudsman.

In 2017 three complaints were filed, two of which were rejected and one resolved in the customer's favour. In 2016 five complaints were received, two of which were rejected, two were resolved in favour of the customer and one was resolved by the CNMV in February 2017.

(32) Representatives

At 31 December 2017 and 2016, the Group operates with nine representatives authorised to deal directly with customers in the name and on behalf of the Company, to carry out transactions pertaining to securities dealers. A list of these representatives has been deposited with the CNMV.

Details at 31 December 2017 and 2016 are as follows:

31/12/2017	31/12/2016
Arganzón, S.L.	Arganzón, S.L.
Gestión Fondo Educativo, S.L.	Gestión Fondo Educativo, S.L.
Ana María González - Elipe Rosales	Ana María González - Elipe Rosales
Mega Cuadro, S.A.	Mega Cuadro, S.A.
Breda Boys, S.L.	Breda Boys, S.L.
Pedro Urbina García-Caro	Pedro Urbina García-Caro
Bolaños 2004, S.L.	Bolaños 2004, S.L. (*)
Valor Absoluto Family Office, S.L.	Valor Absoluto Family Office, S.L. (*)
Esteban Gridilla Ferrer	Esteban Gridilla Ferrer (*)

(*) Authorised representative since 2016.

(33) Risk management policy

In 2017 risk exposure of the Company's capital has performed as follows in comparison with the prior year:

- Sustained volume of fixed income with fewer transactions and similar risk exposure to that seen in 2016.

- Decrease in variable income operations on the Company's own behalf, with the associated drop in exposure to credit and counterparty risk, and exposure to position risk with respect to variable income instruments.

The measures adopted in 2016 to control the level of risks inherent in fixed income intermediation activity were maintained in 2017:

- Avoid accumulation of transactions pending settlement with a single counterparty.

- Avoid accumulation of transactions pending settlement, depending on the issuer.

- Avoid transactions in which the issuer and purchaser are the same institution.

Most transactions are settled by Euroclear on the third day after their arrangement and the counterparties at which this business is aimed are institutional, mainly financial institutions such as Spanish and international credit institutions (primarily banks and savings banks), management companies of collective investment undertakings, pension funds, social welfare mutual companies and insurance firms.

The fixed income trading desk receives orders directly from counterparties and has a telephone recording system in place. This system is managed by a software application which compiles and classifies calls received by or made from each trading desk workstation. From their workstation each operator can, at any time, listen again to calls received or made during the day. In the event of doubt or discrepancy, these calls are made available to the counterparty. Otherwise, for Bloomberg trading, an electronic file of these calls is kept for a full trading year.

Identification of the counterparty placing the order is the responsibility of the fixed income trading desk operator who receives or makes the call. As there is ongoing contact, and each trading desk operator has their own assigned customers, identification is usually carried out orally by telephone and with caller line identification. Transactions are confirmed by the middle office department.

Each operator keeps a record of all sale and purchase transactions, including the following data:

- Transaction date
- Time
- Issuer
- Nominal amount
- Cash
- Substance
- Price
- Customer name (counterparty)

The transaction log book is filed in the middle office.

The transaction forms completed by the trading desk have a pre-defined format. The form should also include the identification code of the customer requesting the transaction and the operator performing the transaction.

The Company lists reference prices for the sale and purchase of different fixed income assets on the Bloomberg screen, providing market operators with a source of information in markets that, on occasions, lack liquidity.

The Company seeks out entities in the market that are interested in selling or purchasing the same type of fixed income security.

The trading desk operator contacts the counterparty to negotiate the transaction over the telephone. If a price agreement is reached, the transaction is confirmed.

Once the transaction has been agreed, the trading desk operator introduces the details of the transaction into the electronic record book of transactions. There is a single book for the entire trading desk, which constitutes a daily record of all transactions carried out by the fixed income trading desk.

The operator also includes details of the transaction on the form:

- Counterparty
- Code and name of the security
- Date of arrangement and value date
- Nominal, cash and rate
- Transaction number (provided by the seller)
- Transaction code

Specific settlement instructions

The form is sent to the middle office for the transaction to be confirmed with the counterparty.

The middle office department is located alongside the fixed income trading desk, enabling instantaneous transaction verification.

Whenever a transaction is carried out, the middle office operator verifies the accuracy of the data included in the transaction record book and transaction form with the counterparty.

In the event of incomplete, confusing or erroneous data, the middle office completes the forms so that these reach the back office with all data confirmed and complete.

Once the transaction has been confirmed the form is sent to the settlement entity.

The settlement entity continuously monitors the transaction matching and in the event of any differences whereby the order introduced by the counterparty does not reconcile with the order introduced by the settlement entity, the latter contacts the middle office to clarify these differences with the counterparty.

The financial gain on these transactions reflects the margin between the purchase and sale of the assets. There are no additional fees or commissions, except those paid to the settlement entity.

The technical equipment the Company uses to carry out its operations basically comprises telephones connected to the central recording device, Bloomberg and microcomputing systems with in-house calculation and valuation tools (using spreadsheets).

(34) Late payments to suppliers. “Reporting Requirement” under Law 15/2010 of 5 July 2010

Pursuant to final provision two of Law 31/2014 of 3 December 2014, and in accordance with the Spanish Accounting and Auditing Institute (ICAC) Resolution of 29 January 2017, details of the average supplier payment period in 2017 and 2016 of Group subsidiaries located in Spain are as follows:

	Days	
	2017	**2016**
Average supplier payment period	36.26	28.75
Transactions paid ratio	36.26	92.69
Transactions payable ratio	37.86	2.7
	Amount (Euros)	
	2017	**2016**
Total payments made	8,568,266.35	7,949,214.41
Total payments outstanding	5,303.09	581,149.12

(35) Events after the reporting period

Other than the matter to which note 15 herein refers, no other significant events occurred between 31 December 2017 and 28 March 2018, the date on which the board of directors authorised the consolidated annual accounts for issue, that require disclosure in the accompanying consolidated annual accounts.

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Details of Investments in Fully-Consolidated Group Companies

31 December 2017

					Thousands of euros			
Company	Registered office	Activity	Listed	Percentage	Assets	Liabilities	Profit/(loss)	Equity
Auriga Special Holdings, LLC and Subsidiaries (*)	546 Fifth Avenue, 9th Floor, (New York)	Holding company	No	100.00%	13,981	21,142	(1,053)	(7,161)
Auriga Global Investors S.V., S.A., Sociedad Unipersonal (*)	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	No	100.00%	49,608	22,376	2,836	27,232
Quadriga Asset Managers, S.G.I.I.C, S.A. (*)	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Sociedad Gestora de IIC's	No	100.00%	6,518	3,069	1,491	3,449
Xzerta Solar I Spain, LLC	546 Fifth Avenue, 9th Floor, (New York)	Holding company	No	63.00%	17	69	41	(52)
Auriga Renovables, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Holding company	No	50.00%	116	182	(8)	(66)
Xzerta Mesa Spain, LLC	546 Fifth Avenue, 9th Floor, (New York)	Investments in investment fund	No	24.95%	304	0	240	304
Finalter, S.L	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Other lending activities	No	75.28%	15,741	14,874	(80)	867
General Universal Bussiness, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Investing activities	No	33.44%	18,886	17,081	12,819	1,805
Auriga Sherpa I, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Investing activities	No	21.70%	6,865	3,573	148	3,292
Auriga Grapheno, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Investing activities	No	48.92%	9,040	451	1,352	8,589
Alternative Financing, Estructuración y Originación, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	No	75.28%	12,160	11,466	(1,928)	694
Isleni Global, S.A.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Accounting and tax advisory services	No	100.00%	1,857	100	(67)	1,757
CA Metropolitan ATM 10, S.A.	Route de Thionville, L-2611 Luxembourg	Acquisition of receivables	No	100.00%	8,750	9,320	(52)	(570)
Mackay Investments 12, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Sale-purchase of property	No	100.00%	4	3	(1)	1
Lombotum, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Sale-purchase of property	No	100.00%	4,936	4,818	116	118
Bienes Raíces Pentágono 5, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Sale-purchase of property	No	100.00%	3,674	3,572	100	102
Auriga Investments S.a.r.l.	8832 Rombach-Martelange, 1-3, rue de la Sapinière Luxemburg	Sociedad Gestora de IIC's	No	100.00%	69	53	4	16
Einicia Crowdfunding, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Crowdfunding	No	85.00%	91	157	(68)	(66)
Carbono Puro, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Holding company	No	54.34%	3,903	1,904	1	1,999

(*) Data obtained from the audited annual accounts of the companies at 31 December 2017.

This Appendix forms an integral part of note 1 to the consolidated annual accounts for 31 December 2017, in conjunction with which it should be read.

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Details of Investments in Fully-Consolidated Group Companies

31 December 2016

					Thousands of euros			
Company	Registered office	Activity	Listed	Percentage	Assets	Liabilities	Profit/(loss)	Equity
Auriga Special Holdings, LLC and Subsidiaries (*)	546 Fifth Avenue, 9th Floor, (New York)	Holding company	No	100.00%	18,139	19,079	192	(940)
Auriga Global Investors S.V., S.A., Sociedad Unipersonal (*)	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	No	100.00%	63,982	36,322	758	27,660
Quadriga Asset Managers, S.G.I.I.C, S.A.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Sociedad Gestora de IIC's	No	100.00%	5,566	1,849	198	3,717
Xzerta Solar I Spain LLC	546 Fifth Avenue, 9th Floor, (New York)	Holding company	No	63.00%	4,931	218	(1,394)	4,713
Auriga Renovables, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Holding company	No	50.00%	115	172	(9)	(57)
Xzerta Mesa Spain, LLC	546 Fifth Avenue, 9th Floor, (New York)	Investments in investment fund	No	24.95%	1,836	38	(542)	1,798
Finalter, S.L	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Other lending activities	No	75.28%	19,137	18,190	562	947
General Universal Bussiness, S.L	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Investing activities	No	33.44%	19,642	4,467	(2)	15,175
Auriga Sherpa I, S.L	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Investing activities	No	21.70%	4,685	1,541	329	3,144
Auriga Grapheno, S.L	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Investing activities	No	48.92%	9,054	1,818	(4)	7,236
Alternative Financing, Estructuración y Originación, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	No	75.28%	6,703	4,246	216	2,457
Isleni Global S.A. (formerly A.I.G. Finanzas, S.A.)	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Accounting and tax advisory services	No	100.00%	1,947	123	(87)	1,824
CA Metropolitan ATM 10, S.A.	Route de Thionville, L-2611 Luxembourg	Acquisition of receivables	No	100.00%	13,126	13,133	(570)	(7)
Einicia Crowdfunding, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Crowdfunding	No	85.00%	121	123	(5)	(2)
Carbono Puro, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Holding company	No	54.34%	2,032	32	(3)	2,000

(*) Data obtained from the audited annual accounts of the companies at 31 December 2016.

This Appendix forms an integral part of note 1 to the consolidated annual accounts for 31 December 2017, in conjunction with which it should be read.

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Valuation of Investments in Equity-Accounted Associates and Joint Ventures

31 December 2017

Name	Registered office	Activity	Percentage ownership	Share capital (Thousands of euros)	Reserves and other (Thousands of euros)	Net profit/(loss) for the year (Thousands of euros)	Capital and reserves (Thousands of euros)
Urban Trawl, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Holding company	50.00%	26	-	(7)	19
Agroauriga, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Agricultural business	50.00%	1,996	-	-	1,996
Xzerta Equity Ventures, LLC	546 Fifth avenue, 9th Floor, New York	Investment in solar energy project	59.67%	1,231	(1,252)	-	(21)
Meet With Success, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	33.33%	753	(268)	(4)	481
Simply Business, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Retail textile trading	50.00%	407	14	92	513
Ibroker Global Markets SV, S.A.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	50.00%	4,000	995	1,337	6,332

31 December 2016

Name	Registered office	Activity	Percentage ownership	Share capital (Thousands of euros)	Reserves and other (Thousands of euros)	Net profit/(loss) for the year (Thousands of euros)	Capital and reserves (Thousands of euros)
Real Estate Gijón, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Holding company	50.00%	3	-	2,877	2,880
Xzerta Equity Ventures, LLC	546 Fifth avenue, 9th Floor, New York	Investment in solar energy project	59.67%	446	(480)	(370)	(404)
Ausaf VII, LLC	546 Fifth avenue, 9th Floor, New York	Holding company	25.16%	2,030	116	(567)	1,582
Solar Credits Opportunities Fund, LLC	546 Fifth avenue, 9th Floor, New York	Financial intermediation	2.52%	201	-	-	-
Meet With Success, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	33.33%	753	(261)	(7)	485
Simply Business, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Retail textile trading	50.00%	407	-	68	475
Ibroker Global Markets SV, S.A.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	50.00%	4,000	(2)	(3)	3,995

This Appendix forms an integral part of note 8 to the consolidated annual accounts for 31 December 2017, in conjunction with which it should be read.

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Consolidated Directors' Report

2017

The statutory activity of AURIGA CAPITAL INVESTMENTS, S.L. consists of the following:

a) The purchase, sale, holding and management, either directly or indirectly, of shares or equity investments in all types of companies in Spain or abroad, irrespective of mercantile form.

b) Intermediation in the rendering of services involving advisory, consultancy, development and organisation of companies; advice and rendering of services in the field of teaching at all educational levels; delivery of conferences and classes to companies, professionals and institutions; as well as the publication and commercialisation of books and teaching and scientific materials, on paper or magnetic tape, or in electronic or other technological formats.

c) Trading and holding of shares, equity holdings, bonds, debentures, promissory notes, bills and other public or private securities, and financial assets in general, which do not have the nature of activities reserved for collective investment undertakings and stock exchange brokers and member brokers.

d) Acquisition of all kinds of rural and urban estates, construction thereof, and administration, development, holding and lease of such assets and their total or partial sale for urban, industrial, agricultural or any other use.

e) The integrated management and operation of all types of rural and urban estates on behalf of third parties.

f) Development, operation and sale-purchase of trademarks and systems for developing businesses through franchises.

In global terms, 2017 was the year in which the first signs of recovery began to emerge after a decade dominated by the crisis. Said optimism translated into a sharp rally in variable income and derivatives and a surprising consistency of high prices in fixed income. International bodies have buoyed both markets by raising their growth forecasts: in December the IMF estimated global growth in output of 3.6% in 2017 and 3.7% in 2018.

In this scenario, central banks have continued to play a pivotal role and to factor their positive estimates into their monetary policy decisions. The Federal Reserve raised interest rates three times (April, June and December) by 0.25 percentage points each to 1.50%. The European Central Bank has been somewhat less active, leaving the benchmark rate at 0%, although in the final quarter it did announce the tapering of its bond purchase programme from 2018.

In fixed income, the ECB's continuous intervention via its government and corporate debt purchase programmes kept yields on Spanish 10-year bonds and corporate paper very low. Convertible bonds gained traction as the most appealing assets in the year, appreciating by 10% in 2017, while high-yield debt securities were not far behind, with returns of 7% in the year.

Despite the improvement in bank lending conditions to small enterprises, we are still seeing a strong consolidation of the Spanish alternative fixed income market (MARF) which small caps have tapped as an alternative and/or complementary source of financing. Clear evidence of this strength is that the volume of issuance in MARF between January and November 2017 amounted to Euros 3,754 million, exceeding the Euros 2,300 million in 2016.

2017 was a highly positive year for equities worldwide. After a very positive start for equity markets in the first quarter of 2017, the arrival of the summer dampened performance by the main indices, starting a logical corrective process after 16 consecutive bullish months in the wake of the Brexit vote.

This movement was not to ease off until near the end of the year, when, in the fourth quarter, there was another rally to end what in general terms was a good year for equities.

The Ibex 35 closed the year 7.4% higher. Considering dividends, the return was 11.25%. In terms of the main indicator of Spain's market, the year has had two diametrically opposed parts, the first, until May, logging a 19% upswing, before losing 10% due, among other factors, to the political uncertainty generated in Catalonia.

In 2017 global equity markets logged sharp gains of between 17.4% and 20.5% and set various records in the year.

European bourses generally saw positive returns, but performance was uneven. The EuroSTOXX 50 Eurozone index gained 6.5%, and was outperformed by the equity markets of Austria (+30.6%), Greece (+24.6%), Portugal (+17.8%), Switzerland (+14.1%), Italy (+13.6%), France (+9.26%), Germany (+9.5%) or Spain's IBEX 35 (+7.40%).

After a tumultuous 2016 shaped by the slowdown in China, slumping oil prices, and political events like Brexit and the election of Donald Trump in the United States, we moved into a period in which global macroeconomic growth triggered an acceleration in corporate earnings and, accordingly, an improved tone on both the macro- and microeconomic sphere. This momentum squeezed volatility in equity markets to record lows in almost all regions, and certain indices logged record gains, such as Germany's DAX, or the S&P500 and Nasdaq in the US.

In China, GDP growth stabilised in 2017 at around 6.5% and this, coupled with the government's reforms and oil prices that continued to climb from a low of 25 US dollars in early 2016 to around 45-50 US dollars, were crucial to explain the easing of pressure on emerging economies and commodity-producing countries, to that the global climate was stable for all risk assets in those regions.

Inflation, a central concern throughout 2016, gained traction not only due to the comparable base effect resulting from the energy component, but also due to the rest of components that, as macroeconomic performance strengthened, scaled positions, moving away from much-feared deflation. At the end of the year this led to something of a rotation in equity markets, as bond yields tightened somewhat, it being harder to justify the valuations of the more "growth-oriented" sectors, and with more "value-oriented" sectors outperforming in the second half of the year. This movement was decisive throughout 2017, especially in the second half, and is a completely different trend to the one seen in the last decade. Moreover, small and mid caps in the US, Europe and Japan logged an exceptional performance in 2017, amply outperforming large caps and, consequently, indices. Note that the Stoxx Europe Large Caps index is barely 5.9% higher.

Japan's Nikkei index logged an excellent annual improvement of 19.1%. In Europe, the effects of QE were felt, just as they had been years previously in the US, and the economic acceleration in Europe was especially notable after years of considerable weakness. Note the robust performance by economies such as Portugal, Italy and Spain, which continued to post surprisingly high growth rates, but core Eurozone countries also benefited from the expansive monetary policy and cheap financing.

2017 closed with a phenomenon not seen in the previous decade, namely the confluence of aggregate economic growth in almost all OECD countries, and even a healthy tone in emerging economies.

As for corporate earnings, in general the mood was positive, with expectations very high at the start of the year, and somewhat tempered as the year progressed. Earnings performance was robust in the US and more uneven in Europe throughout the year, but generally positive. The main US indices logged above-average return: the Dow Jones gained 25.1%, the S&P 500 19.4% and the Nasdaq 100—heavily tech-biased—notched up an impressive 31.5% increase.

At 2017 year-end, the Group’s manager located in Spain has assets amounting to Euros 528 million, distributed in 17 investment vehicles.

Armada Capital □ Lynx	4.508.365,14
Armada Capital □ Mirtal Fund	4.338.711,17
Quadriga Funds SICAV SIF RHO□Multi Strategy	51.055.754,14
Arzalejos SICAV, S.A.	14.965.059,88
Gesbolsa Inversiones SICAV, S.A.	10.254.748,65
Gesbolsa Inversiones SICAV, S.A.	51.622.622,97
Madrid Inversiones SICAV, S.A.	9.318.287,93
Gesbolsa Inversiones SICAV, S.A.	14.829.601,06
Quadriga Global Allocation SICAV, S.A.	8.962.283,17
RHO Investments SIL	76.626.787,66
Gesbolsa Inversiones SICAV, S.A.	27.997.715,51
AZ Total Return Fund	13.258.530,67
Belgravia Lynx	149.033.885,97
GFE Aequitas	39.192.927,47
Global Allocation Fund	25.407.293,42
Grantia Anphora	8.198.678,94
Vitrio Real Return	18.723.964,56

(*) The above breakdown does not include co-managed portfolios

The goal for 2018 is still to perform a more active marketing of the funds among foreign institutional investors.

In May 2017, the Group learned that a significant portion of the assets included in the asset securitisation fund IM Auriga Pymes Eur 1, assigned by the Group company, Finalter S.L., had hidden flaws. This led to a significant impairment of the Fund, and the recoverability of the credit rights recognised in the balance sheet is considered to be remote.

The Group’s management commenced a process to negotiate with the owners of the Fund’s bonds, so as to reach an agreement to compensate Bondholders for their losses, the latter being assumed by the Auriga Group, despite not being responsible for the hidden flaws in the Fund. The proposed agreement was conditional upon its acceptance by all Bondholders.

Ultimately, the Group reached a total agreement with all the Bondholders in December 2017, and the agreements signed by Auriga Capital Investments, S.L. and the Fund's Bondholders were executed on 23 January 2018.

As a result of the agreement, the Fund's Bondholders waived any proceedings, directly or indirectly, against any Auriga Group company.

Through this agreement, the Auriga Group restored healthy commercial and customer relations with the Bondholders, as well as its reputation in the market; it is among the few institutions in the market to have reacted in such a manner to similar circumstances.

On the back of the deal, the Group allocated a provision in the consolidated income statement in the amount of Euros 16.4 million, resulting in a loss of Euros 6.3 million attributed to the Parent Company in the year.

The Company did not carry out any research or development activities during the year, nor did it acquire any own shares.

AURIGA CAPITAL INVESTMENTS, S.L.,
AND SUBSIDIARIES

Investment Firms Consolidated Annual Report for 2017

In compliance with article 192 of Royal Legislative Decree 4/2015 of 23 October 2015, which approves the Revised Securities Market Law, the following information at 31 December 2016 is published as an appendix to the audited consolidated financial statements:

DETAILS OF THE GROUP

Auriga Capital Investments, S.L. (the Parent) was incorporated with limited liability on 2 March 2011. The Parent's registered office is located at Calle Cuesta del Sagrado Corazón, no. 6, in Madrid.

Auriga Capital Investments, S.L. forms a consolidable group of financial institutions (hereinafter, the Group) pursuant to Title IV of Royal Decree 1332/2005 with the following entities:

- Auriga Global Investors, Sociedad de Valores, S.A., Sociedad Unipersonal
- Auriga Special Holdings, LLC
- Xzerta Solar I Spain, LLC
- Auriga Renovables, S.L.
- Xzerta Mesa Spain, LLC
- Finalter, S.L.
- Auriga Sherpa I, S.L.
- General Universal Business, S.L.
- CA Metropolitan ATM 10, S.A.
- Quadriga Asset Managers S.G.I.I.C., S.A.
- Auriga Grapheno, S.L.
- Isleni Global S.A.
- Alternative Financing, Estructuración y Originación, S.L.
- Einicia Crowdfunding, S.L.
- Carbono Puro, S.L.
- Lombotum, S.L.
- Bienes Raíces Pentagono 5, S.L.
- Mackay Investments 12, S.L.

Auriga Global Investors, Sociedad de Valores, S.A. Sociedad Unipersonal (the Subsidiary) was incorporated by public deed under Spanish Law on 23 March 2007, as authorised by the Ministry of Economy and Finance Order dated 22 March 2007.

This Subsidiary has been entered into the Register of Stock Exchange Member Brokers of the Spanish National Securities Market Commission (CNMV) with number 224, and carries out its activities from its office in Madrid. The Company is a member of the Madrid, Barcelona and Valencia Stock Exchanges.

STATUTORY ACTIVITY

The Parent's statutory activity is the purchase, subscription, swap and sale of Spanish and foreign real estate and other securities, on its own behalf and without intermediation, for the purpose of administering and managing these investments.

GEOGRAPHICAL LOCATION

The Group mainly carries out its activity in Spain, although part of its activities are carried out in the USA and Luxemburg.

TURNOVER

Turnover, measured in terms of fee and commission income, is Euros 25,985 thousand at 31 December 2017.

NUMBER OF FULL-TIME EMPLOYEES

There are 111 full-time employees at 31 December 2017.

CONSOLIDATED PROFIT OR LOSS BEFORE TAX

Consolidated profit before tax amounts to Euros 5,596 thousand at 31 December 2017.

TAX ON PROFIT OR LOSS

The income tax expense amounts to Euros 3,367 thousand at 31 December 2017.

RETURN ON ASSETS

1.46% (net profit as a percentage of total consolidated assets) at 31 December 2017.

PUBLIC GRANTS OR SUBSIDIES RECEIVED

The Group has not received any public grants or subsidies.