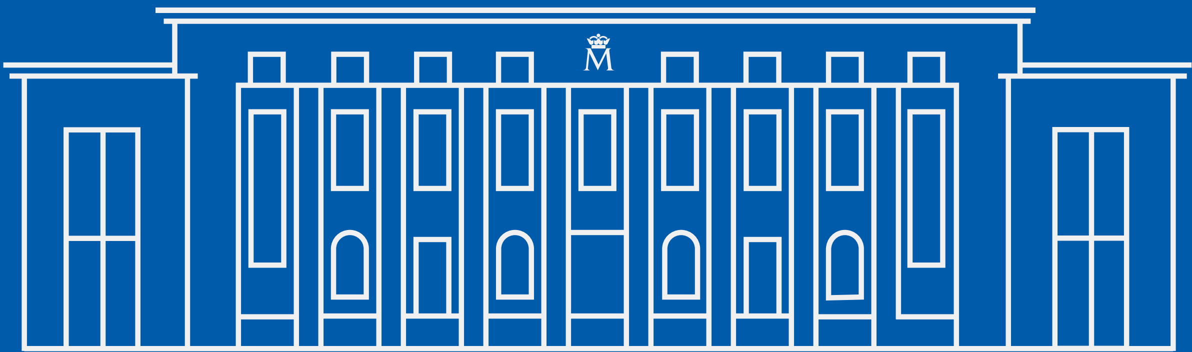
ANNUAL ACCOUNTS



FNMT-RCM

2021

Real Casa de la Moneda
Fábrica Nacional
de Moneda y Timbre

ANNUAL ACCOUNTS

FNMT-RCM

2021

Real Casa de la Moneda
Fábrica Nacional
de Moneda y Timbre

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS ISSUED BY THE OFFICE OF THE GENERAL STATE COMPTROLLER (IGAE)

To the Chief Executive of FÁBRICA NACIONAL DE MONEDA Y TIMBRE - REAL CASA DE LA MONEDA (FNMT-RCM).

I. OPINION

The Office of the General State Comptroller, using the powers it has under article 168 of the General Budget Act, has audited the financial statements of Fábrica Nacional de Moneda y Timbre - Real Casa de la Moneda (hereinafter, FNMT-RCM or the entity), which comprise the balance sheet at 31 December 2021, the income statement, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of FNMT-RCM at 31 December 2021, and of its results and cash flows, for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 to the financial statements) and, in particular, with the accounting principles and standards therein contained.

II. BASIS FOR OPINION

We conducted our audit in accordance with financial statement audit regulations in force for the Public Sector in Spain. Our responsibilities under those regulations are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the entity in accordance with the ethical and independence assurance requirements applicable to our audit of the financial statements for the Public Sector in Spain in accordance with the financial statement audit regulations for that Public Sector.

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

III. KEY AUDIT MATTERS

The key audit matters are those matters which, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Based on the work performed, we have found that there are no significant risks giving rise to key audit matters that must be disclosed in our report.

IV. OTHER MATTER: OPINION CHANGE WITH RESPECT TO THE PRECEDING FINANCIAL YEAR

On 23 June 2021 we issued an audit opinion on the FNMT-RCM financial statements for the year ended 31 December 2020 in which we expressed a qualified favourable opinion.

V. OTHER INFORMATION

V.1. FNMT-RCM as an in-house provider

FNMT-RCM refers in note 1 to the financial statements to its status as in-house provider of the General State Administration and state public sector public bodies, entities and agencies.

As a result of the reorganisation of its activities triggered by the spin-off of the banknote production business line, the entity justified its level of activity by means of business projections from which it followed that the percentage of activity as in-house provider and technical service for the 2019-2021 three-year period was to be 81.64% (based on total expected sales), and therefore exceeded the required 80%. Our analysis was limited to verifying compliance with the projections for 2021 based on the year's actual figures, which are indeed above 80%[1].

V.2. Other information: Directors' report and report on compliance with the economic and financial obligations of State public sector entities subject to the General Accounting Plan for Spanish companies and adaptations thereto for public sector entities

The Other information comprises the FNMT-RCM directors' report for the year 2021 and the report on compliance with that entity's economic and financial obligations as a Public Sector entity subject to the General Accounting Plan for Spanish companies and adaptations thereto for public sector entities, and which are not an integral part of the financial statements.

1 Based on actual figures for 2021, the percentage activity as in-house provider for this year has been 82.97%, and 81.65% for the three-year period.

Our audit opinion on the financial statements does not cover the Other Information. Our responsibility regarding the other information, as required by financial statement audit regulations, is to assess and report on the consistency of the other information with the financial statements, based on the knowledge of the entity obtained in conducting the audit of those financial statements, not including information other than that obtained as evidence during the same. In addition, our responsibility with respect to the directors' report is to assess and report as to whether its content and presentation are in accordance with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed as described in the preceding paragraph, we have nothing to report with respect to the report on compliance with the economic and financial obligations of State public sector entities subject to the General Accounting Plan for Spanish companies and adaptations thereto for public sector entities, and the information contained in the directors' report is consistent with that contained in the financial statements for the year 2021, and its content and presentation are in accordance with the applicable regulations.

VI. CHIEF EXECUTIVE'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

The FNMT-RCM Chief Executive is responsible for preparing the accompanying financial statements in a manner that gives a true and fair view of the entity's equity, financial position, results and cash flows, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as is considered necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the FNMT-RCM Chief Executive is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management body intends or is required by law to liquidate the entity or to cease its operations or has no realistic alternative but to do so.

VII. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the financial statement audit regulations for the Public Sector in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the financial statement audit regulations in force for the Public Sector in Spain, we exercise our professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than in the case of a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by the management body.

- Conclude on the appropriateness of the use by the entity's officers of the going concern basis of accounting and, based on the audit evidence obtained, conclude whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

Among the matters communicated to the entity's officers, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report other than where public disclosure of the matter is forbidden by statutory or regulatory provisions.

This auditor's report was signed electronically through the Office of the General State Comptroller's CICED.Red application by the Head of Public Audit Division II of the National Audit Office and a National Auditor, Team Head, at Madrid, on 6 June 2022.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2021

BALANCE SHEET AT 31 DECEMBER 2021 (In €'000)

ASSETS	Note	31-12-2021	31-12-2020
A) NON-CURRENT ASSETS		**217.619**	**218.687**
I. Intangible assets	*Note 5*	**202**	**563**
5. Computer software		202	563
II. Property, plant and equipment	*Note 6*	**158.687**	**164.336**
1. Land and buildings		84.830	85.627
2. Plant and other items of property, plant and equipment		68.252	67.685
3. Property, plant and equipment in the course of construction and advances		5.605	11.024
III. Investment property	*Note 7*	**11.085**	**11.302**
1. Land		8.715	8.715
2. Buildings		2.370	2.587
IV. Non-current investments in group companies and associates	*Note 9.1*	**44.299**	**31.075**
1. Equity instruments		44.299	31.075
V. Non-current financial assets	*Note 9.2*	**417**	**8.032**
1. Equity instruments		-	-
2. Loans to third parties		278	7.893
5. Other financial assets		139	139
VII. Deferred tax assets	*Note 17*	**2.929**	**3.379**
B) CURRENT ASSETS		**307.225**	**312.910**
II. Inventories	*Note 10*	**53.179**	**49.710**
1. Goods held for resale		225	216
2. Raw materials and other supplies		25.659	28.327
3. Work in progress		13.057	12.249
4. Finished goods		14.238	8.918
III. Trade and other receivables		**27.182**	**26.375**
1. Trade receivables for sales and services	*Note 11*	26.841	25.757
2. Receivable from group companies and associates		75	80
3. Sundry accounts receivable		22	44
4. Employee receivables		243	239
6. Other accounts receivable from Public Authorities		1	255
V. Current financial assets	*Note 9.2*	**100.011**	**13**
2. Short-term loans to third parties		-	-
5. Other financial assets		100.011	13
VI. Current prepayments and accrued income		**121**	**-**
VII. Cash and cash equivalents	*Note 12*	**126.732**	**236.812**
1. Cash		126.732	236.812
TOTAL ASSETS (A + B)		**524.844**	**531.597**

The accompanying Notes 1 to 24 are an integral part of the Balance Sheet at 31 December 2021.

BALANCE SHEET AT 31 DECEMBER 2021
(In €'000)

LIABILITIES	Note	31-12-2021	31-12-2020
A) EQUITY		**487.545**	**490.876**
A-1) Owners' equity	*Note 13*	**487.545**	**490.876**
I. Capital		**10.047**	**10.047**
1. Authorised capital		10.047	10.047
III. Reserves		**458.711**	**458.711**
1. Reserves provided for in the Charter		309.773	309.773
2. Voluntary reserves		148.938	148.938
VII. Profit or loss for the year		**18.787**	**22.118**
B) NON-CURRENT LIABILITIES		**7.544**	**7.355**
I. Long-term provisions	*Note 14*	**7.406**	**7.217**
1. Provisions for long-term employee benefit obligations		3.422	4.194
4. Other provisions		3.984	3.023
II. Long-Term Debts		**-**	**-**
1. Other Long-Term debts		-	-
III. Long-Term debts with group companies and associates		**138**	**138**
C) CURRENT LIABILITIES		**29.755**	**33.366**
II. Short-term provisions		**936**	**2.089**
III. Current payables	*Note 15*	**3.592**	**4.715**
2. Credit institution payables		6	27
5. Other financial liabilities		3.586	4.688
V. Trade and other payables		**25.227**	**26.562**
1. Payable to suppliers		10.547	10.380
2. Suppliers, jointly controlled companies and related parties	*Note 16*	571	734
3. Sundry accounts payable		1.918	6.265
4. Personnel (remuneration payable)		2.143	1.699
5. Current tax liabilities	*Note 17*	1.811	470
6. Other accounts payable to Public Authorities	*Note 17*	7.928	5.419
7. Customer advances		309	1.595
TOTAL EQUITY AND LIABILITIES (A + B + C)		**524.844**	**531.597**

The accompanying Notes 1 to 24 are an integral part of the Balance Sheet at 31 December 2021.

INCOME STATEMENT FOR THE YEAR 2021

(In €'000)

	Note	31-12-2021	31-12-2020
A) CONTINUING OPERATIONS			
1. Net turnover	*Note 18.1*	**234.239**	**247.234**
a) Sales		201.954	217.195
b) Services (*)		32.285	30.039
2. Change in inventories of finished goods and work in progress		**6.187**	**(3.361)**
3. In-house work on non-current assets		**316**	**258**
4. Procurements	*Note 18.2*	**(84.761)**	**(83.348)**
a) Cost of goods held for resale used		(670)	(573)
b) Cost of raw materials and other consumables used		(75.999)	(72.362)
c) Work performed by other companies		(7.906)	(9.674)
d) Write-down of goods held for resale, raw materials and other supplies		(186)	(739)
5. Other operating income		**1.307**	**972**
a) Non-core and other current operating income (*)		935	872
b) Income-related grants transferred to profit or loss for the year	*Note 18.3*	372	100
6. Staff costs	*Note 18.4*	**(69.176)**	**(70.074)**
a) Wages, salaries and similar expenses		(51.195)	(50.737)
b) Employee benefit costs		(17.981)	(19.337)
c) Provisions		-	-
7. Other operating expenses		**(45.557)**	**(48.573)**
a) Outside services	*Note 18.5*	(44.004)	(45.788)
b) Taxes		(2.131)	(2.094)
c) Losses on, impairment of and changes in allowances for trade receivables	*Note 18.6*	874	(523)
d) Other current management expenses		(296)	(168)
8. Depreciation and amortisation charge	*Note 5, 6 & 7*	**(14.191)**	**(13.397)**
11. Impairment and gains or losses on derecognitions of fixed assets	*Note 6*	**(4)**	**(7)**
a) Impairment and other losses		113	113
b) Gains or losses on derecognitions and other		(117)	(120)
OPERATING PROFIT		**28.360**	**29.704**
13. Finance income		**247**	**28**
a) On interests in equity instruments		-	-
b) On marketable securities and non-current loans		247	28
b2) Third parties		247	28
14. Financial expenses		**(151)**	**(463)**
b) On third-party liabilities		(151)	(463)
16. Exchange differences	*Note 18.7*	**(77)**	**(381)**
17. Impairment and profit or loss on the sale of financial instruments		**(2.776)**	**-**
a) Impairments and losses		(2.776)	-
b) Profit or loss on sales and other		-	-
FINANCIAL PROFIT OR LOSS		**(2.757)**	**(816)**
PROFIT OR LOSS BEFORE TAX		**25.603**	**28.888**
18. Income tax	*Note 17*	**(6.816)**	**(6.770)**
PROFIT OR LOSS FOR THE YEAR		**18.787**	**22.118**

(*) These items have been changed with respect to the notes to the financial statements for the year 2020 in order for the figures to be comparable to the current financial year without changing the previous financial year's profit or loss.
The accompanying Notes 1 to 24 are an integral part of the Income Statement for the year 2021.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(In €'000)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

	Note	31-12-2021	31-12-2020
A) Profit or loss per income statement		**18.787**	**22.118**
B) Income and expense recognised directly in equity		**-**	**-**
C) Transfers to the income statement		**-**	**-**
VI. Arising from the valuation of assets and liabilities		**-**	**-**
TOTAL RECOGNISED INCOME AND EXPENSES (A + B + C)		**18.787**	**22.118**

The accompanying Notes 1 to 24 are an integral part of the Statement of Recognised Income and Expenses for the year 2021.

B) TOTAL STATEMENTS OF CHANGES IN EQUITY

	Authorised Capital	Reserves provided for in the Charter	Voluntary Reserves	Year's Profit or Loss	TOTAL
BALANCE AT 31 DECEMBER 2019	**10.047**	**309.773**	**148.938**	**32.687**	**501.445**
Total recognised income and expenses	-		-	22.118	22.118
Distribution of profit or loss for the year 2019					
- To dividends	-	-	-	(32.687)	(32.687)
- To reserves	-	-		-	-
BALANCE AT 31 DECEMBER 2020	**10.047**	**309.773**	**148.938**	**22.118**	**490.876**
Total recognised income and expenses	-		-	18.787	18.787
Distribution of profit or loss for the year 2020					
- To dividends	-	-	-	(22.118)	(22.118)
- To reserves	-			-	-
BALANCE AT 31 DECEMBER 2021	**10.047**	**309.773**	**148.938**	**18.787**	**487.545**

The accompanying Notes 1 to 24 are an integral part of the Total Statement of Changes in Equity for the year 2021.

STATEMENT OF CASH FLOWS FOR THE YEAR 2021

(In €'000)

	Note	31/12/2021	31/12/2020
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit or loss for the year before tax.		**25.603**	**28.888**
2. Adjustments for profit or loss.		**17.641**	**15.260**
a) Depreciation and amortisation of fixed assets	*Note 5, 6 & 7*	14.191	13.397
b) Impairment valuation adjustments	*Note 6,10 & 18*	4.000	(516)
c) Changes in provisions	*Note 18*	(541)	1.529
e) Gains/losses on derecognition and disposal of fixed assets (*)	*Note 5,6 & 7*	4	7
g) Finance income		(247)	(27)
h) Financial expenses		151	463
i) Exchange differences	*Note 18.6 & 19*	77	381
j) Fair value change in financial instruments		6	26
3. Changes in working capital.		**245**	**13.136**
a) Inventories	*Note 10*	(5.314)	9.144
b) Trade and other receivables	*Note 11*	8.149	8.431
c) Other current assets		(121)	482
d) Trade and other payables (*)		(2.542)	(5.025)
f) Other non-current assets and liabilities		73	104
4. Other cash flows from operating activities.		**(5.157)**	**(7.008)**
a) Interest paid (*)		(150)	(1)
b) Dividends received		-	-
c) Interest received		18	27
d) Income tax paid (recovered)		(5.025)	(7.034)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		**38.332**	**50.276**
B) CASH FLOWS FROM INVESTMENT ACTIVITIES			
6. Investment Payments		**(126.217)**	**(28.579)**
a) Group companies and associates (*)		**(16.000)**	**(10.000)**
b) Intangible assets.		(136)	(92)
c) Property, plant and equipment (*)		(9.591)	(18.441)
d) Investment property		-	-
e) Other financial assets (*)		(100.490)	(46)
7. Divestment proceeds		**-**	**44.556**
c) Property, plant and equipment		-	10
d) Investment property		-	-
e) Other financial assets (*)		-	44.546
9. Cash flows from investment activities (7-6)		**(126.217)**	**15.977**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Dividend and other payments on other equity instruments.		**(22.118)**	**(32.687)**
a) Dividends		(22.118)	(32.687)
12. Cash flows from financing activities (+/-9)		**(22.118)**	**(32.687)**
D) Effect of foreign exchange rate changes	*Note 18.6*	(77)	(381)
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-A+/-B+/-C+/-D)		**(110.080)**	**33.185**
Cash and cash equivalents at beginning of year		236.812	203.627
Cash and cash equivalents at end of year		126.732	236.812

(*) These items have been changed with respect to the notes to the financial statements for the year 2020 in order for the figures to be comparable to the current financial year.

The accompanying Notes 1 to 24 are an integral part of the Statement of Cash Flows for the year 2021.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. ENTITY ACTIVITY

Fábrica Nacional de Moneda y Timbre-Real Casa de la Moneda (hereinafter FNMT-RCM or the Entity) is a public (state) business entity, as defined in article 103 of Public Sector Legal System Act 40/2015, 1 October, with its own legal personality, own equity and independent management.

FNMT-RCM is attached to the Ministry of Finance and Civil Service through the Office of the Under-Secretary for Finance and Civil Service, as provided for in Royal Decree 682/2021, 3 August, implementing the Ministry of Finance and Civil Service's basic organic structure.

The Entity is an in-house provider of the General State Administration and its state public sector agencies, bodies and entities, whether subject to public or private law, and must accept orders placed by the agencies, bodies and entities of which it is an in-house provider (article 32, Act 9/2017) and may not take part in public tenders called by these Authorities, although where no bidders tender for a contract, the manufacture or service subject thereof may be entrusted to it.

On 29 May 2020, the Office of the General State Comptroller reported favourably on the memorandum attached to the proposal for FNMT-RCM to be declared in-house provider and technical service.

Royal Decree 11/2020, in its seventh final provision, modifies the legal regime of the FNMT-RCM, enabling it to act as a personified own means of the contracting authorities belonging to the state, autonomous community and local public spheres.

In the year 2020, as provided for in Royal Decree 749/2019, 27 December, the Entity updated the administrative public register (Inventory of State, Regional and Local Public Sector Entities, INVENTE) to include its qualification as in-house provider referred to in the preceding paragraphs.

FNMT-RCM is governed by private law, except insofar as the adoption of decisions by its bodies is concerned, in the exercise of the administrative powers attributed to it and, specifically, in such aspects as may be regulated by its Charter, in accordance with the provisions concerning state business entities of the Public Sector Legal System Act and budget laws.

The purposes and main activities of FNMT-RCM are as follows:

- The minting of all manner of coins, pursuant to the applicable laws.
- The manufacture of blanks, the minting of medals and similar work for the State or private individuals.
- The printing of banknotes, in accordance with the laws governing the same and on the terms agreed upon with the Bank of Spain or the relevant issuing bank.

- The production of documents implementing any taxes or government-set prices, tickets, forms and national lottery lists, as well as any document relating to other games of chance entrusted to it by the Public Authorities or their related or dependent public agencies.
- The production of payment or security documents commissioned by any Public Authority or its related or dependent public agencies.
- The printing of all manner of documents, seals, signs or postage and other stamps, pursuant to the applicable laws, for the State or for public or private bodies or entities, as the case may be.
- The provision, within the sphere of the Public Authorities and their related or dependent public bodies, of security, technical and administrative services, in communications using electronic, information technology or telematics methods and means, as well as the issue, production and supply of user instruments or certificates or card media required for such purposes, as provided for in Article 81 of Act 66/1997, 30 December, and its implementing regulations, or as the case may be, on such terms as may be established in the relevant legal provisions.
- The pursuit of activities or provision of services relating to the Entity's business as referred to in the preceding paragraphs, for both Spanish and foreign public or private entities or persons.
- Any other activity assigned to it by a statutory or regulatory provision.

The Entity's production activity is carried on at the plants it owns in Madrid and Burgos. Its institutional office is located at Calle Jorge Juan, 106, in Madrid.

Guideline (EU) 2015/280 of the European Central Bank (hereinafter ECB), of 13 November 2014, on the establishment of the Eurosystem Production and Procurement System (ECB/2014/44), entered into force on 1 January 2015. That Guideline changed the system for production and procurement of Eurosystem banknotes.

In connection with the aforementioned Guideline, 2015 General State Budget Act 36/2014, 26 December, was published on 30 December 2014 in the Official State Gazette. Additional provision two of this Act amended Bank of Spain Autonomy Act 13/1994, 1 June, including a new additional provision eight, effective on 1 January 2015 and worded as follows:

> *"The Bank of Spain may, in accordance with European Central Bank regulations, entrust the production of Euro banknotes for which it is responsible to a commercial company with publicly-owned capital in which it holds a controlling share, the exclusive objects of which shall be the production of Euro banknotes within the European System of Central Banks."*

Additionally, Act 36/2014 includes an additional provision ninety-five with the following wording:

> *"Until 31 December 2017, Fábrica Nacional de Moneda y Timbre - Real Casa de la Moneda may hold a share of up to 20% in the commercial company with publicly-owned capital referred to in Additional provision eight of Bank of Spain Autonomy Act 13/1994, 1 June, which shall have the necessary human resources and equipment to carry out its functions. During that period, both entities may share such common services as may be necessary for their business to be carried out.*
>
> *Fábrica Nacional de Moneda y Timbre - Real Casa de la Moneda may additionally produce non-Euro banknotes and provide the aforementioned company, as established in the procurement laws for the time being in force, with such services ancillary to the production of Euro banknotes as the aforementioned company may require".*

Consequent upon publication of this law, FNMT-RCM and the Bank of Spain signed a protocol dated 19 December 2014 to set up the special purpose vehicle referred to in final provision two of the 2015 General State Budget Act in order for this special purpose vehicle controlled by the Bank of Spain, in which FNMT-RCM holds a 20% share, to be incorporated in 2015, thereby ensuring production by the aforementioned company of banknotes allocated to the Bank of Spain, in accordance with the ECB's Guideline, as a means of ensuring maintenance in Spain of the specialist know-how and employment associated with that activity.

In that Protocol, FNMT-RCM agreed to incorporate a company in order for the Bank of Spain to acquire 80% of the capital once the company was incorporated.

The Protocol was approved by FNMT-RCM's Board of Directors on 15 December 2014 and submitted to the body to which FNMT-RCM is attached, then the Office of the Under-Secretary for Finance and Public Administrations.

That Company was incorporated on 30 October 2015 under the name "Imprenta de Billetes S.A." (IMBISA) and its operations commenced on 1 November 2015. The sale of 80% of FNMT-RCM's share to the Bank of Spain was concluded on 2 November 2015.

Final provision twenty-nine of 2017 General State Budget Act 3/2017, 27 June, amended additional provision ninety-five of Act 36/2014, which was thereafter to have the following wording (applicable from 29 June 2017):

> *"While the Company "Imprenta de Billetes, S.A." (IMBISA) carries on its Euro banknote production business on the premises of the state business entity Fábrica Nacional de Moneda y Timbre – Real Casa de la Moneda, this entity may hold the interest of up to 20% in the aforementioned company IMBISA. When the activity of the Company IMBISA on the premises of FNMT-RCM is discontinued, this entity shall within six months proceed to sell to the Bank of Spain the shares it holds in that Company. During that period, both entities may share such common services as may be necessary for their business to be carried out.*
>
> *Fábrica Nacional de Moneda y Timbre – Real Casa de la Moneda may additionally produce non-Euro banknotes and provide the aforementioned company, as established in the procurement laws for the time being in force, with such services ancillary to the production of Euro banknotes as the aforementioned company may require".*

The terms of the agreements referred to in the preceding paragraphs have remained in place during the years 2020 and 2021.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Regulatory financial reporting framework applicable to the Entity

These financial statements have been prepared in accordance with the regulatory financial reporting framework applicable to the Entity, as established in:

- The Commercial Code and all other company laws.
- The National Chart of Accounts approved by Royal Decree 1514/2007 and its Industry Adaptations.
- The mandatory rules approved by the Accounting and Audit Institute in order to implement the National Chart of Accounts and the relevant secondary legislation.
- All other applicable Spanish accounting regulations.

2.2. Fair presentation

The financial statements for the year ended 31 December 2021 have been prepared relying on the Entity's accounting records and are presented in accordance with the regulatory financial reporting framework applicable to the Entity and, in particular, with the accounting principles and standards therein contained. Accordingly, they fairly present the Entity's equity, financial position, operating profit or loss and cash flows during the year.

The main accounting policies adopted are set forth in Note 4 and no accounting principle and standard on recognition and measurement with a significant effect on the financial statements failed to be applied in preparing the same.

The figures contained in all the statements making up the financial statements (balance sheet, income statement, statement of changes in equity, statement of cash flows and these notes to the financial statements) are presented in €'000 (unless otherwise indicated), the Euro being the Entity's functional currency.

The financial statements for the year 2021, put forward by FNMT-RCM's Chief Executive, will be submitted to the Minister of Finance and Civil Service for approval, and are expected to be approved without any changes.

2.3. Key issues in relation to measurement and estimation of uncertainty

In preparing certain information included in these financial statements, estimates were made based on the Senior Management's assumptions, subsequently ratified by the Entity's Board of Directors, to quantify a number of assets, liabilities, income, expenses and commitments reported herein. The most significant estimates used in these financial statements relate to the following:

- Impairment losses on certain assets (Notes 5, 6, 7, 9, 10 and 11).
- Useful life of property, plant and equipment, intangibles and investment property (Notes 5, 6 and 7).
- Likelihood of the occurrence and amount of certain provisions and contingencies (Note 14).
- Recovery of deferred tax assets.

These estimates and assumptions are based on the best information available as at the date of preparation of the financial statements and are regularly reviewed. However, it is possible that either the availability of additional information or future events may require estimates to be changed on the balance-sheet date in the coming years. In that case, changes to accounting estimates would be prospectively applied.

2.4. Comparative information

The information on the year 2021 included in these financial statements is presented for comparison purposes with that relating to the year 2020.

2.5. Grouping of items

Certain items of the balance sheet, income statement, statement of changes in equity and statement of cash flows are set out grouped together for ease of understanding, but, to the extent that it is material, the information is broken down in the relevant notes to the financial statements.

3. DISTRIBUTION OF PROFIT OR LOSS

After being tabled by the Chief Executive, the Board of Directors will propose that the following distribution of the profit for the year ended 31 December 2021 be put forward to the Minister of Finance and Civil Service:

	€'000
Distributable Profit	
Year's profit	18.787
Total Distributable Profit	**18.787**
Distribution	
To reserves provided for in the Charter	3.787
Dividend distribution	15.000
Total Distribution	**18.787**

4. BOOKING AND VALUATION POLICIES

The following are the main booking and valuation policies used by the Entity in preparing its financial statements for the year 2021, in accordance with the National Chart of Accounts:

4.1. Intangible assets

Intangible assets are initially recognised at their acquisition or production cost and are subsequently measured at cost less relevant accumulated amortisation and any impairment losses, in accordance with the rule described in Note 4.2 for property, plant and equipment. These assets are amortised over their useful life.

4.1.1. Licences, patents and trademarks (industrial property)

Patents, licences and trademarks are initially measured at their acquisition cost. They also include development expenses where the respective projects undertaken by the Entity are successful and, provided that statutory requirements are met, they are entered in the relevant Register. They are amortised on a straight-line basis over their useful life, usually estimated at ten years.

4.1.2. Computer software

This includes amounts paid for acquiring title to or the right to use computer programs and software, both acquired from third parties and developed in-house. Amortisation is carried out systematically on a straight-line basis over a three-year period.

Maintenance costs, overall system review costs or recurrent costs incurred in modifying or updating software are booked directly as costs in the year in which they are incurred.

4.2. Property, plant and equipment

Property, plant and equipment assets are booked at their acquisition or production cost, net of accumulated depreciation and any impairment loss (impairment loss, if any, would be booked on the basis referred to in this Note).

The Entity's in-house work on non-current assets is booked at the cumulative cost of in-house materials consumed, direct labour and general manufacturing costs.

Extension, modernisation, improvement, replacement or renovation costs resulting in improved productivity, capacity or efficiency or in an extension of the useful life of an asset are booked as a higher cost of the relevant assets, and the assets or items replaced or renovated are consequently removed from the accounts.

Periodic repair, upkeep and maintenance expenses that do not enhance the useful life of an asset are charged to the income statement for the year in which they are incurred.

Depreciation is calculated applying the straight-line method to the acquisition or production cost of the assets, during the years of estimated useful life of the various items, as follows:

	Years of useful life
Buildings	33-50
Fixtures and tools	4-14,29
Transport equipment	6,25
Furniture and fittings	10
Computer hardware	3
Other property, plant and equipment	1-5

The Entity depreciates certain machinery and specialised complex fixtures based on the number of shifts worked per working day where there is more than one daily shift. This calculation basis has resulted in an increase of approximately EUR 470 thousand in the depreciation charge for property, plant and equipment in the year 2021, compared to the resulting charge had these items been worked in a single shift.

The land on which buildings and other structures stand has an indefinite useful life and is therefore not depreciated.

The Entity does not depreciate certain historical heritage assets acquired and assigned to the Museum, booked under Other Property, Plant and Equipment, on the understanding that those assets (coin, note, stamp and other collections) do not decline in value. The amount at which they are booked is the acquisition cost, totalling EUR 2,068 thousand at 31 December 2021.

At the end of each year, the Entity analyses whether there are any indications that the book value of its property, plant and equipment exceeds their recoverable amount. The recoverable amount of the identified assets, which is taken to be the higher of fair value less selling costs and value in use, is an estimate. Should the asset require other assets to generate cash inflows, the recoverable value is estimated at the level of the smallest identifiable group of assets capable by itself of generating cash inflows (cash-generating units).

If the recoverable value thus calculated is lower than the book value of the asset, the difference between both values is recognised in the income statement writing down the book value of the asset to its recoverable amount, future depreciation charges being adjusted in proportion to its book value.

Similarly, where there are indications of value recovery of an item of property, plant and equipment, the Entity records the reversal of the impairment loss booked in previous years and adjusts future depreciation charges accordingly. Under no circumstances may that reversal raise the book value of the asset above that which it would then have had no impairment losses been recognised in previous years.

4.3. Investment property

This item of the accompanying balance sheet includes land, buildings and other structures held by the Entity to earn rentals, for capital appreciation or both, and not to be used in the production or supply of goods or services or for administrative purposes.

These assets are measured as described in Note 4.2 on property, plant and equipment.

4.4. Leases

The Entity uses certain assets leased from third parties. All leases entered into by the Entity have been classified as operating leases because, based on their substance, in no case is the ownership of the leased asset acquired, or are the risks and rewards incidental thereto transferred.

Rental expenses based on the minimum lease payments established in the leases and other lease-related expenses of a determinable amount at the inception of the lease are charged to the income statement on a straight-line basis over the term of those operations.

Consequently, any payment made on entering into an operating lease is treated as an advance payment that is charged to the income statement over the term of the lease.

4.5. Financial instruments

4.5.1. Financial assets

The financial assets held by the Entity are classified in the following categories:

1. Loans and receivables. They originate in the provision of services or sale of goods in the ordinary course of business or, if devoid of commercial substance, they are not equity instruments or derivatives involving payments of a fixed or determinable amount and are not traded on an active market.
2. Equity investments in jointly controlled companies.
3. Cash: this balance-sheet item includes cash on hand, current bank accounts and deposits and temporary acquisitions of assets that meet the following requirements:
   - They are convertible to cash.
   - At acquisition their maturity is three months or less.
   - They are not subject to a significant risk of changes in value.
   - They are covered by the Entity's normal cash management policy.
4. Held-to-maturity investments, both current and non-current: this balance-sheet item covers deposits and temporary acquisitions of assets which the Entity actually intends and is able to hold until they mature.

   The Entity considers that investments are non-current where their maturity upon acquisition is less than twelve months and in excess of three months.

5. Available-for-sale financial assets: this category includes financial assets specifically referred to as available for sale or other assets not classified in the preceding categories.

Initial measurement

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

Subsequent measurement

Loans and receivables are measured at the lower of their amortised cost or recoverable amount. The recoverable amount is estimated on the basis of the debtor's solvency and the age of the receivable. If the recoverable amount is lower than the carrying amount, the difference is recognised as an impairment loss.

Investments in jointly controlled companies and available-for-sale financial assets are measured at cost, net of any accumulated impairment valuation adjustments. These adjustments are calculated as the difference between their carrying amount and the recoverable amount, this being the higher of fair value less selling costs and the present value of future investment cash flows.

Impairment losses and their reversals are respectively charged and credited to the income statement for the year in which they arise.

Financial asset interest and dividends accruing post-acquisition are recognised as income in the income statement.

The Entity derecognises financial assets when they expire and all the risks and rewards attaching to the ownership thereof have been substantially transferred.

4.5.2. Financial liabilities

The Entity's financial liabilities are classified into the following category, for both current and non-current liabilities:

Debts and accounts payable. These originate in the purchase of goods and services in the ordinary course of business or also those that are not considered derivative financial instruments but have no commercial substance.

Initial measurement

They are initially measured at the fair value of the consideration received, net of directly attributable transaction costs.

Subsequent measurement

These liabilities are subsequently measured at amortised cost.

4.5.3. Equity instruments

Group Companies are defined as companies directly or indirectly controlled by the Entity. In addition, Associates are defined as companies over which the Entity has significant influence (significant influence is presumed to exist where at least 20% of the voting rights are held in the company). Additionally, the Joint Control category includes companies jointly controlled with one or several partners under an agreement.

Investments in Group Companies, Jointly Controlled Companies and Associates are initially measured at cost plus directly attributable transaction costs.

They are subsequently measured at cost, minus, where applicable, the cumulative amount of impairment valuation adjustments. Those adjustments are calculated at the difference between their book value and the recoverable amount (taking that to be the higher of the fair value minus selling costs and the present value of investment cash flows) and, where no such cash flows are available, taking into account the investee's net assets.

4.6. Inventories

Inventories are measured at the lower of acquisition or production cost and net realisable value, which is the market selling amount the Entity may obtain in the ordinary course of business less the costs necessary to carry the same out (costs of completion, marketing, selling and distribution).

The formula used by the Entity to calculate the cost of each class of inventories is as follows:

- **Raw materials and other supplies:** initially measured at their acquisition cost based on weighted average price.
- **Semi-finished and finished goods:** initially measured at their average production cost. The cost includes the weighted average cost of the materials used therein, of work performed by third parties and the costs directly attributable to the goods, as well as the reasonably attributable portion of labour and direct and indirect general manufacturing costs.

- **Work in progress:** this is measured using the percentage of completion method, whereby the final result of each item of work in progress is calculated by comparing the actual direct and indirect costs incurred to total anticipated costs. Costs incurred include materials, labour, subcontracting costs and other attributable direct and indirect costs.

Trade discounts, rebates given and other similar items are recognised as a reduction of the cost of inventories where the conditions on which they were granted are likely to be met. In addition, prompt payment discounts are recognised as a reduction of the cost of the inventories acquired.

The Entity assesses the net realisable value of inventories at the end of the year and recognises the related impairment write-downs when they are found to be overstated. Where the circumstances for which they were written down no longer prevail or there is clear evidence that the net realisable value has increased due to changes in the economic circumstances, the previously recognised write-down is reversed, limited to the amount of the lower of the cost and the revised net realisable value of the inventory item. Both inventory write-downs and their reversals are recognised in the income statement for the year.

4.7. Foreign currency transactions and balances

The Entity's functional currency is the Euro (EUR) and therefore all balances and transactions in currencies other than the Euro are deemed to be foreign currency transactions. These transactions are recognised in Euros by applying the exchange rates prevailing at the transaction dates.

Foreign-currency monetary assets and liabilities are translated to Euros at the end of the year using the average spot exchange rate then prevailing on the relevant currency market.

The gains or losses arising from the settlement of foreign currency transactions and from translation at the year-end exchange rates of foreign-currency monetary assets and liabilities are recognised in the income statement under "Exchange differences".

4.8. Income tax

The income tax expense or income comprises the current tax expense or income element and the deferred tax expense or income element.

Current tax is the amount the Entity pays as a result of income tax assessments for a given year. Tax credits and other tax benefits excluding withholding tax and interim payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current tax expense.

The deferred tax expense or income refers to recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amounts expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities and their tax value, and tax loss and tax credit carryforwards. These amounts are booked applying to the relevant temporary difference or credit the tax rate at which they are expected to be realised or settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

However, deferred tax assets are recognised only to the extent it is considered likely that the Entity will have future taxable profits against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity accounts are also recognised as a corresponding item in net assets.

Deferred tax assets recognised are remeasured at each balance-sheet date and the appropriate adjustments to the same are made to the extent there are doubts as to their future recoverability. In addition, deferred tax assets not recognised in the balance sheet are assessed at each balance-sheet date and are recognised to the extent they are now likely to be recovered through future taxable profits.

4.9. Revenue and expense recognition

Revenues and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenues are measured at the fair value of the consideration received, net of discounts and taxes.

Revenues on sales are recognised when the significant risks and rewards of the ownership of the asset sold have been transferred to the buyer.

Revenues on services rendered are recognised by reference to the stage of completion of the services provided at the balance-sheet date, provided the outcome of the transaction can be reliably estimated.

If the amount of the services provided is lower than the amount billed, the difference is recognised under "Current accruals and deferred income" on the current liability side of the balance sheet.

Interest income on financial assets is recognised using the effective interest rate method and dividends are recognised when the shareholder's right to receive the same is declared. Similarly, finance costs are recognised using the effective interest rate method. Interest and dividends on financial assets and liabilities accrued post-acquisition are in any event recognised respectively as income and expenses in the income statement.

4.10. Provisions and contingencies

On the date of submission of the financial statements, the Entity's Board of Directors distinguishes between:

- **Provisions:** obligations at the year-end date arising from past events, the amount or maturity of which is uncertain, but which could give rise to a possible loss for the Entity and where the amount of the related liability can be reliably estimated.
- **Contingent liabilities:** possible obligations arising from past events materialisation of which will be conditional on the occurrence or not of one or more uncertain future events which are not wholly within the Entity's control and do not meet the requirements to qualify for recognition as provisions.

The Entity's balance sheet reflects all material provisions with respect to which it is estimated that settlement of the obligation is very likely. They are quantified based on the best information available at the date of preparation of the financial statements as to the consequences of the underlying event taking into account the time value of money where material.

Provisions are recognised in the income statement for the year in which the (legal, contractual or constructive) obligation arises and are fully or partially reversed, crediting the income statement, when the obligations cease to exist or are reduced.

Contingent liabilities, if any, are not recognised in the balance sheet, but are disclosed in the notes to the financial statements.

4.11. Environmental assets and liabilities

Environmental assets are deemed to be any used on a lasting basis in the Entity's operations mainly for the purpose of minimising environmental impact and protecting and improving the environment, including reducing or eliminating future pollution from the Entity's activities.

The rules for the initial recognition of those assets, and depreciation and amortisation charges and possible impairment loss adjustments thereon, are as described in Note 4.2 above.

Given the business the Entity carries on and in accordance with the laws for the time being in force, the Entity controls the level of pollution from effluents and emissions and has an appropriate waste disposal policy in place. The related costs incurred are expensed currently in the income statement in the year in which they arise.

4.12. Staff costs

4.12.1. Termination benefits

Under the laws for the time being in force, the Entity is required to pay termination benefits to employees terminated without just cause. Those benefits are paid to employees as a result of the Entity deciding to terminate their employment contract before the normal retirement date or where the employee agrees to resign voluntarily in exchange for such benefit. The Entity recognises these benefits when it has agreed to terminate serving employees under a detailed plan communicated by the Entity or to pay termination benefits in connection with an offer made in order to elicit voluntary retirement.

At the reporting date there is no redundancy plan whatsoever that would require recognition of any such provision.

4.12.2. Long-service awards

The Entity is committed to paying its employees special long-service rewards when they complete 25, 35 and 40 years of uninterrupted actual service (see Note 14). These obligations are recognised in the balance sheet on an accrual basis over the working life of each employee, estimating the amount based on the payment to be made on the relevant date, adjusted at a market interest rate.

4.12.3. Post-employment payments

The Entity is subject to a Decision of 7 October 2004 establishing the specifications of the General State Administration Pension Plan, under which it is required to make an annual contribution to a defined contribution plan equal to a given percentage of each employee's pensionable salary, set in the General State Budgets for each professional category.

The contributions made to such plans in the years in which contributions are made are recognised under "Staff costs" in the income statement.

4.13. Related-party transactions

The Entity performs all its related-party transactions on an arm's length basis or using the cost-plus pricing method. Additionally, because transfer pricing is adequately supported, the Entity's Directors consider that there are no related material risks potentially giving rise to significant future liabilities.

4.14. Current and non-current items

Current assets are assets associated with the normal operating cycle, generally considered to be one year, other assets which are expected to mature, be disposed of or be realised in the short term from the end of the year, and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, liabilities associated with the normal operating cycle and, in general, any obligations maturing or expiring in the short term are current liabilities. They are otherwise classified as non-current liabilities.

4.15. Profit or loss from discontinued operations

A discontinued operation is any component of the Entity that has been sold or otherwise disposed of, or which has been classified as held for sale and, among other conditions, represents a line of business, or a significant area, which may be separated from the rest.

For operations of this kind, the Entity includes within the income statement, and under a single item for "Year's profit or loss from discontinued operations" both the profit or loss from the discontinued operations and the profit or loss recognised by a fair valuation minus the selling costs originating in the sale of the elements making up the discontinued operation.

In this connection, the spin-off of the Euro banknote production business line was classified as a discontinued operation. The amount recognised in the income statement included the profit or loss on the fair valuation minus the selling costs of the assets which made up the discontinued activity plus the profit or loss from that business unit from the start of the financial year until the effective spin-off date.

The Entity applied Recording and Valuation Rule 19 of the General Accounting Plan in order to record the discontinued operation resulting from the spin-off of the banknote production business.

Derecognition of FNMT-RCM's assets and liabilities taken over by the company Imprenta de Billetes S.A. was carried out and recorded based on their book value at FNMT-RCM.

After updating the value of the fixed-asset elements transferred to Imprenta de Billetes S.A. to their fair value, valuation of the shares received by FNMT-RCM was recorded at the net value of the assets and liabilities transferred.

5. INTANGIBLE ASSETS

The breakdown of and movements in the accounts included in this item of the accompanying balance sheet during the years 2021 and 2020 are tabled below (in €'000):

Year 2021

	Patents, licences, trademarks and the like	Computer software	TOTAL
COST			
Balance at 31.12.2020	**557**	**29.253**	**29.810**
Additions	-	136	136
Transfers	-	3	3
Derecognition	-	-	-
Balance at 31.12.2021	**557**	**29.392**	**29.949**
AMORTISATION			
Balance at 31.12.2020	**(557)**	**(28.690)**	**(29.247)**
Charge for the year	-	(497)	(497)
Transfers	-	(3)	(3)
Decreases	-	-	-
Balance at 31.12.2021	**(557)**	**(29.190)**	**(29.747)**

Net carrying amount at 31.12.2020	**-**	**563**	**563**
Net carrying amount at 31.12.2021	**-**	**202**	**202**

Year 2020

	Patents, licences, trademarks and the like	Computer software	TOTAL
COST			
Balance at 31.12.2019	**557**	**29.161**	**29.718**
Additions	-	89	89
Transfers	-	3	3
Derecognition	-	-	-
Balance at 31.12.2020	**557**	**29.253**	**29.810**
AMORTISATION			
Balance at 31.12.2019	**(557)**	**(27.811)**	**(28.368)**
Charge for the year	-	(879)	(879)
Decreases	-	-	-
Balance at 31.12.2020	**(557)**	**(28.690)**	**(29.247)**
Net carrying amount at 31.12.2019	**-**	**1.350**	**1.350**
Net carrying amount at 31.12.2020	**-**	**563**	**563**

5.1. Fully amortised assets

At the end of the years 2020 and 2021, the Entity held in its intangible assets a number of fully amortised items still in use the breakdown of which is as follows (in €'000):

€'000	**2021**	**2020**
Industrial property	557	557
Computer software	28.969	26.799
Total	**29.526**	**27.356**

5.2. mpairment loss adjustments

The Entity's Directors consider that there were no indications of impairment of the various intangible assets at the end of the years 2021 and 2020 and therefore no value adjustments were made during the year.

5.3. Insurance

The Entity has taken out several insurance policies to cover the risks to which its intangible assets are subject and the assets are considered to be sufficiently insured.

6. PROPERTY, PLANT AND EQUIPMENT

The breakdown of and movements in the accounts included in this item of the accompanying balance sheet during the years 2021 and 2020 are tabled below (in €'000):

Year 2021

	Land and buildings	Plant and other items of property, plant and equipment	Property, plant and equipment in the course of construction and advances	TOTAL
COST				
Balance at 31.12.2020	**176.389**	**303.443**	**11.024**	**490.856**
Additions	-	4.710	3.122	7.832
Derecognitions, derecognition and reductions	-	(2.829)	-	(2.829)
Transfers	-	8.538	(8.541)	(3)
Balance at 31.12.2021	**176.389**	**313.862**	**5.605**	**495.856**
DEPRECIATION				
Balance at 31.12.2020	**(90.762)**	**(235.479)**	**-**	**(326.241)**
Charge for the year	(797)	(12.679)	-	(13.476)
Transfer	-	2.824	-	2.824
Decreases	-	3	-	3
Balance at 31.12.2021	**(91.559)**	**(245.331)**	**-**	**(336.890)**
IMPAIRMENT ADJUSTMENT				
Balance at 31.12.2020	**-**	**(279)**	**-**	**(279)**
Recognised in the year	-		-	-
Transfer	-		-	-
Reversals	-	-	-	-
Balance at 31.12.2021	**-**	**(279)**	**-**	**(279)**

Net carrying amount at 31.12.2020	**85.627**	**67.685**	**11.024**	**164.336**
Net carrying amount at 31.12.2021	**84.830**	**68.252**	**5.605**	**158.687**

Year 2020

	Land and buildings	Plant and other items of property, plant and equipment	Property, plant and equipment in the course of construction and advances	TOTAL
COST				
Balance at 31.12.2019	**176.389**	**289.281**	**10.713**	**476.383**
Additions	-	12.902	7.218	20.120
Derecognitions, derecognition and reductions	-	(5.644)		(5.644)
Transfers	-	6.904	(6.907)	3
Balance at 31.12.2020	**176.389**	**303.443**	**11.024**	**490.856**
DEPRECIATION				
Balance at 31.12.2019	**(89.873)**	**(229.582)**	**-**	**(319.455)**
Charge for the year	(889)	(11.412)	-	(12.301)
Transfer	-	-	-	-
Decreases	-	5.515	-	5.515
Balance at 31.12.2020	**(90.762)**	**(235.479)**	**-**	**(326.241)**
IMPAIRMENT ADJUSTMENT				
Balance at 31.12.2019	**-**	**(392)**	**-**	**(392)**
Recognised in the year	-		-	-
Transfer	-		-	-
Reversals	-	113	-	113
Balance at 31.12.2020	**-**	**(279)**	**-**	**(279)**

Net carrying amount at 31.12.2019	**86.516**	**59.307**	**10.713**	**156.536**
Net carrying amount at 31.12.2020	**85.627**	**67.685**	**11.024**	**164.336**

The main additions in 2021 were the purchase of new passport book machinery, a label finishing line and a card inlaying line, totalling EUR 4,583 thousand.

Transfers in 2021 were in relation to property, plant and equipment items that were in progress at the end of the previous year.

Derecognition in 2021 related to a number of obsolete machines which the Entity replaced with new machinery in order to adapt to technological advances in relation to the production of several products required by its customers. Derecognition and, in some cases, subsequent sale, gave rise to a loss of EUR 4 thousand, recognised under "Impairment and gains or losses on derecognitions of fixed assets - gains or losses on derecognitions and other" in the accompanying income statement.

The breakdown of "Land and Buildings" is as follows:

	Cost at 31.12.2021	Cost at 31.12.2020
Land	71.656	71.656
Buildings		
Industrial	84.008	84.008
Commercial	20.725	20.725
Total	**176.389**	**176.389**

6.1. Impairment loss adjustments

During the year 2021, there have been no impairment losses on property, plant and equipment.

6.2. Fully depreciated assets

The Entity held in its property, plant and equipment a number of fully depreciated items still in use at the end of the years 2021 and 2020 the breakdown of which is as follows:

Cost	2021	2020
Buildings	82.772	79.411
Plant and machinery	102.848	99.217
Other items of property, plant and equipment	100.518	97.466
Total	**286.138**	**276.094**

6.3. Firm purchase commitments

At the end of the years 2021 and 2020 the Entity had entered into agreements respectively for EUR 9,360 thousand and EUR 3,210 thousand mainly relating to production machinery that had not yet been delivered.

In addition, at the end of 2017, the Entity entered into a land purchase option agreement with the company Imprenta de Billetes S.A., amounting to approximately EUR 29.9 million updated as at the end of the year 2021. The Entity's premises are expected to be moved to this land in the medium term.

6.4. Insurance

The Entity has taken out several insurance policies to cover the risks to which its property, plant and equipment are subject. Coverage under these policies is considered to be sufficient.

7. INVESTMENT PROPERTY

The breakdown of and movements in the accounts included in this item of the accompanying balance sheet during the years 2021 and 2020 are tabled below (in €'000):

Year 2021

	Land	Buildings	TOTAL
COST			
Balance at 31.12.2020	**8.715**	**7.303**	**16.018**
Derecognitions	-	-	-
Balance at 31.12.2021	**8.715**	**7.303**	**16.018**
DEPRECIATION			
Balance at 31.12.2020	**-**	**(4.716)**	**(4.716)**
Charge for the year	-	(217)	(217)
Derecognitions	-	-	-
Balance at 31.12.2021	**-**	**(4.933)**	**(4.933)**

Net carrying amount at 31.12.2020	**8.715**	**2.587**	**11.302**
Net carrying amount at 31.12.2021	**8.715**	**2.370**	**11.085**

Year 2020

	Land	Buildings	TOTAL
COST			
Balance at 31.12.2019	**8.715**	**7.306**	**16.021**
Derecognitions	-	(3)	(3)
Balance at 31.12.2020	**8.715**	**7.303**	**16.018**
DEPRECIATION			
Balance at 31.12.2019	**-**	**(4.501)**	**(4.501)**
Charge for the year	-	(217)	(217)
Derecognitions	-	2	2
Balance at 31.12.2020	**-**	**(4.716)**	**(4.716)**

Net carrying amount at 31.12.2019	**8.715**	**2.805**	**11.520**
Net carrying amount at 31.12.2020	**8.715**	**2.587**	**11.302**

7.1. Investment property according to its use

The value of investment property in terms of the Entity's intended use thereof is as follows (in €'000):

Year 2021

	Held for lease		Held for sale	Total
	Leased	Not leased		
Land	8.707	-	8	8.715
Buildings	7.123	-	-	7.123
Offices and commercial property	-	123	-	123
Residential property	-	-	57	57
Total	**15.830**	**123**	**65**	**16.018**

Year 2020

	Held for lease		Held for sale	Total
	Leased	Not leased		
Land	8.707	-	8	8.715
Buildings	7.123	-	-	7.123
Offices and commercial property	-	123	-	123
Residential property	-	-	57	57
Total	**15.830**	**123**	**65**	**16.018**

In the year 2021, rental income from investment property amounted to EUR 762 thousand. This operating income is credited to the accompanying income statement as "Services rendered" along with other revenues of a similar nature.

At the end of the year 2021, the future minimum lease payments guaranteed by signed agreements and for their term amounted to EUR 740 thousand (see Note 8.2).

7.2. Insurance

The Entity has taken out various insurance policies to cover the risks to which these investments are exposed and cover under these policies is deemed sufficient.

8. LEASES AND OTHER SIMILAR TRANSACTIONS

8.1. Operating leases - Lessee

To carry on its activity, the Entity takes certain assets on lease from third parties. The following are the main terms and conditions of the most significant agreements in force during the years 2021 and 2020:

- Lease of compressed air equipment: 24-month compressed air supply contract, with a fixed monthly payment.
- Lease of machinery: rental of a thermal plate processor in the year 2019 for a period of 12 months, which was extended in the year 2020.

At the end of the years 2021 and 2020 the detail by maturity of the future minimum payments on operating leases is as follows (in €'000):

	2021	2020
Within 1 year	36	39
Between 1 and 5 years	-	-
Total	**39**	**39**

The operating lease expenses incurred in 2021 amounted to EUR 36 thousand (EUR 39 thousand in the year 2020).

8.2. Operating leases - Lessor

During the years 2021 and 2020, certain of the Entity's fixed assets were leased to third parties under operating leases. The breakdown of the future minimum non-cancellable receivables under those leases is as follows (in €'000):

	2021	2020
Within 1 year	740	789
Between 1 and 5 years	-	789
Total	**740**	**1.578**

The main terms and conditions of the most significant leases in force during the years 2021 and 2020 were as follows:

- Lease of industrial premises to the company Compañía Europea de Cospeles, S.A. The three-year agreement signed entered into force on 16 January 2020 with an automatic extension for successive one-year periods, failing notice to the contrary by either party at least six months in advance of the initial term of the agreement or any of the renewal periods ending. This agreement originates in a previous agreement signed in January 2000 and extended on several occasions until the current agreement was signed.

At the end of the year 2021, the item "Long-term debts with group companies and associates" under non-current liabilities in the attached balance sheet includes a EUR 138 thousand deposit amount received from Compañía Europea de Cospeles, S.A., which will be returned upon the lease ending. This deposit is yet to be adjusted to the new economic terms of the agreement (see Notes 9 and 16).

9. CURRENT AND NON-CURRENT FINANCIAL ASSETS

At 31 December 2021 and 2020, the breakdown of and changes in the items "Non-Current Investments in Group Companies and Associates" and "Non-Current Financial Investments" of the attached Balance Sheet, were as follows (in €'000):

	Balance at 31 December 2020	Additions and Charges	Derecognitions	Transfers and other	Balance at 31 December 2021
Non-current investments in group companies and associates	**31.075**	**13.224**	**-**	**-**	**44.299**
Equity instruments	31.075	16.000	-	-	47.075
- Interests in group companies and associates	31.075	16.000	-	-	47.075
- Impairment value adjustment.	-	(2.776)	-	-	(2.776)
Non-current financial investments	**8.032**	**29**	**(7.589)**	**(55)**	**417**
- Third-party loans	7.893	29	(7.589)	(55)	278
- Other financial assets	823	-	-	-	823
- Impairment value adjustment	(684)	-	-	-	(684)

	Balance at 31 December 2019	Additions and Charges	Derecognitions	Transfers and other	Balance at 31 December 2020
Non-current investments in group companies and associates	**21.075**	**10.000**	**-**	**-**	**31.075**
Equity instruments	21.075	-	-	-	31.075
- Interests in group companies and associates	21.075	10.000	-	-	31.075
- Impairment value adjustment.	-	-	-	-	-
Non-current financial investments	**451**	**7.655**	**(19)**	**(55)**	**8.032**
- Third-party loans	312	7.655	(19)	(55)	7.893
- Other financial assets	823	-	-	-	823
- Impairment value adjustment	(684)	-	-	-	(684)

At 31 December 2021 and 2020, the breakdown for "Current financial investments" of the attached balance sheet was as follows (in €'000):

	Balance at 31 December 2020	Additions and Charges	Derecognitions	Transfers and other	Balance at 31 December 2021
Current financial investments	**13**	**100.001**	**(3)**	**-**	**100.011**
Short-term third-party loans	-	-	-	-	-
Other financial assets	13	100.001	(3)	-	100.011
- Other current financial investments	-	100.000	-	-	100.000
- Short-term deposits given	13	1	(3)		11

	Balance at 31 December 2019	Additions and Charges	Derecognitions	Transfers and other	Balance at 31 December 2020
Current financial investments	**45.038**	**13**	**(45.038)**	**-**	**13**
Short-term third-party loans	17	-	(17)	-	-
Other financial assets	45.021	13	(45.021)	-	13
- Other current financial investments	45.000	-	(45.000)	-	-
- Short-term deposits given	21	13	(21)	-	13

9.1. Current and non-current Investments in Group Companies and Associates

At 31 December 2021 and 2020, the following are the details of the Investments in Group Companies and Associates and the most significant information for each of them as of those dates (data taken from the audited financial statements as of the specified date):

Year 2021

Name, Address & Activity	Interest	Acquisition Cost	Impairment	Book Value	Capital	Reserves	Losses Brought Forward	Operating Profit or Loss	Continuing Operations Profit or Loss	Total Net Assets
Compañia Euopea de Cospeles S.A. Madrid Manufacture of Blanks	50%	3.075	(2.777)	298	6.150	4.263	(3.835)	(5.902)	(5.981)	597
Imprenta de Billetes S.A. Madrid Production of Euro Notes	20%	44.000	-	44.000	220.000	-		(2)	-	220.000

Ejercicio 2020

Name, Address & Activity	Interest	Acquisition Cost	Impairment	Book Value	Capital	Reserves	Losses Brought Forward	Operating Profit or Loss	Continuing Operations Profit or Loss	Total Net Assets
Compañía Europea de Cospeles S.A. Madrid Manufacture of Blanks	50%	3.075	-	3.075	6.150	4.263	-2.116	-1.719	-1.719	6.578
Imprenta de Billetes S.A. Madrid Production of Euro Notes	20%	28.000	-	28.000	140.000	-	-	-2	-	140.000

1. Within the section relating to investments in group companies the Entity holds an ownership interest in the company Compañía Europea de Cospeles, S.A. which is not listed on organised securities markets.

   The Entity directly owns 50% of the shares in Compañía Europea de Cospeles, S.A., a Spanish company in the business of manufacturing and selling blanks used for coinage. In the year 2021, Compañía Europea de Cospeles, S.A. turned over EUR 15,564 thousand and its net non-current tangible and intangible assets totalled EUR 989 thousand.

   The Entity does not prepare consolidated financial statements with Compañía Europea de Cospeles, S.A. because it is not a controlled but a jointly controlled entity and, accordingly, they do not form a group of companies as defined in the applicable company laws.

2. In this section, the Entity also records the ownership interest in the company Imprenta de Billetes S.A., which is not listed on organised securities markets.

   The company Imprenta de Billetes S.A. commenced its operations on 1 November 2015. It is a Bank of Spain in-house provider and its objects are to produce Euro banknotes, by order of the Bank of Spain. The Entity directly holds 20% of the shares in this company. Imprenta de Billetes, S.A. turned over EUR 54,478 thousand in the year 2021 and the value of its net non-current fixed assets totalled EUR 109,550 thousand.

   The Entity does not draw up consolidated annual financial statements with Imprenta de Billetes, S.A. because it does not control the same.

   The interest in this company was reclassified in the year 2017, given the temporary, indefinite extension of that interest established in the General State Budget Act of 2017.

   In the year 2021, the company Imprenta de Billetes S.A. carried out a new capital increase and the Entity subscribed for 20% of that capital increase totalling EUR 16,000 thousand.

9.2. Current and non-current financial investments

9.2.1. Equity instruments.

At 31 December 2021 and 2020, the following were the details of the Entity's equity instruments and the most significant information as of each of those dates:

Year 2021

Name, Address & Activity	Interest	Acquisition Cost	Impairment	Book Value	Capital	Reserves	Other Net Asset Items	Operating Profit or Loss	Continuing Operations Profit or Loss	Total Net Assets
J. Vilaseca S. A. Barcelona Paper manufacture	9,99 %	684	(684)	-	6.840	(5)	(1.325)	748	70	5.580

(*) Data taken from the financial statements yet to be audited as of the specified date

Year 2020

Name, Address & Activity	Interest	Acquisition Cost	Impairment	Book Value	Capital	Reserves	Other Net Asset Items	Operating Profit or Loss	Continuing Operations Profit or Loss	Total Net Assets
J. Vilaseca S. A. Barcelona Paper manufacture	9,99 %	684	(684)	-	6.840	(5)	(1.039)	280	(300)	5.496

(*) Data taken from the audited financial statements as of the specified date

The company J. Vilaseca, S.A. was incorporated on 9 May 1932 and its main activity is high-quality paper manufacture. In July 1991, the Entity acquired an interest of 12.8% in the capital. This company is not listed on organised securities markets.

In the year 2019, the company J. Vilaseca, S.A. carried out a capital decrease followed by a capital increase, with the arrival of a new controlling shareholder, as a result of which the Entity's interest in the capital was reduced to 9.99%.

9.2.2. Loans to Third Parties

This section "Loans to Third Parties" within non-current financial investments at 31 December 2020 and 2021 include the homebuyer loans granted by the Entity to its employees.

The term of these loans ranges from 10 to 13 years or until they reach the expected retirement age, with the possibility of a 3-year grace period for principal, and earn annual interest of 3%.

9.2.3. The heading "Other financial assets"

This heading within non-current financial assets includes the deposit amount given by the company Compañía Europea de Cospeles S.A. for the lease of an industrial warehouse placed by the Entity in care of the Community of Madrid (see Note 16).

9.3. Balance Sheet information

9.3.1 The details at 31 December 2021 and 2020 of financial assets, distributed by classes and categories, is as follows (other than investments in Group Companies and Associates, cash and cash equivalents and balances with Public Authorities):

Year 2021	Investments held to maturity	Available-for-sale financial assets	Loans and receivables	Total
Non-current financial investments	-	-	417	417
- Equity instruments	-	684	-	684
- Equity instrument impairment adjustment	-	(684)	-	(684)
- Third-party loans	-	-	278	278
- Other financial assets	-	-	139	139
Trade and other receivables	-	-	27.182	27.182
Current financial investments	-	-	100.011	100.011
- Short-term third-party loans	-	-	-	-
- Other financial assets	-	-	100.011	100.011
Total Financial Assets	**-**	**-**	**127.610**	**127.610**

Year 2020	Investments held to maturity	Available-for-sale financial assets	Loans and receivables	Total
Non-current financial investments	-	-	8.032	8.032
- Equity instruments	-	684	-	684
- Equity instrument impairment adjustment	-	(684)	-	(684)
- Third-party loans	-	-	7.893	7.893
- Other financial assets	-	-	139	139
Trade and other receivables	-	-	26.375	26.375
Current financial investments	-	-	13	13
- Short-term third-party loans	-	-	-	-
- Other financial assets	-	-	13	13
Total Financial Assets	**-**	**-**	**34.420**	**34.420**

9.3.2 The details at 31 December 2021 and 2020 of financial liabilities distributed by categories and classes is as follows (other than balances with Public Authorities)

	2021	2020
	Debts and other accounts payable	
Long-term provisions	7.406	7.217
Long-term debts	-	-
Long-term debts with group companies and associates	138	138
Short-term provisions	936	2.089
Short-term debts	3.592	4.715
Trade and other payables	15.488	20.673
Total financial liabilities	**27.560**	**34.832**

9.3.3 Classification by maturities

Based on the maturities of the financial assets and financial liabilities determined or determinable, the classification at year-end 2021 and 2020 is as follows (except for balances with Public Administrations):

Year 2021

Financial assets	Category	2021	2022	2023	2024	2025	Other	Total
Equity instruments	non-current						684	684
Impairment adjustment	non-current						(684)	(684)
Personnel loans	non-current		54	52	43	39	90	278
Deposits	non-current						139	139
Clients on sales	non-current							-
Clients on sales	current	27.395						27.395
Trade transaction impairment	current	(554)						(554)
Group company clients	current	75						75
Sundry debtors	current	22						22
Personnel	current	187						187
Personnel loans	current	56						56
Deposits	current	11						11
Accrued interest	current	-						-
Other financial assets	current	100.000						100.000
Total current		**127.192**	**-**	**-**	**-**	**-**	**-**	**127.192**
Total non-current		**0**	**54**	**52**	**43**	**39**	**229**	**417**

Year 2020

Financial assets	Category	2020	2021	2022	2023	2024	Other	Total
Equity instruments	non-current						684	684
Impairment adjustment	non-current						(684)	(684)
Personnel loans	non-current		49	49	41	37	128	304
Deposits	non-current						139	139
Clients on sales	non-current			7.589				7.589
Clients on sales	current	26.932						26.932
Trade transaction impairment	current	(1.175)						(1.175)
Group company clients	current	80					-	80
Sundry debtors	current	44						44
Personnel	current	184						184
Personnel loans	current	55						55
Deposits	current	13						13
Accrued interest	current	-						-
Other financial assets	current	-						-
Total current		**26.133**	**-**	**-**	**-**	**-**	**-**	**26.133**
Total non-current		**0**	**49**	**7.688**	**41**	**37**	**267**	**8.032**

Year 2021

Financial liabilities	Category	2022	2023	2024	2025	2026	Other	Total
Personnel benefit obligations	non-current	-	401	373	153	113	2.382	3.422
Other personnel provisions	non-current	-	1.876	951	484	255	268	3.834
Other provisions	non-current	-	-	73	-	-	77	150
Other debts	non-current	-	-	-	-	-	-	-
Group company deposits	non-current	-	-	-	-	-	138	138
Fixed asset creditors	current	2.348	-	-	-	-	-	2.348
Other deposits	current	1.238	-	-	-	-	-	1.238
Client return provisions	current	936	-	-	-	-	-	936
Credit institution payables	current	6	-	-	-	-	-	6
Suppliers	current	10.547	-	-	-	-	-	10.547
Group company and associate suppliers	current	571	-	-	-	-	-	571
Trade creditors	current	1.918	-	-	-	-	-	1.918
Personnel benefit obligations	current	507	-	-	-	-	-	507
Other provisions	current	1.632	-	-	-	-	-	1.632
Other personnel	current	4	-	-	-	-	-	4
Advance payments from debtors	current	309	-	-	-	-	-	309
Total current		**20.016**	**-**	**-**	**-**	**-**	**-**	**20.016**
Total non-current		**-**	**2.277**	**1.397**	**637**	**368**	**2.865**	**7.544**

Year 2020

Financial liabilities	Category	2021	2022	2023	2024	2025	Other	Total
Personnel benefit obligations	non-current	-	650	340	328	119	2.757	4.194
Other personnel provisions	non-current	-	1.500	777	373	181	115	2.946
Other provisions	non-current	-	-	-	-	-	77	77
Other debts	non-current	-	-	-	-	-	-	-
Group company deposits	non-current	-	-	-	-	-	138	138
Fixed asset creditors	current	4.103	-	-	-	-	-	4.103
Other deposits	current	585	-	-	-	-	-	585
Client return provisions	current	2.089	-	-	-	-	-	2.089
Credit institution payables	current	27	-	-	-	-	-	27
Suppliers	current	10.380	-	-	-	-	-	10.380
Group company and associate suppliers	current	734	-	-	-	-	-	734
Trade creditors	current	6.265	-	-	-	-	-	6.265
Personnel benefit obligations	current	420	-	-	-	-	-	420
Other provisions	current	1.289	-	-	-	-	-	1.289
Other personnel	current	(10)	-	-	-	-	-	(10)
Advance payments from debtors	current	1.595	-	-	-	-	-	1.595
Total current		**27.477**	**-**	**-**	**-**	**-**	**-**	**27.477**
Total non-current		**-**	**2.150**	**1.117**	**701**	**300**	**3.087**	**7.355**

9.4. Income statement information

9.4.1 The net profit and loss from the various financial instrument categories for the years 2021 and 2020 is as follows:

Classes	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Equity instruments	-	-	-	-	-	-
Total	-	-	-	-	-	-

9.4.2 The financial income calculated by applying the effective interest rate per category of financial asset for the years 2021 and 2020 is as follows::

	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets						
Personnel loans	11	-	11	12	-	12
Company loans	228	(151)	77	-	(463)	(463)
Other financial assets	-	8	8	-	6	6
Total	**239**	**(143)**	**96**	**12**	**(457)**	**(445)**
Financial liabilities						
Personnel benefit obligations	-	-	-	10	-	10
Total	**239**	**(143)**	**96**	**10**	**-**	**10**

9.4.3. The amounts of valuation adjustments made in the year taken to the income statement from the various financial instruments for the years 2021 and 2020 are as follows:

Classes	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Non-current investments	**(2.776)**	**-**	**(2.776)**	**-**	**-**	**-**
Equity instruments	(2.776)	-	(2.776)	-	-	-
Commercial transactions	**-**	**874**	**874**	**-**	**-**	**-**
Bad debts	-	(900)	(900)	-	-	-
Clients	-	1.774	1.774	-	(523)	(523)
Total	(2.776)	874	(1.902)	-	(523)	(523)

10. INVENTORIES

The breakdown of this item at the end of the years 2021 and 2020 is as follows (€'000):

	2021			2020		
	Cost	Impairment adjustments	Ending balance	Cost	Impairment adjustments	Ending balance
Goods held for resale	378	(153)	225	399	(183)	216
Raw materials and other supplies	33.322	(7.663)	25.659	35.773	(7.446)	28.327
Work in progress and semi-finished goods	14.671	(1.614)	13.057	13.805	(1.556)	12.249
Finished goods	18.931	(4.693)	14.238	12.012	(3.094)	8.918
Total	**67.302**	**(14.123)**	**53.179**	**61.989**	**(12.279)**	**49.710**

The impairment losses recognised at 31 December 2021 and 2020 related mainly to the decrease in the net realisable value of various items as a result of their low turnover.

10.1 Inventories held by third parties

At the end of the years 2021 and 2020, inventories held by third parties respectively amounted to EUR 407 thousand and EUR 1,446 thousand.

10.2. Insurance

The Entity has taken out insurance policies to cover the risks to which inventories are subject. Coverage under these policies is deemed to be sufficient.

11. TRADE RECEIVABLES FOR SALES AND SERVICES

At the end of the years 2021 and 2020 this item included doubtful debts respectively amounting to EUR 554 thousand and EUR 1.175 thousand, which had been provisioned in full. In addition, a sum of EUR 8,051 thousand relating to an institutional customer, payment of which is expected within a period in excess of one year and which is expected to be collected during the course of the year 2022, was reclassified as current at the end of the year 2021.

Movements in impairment loss adjustments under this heading in the last two years were as follows (in €'000):

	Amount
Balance at 31 December 2019	**1.443**
Charge for the year 2020	1.086
Reversed in the year 2020	(1.354)
Provisions used 2020	-
Balance at 31 December 2020	**1.175**
Charge for the year 2021	571
Reversed in the year 2021	(292)
Provisions used 2021	(900)
Balance at 31 December 2021	**554**

The Directors consider that valuation adjustments booked on both non-current and current trade receivables are consistent with past experience, the assessment of the current economic climate and the risks inherent in the Entity's activity.

12. CASH AND CASH EQUIVALENTS

The breakdown of this item at the end of the years 2021 and 2020 is as follows (in €'000):

	Balance at 31.12.2021	Balance at 31.12.2020
Cash	126.732	236.812
Total	**126.732**	**236.812**

Cash includes both demand bank account balances and cash accounts. In addition, it includes cash equivalents and deposits with maturity at the time of acquisition not in excess of three months.

The balance-sheet assets include the item "Other financial assets" within current financial investments, which books fixed-term deposits maturing within more than three months totalling EUR 100,000 thousand.

13. OWNERS' EQUITY

13.1. Capital

The Entity's Capital is not represented by shares or any other type of security since it belongs to the Ministry of Finance and Civil Service.

13.2. Reserves

13.2.1. Reserves provided for in the Charter

The reserve provided for in article 32 of the Entity's Charter is funded by the profit distribution submitted by the Board of Directors for the approval of the person in charge at the Ministry to which the Entity reports, to ensure the proper running of the Entity.

13.2.2. Voluntary reserves

The balance of these reserves includes reserves from the EUR 100,310 thousand restatement of plant, property and equipment (see Note 5) and EUR 44,384 thousand in cumulative reserves at the transformation date of the defunct Autonomous Body. There are no restrictions on the distribution of these reserves.

It also includes EUR 3,378 thousand resulting from the impact, net of the tax effect, of the entry into force of Royal Decree 1514/2007, 16 November, approving the New General Accounting Plan in the financial year 2007. These are freely distributable reserves.

On 5 October 2011, the Real Casa de la Moneda Foundation was wound up and all its assets, liabilities and the equity generated up to that date were included in the Entity's balance sheet and recognised in full under "Voluntary Reserves" at a sum of EUR 866 thousand.

14. LONG-TERM PROVISIONS

14.1. Provision for long-service awards

The collective agreement in force stipulates that the Entity's employees are entitled to a number of non-current payments known as long-service awards, consisting of a one-time payment of certain amounts once they have attained a number of years of service as Entity employees. The Entity has recognised the related provision to meet future payments arising from this commitment.

In the years 2020 and 2021, provisions were made relating to commitments accrued in each period charged to the staff costs account. The calculation has been made based on non-actuarial internal studies, which take into individual consideration each employee's length of service and salary, the period remaining until these awards are received, an annual estimated salary increase of 1.5% and 1.5% and an annual discount rate of 0% and 0.5% for 2021 and 2020. At the end of the year 2013, the Entity commissioned professional actuarial studies to allow the provisions applied based on the aforementioned criteria to be validated. The results showed no major differences with respect to the calculation used by the Entity, and therefore the same system is still being applied.

At the end of the year 2021, EUR 505 thousand relating to long-service rewards and medals to be awarded in 2022 under "Personnel (remuneration payable)" and EUR 124 thousand in relevant social security payments recognised under "Other accounts payable to Public Authorities" were transferred to current liabilities on the accompanying balance sheet.

This provision has been recognised in the Income Statements for the years 2021 and 2020 as follows: the accrual of long-service awards element under "Staff costs - Wages, salaries and similar expenses" and the associated social security costs element under "Staff costs - Employee Benefit Costs".

14.2. Other provisions

The heading "Other provisions" includes the following significant items:

- The collective agreement provides that any Entity employee who believes that the duties discharged are in a higher category than that in which the employee belongs, albeit without filling a higher-level vacancy or being paid wage differences, may demand recognition of those duties. The Entity recognises a provision in this connection based on in-house studies, which consider the approved salary scales and the history of assessments of claims resolved in previous years. The provision for salary category reviews requested by Entity employees at the end of the years 2021 and 2020 respectively amounted to EUR

3,834 thousand and EUR 2,947 thousand. The year's charge made to this provision, totalling EUR 1,045 thousand, is recognised under the heading "Wages, salaries and similar expenses".

- At the end of the year 2021, EUR 76 thousand under "Personnel (remuneration payable)" of the accompanying balance sheet, in connection with cases under review which we estimate will be resolved in 2022, and EUR 22 thousand under "Other payables to Public Authorities" in connection with the relevant social security, were transferred to current liabilities.
- At the end of the years 2021 and 2020, amounts of EUR 150 and EUR 77 thousand had been booked based on the Entity's estimate to cover various lawsuits arising in the normal course of its business.

The breakdown of and movements in this item of the Balance Sheet Liabilities during the years 2021 and 2020 are tabled below:

	Provision for long-service awards	Other provisions	Total
Balance at 31 December 2019	**4.028**	**3.083**	**7.111**
Charge for the year 2020	728	769	1.497
Applied in the year 2020	(122)	(31)	(153)
Reversed in the year 2020	-	(196)	(196)
Transfers to current liabilities 2020	(440)	(602)	(1.042)
Balance at 31 December 2020	**4.194**	**3.023**	**7.217**
Charge for the year 2021	263	1.119	1.382
Applied in the year 2021	(29)	(60)	(89)
Reversed in the year 2021	(376)	-	(376)
Transfers to current liabilities 2021	(630)	(98)	(728)
Balance at 31 December 2021	**3.422**	**3.984**	**7.406**

The Board of Directors and the Entity's legal advisers consider that the provisions made are sufficient and that the outcome of pending proceedings will not have an additional material effect on the financial statements for the years in which they are concluded.

15. CURRENT PAYABLES

The breakdown of "Current payables" is as follows (in €'000):

	Balance at 31.12.2021	Balance at 31.12.2020
Credit institution payables	**6**	**27**
Credit institution payable current interest	6	27
Other Financial Liabilities	**3.586**	**4.688**
Fixed assets suppliers	2.348	4.103
Guarantees and deposits received	1.238	585
Total	**3.592**	**4.715**

16. SUPPLIERS, JOINTLY CONTROLLED COMPANIES AND RELATED PARTIES

The breakdown of this item is as follows (in €'000):

	2021	2020
Other financial liabilities		
Other payables		
Compañía Europea Cospeles, S. A.	495	584
J. Vilaseca, S. A.	76	150
Total	**571**	**734**

Note 21.1 includes the breakdown of transactions carried out with related parties.

In addition, in the year 2021 the item "Long-term debts with group companies and associates" under non-current liabilities recorded the deposit given by Compañía Europea de Cospeles S.A. on the lease of an industrial warehouse.

17. PUBLIC AUTHORITIES AND TAX POSITION

The following is the breakdown of balances with Public Authorities at 31 December 2021 and 2020 (in €'000):

Year 2021

Accounts Receivable from Public Authorities	Non-current	Current	Balance at 31.12.21
Deferred tax assets	**1.966**	**963**	**2.929**
Other accounts receivable from Public Authorities		**1**	**1**
Cash basis accounting and other Treasury receivables	-	-	-
VAT receivable from the Treasury	-	-	-
Total	**1.966**	**964**	**2.930**

Accounts Payable to Public Authorities	Non-current	Current	Balance at 31.12.21
Current tax liabilities	**-**	**1.811**	**1.811**
Other payables to Public Authorities		**7.928**	**7.928**
VAT payable to the Treasury	-	4.430	4.430
Withholding tax payable to the Treasury	-	1.336	1.336
Withholding tax payable to the Treasury	-	141	141
Social Security Bodies	-	2.021	2.021
Total	**-**	**9.739**	**9.739**

Year 2020

Accounts Receivable from Public Authorities	Non-current	Current	Balance at 31.12.20
Deferred tax assets	**2.327**	**1.052**	**3.379**
Other accounts receivable from Public Authorities			
Cash basis accounting and other Treasury receivables	-	-	-
VAT receivable from the Treasury	-	255	255
Total	**2.327**	**1.307**	**3.634**

Accounts Payable to Public Authorities	Non-current	Current	Balance at 31.12.20
Current tax liabilities	**-**	**470**	**470**
Other payables to Public Authorities		**5.419**	**5.419**
VAT payable to the Treasury	-	2.026	2.026
Withholding tax payable to the Treasury	-	1.379	1.379
Social Security Bodies	-	2.014	2.014
Total	**-**	**5.889**	**5.889**

17.1. Tax position

Under the laws for the time being in force, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year limitation period has expired. At 31 December 2021, the Entity had the years 2017 et seq. open for review with respect to income tax and the years 2018 et seq. open for review with respect to the other taxes applicable to it. The Entity's Directors consider that tax assessments have been properly made for the aforementioned taxes and, therefore, even in the event of discrepancies with the tax authorities in relation to the tax treatment afforded to certain transactions, resulting liabilities, if any should materialise, would not have a material effect on the 2021 financial statements.

17.2. Income tax

Profits, determined as provided for in the tax laws, are subject to payment of Corporation Tax calculated at a rate of 25% on the tax base. Certain tax credits for Research & Development & Innovation expenses can be deducted from the resulting tax charge. Due to the different treatment that the tax laws afford to certain transactions, the book profit differs from the tax base.

The following is a reconciliation of the book profit and the taxable profit for the years 2021 and 2020 which the Entity expects to report after the financial statements are duly approved (in €'000):

Year 2021

	Income Statement		
	Increase	**Decrease**	**Total**
Year's profit or loss	18.787		18.787
Income tax	6.816		6.816
Permanent differences	2.858		2.858
Temporary differences			
Relating to the Entity			
Arising in the year	3.848		3.848
Arising in prior years	-	(5.606)	(5.606)
Tax base (taxable profit or loss)	**32.309**	**(5.606)**	**26.703**
Tax charge (25%)	8.077	(1.401)	6.676
Tax credits used		(310)	(310)
Net tax payable	8.077	(1.711)	6.366
Withholding tax and interim payments		(4.555)	(4.555)
Total payable (refundable)	**8.077**	**(6.266)**	**1.811**

Year 2020

	Income Statement		
	Increase	**Decrease**	**Total**
Year's profit or loss	22.118		22.118
Income tax	6.770		6.770
Permanent differences	304		304
Temporary differences			
Relating to the Entity			
Arising in the year	4.207	-	4.207
Arising in prior years	-	(3.123)	(3.123)
Tax base (taxable profit or loss)	**33.399**	**(3.123)**	**30.276**
Tax charge (25%)	8.350	(781)	7.569
Tax credits used		(534)	(534)
Net tax payable	8.350	(1.315)	7.035
Withholding tax and interim payments		(6.565)	(6.565)
Total payable (refundable)	**8.350**	**(7.880)**	**470**

The breakdown of the corporation tax expense at the end of the years 2021 and 2020 is as follows (in €'000):

€'000	**2021**	**2020**
CONTINUING OPERATIONS		
Current tax	6.366	7.034
Deferred tax	450	(264)
Corporation tax expense	**6.816**	**6.770**

17.3. Deferred tax assets and liabilities

The breakdown of and movements in these items of the accompanying balance sheet at the end of the years 2021 and 2020 are tabled below (in €'000):

Year 2021

	Balance at 31.12.20	**Recognised in the income statement**		**Tax rate adjustments**	**Balance at 31.12.21**
		Additions	**Derecognitions**		
Deferred tax assets					
Temporary differences					
Accounts receivable	638	234	(638)	-	234
Employee rewards	1.176	294	(386)	-	1.084
Back payments to employees	887	287	(40)	-	1.134
Depreciation and amortisation charge	225	-	(50)	(10)	165
Impairment of receivables	278	130	(289)	-	119
Impairment of financial investments	171	-	-	-	171
Other	4	18	-	-	22
Total	**3.379**	**963**	**(1.403)**	**(10)**	**2.929**

Year 2020

	Balance at 31.12.19	**Recognised in the income statement**		**Tax rate adjustments**	**Balance at 31.12.20**
		Additions	**Derecognitions**		
Deferred tax assets					
Temporary differences					
Accounts receivable	324	404	(90)	-	638
Employee rewards	1.092	193	(109)	-	1.176
Back payments to employees	863	192	(168)	-	887
Depreciation and amortisation charge	339	-	(107)	(7)	225
Impairment of receivables	322	263	(307)	-	278
Impairment of financial investments	171	-	-	-	171
Other	4	-	-	-	4
Total	**3.115**	**1.052**	**(781)**	**(7)**	**3.379**

Temporary differences arise mainly as a result of depreciation and amortisation recoveries triggered by the provisional measures applied for the years 2013 and 2014, the recognition of the provision to meet collective-agreement back payments, the employee-reward provisions and other provisions to cover risks and expenses.

Positive permanent differences include expenses which are not deductible from the tax base under the tax laws. Noteworthy in the year 2021 is the impairment in the value of the shares in the investee company Cecosa.

Out of the total deferred assets recognised at the end of the year 2021, it is expected that EUR 1,200 thousand will be reversed in 2022.

The recoverability of deferred tax assets is assessed when they are recognised and at least at the end of each year. In the year 2021, deferred tax assets have been adjusted as a result of the change under Act 27/2014, 27 November, of the corporation tax rate applicable for the years 2016 and thereafter, which has resulted in the same being reduced by EUR 10 thousand.

18. INCOME AND EXPENSES

18.1. Net turnover

The following is the breakdown, by business line, of the net turnover in the years 2021 and 2020 (in €'000):

€'000	2021	2020
Graphic arts	135.163	141.005
Metals	37.454	44.914
Paper	26.484	28.741
Servicios	32.285	30.039
Other	2.853	2.535
Total	**234.239**	**247.234**

On the other hand, the following is the geographical breakdown of the net turnover in the years 2021 and 2020:

€'000	2021	2020
National	219.047	228.760
European Union	4.649	6.293
Rest of the world	10.543	12.181
Total	**234.239**	**247.234**

In order for the year 2020 figures to be comparable to this year's figures, the figure for national services has been lowered by EUR 789 thousand, which amount, resulting from the lease of real estate, has been taken to other operating income because it is not deemed to be a principal activity of the Entity.

18.2. Procurements

The following is the breakdown of this item in the accompanying income statement at the end of the years 2021 and 2020 (in €'000):

	2021			2020		
	Purchases	Changes in inventories	Total cost of goods held for resale used	Purchases	Changes in inventories	Total cost of goods held for resale used
Goods	679	(9)	**670**	493	80	**573**
Raw materials and other supplies	73.331	2.668	**75.999**	66.902	5.460	**72.362**
Total	**74.010**	**2.659**	**76.669**	**67.395**	**4.797**	**72.935**

The following is the breakdown, by source, of the purchases made in the years 2021 and 2020:

	2021	2020
National	31.429	27.138
Intra-EU acquisitions	34.833	27.698
Imports	7.748	12.559
Total	**74.010**	**67.395**

18.3. Grants, gifts and legacies received

The following are the non-refundable income-related grants recognised directly in the income statement in 2021 and 2020 (in €'000):

Origin	2021			2020		
	Grantor	Amount granted	Amount taken to income	Grantor	Amount granted	Amount taken to income
Operation	Estatal	166	166	Estatal	100	100
Operation	U.E.	206	206	U.E.	-	-
Total		**372**	**372**		**100**	**100**

The state grants received in the year 2021 relate to staff training costs.

The Entity's Directors consider that all the general and specific terms laid down in the relevant decisions to award all the grants received had been met at the end of the years 2021 and 2020.

The Entity does not apply Order EHA/733/2010 in regard to grants obtained to acquire or build, improve or renovate an asset because none of the grants referred to therein were received.

18.4. Staff costs

The following is the breakdown of "Wages, salaries and similar expenses" in the income statement at the end of the years 2021 and 2020 (in €'000):

€'000	2021	2020
Wages and salaries	51.126	50.655
Severance pays	69	82
Total	**51.195**	**50.737**

The following is the breakdown of "Employee benefit costs" in the income statement for the years 2021 and 2020:

€'000	2021	2020
Employer Social Security costs	16.429	16.825
Other employee benefit costs	1.552	2.512
Total	**17.981**	**19.337**

The item "Other employee benefit costs" includes, inter alia, staff training costs and the health insurance premium.

In the years 2021 and 2020 no contributions were made to the General State Administration Pension Plan since no amount was set in the General State Budgets for those years.

The following is the **average number of employees** during the years 2021 and 2020, by professional category:

Category	2021	2020
Office of the General Manager	1	1
Managers and Service Heads	38	37
Line and similar personnel	465	470
Clerical and auxiliary staff	130	128
Manual workers and service personnel	613	668
Total	**1.247**	**1.304**

At 31 December 2021 and 2020, the distribution of the **workforce**, by gender, was as follows:

Category	2021			2020		
	Men	Women	Total	Men	Women	Total
Office of the General Manager	-	1	1	-	1	1
Managers and Service Heads	29	9	38	33	5	38
Line and similar personnel	354	105	459	351	113	464
Clerical and auxiliary staff	76	56	132	70	52	122
Manual workers and service personnel	501	114	615	549	109	658
Total	**960**	**285**	**1.245**	**1.003**	**280**	**1.283**

The membership of the Entity's Board of Directors at the end of the year 2021 comprises the chair and fifteen members, nine being women and seven being men.

18.5. Outside services

The following is the breakdown of this item in the income statement at the end of the years 2021 and 2020 (in €'000):

€'000	2021	2020
Rent and charges	937	1.282
Repairs and upkeep	6.592	6.898
Independent professional services	6.563	6.168
Transport	1.031	1.911
Insurance premiums	389	402
Banking and similar services	1.131	927
Advertising, publicity and public relations	1.048	1.575
Utilities	3.330	3.679
Other expenses	22.983	22.946
Total	**44.004**	**45.788**

This item includes elements covered by the special authorisation to use the FNMT's facilities, and those provided for in the Partnership Agreement entered into with Imprenta de Billetes S.A., which this company benefits from. These elements are subsequently invoiced to that company.

18.6. Losses on, impairment of and changes in allowances for trade receivables.

The following is the breakdown of this item in the accompanying income statement for the years 2021 and 2020 (in €'000):

PROVISION	2021	2020
Losses due to bad debts	(900)	-
Provision for customer returns	(936)	(1.151)
Provision for special use authorisation tax risks	2.089	360
Recognition of impairment losses on current trade receivables (Note 11)	(571)	(1.086)
Reversal of impairment losses on current trade receivables (Note 11)	1.192	1.354
TOTAL	**874**	**(523)**

18.7. Exchange differences

The following is the breakdown of exchange differences in the years 2021 and 2020 in the accompanying income statement (in €'000):

	2021		2020	
	Third parties	Total	Third parties	Total
Exchange differences				
Gains	86	86	1	1
Losses	(163)	(163)	(382)	(382)
Total	**(77)**	**(77)**	**(381)**	**(381)**

19. FOREIGN CURRENCY

The following is the breakdown of foreign currency transactions in the years 2021 and 2020 (in €'000):

	2021					2020				
	USD	GBP	SFR	Other	Total	USD	GBP	SFR	Other	Total
Purchases	188	10	5.209	2	5.409	1.942	95	5.820	-	7.857
Services received	191	15	5	6	217	189	10	4	7	210
Sales	667	-	-	-	667	1.142	-	-	-	1.142
Total	**1.046**	**25**	**5.214**	**8**	**6.293**	**3.273**	**105**	**5.824**	**7**	**9.209**

The following is the breakdown of asset and liability items held in foreign currencies at the end of the years 2021 and 2020 (in €'000):

	2021					2020				
	USD	SFR	GBP	JPY	Total	USD	SFR	GBP	JPY	Total
Assets										
Trade and other receivables	202		-		202	18	-	-	-	18
Cash and cash equivalents	1.132		-		1.132	725	-	-	-	725
Liabilities										
Advance payments to creditors	-	-	-	-	-	-	-	9		9
Trade and other payables	(41)	-	-	(5)	(46)	(58)	(302)		(4)	(364)
Total	**1.293**	**-**	**-**	**(5)**	**1.288**	**685**	**(302)**	**9**	**(4)**	**388**

The following is the detail of the exchange differences recognised in profit or loss for the years 2021 and 2020 by types of financial instrument (in €'000):

	2021			2020		
	On transactions settled in the year	On transactions outstanding or not due at 31.12.2021	Total	On transactions settled in the year	On transactions outstanding or not due at 31.12.2020	Total
Assets						
Trade and other receivables	-	10	10	16	1	17
Cash and cash equivalents	-	66	66	144	-	144
Liabilities						
Trade and other payables	(159)	6	(153)	213	7	220
Total	**(159)**	**82**	**(77)**	**373**	**8**	**381**

20. INFORMATION ON THE ENVIRONMENT

Environmental activity is that aimed at preventing, reducing or repairing the damage potentially caused to the environment.

At the end of the years 2021 and 2020 the main assets used to minimise environmental impact and to protect and improve the environment were as follows (in €'000):

Year 2021

	Cost	Accumulated depreciation	Net carrying amount at 31.12.2021
Pre-printing department purifying plant	276	(276)	-
Burgos paper mill purifying plant	1.562	(1.562)	-
Printing process investments	9.965	(7.324)	2.641
Paper manufacture investments	44.944	(22.586)	22.358
Total	**56.747**	**(31.748)**	**24.999**

Year 2020

	Cost	Accumulated depreciation	Net carrying amount at 31.12.2020
Pre-printing department purifying plant	276	(275)	1
Burgos paper mill purifying plant	1.562	(1.559)	3
Printing process investments	9.965	(6.931)	3.034
Paper manufacture investments	43.733	(20.555)	23.178
Total	**55.536**	**(29.320)**	**26.216**

At the end of the years 2021 and 2020, the Entity had not recognised any provision for possible environmental risks since it considered that there were no significant contingencies relating to possible litigation, compensation or other eventualities. In addition, the Entity has taken out insurance policies and has security plans in place which allow reasonable coverage to be ensured for any possible contingency that might arise from its environment-related actions.

21. RELATED-PARTY TRANSACTIONS

21.1. Related-party transactions and balances

FNMT-RCM's related parties are deemed to be, in addition to jointly controlled companies and related parties, the Entity's Directors and Senior Executives (including their close relatives) and the entities over which they may exercise control or a significant influence.

Entities controlled or significantly influenced by the State Public Authorities are not deemed to be related parties. All transactions with these entities are carried out on an arm's length basis, unless other terms and conditions are imposed by specific laws.

Other than those included in Note 16, there were no accounts receivable from or payable to the Entity's related parties.

Additionally, the following is the breakdown of related-party transactions during the years 2021 and 2020 (in €'000):

	2021		2020	
	Compañía Europea de Cospeles S. A.	IMBISA	Compañía Europea de Cospeles S. A.	IMBISA
INCOME				
Sale of products	-	20.519	118	19.823
Services rendered	-	5.403	-	6.247
Other operating income	762	-	789	-
EXPENSES				
Purchases of raw materials	5.210	-	12.995	-

Transactions with related parties and associated companies carried out during 2021 and 2020 were part of the Entity's normal course of business and were performed in accordance with the prevailing laws. The most significant transactions were as follows:

- Purchase of raw materials (blanks) from Compañía Europea de Cospeles, S.A.
- Industrial warehouse leases entered into with Compañía Europea de Cospeles. The rental income under these leases is tabled above under "Other Operating Income".

- Sales of products and ancillary material to Compañía Europea de Cospeles, S.A. and Imprenta de Billetes, S.A.
- Sale of banknote paper to Imprenta de Billetes, S.A.
- Charging Imprenta de Billetes, S.A. the set fee for using for public purposes certain facilities at the FNMT-RCM building under a special use authorisation system and providing Imprenta de Billetes S.A. with equipment and common services necessary for Euro banknote production, as set out in the Partnership Agreement entered into by both entities.

21.2. Information on Directors and officers

The remuneration altogether earned during the years 2021 and 2020 respectively amounted to EUR 3,404 thousand and EUR 3,219 thousand, the breakdown being as follows:

	2021				2020			
Remuneration item	**Board of Directors**	**Senior Executives**	**Other Officers**	**Total**	**Board of Directors**	**Senior Executives**	**Other Officers**	**Total (*)**
Fixed remuneration	168	544	2.692	3.404	161	563	2.495	3.219

In the years 2021 and 2020 no advances or loans were granted to Directors and no guarantee commitments were assumed on their behalf. Additionally, the Entity did not have any pension or life insurance commitments in place with respect to former or current Directors.

21.3. Other information relating to the Directors

Having regard to the Entity's non-commercial nature, the legal system by which directors who are on the Entity's Board of Directors are governed, is as prescribed for entities of this kind in the laws applicable to the Public Sector and in particular Public Sector Legal System Act 40/2015, 1 October, Common Administrative Procedure Act 39/2015, 1 October, and the institution's Charter, approved by Royal Decree 1114/1999, 25 June, in turn amended by Royal Decree 199/2009, 23 February, by Royal Decree 390/2011, 18 March, and by Royal Decree 336/2014, 9 May, and, in addition, by Royal Decree 2/2020, 12 January, restructuring ministerial departments (article 1 and 5), by Royal Decree 139/2020, 28 January, establishing the basic organic structure of ministerial departments (article 4 and additional provision three), and by Royal Decree 682/2021, 3 August, implementing the basic organic structure of the Ministry of Finance and Civil Service and amending Royal Decree 139/2020, 28 January, establishing the basic organic structure of ministerial departments.

Pursuant to the legal system aforesaid, the incompatibility and conflicts of interest of directors on the Board of Directors are governed by Public Administration Service Personnel Incompatibilities Act 53/1984, 26 December, General State Administration Senior Office Regulation Act 3/2015, 30 March, Royal Decree 451/2012, 5 March, regulating the compensatory regime for chief executive officers and senior officers in the public entrepreneurial sector and other entities, and by Community of Madrid Senior Officer Incompatibilities Act 14/1995, 21 April, and therefore the company rules for company directors provided for in Legislative Royal Decree 1/2010, 2 July, approving the consolidation of the Companies Act, will not apply. And, specifically, as a result of the designation of FNMT-RCM as an authorised issuer of identifiers of the traceability system for tobacco products, pursuant to Order HAC/1365/2018, 12 December, approving the technical standards regarding traceability and security measures for tobacco products, the directors of the Board of Directors regulate their system of absence of conflicts of interests with the tobacco industry in accordance with article 35.2.c) of Commission Implementing Regulation (EU) 2018/574, of 15 December 2017, on technical standards for the establishment and operation of a traceability system for tobacco products.

Consequently, in accordance with the aforementioned special laws, neither the Directors nor persons related to them carry out any activities or hold any ownership interests or positions or discharge duties in companies of the kind provided for in the purposes regulated in the Entity's Charter, nor have they participated in corporate structures of the tobacco industry for the last five years, nor do they own stocks or participate in private pension programmes, or have pecuniary or non-pecuniary interests linked to the tobacco industry.

22. OTHER DISCLOSURES

22.1. Risk policy and management

22.1.1. Market risk

Given FNMT-RCM's capacity as in-house provider and technical service of the General State Administration and of the public entities and agencies related or reporting to the same, and of the regional and local public contracting authorities, and given its catalogue of essential products for which there is a very stable demand, the Entity is deemed not to be exposed to potential significant risk factors related to market volatility.

22.1.2. Liquidity risk

The Company's liquidity policy is sufficient to cater for the projected needs, in accordance with the usual flow of collections and payments.

22.1.3. Credit risk

In general, FNMT-RCM holds its cash and cash equivalents at banks with high credit ratings.

Because of its business activity involving the provision of a public service, it is not exposed to a significant risk on potential accounts receivable other than potential collection delays.

22.1.4. Occupational risks

Based on the occupational risk prevention policy, the efforts and resources allocated to that and compliance with the laws on this subject, it may be considered that there are no significant occupational risk prevention risks.

22.1.5. Environmental risks

Based on compliance with the laws in force and the Entity's environmental policy, it may be considered that there are no significant environmental risks.

22.1.6.IT risks

The security measures in place and the resources allocated allow the risks relating to vulnerability of information systems to be deemed unlikely.

22.2. Guarantee commitments to third parties

The following is the breakdown at the end of the years 2021 and 2020 of the guarantees provided to the various entities and managed through banks (in €'000):

Year 2021

Description	€'000	Scope
Product sales	4.526	National
Export product sales	759	International
Total	**5.285**	

Year 2020

Description	€'000	Scope
Product sales	2.960	National
Export product sales	6.394	International
Total	**9.354**	

In addition, at the end of the years 2021 and 2020, the company had cash guarantee deposits respectively amounting to EUR 150 thousand and EUR 152 thousand.

The Entity's Directors do not expect any material liabilities additional to those recognised in the accompanying balance sheet to arise from the guarantees granted.

22.3. Fees paid to auditors and related parties

The 2021 and 2020 audit has been carried out by the Office of the General State Comptroller.

22.4. Disclosures on deferred payments to suppliers

The following are the disclosures required by additional provision three of Act 15/2010, 5 July (amended by final provision two of Act 31/2014, 3 December) prepared in accordance with the Decision of the Audit and Accounting Institute (ICAC) dated 29 January 2016, as to the information to be included in the report on the financial statements in relation to the average supplier payment period in commercial transactions.

	2021	2020
	Days	**Days**
Average supplier payment period	15,17	17,20
Average transactions paid period	14,56	17,88
Average transactions pending payment period	30,19	5,84
	€'000	**€'000**
Total payments made	138.532	124.781
Total payments pending	5.584	7.446

In accordance with the ICAC Decision, commercial transactions carried out involving delivery of goods or provision of services have been taken into account in calculating the average supplier payment period.

The figures tabled above in relation to payments to suppliers refer to suppliers who, based on their nature, are trade creditors on the supply of goods and services, and therefore include the figures for "Payable to suppliers", "Sundry accounts payable" and "Suppliers, jointly controlled companies and related parties" under balance-sheet current liabilities. Deferred payments beyond the statutory deadline are due mainly to disagreements arising with suppliers as to the terms agreed for the supplies and services.

The statutory payment deadline applicable to the Entity in the year 2021 under Act 3/2004, 29 December, laying down measures for combating arrears in commercial transactions, is 30 days.

23. STATUS AS IN-HOUSE PROVIDER AND TECHNICAL SERVICE OF THE GENERAL STATE ADMINISTRATION AND PUBLIC ENTITIES AND AGENCIES RELATED OR REPORTING TO THE SAME

Article 32.2 of Public Sector Contracts Act 9/2017, 8 November, transposing Directives of the European Parliament and of the Council 2014/23/EU and 2014/24/EU, 26 February 2014, to Spanish law, lays down the requirements to be met by personified in-house providers of the different Public Administrations. In particular, subparagraph b) includes the requirement that a major part of its activity must be carried out completing assignments given to it by the contracting authority, such requirement being set at more than 80% of the activities carried out.

In order to calculate the activity indicator for the three-year year period 2019-2021, subsidies received have been included along with the total sales for each financial year and rental income has been eliminated because this is not part of the Entity's main activity. Based on this criterion, the actual figures for the activity ratio are as follows:

Actual	2019	2020	2021	TOTAL THREE-YEAR PERIOD
Total sales	261.510.699	247.234.129	234.238.773	742.983.601
In-house provider sales	213.156.325	199.570.970	193.810.303	606.537.598
Average in-house provider/total ratio	81,37%	80,69%	82,61%	81,54%

24. POST-BALANCE SHEET EVENTS

No events have occurred after the end of the year requiring the information contained in this report to be changed or affecting the Entity's progress.

DIRECTORS' REPORT YEAR 2021

During the year 2021, Fábrica Nacional de Moneda y Timbre-Real Casa de la Moneda, as in-house provider of the Administration, has enhanced its role as provider of public services working at the same time with private entities in order to consolidate its recognition as a leading firm in the supply of high-quality and secure goods and services, and pioneering insofar as emerging technologies are concerned.

The environment in the year 2021 has continued to be one of major economic instability due to the consequences of COVID-19, the change in consumer and work patterns and the emergence of new threats and resurgence of other existing threats: new international disputes, world trade issues impacting on supply chains and an escalation of cyberattacks and crimes. However, the impact of these issues on the Entity's activity during 2021 has been limited.

Additionally, the Entity has devoted major efforts to the push for horizontal technological services for Public Authorities within the framework of Government and EU programmes and actions to digitalise the economy. Noteworthy in this connection are two types of activities: the first encompass the technological evolution of existing goods and services designed for the Entity's traditional customers, and the latter contemplate new horizontal platforms for Public Authorities in connection with new identity models, digital onboarding systems, etc.

A particularly relevant project that was started in 2021 was the design and creation of a Technological Centre on the premises of the Paper Mill, driving and diversifying this type of activities at the Burgos workplace.

This year resulted in the generation of profits amounting to EUR 18.8 million, this being less than the figure for the previous year, when profits totalled EUR 22 million. The following are the most significant events referred to in the income statement for the year 2021:

- The turnover amounted to EUR 234 million, 5% lower than in the year 2020. This decrease is mainly due to the reduction in the circulated coin minting programme and fewer passport deliveries. On the other hand, there is an outstanding increase in certification services, and the sale of a new hugely-accepted investment coin has begun.
- As for operating expenses, procurements have exceeded those of the year 2020 due to commodity price increases driven by market instability and the new investment coin, the procurement of which weighs heavily on the sale price.
- Personnel costs have been lower than in the preceding year due to the decrease in the average staff of 57 people as a result of retirements that have not been replaced. In 2021, the average number of employees was 1247 people, of which 289 were women and 958 men. Despite the imbalance, the percentage of female staff members was slightly up in 2021.

- Noteworthy about outside services is that they are down 4% with respect to 2020. This is the result of the cost-containment policies, which have offset the increased billing in this connection.
- Amortisation and depreciation were up 6% with respect to the year before due to increased activity bearing in mind the stoppage in 2020 as a result of the COVID-19 lockdown during which, for a short period of time, only essential operations were continued.
- The cash-flow generated has allowed the necessary investments to be made to secure the public service objective, affording high standards of quality, security and technology. The investments made in the year 2021 amounted to EUR 8 million, noteworthy being those made in machinery, security installations and in relation to emerging technologies.

As for the year 2022, sales have been forecast at around EUR 262.9 million, and the after-tax profit has been forecast at EUR 15.7 million.

As a company intent on implementing the 2030 Agenda, attention should be drawn to its 2021-2023 Business Plan objectives, noteworthy among which is the commitment to be rid of discrimination of every description by means of active gender equality policies and its strong commitment to innovation, offering citizens new digital alternatives. FNMT-RCM has built social and environmental criteria into its contracts, and expedites access to public procurement by small and medium-sized enterprises, and social economy enterprises. Noteworthy is also its responsibility as an enterprise in order for the environmental impact to be lesser every day, encouraging responsible consumption and waste management and recycling.

As for the Entity's prospects in the foreseeable future, it should be noted that market instability is increasing during the year 2022, resulting in very high prices particularly of energy and metals and indeed a shortage of some raw materials. Even so, the company's sound financial structure is expected to allow it to deal with these circumstances, and no material events are expected to occur which may prevent both the revenues and the expected profits from being achieved.

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