

**FINANCIAL STATEMENTS AND DIRECTORS' REPORT
FOR THE YEAR ENDED
31 DECEMBER 2020**

BALANCE SHEET AT 31 DECEMBER DE 2020

(Expressed in €'000)

ASSETS	Note	31-12-2020	31-12-2019
A) NON-CURRENT ASSETS		218,687	194,047
I. Intangible assets	<i>Note 5</i>	563	1,350
5. Computer software		563	1,350
II. Property, plant and equipment	<i>Note 6</i>	164,336	156,536
1. Land and buildings		85,627	86,516
2. Plant and other items of property, plant and equipment		67,685	59,307
3. Property, plant and equipment in the course of construction and advances		11,024	10,713
III. Investment property	<i>Note 7</i>	11,302	11,520
1. Land		8,715	8,715
2. Buildings		2,587	2,805
IV. Non-current investments in group companies and associates	<i>Note 9.1</i>	31,075	21,075
1. Equity instruments		31,075	21,075
V. Non-current financial assets	<i>Note 9.2</i>	8,032	451
1. Equity instruments		-	-
2. Loans to third parties		7,893	312
5. Other financial assets		139	139
VII. Deferred tax assets	<i>Note 17</i>	3,379	3,115
B) CURRENT ASSETS		312,910	349,812
II. Inventories	<i>Note 10</i>	49,710	58,606
1. Goods held for resale		216	292
2. Raw materials and other supplies		28,327	33,787
3. Work in progress		12,249	13,474
4. Finished goods		8,918	11,053
III. Trade and other receivables		26,375	42,072
1. Trade receivables for sales and services	<i>Note 11</i>	25,757	41,656
2. Receivable from group companies and associates		80	88
3. Sundry accounts receivable		44	34
4. Employee receivables		239	293
6. Other accounts receivable from Public Authorities		255	1
V. Current financial assets	<i>Note 9.2</i>	13	45,038
2. Short-term loans to third parties		-	17
5. Other financial assets		13	45,021
VI. Current prepayments and accrued income		-	469
VII. Cash and cash equivalents	<i>Note 12</i>	236,812	203,627
1. Cash		236,812	203,627
TOTAL ASSETS (A + B)		531,597	543,859

The accompanying notes 1 to 23 are an integral part of the Balance Sheet at 31 December de 2020.

BALANCE SHEET AT 31 DECEMBER DE 2020

(Expressed in €'000)

LIABILITIES	Note	31-12-2020	31-12-2019
A) EQUITY		490,876	501,445
A-1) Owners' equity	Note 13	490,876	501,445
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 articles		309,773	309,773
2. Voluntary reserves		148,938	148,938
VII. Profit for the year		22,118	32,687
B) NON-CURRENT LIABILITIES		7,355	7,389
I. Long-term provisions	Note 14	7,217	7,111
1. Provisions for long-term employee benefit obligations		4,194	4,028
4. Other provisions		3,023	3,083
II. Long-Term Debts		-	140
1. Other Long-Term debts		-	140
III. Long-Term debts with group companies and associates		138	138
C) CURRENT LIABILITIES		33,366	35,025
II. Short-term provisions		2,089	1,298
III. Current payables	Note 15	4,715	3,038
2. Credit institution payables		27	-
5. Other financial liabilities		4,688	3,038
V. Trade and other payables		26,562	30,689
1. Payable to suppliers		10,380	17,752
2. Suppliers, jointly controlled companies and related parties	Note 16	734	1,955
3. Sundry accounts payable		6,265	3,131
4. Personnel (remuneration payable)		1,699	1,158
5. Current tax liabilities	Note 17	470	474
6. Other accounts payable to Public Authorities	Note 17	5,419	5,231
7. Customer advances		1,595	988
TOTAL EQUITY AND LIABILITIES (A + B + C)		531,597	543,859

The accompanying notes 1 to 23 are an integral part of the Balance Sheet at 31 December de 2020.

INCOME STATEMENT FOR THE YEAR 2020

(Expressed in €'000)

	Note	31-12-2020	31-12-2019
A) CONTINUING OPERATIONS			
1. Net turnover	Note 18.1	248,023	262,316
a) Sales		217,195	227,011
b) Services		30,828	35,305
2. Change in inventories of finished goods and work in progress		(3,361)	6,503
3. In-house work on non-current assets		258	333
4. Procurements	Note 18.2	(83,348)	(92,455)
a) Cost of goods held for resale used		(573)	(996)
b) Cost of raw materials and other consumables used		(72,362)	(84,731)
c) Work performed by other companies		(9,674)	(7,238)
d) Write-down of goods held for resale, raw materials and other supplies		(739)	510
5. Other operating income		183	594
a) Non-core and other current operating income		83	159
b) Income-related grants transferred to profit or loss	Note 18.3	100	435
6. Staff costs	Note 18.4	(70,074)	(70,693)
a) Wages, salaries and similar expenses		(50,737)	(51,227)
b) Employee benefit costs		(19,337)	(19,393)
c) Provisions		-	(73)
7. Other operating expenses		(48,573)	(49,924)
a) Outside services	Note 18.5	(45,788)	(49,202)
b) Taxes		(2,094)	(2,044)
c) Losses on, impairment of and changes in allowances for trade receivables	Note 18.6	(523)	1,322
d) Other current management expenses		(168)	-
8. Depreciation and amortisation charge	Note 5, 6 & 7	(13,397)	(13,499)
11. Impairment and gains or losses on derecognitions of fixed assets	Note 6	(7)	(195)
a) Impairment and other losses		113	1
b) Gains or losses on derecognitions and other		(120)	(196)
OPERATING PROFIT		29,704	42,980
13. Finance income		28	260
a) On interests in equity instruments		-	162
b) On marketable securities and non-current loans		28	98
b2) Third parties		28	98
14. Financial expenses		(463)	(255)
b) On third-party liabilities		(463)	(255)
15. Fair value change in financial instruments		-	(2,322)
b) Available-for-sale financial assets through profit and loss		-	(2,322)
16. Exchange differences	Note 18.7	(381)	(242)
17. Impairment and profit or loss on the sale of financial instruments		-	2,322
a) Impairments and losses		-	2,322
b) Profit or loss on sales and other		-	-
FINANCIAL PROFIT OR LOSS		(816)	(237)
PROFIT BEFORE TAX		28,888	42,743
18. Income tax	Note 17	(6,770)	(10,056)
PROFIT FOR THE YEAR		22,118	32,687

The accompanying notes 1 to 23 are an integral part of the Income Statement for the year 2020.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in €'000)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

	Note	31-12-2020	31-12-2019
A) Profit per income statement		22,118	32,687
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)		22,118	32,687

The accompanying notes 1 to 23 are an integral part of the Statement of Recognised Income and Expenses for the year 2020.

B) TOTAL STATEMENTS OF CHANGES IN EQUITY

	Authorised Capital	Reserves provided for in the Articles	Voluntary Reserves	Year's Profit	TOTAL
BALANCE AT 31 DECEMBER 2018	10,047	291,790	148,938	24,483	475,258
Total recognised income and expenses	-		-	32,687	32,687
Distribution of profit for the year 2018					
- To dividends	-	-	-	(6,500)	(6,500)
- To reserves	-	17,983		(17,983)	-
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 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

The accompanying notes 1 to 23 are an integral part of the Total Statement of Changes in Equity for the year 2020.

STATEMENT OF CASH FLOWS FOR THE YEAR 2020

(Expressed in €'000)

	Note	31/12/2020	31/12/2019
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit for the year before tax.		28,888	42,743
2. Adjustments for profit or loss.		15,346	11,856
a) Depreciation and amortisation of fixed assets (+).	Note 5,6 & 7	13,397	13,499
b) Impairment valuation adjustments (+/-).	Note 6,10 & 18	(516)	(6,283)
c) Changes in provisions (+/-).	Note 18	1,529	1,885
e) Gains/losses on derecognition and disposal of fixed assets (+/-).	Note 5,6 & 7	119	196
g) Finance income (-).		(27)	(260)
h) Financial expenses (+).		463	255
i) Exchange differences (+/-).	Note 18.6 & 19	381	242
j) Fair value change in financial instruments (+/-).		-	2,322
3. Changes in working capital. Difference N - N-1		13,163	17,933
a) Inventories (+/-).	Note 10	9,144	(15,874)
b) Trade and other receivables (+/-).	Note 11	8,431	37,281
c) Other current assets (+/-).		482	(484)
d) Trade and other payables (+/-).		(4,998)	(2,989)
e) Other current liabilities (+/-).		-	(1)
f) Other non-current assets and liabilities (+/-).		104	-
4. Other cash flows from operating activities.		(7,470)	(16,547)
a) Interest paid (-).		(463)	(255)
b) Dividends received (+).		-	162
c) Interest received (+).		27	98
d) Income tax paid (recovered) (-/+).		(7,034)	(16,552)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		49,927	55,985
B) CASH FLOWS FROM INVESTMENT ACTIVITIES			
6. Investment Payments (-).		(28,692)	(61,879)
b) Intangible assets.		(92)	(221)
c) Property, plant and equipment.		(18,553)	(16,601)
d) Investment property		-	-
e) Other financial assets.		(10,047)	(45,057)
7. Divestment proceeds (+).		45,018	110,023
c) Property, plant and equipment.		10	16
d) Investment property		-	-
e) Other financial assets.		45,008	110,007
9. Cash flows from investment activities (7-6)		16,326	48,144
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Dividend and other payments on other equity instruments.		(32,687)	(6,500)
a) Dividends (-).		(32,687)	(6,500)
12. Cash flows from financing activities (+/-9)		(32,687)	(6,500)
D) Effect of foreign exchange rate changes	Note 18.6	(381)	(242)
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-A+/-B+/-C+/-D)		33,185	97,387
Cash and cash equivalents at beginning of year		203,627	106,240
Cash and cash equivalents at end of year.		236,812	203,627

The accompanying notes 1 to 23 are an integral part of the Statement of Total Changes in Equity for the year 2020.

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 through the Office of the Under-Secretary for Finance, as provided for in Royal Decree 689/2020, 21 July, implementing the Ministry of Finance'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.

At the end of the year 2019, the Entity had submitted to the Office of the General State Comptroller a memorandum in support of FNMT-RCM being declared in-house provider of the General State Administration and its state Public Sector agencies, bodies and entities. 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.

Final provision seven of Royal Decree 11/2020 amends the legal regime of FNMT-RCM, enabling it to act as a personified in-house provider of the contracting authorities attached to state, regional and local public authorities.

In the year 2020, as provided for in Royal Decree 749/2019, 27 December, the Entity updated the administrative public register (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 Articles of Association, 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 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 Administration.

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 2019.

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 2020 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 this annual report) are presented in €'000 (unless otherwise indicated), the Euro being the Entity's functional currency.

The financial statements for the year 2020, put forward by FNMT-RCM's Chief Executive Officer, will be submitted to the Minister of Finance 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 2020 included in these financial statements is presented for comparison purposes with that relating to the year 2019.

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 of the annual report.

3. Distribution of Profit or Loss

After being tabled by the Chief Executive Officer, the Board of Directors will propose that the following distribution of the profit for the year ended 31 December 2020 be put forward to the Minister of Finance:

	€'000
Distributable Profit	
Year's profit	22,118
Total Distributable Profit	22,118
Distribution	
To reserves provided for in the articles	-
Dividend distribution	22,118
Total Distribution	22,118

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 2020, 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.

Licences, patents and trade marks (industrial property)

Patents, licences and trade marks 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.

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 221 thousand in the depreciation charge for property, plant and equipment in the year 2020, 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 2,057 thousand at 31 December 2020.

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 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 either to earn rentals and/or for capital appreciation, 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 reverse repurchase agreements 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 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 equity.

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 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 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 annual report.

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.

4.12. Staff costs

a) 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.

b) 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.

c) 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 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 following is the breakdown of and tables movements in the accounts included in this item of the accompanying balance sheet during the years 2020 and 2019 (in €'000):

Year 2020

	Patents, licences, trade marks 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

Year 2019

	Patents, licences, trade marks and the like	Computer software	TOTAL
COST			
Balance at 31.12.2018	557	28,954	29,511
Additions	-	221	221
Transfers	-	-	-
Derecognition	-	(14)	(14)
Balance at 31.12.2019	557	29,161	29,718
AMORTISATION			
Balance at 31.12.2018	(557)	(26,721)	(27,278)
Charge for the year	-	(1,104)	(1,104)
Decreases	-	14	14
Balance at 31.12.2019	(557)	(27,811)	(28,368)
Net carrying amount at 31.12.2018	-	2,233	2,233
Net carrying amount at 31.12.2019	-	1,350	1,350

Fully amortised assets

At the end of the years 2020 and 2019, the breakdown of the Entity's fully amortised intangible assets still in use is as follows:

€'000	2020	2019
Industrial property	558	558
Computer software	26,799	26,152
Total	27,357	26,710

Impairment 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 2020 and 2019 and therefore no value adjustments were made during the year.

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 following is the breakdown of and tables movements in the accounts included in this item of the accompanying balance sheet during the years 2020 and 2019 (in €'000):

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
<u>COST</u>				
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
<u>DEPRECIATION</u>				
Balance at 31.12.2019	(88,873)	(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)
<u>IMPAIRMENT ADJUSTMENT</u>				
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

Year 2019

	Land and buildings	Plant and other items of property, plant and equipment	Property, plant and equipment in the course of construction and advances	TOTAL
<u>COST</u>				
Balance at 31.12.2018	176,341	289,445	5,919	471,705
Additions	(3)	6,604	8,696	15,297
Derecognitions, derecognition and reductions	-	(10,619)	-	(10,619)
Transfers	51	3,851	(3,902)	-
Balance at 31.12.2019	176,389	289,281	10,713	476,383
<u>DEPRECIATION</u>				
Balance at 31.12.2018	(88,984)	(228,700)	-	(317,684)
Charge for the year	(889)	(11,290)	-	(12,179)
Transfer	-	-	-	-
Decreases	-	10,408	-	10,408
Balance at 31.12.2019	(89,873)	(229,582)	-	(319,455)
<u>IMPAIRMENT ADJUSTMENT</u>				
Balance at 31.12.2018	-	(393)	-	(393)
Recognised in the year	-	-	-	-
Transfer	-	-	-	-
Reversals	-	1	-	1
Balance at 31.12.2019	-	(392)	-	(392)
Net carrying amount at 31.12.2018	87,357	60,353	5,919	153,629
Net carrying amount at 31.12.2019	86,516	59,307	10,713	156,536

The main additions in 2020 were the purchase of new laser engraving machinery and a numbering line for identification documents, totalling EUR 5,120 thousand.

Transfers in 2020 related to property, plant and equipment items that were in progress at the end of the previous year.

Derecognition in 2020 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 120 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 31.12.2020	Cost at 31.12.2019
Land	71,656	71,656
Buildings		
Industrial	84,008	84,008
Commercial	20,725	20,725
Total	176,389	176,389

Impairment loss adjustments

During the year 2020, there have been no impairment losses on property, plant and equipment.

Fully depreciated assets

The following is the breakdown at the end of the years 2020 and 2019 of the Entity's fully depreciated property, plant and equipment still in use:

Cost	2020	2019
Buildings	79,411	79,411
Plant and machinery	99,217	89,534
Other items of property, plant and equipment	97,466	94,601
Total	276,094	263,546

Firm purchase commitments

At the end of the years 2020 and 2019 the Entity had entered into agreements respectively for EUR 3,210 thousand and EUR 8,434 thousand mainly relating to production machinery that had not yet been delivered.

In addition, at the end of 2017, the Entity entered into a purchase option agreement with the company Imprenta de Billetes S.A. for land, amounting to approximately EUR 24.6 million. We expect the Entity's premises to be moved to this land in the medium term.

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 following is the breakdown of and tables movements in the accounts included in this item of the accompanying balance sheet during the years 2020 and 2019:

Year 2020

	Land	Buildings	TOTAL
<u>COST</u>			
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
<u>DEPRECIATION</u>			
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

Year 2019

	Land	Buildings	TOTAL
COST			
Balance at 31.12.2018	8,715	7,306	16,021
Derecognitions	-	-	-
Balance at 31.12.2019	8,715	7,306	16,021
DEPRECIATION			
Balance at 31.12.2018	-	(4,284)	(4,284)
Charge for the year	-	(217)	(217)
Derecognitions	-	-	-
Balance at 31.12.2019	-	(4,501)	(4,501)
Net carrying amount at 31.12.2018	8,715	3,022	11,737
Net carrying amount at 31.12.2019	8,715	2,805	11,520

Investment property according to its use

The Entity recognises its investment property in terms of its intended use at the following amounts:

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

Year 2019

	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	-	126	-	126
Residential property	-	-	57	57
Total	15,830	126	65	16,021

In the year 2020, rental income from investment property amounted to EUR 789 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 2020, the future minimum lease payments guaranteed by signed agreements and for their term amounted to EUR 1,578 thousand (see Note 8.2).

Insurance

The Entity has taken out various insurance policies to cover the risks to which these investments are exposed and the Entity considers that the cover under these policies is 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 2020 and 2019:

- 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 has been extended in the year 2020.

At the end of the years 2020 and 2019 the detail by maturity of the future minimum payments on operating leases is as follows:

	2020	2019
Within 1 year	39	36
Between 1 and 5 years	-	-
Total	39	36

The operating lease expenses incurred in 2020 amounted to EUR 39 thousand (EUR 88 thousand in the year 2019).

8.2. Operating leases - Lessor

During the years 2020 and 2019, 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:

	2020	2019
Within 1 year	789	805
Between 1 and 5 years	789	1,576
Total	1,578	2,381

The main terms and conditions of the most significant leases in force during the years 2020 and 2019 were as follows:

- Lease of industrial premises to the company Compañía Europea de Cospeles, S.A. On 9 January 2020, a three-year agreement was signed effective from 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 2020, 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 Coseples, S.A., which will be returned upon the lease ending (see Notes 9 and 16).

9. Current and non-current financial assets

At 31 December 2020 and 2019, 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:

	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)

	Balance at 31 December 2018	Additions and Charges	Derecognitions	Transfers and other	Balance at 31 December 2019
Non-current investments in group companies and associates	21,075	-	-	-	21,075
Equity instruments	21,075	-	-	-	21,075
-Interests in group companies and associates	21,075	-	-	-	21,075
-Impairment value adjustment	-	-	-	-	-
Non-current financial investments	452	75	(16)	(60)	451
- Third-party loans	313	75	(16)	(60)	312
- Other financial assets	3,144	-	(2,321)	-	823
- Impairment value adjustment	(3,005)	-	2,321	-	(684)

At 31 December 2020 and 2019, the breakdown for “Current financial investments” of the attached Balance Sheet was as follows:

	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

	Balance at 31 December 2018	Additions and Charges	Derecognitions	Transfers and other	Balance at 31 December 2019
Current financial investments	110,036	45,021	(110,019)	0	45,038
Short-term third-party loans	8	17	(8)	-	17
Other financial assets	110,028	45,004	(110,011)	0	45,021
- Other current financial investments	110,000	45,000	(110,011)	0	45,000
- Short-term deposits given	28	4	(11)	-	21

9.1. Current and Non-Current Investments in Jointly Controlled Companies and Associates

At 31 December 2020 and 2019, 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 2020

Name, Address & Activity	Dividend	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 Coseples 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

Year 2019

Name, Address & Activity	Dividend	Interest	Acquisition Cost	Impairment	Book Value	Capital	Reserves	Operating Profit or Loss	Continuing Operations Profit or Loss	Total Net Assets
Compañía Europea de Cosepes S.A.										
Madrid										
Manufacture of Blanks	162	50%	3,075	-	3,075	6,150	4,263	(2,131)	(2,116)	8,297
Imprenta de Billetes S.A.										
Madrid										
Production of Euro Notes	-	20%	18,000	-	18,000	90,000	-	24	-	90,000

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

The Entity directly owns 50% of the shares in Compañía Europea de Cosepes, S.A., a Spanish company in the business of manufacturing and selling blanks used for coinage. In the year 2020, Compañía Europea de Cosepes, S.A. turned over EUR 43,793 thousand and its net non-current tangible and intangible assets totalled EUR 823 thousand.

The company Compañía Europea de Cosepes, S.A. distributed a dividend amounting to EUR 162 in the year 2019.

The Entity does not prepare consolidated financial statements with Compañía Europea de Cosepes, 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 48,252 thousand in the year 2020 and its net non-current fixed assets had a total value of EUR 54,221 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 2020, the company Imprenta de Billetes S.A. carried out a capital increase and the Entity subscribed for 20% of that capital increase totalling EUR 10,000 thousand.

9.2. Current and non-current financial investments

9.2.1. Equity instruments. At 31 December 2020 and 2019, the following were the details of the Entity's equity instruments and the most significant information as of each of those dates:

Year 2020

Name, Address & Activity	Dividend	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 financial statements yet to be audited as of the specified date

Year 2019

Name, Address & Activity	Dividend	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)	42	(679)	(1,137)	5,740

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

The company J. Vilaseca 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 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 financial investments at 31 December 2019 and 2020 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%.

In addition, it includes a debt to an institutional client totalling EUR 7,589 thousand with an expected collection period in excess of one year.

9.2.3. The heading "Other financial assets" 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

- a) The details at 31 December 2020 and 2019 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 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

Year 2019	Investments held to maturity	Available-for-sale financial assets	Loans and receivables	Total
Non-current financial investments	-	-	451	451
- Equity instruments	-	684	-	684
- Equity instrument impairment adjustment	-	(684)	-	(684)
- Third-party loans	-	-	312	312
- Other financial assets	-	-	139	139
Trade and other receivables	-	-	42,072	42,072
Current financial investments	45,000	-	38	45,038
- Short-term third-party loans	-	-	17	17
- Other financial assets	45,000	-	21	45,021
Total Financial Assets	45,000	-	42,561	87,561

b) The details at 31 December 2020 and 2019 of financial liabilities distributed by categories and classes is as follows (other than balances with Public Authorities)

	2020	2019
	Debts and other accounts payable	
Long-term provisions	7,217	7,111
Long-term debts	-	140
Long-term debts with group companies and associates	138	138
Short-term provisions	2,089	1,298
Short-term debts	4,715	3,038
Trade and other payables	20,673	24,984
Total financial liabilities	34,832	36,709

c) Classification by maturities

Depending on whether financial asset and financial liability maturity is fixed or determinable, the classification at the end of the years 2020 and 2019 is as follows (other than balances with Public Authorities):

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 2019

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		66	32	53	46	115	312
Deposits	non-current						139	139
Clients on sales	current	43,099						43,099
Trade transaction impairment	current	(1,443)						(1,443)
Group company clients	current	88					0	88
Sundry debtors	current	34						34
Personnel	current	235						235
Personnel loans	current	58						58
Deposits	current	21						21
Accrued interest	current	17						17
Other financial assets	current	45,000						45,000
Total current		87,109	0	0	0	0	0	87,109
Total non-current		0	66	32	53	46	254	451

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

Year 2019

Financial liabilities	Category	2020	2021	2022	2023	2024	Other	Total
Personnel benefit obligations	non-current	-	431	625	311	312	2,349	4,028
Other personnel provisions	non-current	-	796	1,217	606	261	126	3,006
Other provisions	non-current	-	-	-	-	-	77	77
Other debts	non-current	140	-	-	-	-	-	140
Group company deposits	non-current	-	-	-	-	-	138	138
Fixed asset creditors	current	2,588	-	-	-	-	-	2,588
Other deposits	current	450	-	-	-	-	-	450
Client return provisions	current	1,298	-	-	-	-	-	1,298
Suppliers	current	17,752	-	-	-	-	-	17,752
Group company and associate suppliers	current	1,955	-	-	-	-	-	1,955
Trade creditors	current	3,131	-	-	-	-	-	3,131
Personnel benefit obligations	current	246	-	-	-	-	-	246
Other provisions	current	904	-	-	-	-	-	904
Other personnel	current	8	-	-	-	-	-	8
Advance payments from debtors	current	988	-	-	-	-	-	988
Total current		29,320	-	-	-	-	-	29,320
Total non-current		-	1,367	1,842	917	573	2,690	7,389

9.4. Income statement information

- a) The net profit and loss from the various financial instrument categories for the years 2020 and 2019 is as follows:

	2020			2019		
Classes	Non-current	Current	Total	Non-current	Current	Total
Equity instruments	-	-	-	(2,322)	-	(2,322)
Total	-	-	-	(2,322)	-	(2,322)

- b) The financial income calculated by applying the effective interest rate per category of financial asset for the years 2020 and 2019 is as follows:

	2020			2019		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets						
Personnel loans	12	-	12	10	-	10
Company loans	-	(463)	(463)	-	-	-
Other financial assets	-	6	6	-	80	80
Total	12	(458)	(445)	10	80	90
Financial liabilities						
Personnel benefit obligations	10	-	10	(247)	-	(247)
Total	10	-	10	(247)	-	(247)

- c) The amount of valuation adjustments made in the year taken to the income statement from the various financial instruments for the years 2020 and 2019 is as follows:

Classes	2020			2019		
	Non-current	Current	Total	Non-current	Current	Total
Equity instruments	-		-	2,322		2.322
Clients		(523)	(523)		1,322	1.322
Total	-	(523)	(523)	2,322	1,322	3.644

10. Inventories

The breakdown of this item at the end of the years 2020 and 2019 is as follows:

	2020			2019		
	Cost	Impairment adjustments	Ending balance	Cost	Impairment adjustments	Ending balance
Goods held for resale	399	(183)	216	479	(187)	292
Raw materials and other supplies	35,773	(7,446)	28,327	40,490	(6,703)	33,787
Work in progress and semi-finished goods	13,805	(1,556)	12,249	15,240	(1,766)	13,474
Finished goods	12,012	(3,094)	8,918	14,923	(3,870)	11,053
Total	61,989	(12,279)	49,710	71,132	(12,526)	58,606

The impairment losses recognised at 31 December 2020 and 2019 related mainly to the decrease in the net realisable value of various items as a result of their low turnover.

Inventories held by third parties

At the end of the years 2020 and 2019, inventories held by third parties respectively amounted to EUR 1.446 thousand and EUR 1,565 thousand.

Insurance

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

11. Trade receivables for sales and services

At the end of the years 2020 and 2019 this item included doubtful debts respectively amounting to EUR 1.175 thousand and EUR 1,443 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 on one year, was reclassified as non-current at the end of the year 2020.

Movements in impairment loss adjustments under this heading in the last two years were as follows:

	€'000
Balance at 31 December 2018	3,327
Charge for the year	456
Reversed in the year	(2,340)
Provisions used	-
Balance at 31 December 2019	1,443
Charge for the year.	1,086
Reversed in the year.	(1,354)
Provisions used	-
Balance at 31 December 2020	1,175

The Directors consider that impairment losses booked on non-current and current trade receivables are consistent with past experience, their 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 in the years 2020 and 2019 is as follows:

	Balance at 31.12.2020	Balance at 31.12.2019
Cash	236,812	203,627
Total	236,812	203,627

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.

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.

13.2. Reserves

Reserves provided for in the articles

The reserve provided for in article 32 of the Entity's Articles of Association 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.

Voluntary reserves

The balance of these reserves includes reserves from the EUR 100,310 thousand restatement of plant, property and equipment (see Note 5) y 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

The following is the breakdown of and tables movements in this item of the Balance Sheet Liabilities during the years 2020 and 2019:

	Provision for long-service awards	Other provisions	Total
Balance at 31 December 2018	3,274	2,184	5,458
Charge for the year	1,188	1,551	2,739
Applied in the year	(99)	(213)	(312)
Reversed in the year	(27)	-	(27)
Transfers to current liabilities	(308)	(439)	(747)
Balance at 31 December 2019	4,028	3,083	7,111
Charge for the year	728	769	1,497
Applied in the year	(122)	(31)	(153)
Reversed in the year	-	(196)	(196)
Transfers to current liabilities	(440)	(602)	(1,042)
Balance at 31 December 2020	4,194	3,023	7,217

LONG-TERM PROVISIONS

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 2019, 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 an annual discount rate of 0.5%. 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 2020, EUR 352 thousand relating to long-service rewards and medals to be awarded in 2021 under “Personnel (remuneration payable)” and EUR 88 thousand in relevant social

security payments recognised under “Other accounts payable to Public Authorities” were transferred to current liabilities on the accompanying balance sheet.

The Income Statements for the years 2020 and 2019 recognise this provision within the accrual of long-service awards element under “Staff costs - wages, salaries and similar expenses” and within the associated Social Security costs element under “Staff costs - Employee Benefit Costs”.

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 2020 and 2019 respectively amounted to EUR 2,947 thousand and EUR 3,006 thousand. The year’s charge made to this provision, totalling EUR 770 thousand, is recognised under the heading wages, salaries and similar expenses.
- At the end of the year 2020, EUR 465 thousand under “Personnel (remuneration payable)” of the accompanying balance sheet, in connection with cases under review which we estimate will be resolved in 2021, and EUR 137 thousand under “Other payables to Public Authorities” in connection with the relevant social security, were transferred to current liabilities.
- At the end of the year 2020, an amount of EUR 77 thousand had been booked based on the Entity’s estimate to cover various lawsuits arising in the normal course of its business.

Both the Entity’s legal advisers and the Board of Directors 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:

	Balance at 31.12.2020	Balance at 31.12.2019
Credit institution payables	27	-
Credit institution payable current interest	27	-
Other Financial Liabilities	4,688	3,038
Fixed assets suppliers	4,103	2,588
Guarantees and deposits received	585	450
Total	4,715	3,038

All current payables set out in this section at the end of the years 2020 and 2019 are denominated in Euros (EUR).

16. Suppliers, jointly controlled companies and related parties

The breakdown of this item is as follows:

	2020	2019
Other financial liabilities		
Other payables		
Compañía Europea Cosepes, S.A.	584	1,955
J. Vilaseca S.A.	150	-
Total	734	1,955

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

In addition, in the year 2020 the item “Long-term debts with group companies and associates” under non-current liabilities recorded the deposit given by Compañía Europea de Cosepes 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 2020 and 2019:

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

Year 2019

Accounts Receivable from Public Authorities	Non-current	Current	Balance at 31.12.19
Deferred tax assets	2,024	1,091	3,115
Other accounts receivable from Public Authorities			
Cash basis accounting and other Treasury receivables	-	1	1
Corporation tax receivable from the Treasury	-	-	-
Total	2,024	1,092	3,116

Accounts Payable to Public Authorities	Non-current	Current	Balance at 31.12.19
Current tax liabilities	-	474	474
Other payables to Public Authorities		5,231	5,231
VAT payable to the Treasury	-	2,233	2,233
Withholding tax payable to the Treasury	-	1,140	1,140
Social Security Bodies	-	1,858	1,858
Total	-	5,705	5,705

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 2020, the Entity had all years since 2016 open for review for income tax and the years since 2017 open for review for the other taxes applicable to it. The Entity's Directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies with the tax authorities in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the 2020 financial statements.

Income tax

Profits, determined as provided for in current 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 2020 and 2019 which the Entity expects to report after the financial statements are duly approved:

Year 2020

	Income Statement		
	Increase	Decrease	Total
Year's profit	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

Year 2019

	Income Statement		
	Increase	Decrease	Total
Year's profit	32,687		32,687
Income tax	10,056		10,056
Permanent differences	(112)		(112)
Temporary differences Relating to the Entity			
Arising in the year	4,365		4,365
Arising in prior years	-	(7,072)	(7,072)
Tax base (taxable profit or loss)	46,996	(7,072)	39,924
Tax charge (25%)	11,749	(1,768)	9,981
Tax credits used		(621)	(621)
Net tax payable	11,749	(2,389)	9,360
Withholding tax and interim payments		(8,886)	(8,886)
Total payable (refundable)	11,749	(11,275)	474

The breakdown of the Corporation tax expense at the end of the years 2020 and 2019 is as follows:

€'000	2020	2019
CONTINUING OPERATIONS		
Current tax	7,035	9,360
Deferred tax	(265)	696
Corporation tax expense	6,770	10,056

Deferred tax assets and liabilities

The following is the breakdown of and tables movements in these items of the accompanying balance sheet at the end of the years 2020 and 2019:

Deferred tax assets

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

Year 2019

	Balance at 31.12.18	Recognised in the income statement		Tax rate adjustments	Balance at 31.12.19
		Additions	Derecognitions		
Deferred tax assets					
Temporary differences					
Accounts receivable	227	324	(227)	-	324
Employee rewards	970	300	(178)	-	1,092
Back payments to employees	622	388	(147)	-	863
Depreciation and amortisation charge	456	0	(98)	(19)	339
Impairment of receivables	781	79	(538)	-	322
Impairment of financial investments	751	-	(580)	-	171
Other	4	-	-	-	4
Total	3,811	1,091	(1,768)	(19)	3,115

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.

Out of the total deferred assets recognised at the end of the year 2020, it is expected that EUR 200 thousand will be reversed in 2020.

The recoverability of deferred tax assets is assessed when they are recognised and at least at the end of each year. In the year 2020, 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 12 thousand.

18. Income and expenses

18.1. Net turnover

The following is the breakdown, by business line, of the net turnover in the years 2020 and 2019:

€'000	2020	2019
Graphic arts	141,005	139,304
Metals	44,914	56,827
Paper	28,741	28,405
Services	30,828	35,305
Other	2,535	2,475
Total	248,023	262,316

On the other hand, the following is the geographical breakdown of the net turnover in the years 2020 and 2019:

€'000	2020	2019
Spain	229,549	246,252
European Union	6,293	9,862
Rest of the world	12,181	6,202
Total	248,023	262,316

18.2. Procurements

The following is the breakdown of this item in the accompanying income statement at the end of the years 2020 and 2019:

	2020			2019		
	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 held for resale used	493	80	573	933	63	996
Raw materials and other supplies	66,902	5,460	72,362	95,730	(10,999)	84,731
Total	67,395	4,797	72,935	96,663	(10,936)	85,727

The following is the breakdown, by source, of the purchases made in the years 2020 and 2019:

	2020	2019
National	27,138	35,771
Intra-EU acquisitions	27,698	46,049
Imports	12,559	14,843
Total	67,395	96,663

18.3. Grants, gifts and legacies received

The following are the non-refundable income-related grants recognised directly in the income statement in 2020 and 2019:

Origin	2020			2019		
	Grantor	Amount granted	Amount taken to income	Grantor	Amount granted	Amount taken to income
Operation	State	100	100	State	187	187
Operation	EU	-	-		248	248
Total		100	100		435	435

The state grants received in the year 2020 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 2020 and 2019.

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 2020 and 2019:

€'000	2020	2019
Wages and salaries	50,655	51,147
Severance pays	82	80
Total	50,737	51,227

The following is the breakdown of "Employee benefit costs" in the Income Statement for the years 2020 and 2019:

€'000	2020	2019
Employer Social Security costs	16.829	16.911
Other employee benefit costs	2.508	2.482
Total	19.337	19.393

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

In the years 2020 and 2019 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 2020 and 2019, by professional category:

Category	2020	2019
Office of the General Manager	1	1
Managers and Service Heads	37	36
Line and similar personnel	470	456
Clerical and auxiliary staff	128	153
Manual workers and service personnel	668	660
Total	1,304	1,306

At 31 December 2020 and 2019, the distribution of the workforce, by gender, was as follows:

Category	2020			2019		
	Men	Women	Total	Men	Women	Total
Office of the General Manager	-	1	1	1	-	1
Managers and Service Heads	33	5	38	30	5	35
Line and similar personnel	351	113	464	364	113	477
Clerical and auxiliary staff	70	52	122	76	64	140
Manual workers and service personnel	549	109	658	553	113	666
Total	1,003	280	1,283	1,024	295	1,319

The membership of the Entity's Board of Directors at the end of the year 2020 comprises the chair and 15 members, 9 being men and 7 being women.

18.5. Outside services

The following is the breakdown of this item in the income statement at the end of the years 2020 and 2019:

€'000	2020	2019
Rent and charges	1,282	1,372
Repairs and upkeep	6,898	7,322
Independent professional services	6,168	6,125
Transport	1,911	2,480
Insurance premiums	402	392
Banking and similar services	927	235
Advertising, publicity and public relations	1,575	1,706
Utilities	3,679	4,749
Other expenses	22,946	24,821
Total	45,788	49,202

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 by both entities, which the company Imprenta de Billetes S.A. 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 2020 and 2019:

PROVISION	2020	2019
Losses due to bad debts	-	(26)
Provision for customer returns	(791)	(392)
Provision for special use authorisation tax risks	-	(144)
Recognition of impairment losses on current trade receivables (Note 11)	(1,086)	(456)
Reversal of impairment losses on current trade receivables (Note 11)	1,354	2,340
TOTAL	523	1,322

18.7. Exchange differences

The following is the breakdown of exchange differences in the years 2020 and 2019 in the accompanying income statement:

	2020		2019	
	Third parties	Total	Third parties	Total
Exchange differences				
Gains	1	1	93	93
Losses	(382)	(382)	(335)	(335)
Total	(381)	(381)	(242)	(242)

19. Foreign currency

The following is the breakdown of foreign currency transactions in the years 2020 and 2019:

	2020					2019				
	USD	GBP	SFR	Other	Total	USD	GBP	SFR	Other	Total
Purchases	1,942	95	5,820	-	7,857	1,400	3,722	6,849	3	11,974
Services received	189	10	4	7	210	203	25	4	4	236
Sales	1,142	-	-	-	1,142	443	-	-	-	443
Total	3,273	105	5,824	7	9,209	2,046	3,747	6,853	7	12,653

The following is the breakdown of asset and liability items held in foreign currencies at the end of the years 2020 and 2019:

	2020					2019		
	USD	SFR	GBP	JPY	Total	USD	GBP	Total
Assets								
Trade and other receivables	18				18	19		19
Cash and cash equivalents	725				725	1,384		1,384
Liabilities								
Advance payments to creditors			9		9	344		344
Trade and other payables	(58)	(302)		(4)	(364)	(65)	(17)	(82)
Total	685	(302)	9	(4)	388	1,682	(17)	1,665

The following is the detail, by types of financial instrument, of the exchange differences recognised in profit or loss for the years 2020 and 2019:

	2020			2019		
	On transactions settled in the year	On transactions outstanding or not due at 31.12.2020	Total	On transactions settled in the year	On transactions outstanding or not due at 31.12.2019	Total
Assets						
Trade and other receivables	16	1	17	0	(1)	(1)
Cash and cash equivalents	144		144	0	83	83
Liabilities						
Trade and other payables	213	7	220	(335)	11	(324)
Total	373	8	381	(335)	93	(242)

20. Information on the environment

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

At the end of the years 2020 and 2019 the main assets used to minimise environmental impact and to protect and improve the environment were as follows, in €'000:

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

Year 2019

	Cost	Accumulated depreciation	Net carrying amount at 31.12.2019
Pre-printing department purifying plant	276	(270)	6
Burgos paper mill purifying plant	1,562	(1,557)	5
Printing process investments	9,965	(6,427)	3,538
Paper manufacture investments	42,931	(20,328)	22,603
Total	54,734	(28,582)	26,152

At the end of the years 2020 and 2019, 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

The Entity'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 2020 and 2019:

	2020		2019	
	Compañía Europea de Copeles S.A.	IMBISA	Compañía Europea de Copeles S.A.	IMBISA
INCOME				
Sale of products	118	19,823	-	19,253
Services rendered	789	6,247	811	8,855
EXPENSES				
Purchases of raw materials	12,995	-	15,844	110

Transactions with related parties and associated companies carried out during 2020 and 2019 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 Copeles, S.A.
- Industrial warehouse leases entered into with Compañía Europea de Copeles. The rental income under these leases is tabled above under "Services rendered".
- Sales of products and ancillary material to Compañía Europea de Copeles, 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 2020 and 2019 respectively amounted to EUR 3,219 thousand and EUR 3,109 thousand, the breakdown being as follows:

	2020				2019			
Remuneration item	Board of Directors	Senior Executives	Other Officers	Total	Board of Directors	Senior Executives	Other Officers	Total (*)
Fixed remuneration	161	563	2,495	3,219	162	518	2,429	3,109

In the years 2020 and 2019 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 689/2020, 21 July, implementing the basic organic structure of the Ministry of Finance and amending Royal Decree 139/2020, 28 January.

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 Fábrica Nacional de Moneda y Timbre- Real Casa de la Moneda (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, 15 December 2017, on technical standards for the establishment and operation of a traceability system for tobacco products. Consequently, 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, in accordance with the aforementioned special laws, nor have they participated in corporate structures of the tobacco industry for the last 5 years, nor do they own

stocks or participate in private pension programmes, or have pecuniary or non-pecuniary interests linked to the tobacco industry, in accordance with the specific regulation referred to.

22. Other disclosures

22.1. Risk policy and management

I) Market risk

Given the Entity's characteristics 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 contracting authorities attached to regional and local public authorities, with a catalogue of essential products and a very stable demand, the Entity is not exposed to potential significant risk factors related to market volatility.

II) 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.

III) Credit risk

In general, the Company 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.

IV) Occupational risks

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

V) 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.

VI) IT risks

The security measures in place and the resources allocated to this end 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 2020 and 2019 of the guarantees provided to the various entities and managed through banks:

Year 2020

Description	€'000	Area
Product sales	2,960	National
Export product sales	6,394	International
Total	9,354	

Year 2019

Description	€'000	Area
Product sales	2,212	National
Export product sales	1,549	International
Total	3,761	

In addition, at the end of the years 2020 and 2019, the company had cash guarantee deposits respectively amounting to EUR 152 thousand and 160 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 2020 and 2019 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.

	2020	2019
	<u>Days</u>	<u>Days</u>
Average supplier payment period	17.20	17.07
Transactions paid ratio	17.88	17.20
Transactions pending payment ratio	5.84	12.30
	<u>€'000</u>	<u>€'000</u>
Total payments made	124,781	157,318
Total payments pending	7,446	4,351

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 2020 under Act 3/2004, 29 December, laying down measures for combating arrears in commercial transactions, is 30 days.

23. 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.