

SPANISH GENERAL ACCOUNTING PLAN

***SPANISH GENERAL ACCOUNTING PLAN (PLAN GENERAL DE
CONTABILIDAD ESPAÑOL – ENGLISH TRANSLATION)***

1. INTRODUCTION	6
2. ACCOUNTING FRAMEWORK.....	27
3. RECOGNITION AND MEASUREMENT STANDARDS	36
4. ANNUAL ACCOUNTS	98
5. STANDARD ANNUAL ACCOUNTS.....	113
6. ABBREVIATED FORMAT FOR ANNUAL ACCOUNTS	161
7. CHART OF ACCOUNTS	179
8. DEFINITIONS AND ACCOUNTING ENTRIES.....	205

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1. INTRODUCTION	6
2. ACCOUNTING FRAMEWORK	27
1) Annual Accounts. Fair presentation	27
2) Disclosure requirements in annual accounts	27
3) Accounting principles	28
4) Components of the annual accounts	29
5) Recognition criteria for elements of annual accounts	30
6) Measurement criteria	31
7) Generally accepted accounting principles	34
3. RECOGNITION AND MEASUREMENT STANDARDS	36
1 st Application of the Accounting Framework	36
2 nd Property, plant and equipment	36
3 rd Specific standards on property, plan and equipment	39
4 th Investment property	40
5 th Intangible assets	40
6 th Specific standards on intangible assets	41
7 th Non-current assets and disposal groups held for sale	42
8 th Leases and similar transactions	44
9 th Financial instruments	47
10 th Inventories	65
11 th Foreign currency	67
12 th Value added tax (VAT), Canary Island tax (IGIC) and other	

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indirect taxes	69
13 th Income tax	70
14 th Revenue from sales and the rendering of services	74
15 th Provisions and contingencies	76
16 th Liabilities arising from long-term employee benefits	76
17 th Share-based payment transactions	78
18 th Grants, donations and bequests received	79
19 th Business combinations	80
20 th Joint ventures	92
21 st Transactions between group companies	93
22 nd Changes in accounting criteria, errors and accounting estimates	96
23 rd Events after the balance sheet date	97
4. ANNUAL ACCOUNTS	98
1 st Document comprising the annual accounts	98
2 nd Preparation of annual accounts	98
3 rd Structure of the annual accounts	98
4 th Abbreviated annual accounts	99
5 th Standards commonly applicable to the balance sheet, the income statement, the statement of changes in equity and the statement of Cash Flows	100
6 th Balance sheet	101
7 th Income statement	104
8 th Statement of change in equity	106
9 th Statement of cash flows	107
10 th Notes	109
11 th Revenue for the period	110
12 th Average number of employees	110
13 th Group companies, jointly controlled entities and associates	110
14 th Interim financial statements	111
15 th Related parties	111

5. STANDARD ANNUAL ACCOUNTS	113
5.1 Standard format for annual accounts	113
5.2 Content of the notes to the annual accounts	123
6. ABBREVIATED FORMAT FOR ANNUAL ACCOUNTS	161
6.1 Abbreviated format for annual accounts	161
6.2 Content of the notes to the abbreviated annual accounts	167
7. CHART OF ACCOUNTS	179
8. DEFINITIONS AND ACCOUNTING ENTRIES	205

INTRODUCTION

I

1.- With the approval of the General Accounting Plan through Decree 530/1973 of 22 February 1973, Spain embarked upon the modern-day trend of accounting standardisation.

Spain's subsequent entry into what is now the European Union entailed harmonising its accounting standards with European Community accounting legislation, hereinafter the Accounting Directives (Fourth Council Directive 78/660/EEC of 25 July 1978 related to the annual accounts of certain types of companies, and Seventh Council Directive 83/349/EEC of 13 June 1983 related to consolidated accounts). Convergence was based on Law 19/1989 of 25 July 1989 and Royal Decree 1643/1990 of 20 December 1990, which approved the 1990 General Accounting Plan.

As a result, true accounting legislation was incorporated into Spanish commercial law, giving financial information a distinctly international nature. The General Accounting Plan, as in other countries, was a key tool of standardisation.

The standardisation process in Spain would not have been complete without the regulatory developments advocated by the Accounting and Auditing Institute (ICAC), with the collaboration of universities, professionals and other accounting experts. These developments were based on the statements issued by national and international accounting standards boards. The Spanish business community has without doubt helped to consolidate acceptance of accounting standardisation by applying these new standards.

2.- In the year 2000, and with a view to making the financial information of European companies more consistent and comparable, irrespective of where these companies are domiciled or on which capital market they trade, the European Commission recommended to other European Community institutions that the consolidated annual accounts of listed companies be prepared applying the accounting standards and interpretations issued by the International Accounting Standards Board (IASB).

In order for accounting standards drafted by a private organisation to constitute law in Europe, specific legislation had to be enacted. European Parliament and Council Regulation 1606/2002 was introduced on 19 July 2002, defining the process for the European Union to adopt International Accounting Standards (hereinafter adopted IAS/IFRS). The Regulation made it mandatory to apply these standards in the preparation of consolidated annual accounts by listed companies, leaving member states to decide whether to allow or require direct application of the adopted IAS/IFRS to the individual annual accounts of all companies, including listed companies, and/or the consolidated annual accounts of other groups.

3.- In Spain, the scope of the European decision was analysed by the Expert Committee created by the Ministry of Economy Order of 16 March 2001. In 2002, the Committee prepared and published a report on the accounting situation in Spain, setting out basic guidelines for reform. The main recommendation was that individual annual accounts should continue to be prepared under Spanish accounting standards, appropriately revised to harmonise the accounting information and make it comparable, in keeping with the new European requirements. The Committee considered that the reporting company should decide whether to apply Spanish accounting standards or the European Community Regulation in the preparation of consolidated annual accounts.

Based on these considerations, through the eleventh final provision of Law 62/2003 of 30 December 2003 on tax, administrative and social measures, the Spanish legislator stipulated that the individual accounting information of Spanish companies, including listed companies, should continue to be prepared under the accounting principles set out in Spanish accounting and commercial law.

4.- The amendments proposed by the Expert Committee were enacted by Law 16/2007 of 4 July 2007, which revised and adapted commercial law to bring accounting standards into line with European Union Regulations (hereinafter Law 16/2007). This law made amendments to the Commercial Code and the Companies Act, which were vital for the international convergence process while also ensuring that the modernisation of Spanish accounting practices did not contravene the legal regime governing aspects intrinsic to the operation of any trading company, such as the distribution of profit, obligatory share capital reductions and compulsory liquidation in the event of losses.

The first final provision of Law 16/2007 authorised the government to approve the General Accounting Plan by Royal Decree, in order to set up a new legal regulatory framework compliant with European Community Directives considering the IAS/IFRS adopted under European Union Regulations. In recognition of the importance of small and medium-sized enterprises (SMEs) in Spain, the law also empowered the government to supplement the General Accounting Plan with text adapted to the disclosure requirements of SMEs. Moreover, the Ministry of Economy and Finance was empowered to approve sector-specific adaptations proposed by the Accounting and Auditing Institute (ICAC), while the Institute itself may also approve standards to implement the General Accounting Plan and its complementary standards.

5.- With the procedure underway for approval of Law 16/2007 by the parliament, the Accounting and Auditing Institute started work on the new General Accounting Plan with the goal of drafting the text as swiftly as possible.

An expert committee was set up together with various working groups on specific areas, formed by experts from the Institute, professionals and academics, who contributed their invaluable knowledge and experience with regard both to overall considerations

and specific operations, thereby bridging the theoretical and practical aspects of a constantly changing business world.

The General Accounting Plan, adapted to the relevant provisions of Law 16/2007, is therefore the work of an extensive ensemble of accounting experts, brought together with the aim of achieving an appropriate balance between companies preparing information, users of that information, expert accounting professionals, university professors in the field and government representatives.

The new text should be evaluated considering two key concepts. Firstly, the purpose of convergence with the European Community Regulation containing the adopted IAS/IFRS to make the sets of accounting standards compatible, even though the number of options in the new General Accounting Plan is more limited than in the European Community Regulation and certain criteria included in the European Community Directives, such as capitalisation of research expenses, may be applied, although this is an exception and by no means the general rule.

Secondly, the autonomous nature of the new General Accounting Plan as an approved legal standard in Spain, for which the scope of application is clearly defined: the preparation of individual annual accounts by all Spanish companies, notwithstanding the special rules inherent in the financial sector deriving from European legislation in this respect.

Logically, correct interpretation of the new General Accounting Plan would not entail simply applying the IAS/IFRS incorporated in European regulations. This option was available to the Spanish legislator pursuant to Regulation 1606/2002 but was ultimately rejected in the process of internal debates on European accounting strategy. The adopted IAS/IFRS are, nonetheless, a benchmark for all future Spanish accounting legislation.

II

6.- The new General Accounting Plan is structured similarly to its predecessors, to maintain our traditional accounting guidelines for those areas unaffected by the new criteria. The change in order merely reflects the convenience of locating the most substantive contents, of mandatory application, in the first three parts, with standards of largely voluntary application set out in the final two sections. The structure is as follows:

- Accounting Framework
- Recognition and measurement standards
- Annual accounts
- Chart of accounts
- Definitions and accounting entries

The Accounting Framework is a set of basic underlying assumptions, principles and concepts that provide the basis for logical recognition and measurement, through deductive reasoning, of the items disclosed in the annual accounts. The incorporation of the Framework into the General Accounting Plan, and its consequent status as a legal standard, is aimed at ensuring thoroughness and consistency in the subsequent process of preparing recognition and measurement standards and interpretation and integration in accounting legislation.

From part one of the new General Accounting Plan it is clear that the objective of systematic and regular application of accounting standards continues to be fair presentation of a company's equity, financial position and results. To reinforce this requirement, accounting and commercial law sets out the principles to serve as guidance for the government in its regulatory developments and for reporting entities in their application of the standards. The economic and legal substance of transactions is the cornerstone for their accounting treatment. Transactions are therefore recognised based on their nature and economic substance, and not just their legal form.

The Framework continues to attach relevance to the principles included in part one of the 1990 General Accounting Plan, which are still considered the backbone of accounting legislation. Nonetheless, the two amendments to this section seek to enhance the theoretical consistency of the model as a whole.

In keeping with the Framework's system of deductive reasoning, the principles of recognition and matching of income and expenses are classed as criteria for recognising items in the annual accounts, while the purchase price principle has been included in the Framework section on measurement criteria, as assigning value is considered to be the final step before accounting for any economic transaction or event.

The second change puts prudence on an equal footing with other principles. This in no way suggests that the primacy of a company's solvency with respect to its creditors is abandoned in the model. On the contrary, risks should continue to be recognised in the neutral, objective manner previously required by the 1990 General Accounting Plan for analysing obligations. In the past it was generally the case that provisions should not be made except where the company was exposed to genuine risks.

For the purposes of international harmonisation, Law 16/2007 of 4 July 2007 revised and adapted commercial law to bring accounting standards into line with European Union legislation, and article 38 of the Commercial Code was amended as a result. Paragraph c) of this article stipulates that, in exceptional circumstances, where risks that have a significant impact on fair presentation come to the company's knowledge between the date of preparation of the annual accounts and of their final approval, the annual accounts should be redrafted.

The purpose of this legal regulation concerning events occurring subsequent to the balance sheet date is not to require directors to redraft the annual accounts for just any significant circumstances arising prior to their approval by the pertinent governing

body. Only in exceptional and particularly relevant circumstances relating to the company's equity position, involving risks that existed at the closing date but which only came to light subsequently, are the directors required to redraft the annual accounts. The period during which accounts may be required to be redrafted generally prescribes when the process for their approval commences.

Under the new model, there is a significant change in the Framework definitions of items included in the annual accounts (assets, liabilities, equity, income and expenses). In particular, liabilities are defined as present obligations arising from past events, the settlement of which is expected to result in an outflow of resources from the company, which could embody future economic benefits. This definition and the prevalence of substance over form will affect the recognition of certain financial instruments, which should be accounted for as liabilities when, a priori, and from a strictly legal perspective, they appear to be equity instruments.

A further significant modification in this section is the stipulation that certain income and expenses should be accounted for directly in equity (and disclosed in the statement of recognised income and expense) until the item with which they are associated is recognised, derecognised or impaired, at which point the income and expenses should generally be recognised in the income statement.

In accordance with the Framework, the company should record items in the balance sheet, the income statement or the statement of changes in equity when it is probable that it will obtain or transfer resources embodying economic benefits, and provided that the value can be reliably measured. Nonetheless, in some cases, for instance with certain provisions, best estimates have to be based on the probabilities of possible scenarios or outcomes of the associated risk.

Section 6 of the Framework sets out the measurement criteria and certain related definitions used in the standards contained in part two, to allocate the appropriate accounting treatment to each economic event or transaction: historical cost or cost, fair value, net realisable value, present value, value in use, costs to sell, amortised cost, transaction costs attributable to a financial asset or financial liability, carrying amount and residual value.

There is no doubt that the most significant change is fair value, now used not only to account for certain valuation allowances but also to recognise adjustments in value above the purchase price in the case of certain assets, such as particular financial instruments and other items to which hedge accounting criteria are applied.

Under both the new and former accounting models, assets should initially be measured at purchase price. In certain cases the standards expressly refer to purchase price as the fair value of the asset acquired and, where applicable, of the consideration given. This is logical considering the principle of economic equivalence that should govern any transaction of a commercial nature, whereby the value of the goods or services provided and of the liabilities assumed should be equivalent to the consideration received.

The Framework concludes with a reference to generally accepted accounting principles and standards. The new legal framework for financial information maintains the structure used in the 1990 General Accounting Plan, based on Spanish legislation. However, there are two blocks of legislation in Spain: extensive European Community legislation (IAS/IFRS as adopted by the European Union) directly applicable to the consolidated annual accounts of groups containing at least one listed company; and the Commercial Code, the Companies Act and the General Accounting Plan, applicable to the individual annual accounts of Spanish companies. The role of the European Community framework should therefore be taken into consideration.

When the new General Accounting Plan comes into force, the text and provisions contained therein will continue to constitute the mandatory legislation for companies falling within the scope of application. Nonetheless, the criteria set out in sector-specific adaptations, rulings issued by the ICAC and other implementation standards shall only remain in force insofar as they do not conflict with the new higher-ranking accounting standards. Any aspect that cannot be interpreted in the light of the regulatory content of the Law and the Regulation, including sector-specific adaptations and rulings issued by the ICAC, should be reflected in the individual annual accounts of companies, applying criteria that are consistent with the new accounting legislation. However, the international standards adopted by the European Union should under no circumstances be applied directly, as extension of the aforementioned standards to individual annual accounts does not appear to have been the Legislator's intention.

In keeping with the core philosophy of the reform, the standards developed to interpret the 1990 General Accounting Plan, sector-specific adaptations and rulings issued by the ICAC, shall of course be amended and extended, based on the legal framework deriving from regulations adopted by the European Commission.

7.- Part two of the General Charts of Accounts contains the recognition and measurement standards. Changes have been introduced for two reasons: firstly, to bring Spanish principles largely into line with the criteria set out in IAS/IFRS adopted through European Union Regulations; and secondly, to incorporate the criteria introduced into the General Accounting Plan since 1990 through successive sector-specific adaptations, in order to make the standards more systematic. The main changes are listed below.

Property, plant and equipment now include the present value of obligations for dismantling, removing and restoring the site on which items are located as part of the purchase price. Under the 1990 General Accounting Plan, these items gave rise to the systematic recognition of a provision for liabilities and charges. The provision to be recognised as a balancing entry for items of property, plant and equipment shall be increased each year to reflect the time value of money, notwithstanding any change in the initial amount from new estimates of the cost of the work or the discount rate applied. In both cases, the adjustment shall entail remeasurement of both the asset and the provision at the start of the reporting period in which that adjustment arises.

The treatment of provisions for major repairs also changes under the new accounting framework. At the acquisition date, the company should estimate and identify the costs to be incurred on servicing the asset. These costs shall be depreciated separately from the cost of the asset until the date on which the asset is serviced, at which point they shall be accounted for as a replacement. Any amount pending depreciation shall be derecognised and the amount paid for the repair work recognised and depreciated on a systematic basis until the subsequent service.

While analysing the amendments, it should be noted that under the new General Charts of Accounts borrowing costs incurred on the acquisition or construction of assets until they are ready to enter service must be capitalised, provided that a period of more than one year is required to bring the assets to their working condition. This capitalisation was optional under the 1990 General Accounting Plan.

The last relevant change to this standard concerns the criteria for recognising exchanges of property, plant and equipment. The standard differentiates between exchanges with and without commercial substance. Those with commercial substance are transactions in which the expected cash flows from the asset received differ significantly from those of the asset given up. This is either because the configuration of the cash flows differs or because the entity-specific value of the asset received is higher than that of the asset given up, which therefore becomes a payment method in financial terms. Based on this reasoning, the standard stipulates that when the exchange has commercial substance, any profit generated or loss incurred should be recognised, provided that the fair value of the asset conveyed or received, as applicable, can be measured reliably.

The reform does not introduce notable changes with respect to the criteria for subsequent measurement of property, plant and equipment or the recognition of asset depreciation or impairment (provisions for decline in value in the 1990 General Accounting Plan). However, the appropriate techniques for calculating unsystematic impairment of assets are described in great detail. Specifically, the standard introduces the concept of cash-generating units, defined as the smallest identifiable group of assets that generates cash inflows. This concept serves as a basis for calculating impairment of the related group of assets, provided that impairment cannot be determined separately for each individual item.

With regard to the recognition of intangible assets in the balance sheet, besides the criteria applicable to all assets (the asset must be controlled by the company and meet the requirements of probability and reliable measurement), the asset should also be identifiable, either because it is separable or because it arises from legal or contractual rights.

One significant change in the new General Accounting Plan in this respect is the potential for intangible assets with an indefinite useful life. Such assets are not amortised; however, where impairment is determined, an impairment loss shall be recognised. Particular mention should be made of goodwill, which is no longer

amortised but instead tested for impairment at least annually. Should the test give cause for impairment, this impairment would be irreversible and the calculation should be disclosed in the notes to the annual accounts, taking great care to ensure that goodwill generated internally by the company subsequent to the acquisition date is not capitalised indirectly.

Establishment costs are also treated differently, henceforth recognised as expenses in the income statement for the reporting period in which they are incurred. However, costs of incorporation and share capital increases shall be accounted for directly in equity of the company and not in the income statement. These expenses form part of overall changes in equity for the reporting period and shall therefore be disclosed in the statement of total changes in equity.

Another change to this standard is the possibility for development expenses to be amortised over a period of more than five years, provided that this longer useful life is duly justified by the company. Treatment of research expenses is the same as under the 1990 General Accounting Plan. However, international standards adopted in Europe generally require research expenses to be recognised in the income statement in the reporting period in which they are incurred, while nonetheless allowing for their recognition when identified as an asset of the company acquired in a business combination. Pursuant to the Fourth Directive, the General Accounting Plan adopts this treatment even when the research expenses do not derive from a business combination, provided that they are expected to have a positive economic impact in the future.

In recent years, different types of lease contracts and other similar transactions have been a common source of financing for Spanish companies. Alongside contracts classified strictly as finance leases, which are regulated by section 1 of the seventh additional provision of Law 26 of 29 July 1988, governing the discipline and intervention of financial institutions, a number of other contracts have emerged which, although operating leases in form, are similar in substance to finance leases from an economic perspective.

The standard on leases therefore aims to specify the accounting treatment applicable to these transactions. In general terms, except with regard to the nature of the asset, this should remain unchanged, as the doctrine had already included contracts whereby the risks and rewards of ownership of the goods or underlying rights are transferred in the 1990 General Accounting Plan, in paragraphs f) and g) of measurement standard 5.

Also new in the General Accounting Plan is the classification of non-current assets and disposal groups as held for sale. To qualify for this category, non-current assets and disposal groups comprising assets and liabilities must meet certain conditions; namely, they must be immediately available and their sale highly probable.

The main consequence of this new classification is that assets in this category are not amortised or depreciated. Such assets should be disclosed in the balance sheet within current assets, as their carrying amount is expected to be recovered by selling the assets

rather than through their use in the ordinary course of the company's business. The standard income statement should also include certain information on disposal groups held for sale classified as discontinued operations (in particular, disposal groups constituting a significant line of business or geographical area, or subsidiaries acquired for resale).

8.- Standard 9 on financial instruments and the standard regulating "Business combinations" are without doubt the most relevant amendments in the new General Accounting Plan.

The main change introduced in the new text is that the measurement of financial assets and financial liabilities is based on the company's management of these items and not their nature, i.e. fixed or variable return.

For measurement purposes, the different types of financial assets are classified in the following portfolios: loans and receivables (including trade receivables), held-to-maturity investments, financial assets held for trading, other financial assets at fair value through profit or loss, investments in group companies, jointly controlled entities and associates and available-for-sale financial assets.

Financial liabilities shall be classified in one of the following categories: debts and payables (mainly suppliers), financial liabilities held for trading and other financial liabilities at fair value through profit or loss.

Another new aspect is the application of fair value to all financial assets, except for investments in group companies, jointly controlled entities and associates, loans and receivables and investments in debt securities that the company intends to hold to maturity, provided that the fair value can be reliably measured.

This change in content and accounting approach is evident through the structuring of the standard, which has grouped measurement standards 8 to 12 from the 1990 General Accounting Plan. However, the ordinary transactions of most companies, namely trade receivables and trade payables, are barely affected. The main new requirements are the measurement at fair value of assets held for trading (investments held by the company with the clear intention of disposal in the short term) and available-for-sale assets. Changes in fair value of these assets shall be recognised in the income statement and directly in equity, respectively. Changes in fair value recognised directly in equity shall be transferred to the income statement when the investment is derecognised or impaired.

A third major change in this area is the general recognition, measurement and disclosure as liabilities of all financial instruments with characteristics of equity instruments that constitute an obligation for the company under the terms of the agreements between issuer and holder. In particular, these include certain redeemable and non-voting shares. The treatment of these transactions also has to be consistent; when these instruments are classified as liabilities, the associated remuneration clearly has to be accounted for as a finance expense and not a dividend.

Finally, the accounting treatment of transactions involving own shares or equity holdings has also been modified in the new General Accounting Plan. Any difference between the purchase price and the consideration received at the date of the sale shall be recognised directly in capital and reserves in order to show the economic substance of these transactions; namely, repayments or contributions to the equity of the company's equity holders or owners.

The last two sections of the standard on financial instruments contain a number of specific cases and the treatment of accounting hedges. These sections include the minimum content considered necessary to ensure the legal security of any subsequent regulatory developments in these areas. The treatment of accounting hedges would need to be set out in greater detail in a relevant ruling issued by the ICAC.

9.- The measurement and recognition standard applicable to foreign currency has also been changed.

When a company sets up operations in a foreign country through a branch or when, as an exception, a company based in Spain operates mainly in a currency other than the Euro, in strictly economic terms the exchange differences arising on foreign currency items relate to the currency used in the company's economic environment and not the Euro. Frequently this is the currency in which the sales prices of its products and any expenses incurred are denominated and settled.

However, in light of the obligation to present the annual accounts in euros, once the company has accounted for the effect of the foreign currency exchange rate, it is required to recognise the effect of translating its functional currency to the Euro. The standard therefore stipulates that translation differences should be recognised directly in equity, as items denominated in the functional currency will not be translated to euros in the short term and, consequently, will have no effect on the company's cash flows. The criteria for determining the functional currency and, where applicable, translating this currency to euros are to be described in the standards for the preparation of consolidated annual accounts approved through regulatory developments of the Commercial Code.

The standard on foreign currency also incorporates the terms monetary item and non-monetary item into the General Accounting Plan. These terms are used in IAS 21, the benchmark international standard adopted by the European Union, and in Royal Decree 1815/1991 of 20 December 1991. The main change is in the treatment of exchange gains on monetary items (cash, loans and receivables, debts and payables and investments in debt securities). Under the new General Accounting Plan, these shall be recognised in the income statement, as the prudence principle has been placed on an equal footing with other principles and there has been a transition to symmetrical treatment of exchange gains and exchange losses as a result.

Under the 1990 General Accounting Plan, income tax was recognised based on timing and permanent differences between accounting profit or loss and the taxable income or

tax loss disclosed in the income statement. The governmental doctrine on accounting policies also required that this treatment be applied to other operations (for instance, certain transactions reflected under “Business combinations” in the new General Accounting Plan: merger transactions and the non-monetary contribution of a company’s shares representing majority voting rights).

As a result of applying the new approach introduced by this General Accounting Plan (differences giving rise to deferred tax assets and liabilities are calculated based on the company’s balance sheet), the annual accounts will reflect similar amounts to those obtained using the former criteria. This change is aimed at ensuring consistency with a Framework based on recognition and measurement criteria that give preference to assets and liabilities over income and expenses, which is the international generally accepted approach.

A further modification compared to the 1990 General Accounting Plan is the differentiation between the current income tax expense (income) (which shall include permanent differences arising under the 1990 General Accounting Plan) and the deferred income tax expense (income). The total expense or income shall be the algebraic sum of these two items, which should nonetheless be quantified separately. Deferred taxes and prepaid taxes have been renamed deferred tax liabilities and deferred tax assets, respectively, to bring Spanish standards into line with the terminology used in international standards adopted in Europe.

The income tax expense (income) shall generally be included in the income statement, except when associated with income or expenses recognised directly in equity, in which case, logically, the income tax expense (income) should be recorded directly in the statement of recognised income and expense, so that the related equity item is disclosed net of the tax effect. The tax effect on initial recognition of “Business combinations” shall be accounted for as an increase in goodwill. Subsequent variations in deferred tax assets and liabilities associated with assets and liabilities accounted for in the “Business combination” shall be recorded in the income statement or the statement of recognised income and expense in accordance with the general rules.

The standard that regulates the accounting treatment of revenue from sales and the rendering of services includes a new criterion for recognising exchanges of goods or services in trade transactions. Based on the new Framework principles, the purchase price shall lead to recognition of revenue on these transactions provided that the goods or services exchanged are not of a similar nature or value.

A further significant amendment in the General Accounting Plan relates to trade transactions. This change introduces prompt payment discounts on trade receivables, irrespective of whether these are included in an invoice, as an additional item in revenue (for a negative amount), which is therefore excluded from the company’s financial margin. In line with this new criterion, prompt payment discounts granted by suppliers, whether on the invoice or not, are accounted for as a decrease on the purchase.

Following the introduction of the former General Accounting Plan, doubts arose as to when exactly revenue on certain sales transactions was considered to be accrued. The numerous clauses included in contracts presently governing these transactions make it difficult at times to identify exactly when collections and payments actually occur. Consequently, the new General Accounting Plan sets out the requirements to be met by any transaction on which revenue is to be recognised, further defining the criteria set out in the 1990 General Accounting Plan in the interests of providing the model with greater legal security. By way of example, the new General Accounting Plan clearly stipulates the requirement regarding the transfer of the significant risks and rewards of ownership of the goods (irrespective of the legal transfer) previously defined in governmental doctrine as a prerequisite for recognition of the gain or loss by the vendor and of the asset by the acquirer. The analysis required under the international standard adopted by the European Union also demands compliance with other conditions included in the new General Accounting Plan.

In keeping with the didactic or explanatory nature of this standard, the new General Accounting Plan includes a specification of the substance over form principle. This principle requires that transactions encompassed in a single operation be considered on an individual basis, or that several individual transactions be considered as a whole, when an analysis of the economic and legal substance of the transactions indicates the prevalence of their individual or joint nature, respectively.

10.- Although standard 15 on provisions and contingencies was introduced as a result of the prudence principle ceasing to prevail, this does not mean that provisions will disappear from the balance sheets of Spanish companies. The ruling on environmental information issued by the ICAC in 2002 already incorporated the main matters set out in the international standard on this subject (IAS 37 Provisions, Contingent Liabilities and Contingent Assets) into the Spanish accounting model. These primarily include the stipulation that all provisions should relate to a present obligation arising from past events, the settlement of which is expected to result in an outflow of resources and the amount of which can be measured reliably; the distinction between legal and contractual, and constructive or tacit obligations; the requirement to discount the amount by the time value of money when payment is to be made in the long term; and the accounting treatment of consideration payable to a third party on settlement of the obligation.

When not even the minimum amount of the liability can be measured reliably, this fact shall be disclosed in the notes to the annual accounts in the terms described in part three of the General Accounting Plan. As indicated previously, this is irrespective of the degree of uncertainty inherent in the calculation of any provision, whereby on many occasions the requirement for the outflow of resources to be probable should necessarily entail calculation of the probable amount of the obligation.

This consideration should be extended to the accounting treatment of long-term employee benefits, including post-employment benefits (pensions, post-employment healthcare and other retirement benefits) and any other remuneration entailing a

payment to an employee that is deferred for a period of more than twelve months after the employee has rendered the service. Nonetheless, contributions made to separate entities generally have shorter payment periods.

The standard distinguishes between defined contribution long-term employee benefits, whereby risks are not retained by the company and any liabilities disclosed in the balance sheet merely reflect the instalment payable to the relevant insurance entity or pension plan, and other remuneration that does not meet these requirements, known as defined benefit remuneration.

In the case of defined benefit remuneration, the company must recognise the associated liability because it retains a risk, irrespective of whether the commitment to employees has been arranged through a collective insurance policy or a pension plan. If the company has externalised the risk, the liability shall be recognised in the balance sheet at the net amount resulting from applying the quantification criteria described in the standard. When the company has not externalised the commitment, the liability shall be recognised in the balance sheet at the present actuarial value of the commitments, less unrecognised past service costs.

The standard also requires that differences arising on the calculation of assets or liabilities as a result of changes in actuarial assumptions relating to defined benefit post-employment remuneration be recognised in voluntary reserves through the statement of changes in equity. This ensures that assets or liabilities are correctly quantified at all times based on the best available information, while simultaneously neutralising the impact of inevitable fluctuations in actuarial variables on the company's profit or loss, where actuarial gains or losses are recognised in the income statement.

In the standard on share-based payment transactions, the General Accounting Plan groups together all transactions in which the company grants either its own equity instruments or cash for the value of those equity instruments as consideration. In particular, these criteria stipulate the accounting treatment applicable to share-based employee remuneration, which has become increasingly common in recent years, as permitted by article 159 of the revised Companies Act. In line with the 1990 General Accounting Plan, for clarification purposes section 1.4 of standard 2 on property, plant and equipment reiterates the criteria established for items received as a non-monetary capital contribution, which are to be measured at their fair value on the contribution date.

The changes to standard 18 on grants, donations and bequests received distinguish between those from equity holders or owners and those from third parties. Grants awarded by third parties, provided that these are non-refundable grants under the new criteria, are generally recognised as income directly in the statement of recognised income and expense and subsequently transferred to the income statement in accordance with their purpose. In particular, grants for expenses are recognised when the associated expenses are incurred. Grants should be recognised as liabilities until all the conditions for consideration as non-refundable have been met.

Consequently, irrespective of the amendments, grants continue to be transferred to the income statement based on the purpose for which they were awarded, reflecting the criteria already incorporated into certain sector-specific adaptations (healthcare entities, not-for-profit entities, viticulture businesses) of measurement standard 20 from the 1990 General Accounting Plan.

However, the main change in the new General Accounting Plan, besides initial recognition of grants, donations and bequests directly in equity, is that amounts received from equity holders or owners of the company are classed as capital and reserves without valuation adjustments and not as income. Such grants, donations and bequests are put on an equal footing from a financial perspective with other contributions made to the company by equity holders or owners, primarily with a view to strengthening the equity position. The 1990 General Accounting Plan only considered this treatment for equity holder or owner contributions made to offset losses or a “deficit”. Contributions to ensure a minimum level of profitability, to support specific activities or to establish government prices for certain goods or services were not eligible for this treatment.

Companies in the public sector can receive grants on the same terms as private sector companies. Consequently, in the case of grants awarded to public sector companies by the equity holders to finance activities of general or public interest, the fair presentation principle requires an exception to the general rule set out in section 2 of standard 18, and application of the general accounting treatment regulated in section 1.

11.- Business acquisitions can be made through different legal transactions: mergers, spin-offs, non-monetary contributions and the sale and purchase of an economic unit (i.e. the assets and liabilities that make up a business), or the non-monetary contribution or sale and purchase of shares that grant control over a company. Mergers and spin-offs are the only examples of such transactions not reflected in a general standard, despite firmly established government policies.

The new General Accounting Plan bridges this gap in standards and provides the accounting model and, by extension, business activity with the desired legal security. Standard 19 regulates “Business combinations”, namely transactions in which the company acquires control of one or more businesses.

When the working group began its review, the International Accounting Standards Board (IASB) published a proposed amendment to the international standard on these transactions (IFRS 3 Business Combinations). Certain changes were significant and prompted a debate on what would be the most suitable point of reference: the prevailing standard or the proposed amendment. It was initially considered more suitable to adopt the criteria set out in the draft IFRS 3. However, as this standard has not yet been approved, it was finally decided that the General Accounting Plan should include the criteria established in the prevailing standard adopted by the European Commission. Notwithstanding the above, this and the remaining provisions of the new General

Accounting Plan could be adapted to take into consideration any future amendments to European Community accounting legislation, where appropriate.

The rules governing the accounting treatment of these transactions are set out under the “purchase method”, whereby assets acquired and liabilities assumed by the acquiring company are generally recognised at fair value. Furthermore, goodwill is not amortised and any negative difference arising on the business combination is recognised directly in the income statement at the date on which the acquiring company obtains control of the acquiree.

However, in line with the European standard, this general system does not encompass restructuring transactions between group companies. These are not considered business acquisitions in purely financial terms, as economic and, indirectly, legal control was already held by the management of the group to which the companies belong, before the *de jure* unit arose from the combination.

The new General Accounting Plan aims to provide a legal structure for the recognition of the main transactions currently carried out by Spanish companies. As a result, although the IFRS 3 adopted by the European Union excludes, and therefore does not regulate, the accounting treatment of such transactions between companies of the same group, as these are common practice in the business world, standard 21 establishes specific accounting treatment for mergers, spin-offs and non-monetary contributions of a business.

The criteria established for these transactions in the new General Accounting Plan are aimed at bridging the two basic positions within the group formed by the ICAC for this purpose. From one perspective, the transferred assets should continue to be recognised at the values, consolidated where applicable, at which they were previously measured within the group before the transaction. Advocates of this approach do not consider the legal form of these transactions, including the sale and purchase of equity instruments that grant control over a company. From another viewpoint, as the individual annual accounts are reported by the company, acting independently from any group to which it belongs, assets and liabilities in transactions with companies governed by the same decision-making unit should be measured under the same terms as those applied for third-party transactions, notwithstanding the disclosures required in the notes to the annual accounts. These advocates proposed that no specific standards be included to regulate these transactions, arguing that such transactions should be accounted for by applying the criteria of standard 19 on business combinations.

The extensive debate that preceded the preparation of this chapter of the General Accounting Plan and the varied viewpoints in this respect underlined that, to guarantee legal security and the comparability of the financial information arising from these transactions, what was most important, irrespective of the different approaches and positions, was the need to set a single recognition criterion. This matter was resolved focusing on the two characteristics which, from a legal and economic perspective, are considered to give these transactions the particular nature inherent in any special rule.

Firstly, the acquiring company conveys its own equity instruments as consideration or, as in the case of simplified mergers regulated by article 250 of the revised Companies Act, is not required to issue any shares or equity holdings. Secondly, the very nature of the transaction: assets and liabilities constituting a business, which are directly transferred en bloc from one party to another, and by extension from one set of accounting records to another, with no real variation in the pre-existing economic unit, which, in essence, simply adopts a new organisational or legal structure.

Based on this reasoning, where consideration is not in the form of securities or there is no direct object such as that described in the transaction, the scope of the standard does not encompass transactions that are structured for legal purposes as a sale and purchase of assets and liabilities constituting a business, or transfer transactions, including non-monetary capital contributions, involving a portfolio of equity instruments that grant control over a business.

Until European regulators reach a consensus, the overall approach used for these transactions is based on the accounting criterion included in section 2.2 of standard 21, which is in line with the government policy that implements the 1990 General Accounting Plan.

The standard on joint ventures continues to uphold the criteria applied to date by entities operating as temporary joint ventures, which is the main type of business collaboration. The accounting treatment for temporary joint ventures was incorporated into the General Accounting Plan through certain sector-specific adaptations (construction companies, electricity sector, etc.).

Consequently, there are no relevant accounting amendments in this respect. Instead, the standard has been made more systematic, as the range of transactions regularly carried out by companies has been included in the General Accounting Plan, irrespective of the sector in which they operate. Notwithstanding the above, for the purposes of regulatory coordination, the terminology used in the standard has evidently been updated with respect to the former General Accounting Plan and now reflects the new definitions included in European Union accounting standards.

12.- Standard 22 on changes in accounting criteria, errors and accounting estimates, amends the rule applicable to changes in criteria set out in the 1990 General Accounting Plan.

Specifically, while the impact on net assets and liabilities of the company arising from the change in accounting criteria or correction of the error must still be quantified retrospectively, the amendment entails a new obligation for the effect of these changes also to be disclosed retrospectively. This requirement originates from alignment with the international standards adopted and dictates that income and expenses deriving from a change in criteria or correction of an error should be accounted for directly in the

company's equity. Such income and expenses should generally be recognised in voluntary reserves, unless the change or correction affects another equity item.

Finally, the standard on events after the balance sheet date specifies the two types of events that may occur, depending on whether the circumstances disclosed already existed at the balance sheet date or emerged subsequent to that date.

III

13.- Part three of the General Accounting Plan contains the standards for the preparation of annual accounts with standard and abbreviated models for the documents that comprise the annual accounts, including the contents of the notes.

The annual accounts comprise the balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto. The statement of cash flows shall not be obligatory for companies eligible to prepare their balance sheet, statement of changes in equity and notes in abbreviated format. Consequently, the main change, besides greater disclosure requirements in the notes, is the incorporation of two new documents: the statement of changes in equity and the statement of cash flows.

To make the financial information supplied by Spanish companies suitably comparable, and in line with the 1990 General Accounting Plan, compulsory models have been prepared indicating a defined format and the specific terminology that must be used. This is not the case with the adopted IAS/IFRS.

A further general amendment, in keeping with the criteria set out in the adopted international standards, is the requirement to include quantitative information for the prior reporting period in the notes to the annual accounts, and to adjust comparative figures for the prior period for any valuation adjustments due to changes in accounting criteria or errors. In addition to comparative figures, where relevant to aid comprehension of the annual accounts for the current reporting period, the standard also requires that descriptive information for the prior period be included.

Ultimately, the changes incorporated into the model are aimed at providing the user of the annual accounts with more detailed information on the directors' management of company resources by simply reading the principal accounting statements.

Items recognised in the balance sheet have been classified as assets, liabilities and equity. Equity shall include capital and reserves without valuation adjustments and other equity items classified separately. This classification aims to clarify that equity of the company comprises the traditional shareholders' equity and other items that can be disclosed in a company's balance sheet under the new criteria; primarily, fair value adjustments to be recognised directly in equity, pending transfer to the income statement in subsequent years.

Assets have been classified as non-current and current, similarly to the differentiation between fixed assets and current assets under the 1990 General Accounting Plan. Current assets shall comprise items intended for sale or consumption or expected to be realised in the company's normal operating cycle. Current assets shall also comprise items expected to mature, or to be sold or realised, within twelve months, assets classified as held for trading, except the non-current portion of derivatives, and cash and cash equivalents. All other assets shall be classified as non-current.

To record the management of resources in greater detail, the new General Accounting Plan stipulates that non-current assets held for sale (generally property, plant and equipment, investment property and investments in group companies, jointly controlled entities and associates expected to be sold within twelve months) and disposal groups held for sale (assets and liabilities expected to be sold within twelve months) shall be disclosed in a separate line item within current assets and liabilities (in the latter case, the liabilities that form part of the disposal group).

Finally, of the main amendments to the balance sheet there only remains to mention the change for own equity instruments (generally comprising own shares and equity holdings), which are disclosed as a decrease in capital and reserves without valuation adjustments under the new General Accounting Plan. Similar criteria are applied to payments for own equity instruments which are uncalled at the balance sheet date; these are recognised as a reduction in share capital. Shares, equity holdings and other financial instruments that have the legal substance of equity instruments, based on the definition of the items and the associated terms and conditions, but which represent obligations for the company, are recognised as liabilities.

The income statement reflects the accounting profit or loss for the reporting period. Income and expenses are disclosed separately and by nature; in particular, income and expenses arising from changes in value due to measurement at fair value, in accordance with the Commercial Code and this General Accounting Plan.

Three changes in particular are worthy of mention. Firstly, the income statement is now presented in a single column, rather than two. Secondly, the extraordinary margin has been eliminated, as the adopted international standards prohibit classification of income and expenses as extraordinary. Finally, profit or loss from continuing operations and profit or loss from discontinued operations are disclosed separately in the normal income statement format. Discontinued operations are generally described as lines of business or significant geographical areas that the company has either sold or expects to sell within twelve months.

The most notable amendment, however, is without doubt the incorporation of two new statements into the annual accounts. The statement of changes in equity is presented in two documents:

- a) the statement of recognised income and expense, and

b) the statement of total changes in equity.

The statement of recognised income and expense comprises income and expenses recorded during the reporting period and the net balance of total income and expense. Amounts transferred to the income statement during the reporting period in accordance with the criteria set out in the relevant recognition and measurement standards are disclosed separately. The statement of total changes in equity reflects all changes in equity during the reporting period. Besides recognised income and expenses, this statement shall also include other changes in equity. For example, changes arising on transactions with equity holders or owners of the company and any reclassifications in equity, in light of amounts recognised in reserves as a result of the agreed distribution of profit, adjustments due to corrections of errors or any exceptional changes in accounting criteria.

The statement of cash flows is also new. This statement aims to show the company's ability to generate cash and cash equivalents and the liquidity needs of the company, presented in three categories: operating activities, investing activities and financing activities. However, the conflict of interests associated with any new information requirement, for instance transparency versus simplification of accounting obligations, is an aspect which should logically be considered by weighing up the requirement in relation to the size of the company. This conflict has been resolved by making this statement non-compulsory for companies eligible to prepare their balance sheet, statement of changes in equity and notes in abbreviated format.

The notes have become more relevant and now include the obligation to provide comparative figures and descriptive information, in line with IAS 1 adopted by the European Commission. In particular, this document increases disclosure requirements relating to financial instruments, business combinations (this being a new standard) and related parties, the latter being particularly relevant to enable a true and fair presentation of the economic and financial relationships of a company.

In relation to the above, the definition of group company, jointly controlled entity and associate in connection with individual annual accounts is contained in standard 13 on the preparation of annual accounts, included in part three of the General Accounting Plan, which in turn relates to the recognition and measurement standards included in part two. In addition to companies controlled directly or indirectly under the terms described in article 42 of the Commercial Code, companies controlled, by any means, by one or more individuals or legal entities in conjunction, or which are solely managed in accordance with statutory clauses or agreements, shall also be considered group companies. Consequently, the amendment to article 42 of the Commercial Code introduced by Law 16/2007, defining a group for the purposes of consolidation, has no effect on the measurement or disclosure of investments in these companies in the individual annual accounts.

Besides the relevant information on transactions carried out between these companies, the notes to the individual annual accounts also contain the information required by Law

16/2007; namely, aggregate details of the assets, liabilities, equity, revenues and profit or loss of all companies with registered offices in Spain which are controlled, by any means, by one or more individuals or legal entities that are not required to prepare consolidated accounts, and companies which are solely managed in accordance with statutory clauses or agreements.

Finally, the statement of source and application of funds has been eliminated from the notes, irrespective of the information on movement of funds required by the standards for the preparation of annual accounts.

14.- Part four is the chart of accounts, which uses the numeral classification system. The new text incorporates two new groups that were not included in the 1990 General Accounting Plan, namely 8 and 9, to encompass expenses and income recognised in equity.

Consequently, group 9, which was proposed in the 1990 General Accounting Plan for internal accounting purposes, should now be used for the new accounting entries. Companies opting to carry out cost accounting may use group 0.

The chart of accounts expands upon the 1990 content to encompass the new operations reflected in part two of the General Accounting Plan. Nonetheless, as mentioned in the introduction to the 1990 General Accounting Plan, there could also be certain gaps in the new text, primarily because it is not possible to cover the wide range of specific factors shaping the activities of many companies. In any event, companies are able to bridge possible gaps in the text using the Framework and the most relevant technical rules lifted from the principles and criteria on which the General Accounting Plan is based. The company should break down the content of the accounts into an appropriate number of subgroups to control and monitor its transactions and comply with disclosure requirements in the annual accounts.

15.- Part five contains the definitions and accounting entries. A definition is provided for each group, subgroup and account, indicating the most significant content and characteristics of the transactions and economic events they represent.

As in the previous General Accounting Plan, the accounting entries describe, albeit not exhaustively, the most common cases for debits and credits to the accounts. Consequently, in the case of transactions for which the text does not explicitly stipulate the accounting treatment, appropriate accounting entries should be made based on the criteria set out in the text.

As was the case in the 1990 General Accounting Plan, the application of parts four and five is optional. However, when exercising this option, companies are advised to use similar terminology to facilitate preparation of the annual accounts, for which the structure and the standards that dictate the content and format are obligatory. In particular, as in the 1990 General Accounting Plan, the speculative system proposed for accounting entries relating to inventory accounts is optional.

IV

16.- The entry into force of the General Accounting Plan requires a review of the sector-specific adaptations and the rulings issued by the Accounting and Auditing Institute . However, until this review has been performed the aforementioned standards shall remain in force unless they expressly contradict the new criteria contained in the General Accounting Plan.

The experience of recent years has revealed the dynamic nature of the accounting model proposed by European Community institutions. The European Union has fully endorsed the pronouncements issued by the IASB. Nonetheless, the IASB's aim of converging with the standards approved by the US Financial Accounting Standards Board (FASB) is likely to entail future amendments to European Community Regulations. Consequently, notwithstanding any amendments to the General Accounting Plan deemed necessary in the future, knowledge of the standards is vital to ensure compliance and a certain level of stability is advisable. Therefore, to protect the legal security that should prevail in all standardisation processes, any future modifications to the General Accounting Plan and governing legislation should only be made in the event of substantial changes at international level. Such changes would be the inevitable outcome of amendments to the Framework, recognition and measurement standards or standards for the preparation of annual accounts.

PART ONE

ACCOUNTING FRAMEWORK

1) Annual accounts. Fair presentation

A company's annual accounts comprise the balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto. These documents constitute a unit. However, the statement of cash flows shall not be obligatory for companies eligible to prepare their balance sheet, statement of changes in equity and notes to the annual accounts in abbreviated format.

The annual accounts should be written clearly so that the information disclosed is readily understandable and useful to the user when making decisions of an economic nature. The annual accounts should present fairly the equity, financial position and results of the company, in accordance with prevailing legislation.

The systematic and methodical application of the accounting requirements, principles and criteria set out below should ensure fair presentation of the equity, financial position and results of the company in its annual accounts. Transactions shall be accounted for in accordance with their economic reality and not merely their legal form.

When compliance with the accounting requirements, principles and criteria set out in this General Accounting Plan is not considered sufficient to ensure fair presentation, the notes to the annual accounts should include any additional disclosures considered necessary.

In exceptional cases in which compliance with a requirement would be misleading and would conflict with the objective of fair presentation, the company shall depart from that requirement and provide sufficient disclosure in the notes to the annual accounts of this departure and the impact on the equity, financial position and results of the company.

Legal entities reporting individually under this General Accounting Plan shall do so independently from the group of companies to which they may belong, notwithstanding the specific standards set out in part two of this Chart of Accounts and the disclosure requirements in the annual accounts.

2) Disclosure requirements in the annual accounts

The information disclosed in the annual accounts should be relevant and reliable.

Information is relevant when it is useful for making economic decisions; in other words, when it helps to evaluate past, present or future events, or to confirm or correct prior evaluations. To meet this requirement, the annual accounts should adequately disclose the risks to which the company is exposed.

Information is reliable when it is neutral and free from material error; in other words, when it is unbiased and can be depended on by users to represent faithfully that which it purports to represent.

Information has the quality of reliability when it is complete, which is achieved when the financial information contains all data that could have an impact on decision-making and no significant information is omitted.

Financial information should also be comparable and clear. Users must be able to compare the annual accounts of a company through time as well as those of different companies at a given time and for the same period in order to evaluate their relative financial position and performance. Comparability requires the treatment of transactions and other economic events arising in similar circumstances to be consistent. Clarity enables users of the annual accounts with a reasonable knowledge of economic activities, accounting and business finance to make judgements that facilitate their decision-making, after a diligent examination of the information provided.

3) Accounting principles

Companies shall apply the following principles in their accounting and, in particular, for the recognition and measurement of components of the annual accounts:

1. **Going concern.** Unless there is evidence to the contrary, it shall be presumed that the company will continue in operation in the foreseeable future. Therefore, the aim when applying the accounting principles and criteria is not to determine the value of the company's net equity with a view to disposing of part or the entire business of the company, or the amount that would be obtained in the event of liquidation.

Where this principle is not applicable under the terms of the standards for implementation of this General Accounting Plan, the company shall apply the most appropriate measurement standards for fair presentation of the transactions carried out to realise assets, settle debts and, where applicable, distribute the resulting equity. The company should include relevant information on the criteria applied in the notes to the annual accounts.

2. **Accrual.** The effects of transactions and other economic events shall be recognised when they occur. The related expenses and income shall be recognised in the annual accounts for the reporting period to which they relate, irrespective of the payment or collection date.
3. **Consistency.** Once a criterion has been selected from amongst the available options, this should be maintained over time and applied consistently to other similar transactions, events and conditions, insofar as the circumstances that gave rise to its selection remain unchanged. Should the grounds for the original choice of a

criterion change, a different policy could be applied and details of this situation should be disclosed in the notes, indicating the quantitative and qualitative effect of the variation on the annual accounts.

4. Prudence. Prudent criteria should be applied when estimates and measurements are made in conditions of uncertainty. However, prudence when measuring assets and liabilities is not justified if the fair presentation of the annual accounts is affected.

Notwithstanding article 38 bis of the Commercial Code, only profits obtained before the end of the reporting period shall be recognised. However, all risks arising during the current or prior reporting periods should be taken into consideration as soon as they become known, even if they only come to light between the balance sheet date and the date the annual accounts are officially drawn up by the directors. In such cases, details shall be duly disclosed in the notes to the annual accounts, as well as in other documents comprising the annual accounts when a liability or an expense has been incurred. In exceptional circumstances, should the risks come to light between the date the annual accounts are officially drawn up by the directors and their final approval by the shareholders, and should such risks have a significant impact on fair presentation, the annual accounts must be redrafted.

Asset amortisation, depreciation and impairment should be reflected, irrespective of whether the result for the reporting period is a profit or a loss.

5. Offsetting. Assets and liabilities, and income and expenses, shall not be offset unless expressly permitted by a standard. The components of the annual accounts shall be measured separately.
6. Materiality. Strict application of certain accounting principles and criteria may be waived when the quantitative or qualitative materiality of the variation arising as a result is of little significance and, therefore, does not affect fair presentation. When items or amounts are not material, these may be aggregated with other items of a similar nature or function.

Where accounting principles conflict, the criteria that best ensure fair presentation of the equity, financial position and results of the company should prevail.

4) Components of the annual accounts

The following items are recognised in the balance sheet when they meet the recognition criteria described below:

1. Assets: goods, rights and other resources controlled by the company as a result of past events and from which future economic benefits are expected to flow to the company.

2. Liabilities: present obligations of the company arising from past events, the settlement of which is expected to result in an outflow of resources from the company embodying future economic benefits. Liabilities shall include provisions.
3. Equity: the residual interest in the assets of the company after deducting all its liabilities. Equity includes contributions made by equity holders or owners upon incorporation of the company or subsequently that are not considered as liabilities, as well as retained earnings and cumulative losses or other related variations.

The following items are recognised in the income statement, or in the statement of changes in equity, as applicable, when they meet the recognition criteria described below:

4. Income: increases in the company's equity during the reporting period in the form of inflows or enhancements of assets or decreases in liabilities, other than those relating to monetary or non-monetary contributions from equity holders or owners.
5. Expenses: decreases in equity during the reporting period in the form of outflows or depletions of assets or incurrences of liabilities, other than those relating to monetary or non-monetary distributions to equity holders or owners.

Income and expenses for the reporting period shall be recognised in the income statement and included in profit or loss, except where they must be recognised directly in equity, in which case they shall be accounted for in the statement of changes in equity, in accordance with part two of this General Accounting Plan or applicable implementation standards.

5) Recognition criteria for elements of annual accounts

Recognition is the process of incorporating items that meet the definition of an element of the annual accounts into the balance sheet, income statement or statement of changes in equity, in accordance with the recognition standard applicable in each case, as set out in part two of this General Accounting Plan.

Items shall be recognised when they meet the definitions set out in the preceding section and satisfy the probability criteria relating to inflows or outflows of resources that embody economic benefits, and when their value can be measured reliably. Where the value must be estimated, the use of reasonable estimates should not diminish the reliability of the value. The following in particular should be noted:

1. An asset shall be recognised in the balance sheet when it is probable that the future economic benefits will flow to the company, and provided that the value of the asset can be reliably measured. Recognition of an asset entails simultaneous recognition of a liability, the decrease in another asset or recognition of income or other increases in equity.
2. A liability shall be recognised in the balance sheet when it is probable that an outflow or transfer of resources embodying future economic benefits will result

from settlement of the obligation, and provided that the value can be measured reliably. Recognition of a liability entails simultaneous recognition of an asset, the decrease in another liability or recognition of an expense or other reductions in equity.

3. Income shall be recognised when there is an increase in the company's resources that can be reliably measured. Recognition of income therefore occurs simultaneously with the recognition or increase of an asset or the extinguishment or decrease of a liability and, on occasions, the recognition of an expense.
4. Expenses shall be recognised when there is a decrease in the company's resources that can be measured reliably. Recognition of an expense therefore occurs simultaneously with the recognition or increase of a liability or the extinguishment or decrease of an asset and, on occasions, the recognition of income or an equity item.

Income and expenses shall be recognised on an accruals basis, applying the matching principle where appropriate. Under no circumstances may assets or liabilities be recognised unless the qualifying conditions are met for definition as such.

6) Measurement criteria

Measurement is the process of assigning a monetary amount to each element of the annual accounts, in accordance with the applicable measurement standard in each case, as set out in part two of this General Accounting Plan.

The following measurement criteria and related definitions shall be taken into consideration:

1. Historical cost or cost

The historical cost or cost of an asset is its cost of acquisition or production.

The cost of acquisition is the amount of cash and cash equivalents paid or payable, plus the fair value of any other committed consideration directly related with the acquisition and required to bring the asset into operating condition.

The cost of production includes the purchase price of raw materials and consumables, costs directly attributable to production of the asset and the proportional amount of production costs indirectly attributable to the asset, insofar as these were incurred during the production, construction or manufacturing period, they are based on the level of usage of normal production capacity, and are required to bring the asset into operating condition.

The historical cost or cost of a liability is the value of the proceeds received in exchange for the obligation or, in certain cases, the amount of cash and cash equivalents expected to be paid to satisfy the liability in the ordinary course of business.

2. Fair value

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value shall be determined without deducting any transaction costs incurred on disposal. The amount a company would receive or pay in a forced transaction, distress sale or involuntary liquidation shall not be considered as fair value.

Fair value shall generally be measured by reference to a reliable market value. Quoted market prices in an active market provide the most reliable estimate of fair value. An active market is a market in which all of the following conditions exist:

- a) goods or services traded within the market are homogeneous;
- b) willing buyers and sellers can normally be found at any time; and
- c) current prices obtained in actual frequent market transactions are available to the public.

Where there is no active market for an item, fair value shall be calculated using models and valuation techniques. For example, by reference to recent arm's length transactions between knowledgeable, willing parties where available, reference to the fair value of other assets that are substantially the same, or through the use of discounted estimated future cash flow methods or models generally used to measure options. Valuation techniques should be consistent with accepted pricing methodologies used in the market. Where possible, the valuation technique used should be that applied in the market proven to obtain the most realistic price estimates.

The valuation techniques used should be based on observable market data wherever possible, as well as other factors taken into account by market players when establishing prices, keeping subjective considerations and the use of non-observable or non-comparable data to a minimum.

The company should periodically evaluate the effectiveness of the valuation techniques used, by reference to observable prices of recent transactions involving the same asset as that being measured, or using prices based on any available and applicable observable market data or indices.

The fair value of an asset for which there are no comparable market transactions can be reliably measured if the variability in the range of reasonable fair value estimates is not significant for that asset or the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

Where fair value measurement is required, items that cannot be measured reliably, either by reference to a market value or by using the aforementioned models and valuation

techniques, are measured at amortised cost, or at cost of acquisition or production, as applicable, less any valuation allowances. This situation and its underlying causes should be disclosed in the notes to the annual accounts.

3. Net realisable value

The net realisable value of an asset is the amount the company can obtain by selling the asset in the market in the ordinary course of business, less the costs necessary to make the sale and, in the case of raw materials and work in progress, the estimated costs to complete the production, construction or manufacture.

4. Present value

Present value is the amount of the cash inflows and outflows expected to arise on an asset or a liability, respectively, in the ordinary course of business, discounted at an appropriate rate.

5. Value in use

The value in use of an asset or a cash-generating unit is the present value of the future cash flows expected to be obtained through its use in the ordinary course of business and, where applicable, its disposal, taking into consideration its present state, discounted at a market risk-free rate of interest and adjusted for any risks specific to the asset for which the estimated future cash flows have not been adjusted. Cash flow projections shall be based on reasonable and supportable assumptions. The amount or distribution of cash flows is normally uncertain, and this should be taken into consideration when allocating probabilities to the different cash flow estimates. These estimates should include any other assumptions that market players would consider, such as the inherent liquidity of the measured asset.

6. Costs to sell

Costs to sell are incremental costs directly attributable to the disposal of an asset that the company would not have incurred had it not decided to make the sale, excluding finance expenses and income tax, and including legal expenses incurred on transferring ownership of the asset and sales commissions.

7. Amortised cost

The amortised cost of a financial instrument is the amount at which the financial asset or financial liability is measured at initial recognition less any principal repayments, plus or minus any difference between that initial amount and the maturity amount recognised in the income statement using the effective interest method and, in the case of financial assets, less any reduction (directly or through the use of an allowance account) for impairment.

The effective interest rate is the discount rate that equates the carrying amount of a financial instrument to the present value of the estimated cash flows expected to be generated over the life of the instrument based on the contractual terms, excluding future losses due to credit risk. The calculation basis for the effective interest rate shall include any fees and commissions charged when financing is granted.

8. Transaction costs attributable to a financial asset or financial liability

These are incremental costs directly attributable to the acquisition, issue or disposal of a financial asset, or to the issue or incurrence of a financial liability, which the company would not have incurred had it not entered into the transaction. Transaction costs include fees and commissions paid to agents, advisors and intermediaries, such as brokerage, public notary expenses and others, as well as taxes and other rights relating to the transaction. Transaction costs do not include premiums or discounts obtained on the acquisition or issue, finance expenses, maintenance costs or internal administrative expenses.

9. Carrying amount

The carrying amount is the net amount at which an asset or liability is recognised in the balance sheet, after deducting accumulated amortisation or depreciation and any accumulated impairment in the case of assets.

10. Residual value

The residual value of an asset is the estimated amount that the company would currently obtain from disposal of the asset, after deducting the costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by the company, or the number of production units expected to be obtained from the asset. In the case of concession assets that revert, the useful life is the shorter of the concession period and the economic life of the asset.

Economic life is the period over which an asset is expected to be usable by one or more users, or the number of production units expected to be obtained from the asset by one or more users.

7) Generally accepted accounting principles

Generally accepted accounting principles are considered to be those set out in the following:

- a) the Commercial Code and other prevailing legislation,
- b) the General Accounting Plan and sector-specific adaptations,

- c) the implementation standards established by the Accounting and Auditing Institute for accounting purposes, and
- d) other specifically applicable Spanish legislation.

PART TWO

RECOGNITION AND MEASUREMENT STANDARDS

1st Application of the Accounting Framework

1. The recognition and measurement standards develop the accounting principles and other provisions set out in part one of this text relating to the Accounting Framework, and include the criteria and rules applicable to different transactions or economic events, as well as to different assets and liabilities.

2. Application of the recognition and measurement standards set out below is mandatory.

2nd Property, plant and equipment

1. Initial measurement

Elements of Property, plant and equipment shall be measured at cost, determined as the purchase price or production cost.

The purchase price or production cost shall only include indirect taxes on property, plant and equipment when these are not directly recoverable from the Spanish taxation authorities.

The value of an item of property, plant and equipment shall also include the initial estimate of the present value of obligations for dismantling or removing the item, as well as other obligations associated with the asset, such as restoration of the site on which it is located, provided that these obligations give rise to the recognition of provisions in accordance with the applicable standard.

Borrowing costs accrued, which have been charged by suppliers or relate to loans or other types of specific and general external financing directly attributable to the acquisition, manufacture or construction of property, plant and equipment that need more than one year to be brought into working condition, shall be included in the purchase price or production cost of the asset.

1.1. Purchase price

The purchase price comprises the amount invoiced by the seller, after deducting trade discounts and rebates, as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to operate as intended; such as levelling and demolition costs, transport, customs duties, insurance, installation, assembly and others.

Payables for the acquisition of property, plant and equipment shall be measured in accordance with the standard on financial instruments.

1.2. Production cost

The production cost of property, plant and equipment manufactured or constructed by the company shall comprise the purchase price of raw materials and consumables, other directly related costs and the proportional amount of costs indirectly attributable to the items in

question, insofar as these relate to the production, construction or manufacturing period and are required to bring the asset into operating condition. The cost of inventories shall be determined using the applicable general criteria.

1.3. Exchanges of property, plant and equipment

For the purposes of this General Accounting Plan, an item of property, plant and equipment is considered to be acquired through an exchange when the item is received in exchange for non-monetary assets or a combination of non-monetary and monetary assets.

In exchange transactions with commercial substance, the item of property, plant and equipment received shall be measured at the fair value of the asset given up plus any monetary consideration given in exchange, unless clearer evidence of the fair value of the asset received is available, up to the limit of this value. Any measurement differences arising on derecognition of the item given in exchange shall be taken to the income statement.

An exchange shall be considered to have commercial substance when:

- a) The configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred; or
- b) The present value of the post-tax cash flows from the activities of the companies involved in the exchange changes as a result of the transaction.

Moreover, any difference arising due to a) or b) above must be significant relative to the fair value of the assets exchanged.

In exchange transactions with no commercial substance, or where the fair value of the exchanged items cannot be measured reliably, the property, plant and equipment received shall be measured at the carrying amount of the asset given up plus any monetary consideration given in exchange, up to the limit of the fair value, where available, of the asset received, if this were lower.

1.4. Non-monetary capital contributions

Items of property, plant and equipment received as non-monetary capital contributions shall be measured at the contribution-date fair value, in accordance with the standard on share-based payment transactions, as it is assumed that the fair value of these items can always be reliably estimated.

The contributors of these items shall apply the criteria set out in the standard on financial instruments.

2. Subsequent measurement

After initial recognition, property, plant and equipment shall be carried at purchase price or production cost, less accumulated depreciation and any accumulated impairment.

2.1. Depreciation

Property, plant and equipment shall be depreciated on a systematic and rational basis over the useful life of the assets, taking into account their residual value and based on impairment normally incurred due to operational wear and tear, and considering potential technical or commercial obsolescence.

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from that of the remainder of the asset shall be depreciated separately.

Any changes in the residual value, the useful life or the depreciation method of an asset shall be accounted for as changes in accounting estimates, except where due to error.

When impairment must be recognised as specified in the following section, depreciation of the impaired assets for subsequent reporting periods shall be adjusted in line with the new carrying amount. The same procedure shall apply to reversals of impairment.

2.2. Impairment

An item of property, plant and equipment shall be considered impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and its value in use.

The company shall assess at least at the end of each reporting period whether there is any indication that items of property, plant and equipment or cash-generating units may be impaired. If any such indication exists, the company shall estimate the recoverable amount of these items and make the required valuation allowances. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment shall be calculated separately for each individual item of property, plant and equipment. If the company is unable to estimate the recoverable amount of each individual item, it shall determine the recoverable amount of the cash-generating unit to which each item belongs.

Should the company need to recognise an impairment loss for a cash-generating unit to which all or part of goodwill has been allocated, it shall first reduce the carrying amount of the goodwill associated with that unit. If impairment exceeds the amount of goodwill, the company shall then reduce the remaining assets in the cash-generating unit on a pro rata basis based on their carrying amounts. The carrying amount of each asset may not be reduced below the higher of its fair value less costs to sell, its value in use or zero.

Impairment of items of property, plant and equipment, and reversals thereof when the circumstances that gave rise to the impairment cease to exist, shall be recognised in the income statement as an expense or income, respectively. Impairment shall only be reversed up to the limit of the carrying amount of the property, plant and equipment that would have been determined at the reversal date had impairment not been recognised.

3. Derecognition

Items of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from them.

The gain or loss on derecognition of an item of property, plant and equipment shall be determined as the difference between the amount obtained on the disposal of the item, less costs to sell, and the carrying amount. The gain or loss shall be recognised in the income statement when the item is derecognised.

The consideration receivable for the disposal of property, plant and equipment shall be measured in accordance with the standard on financial instruments.

3rd Specific standards on property, plant and equipment

The following specific standards shall apply to the items described below:

- a) Unbuilt land. The purchase price shall include land preparation costs such as enclosures, excavation, purification and drainage, demolition where required for the construction of new buildings, the cost of inspections and plans drawn up prior to the purchase and, where applicable, the initial estimate of the present value of existing obligations associated with restoration of the land.

Land usually has an indefinite life and is therefore not depreciated. However, where the initial value includes restoration costs, in compliance with section 1 of the standard on property, plant and equipment, this portion of the land shall be depreciated over the period that it generates economic benefits as a result of having incurred these costs.

- b) Buildings. The purchase price or production cost shall comprise all permanent installations and items, as well as construction taxes and project and works management fees. Land, buildings and other constructions shall be measured separately.
- c) Measurement of technical installations, machinery and equipment shall comprise all acquisition, production or construction costs incurred until the items are in operating conditions.
- d) Utensils and tools included in mechanical devices shall be measured and depreciated in accordance with the applicable standards.

Utensils and tools that do not form part of a machine and which are expected to be used for less than one year shall be charged as an expense for the reporting period. For purposes of operating efficiency, when utensils and tools are expected to be used for more than one year it is recommended they be accounted for as property, plant and equipment and written off at the end of the reporting period if impairment is detected as a result of a physical count. Patterns and moulds recurrently used on production lines shall be recognised as property, plant and equipment and depreciated over their estimated useful life.

Moulds made to order for specific manufacturing processes shall not be inventories unless their net realisable value can be determined.

- e) Costs incurred during the reporting period on work carried out by the company for assets shall be charged to the relevant expense accounts. These expenses are capitalised as property, plant and equipment under construction, and credited to work carried out by the company for assets in the income statement.
- f) Costs incurred to renovate, enlarge or improve items of property, plant and equipment which increase capacity or productivity or extend the useful life of the asset shall be capitalised as part of the cost of the related asset. The carrying amount of items that are replaced shall be derecognised.
- g) The effect of major overhaul costs shall be considered when measuring property, plant and equipment. An amount equivalent to these costs shall be depreciated separately from the rest of the asset over the period until the overhaul is performed. Where such costs are not specified on acquisition or construction, their amount may be determined based on the present market value of a similar overhaul.

When the overhaul is performed, the costs shall be recognised in the carrying amount of the asset as a replacement, provided the recognition criteria are met at this time. Any prior amount related with the overhaul that is still accounted for in the carrying amount of the aforementioned asset shall be derecognised.

- h) In the case of agreements that must be classified as operating leases in accordance with the standard on leases and similar transactions, lessee investments that cannot be separated from the leased or transferred asset shall be recognised as property, plant and equipment when they meet the definition of an asset. These investments shall be depreciated based on their useful life, which shall be the shorter of the term of the lease or transfer contract, including the renewal period where there is evidence that the contract will be renewed, and the economic life of the asset.

4th Investment property

The criteria set out in the preceding standards on property, plant and equipment shall be applied to investment property.

5th Intangible assets

The criteria set out in the standards on property, plant and equipment shall be applied to intangible assets. Nonetheless, the specific standards on intangible assets set out below and the criteria applicable to goodwill in the standard on business combinations shall also apply.

1. Recognition

For initial recognition, an intangible asset must not only meet the definition of an asset and the recognition criteria set out in the Accounting Framework, but also the identifiability criteria.

The identifiability criteria require the asset to fulfil one of the following two conditions:

- a) It must be separable, i.e. capable of being separated from the company and sold, transferred, licensed, rented or exchanged.

- b) It must arise from legal or contractual rights, irrespective of whether those rights are transferable or separable from the company or from other rights or obligations.

Start-up costs and internally generated brands, mastheads, publishing titles, customer lists and similar items shall not be recognised as intangible assets.

2. Subsequent measurement

The company shall assess whether the useful life of an intangible asset is finite or indefinite. An intangible asset shall be considered to have an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the company.

An intangible asset with an indefinite useful life shall not be amortised. Rather, it shall be tested for impairment when there is an indication that the asset might be impaired, and at least annually. The useful life of an intangible asset that is not being amortised shall be reviewed in each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If this is not the case, the change in the assessment of the useful life from indefinite to finite shall be accounted for as a change in accounting estimate, except where the change is due to error.

6th Specific standards on intangible assets

The following specific standards shall apply to the items and rights described below:

- a) Research and development. Research costs shall be recognised as an expense in the reporting period in which they are incurred. However, they may be capitalised as intangible assets provided that they meet the following conditions:
- The costs are itemised by project and clearly defined to enable them to be allocated over time.
 - There is evidence of the project's technical success and economic and commercial feasibility.

Capitalised research costs shall be amortised over their useful life and, in any event, within a five-year period. Where there is reasonable doubt as to the technical success and economic and commercial feasibility of the project, any amounts capitalised shall be recognised directly in losses for the reporting period.

Development expenditure that meets the conditions for capitalisation of research costs shall be capitalised and amortised over the useful life which, in principle, shall be considered not to exceed five years, unless there is evidence to the contrary. Where there is reasonable doubt as to the technical success or economic and commercial feasibility of the project, any amounts capitalised shall be recognised directly as a loss in the reporting period.

- b) Industrial property. Development expenditure capitalised when a patent or similar right is obtained, including expenses incurred on registering industrial property, irrespective

of any amounts capitalised for acquisition of the related rights from third parties, shall be accounted for as industrial property. Development expenditure shall be amortised and impairment recognised in accordance with the criteria applicable to intangible assets.

- c) Goodwill may only be recognised as an asset when it arises from an onerous acquisition in a business combination.

Goodwill shall be measured in accordance with the standard on business combinations and should be allocated as of the acquisition date between all the company's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination.

Goodwill shall not be amortised. Rather, the cash-generating units or groups of cash-generating units to which it is allocated shall be tested for impairment, at least annually, and impairment recognised, where appropriate, in accordance with section 2.2 of the standard on property, plant and equipment.

Impairment recognised for goodwill shall not be reversed in subsequent reporting periods.

- d) Transfers may only be recognised as an asset when their value comes to light as the result of an onerous acquisition. Transfers shall be amortised and impairment recognised in accordance with the criteria applicable to intangible assets.
- e) Computer software acquired from third parties or produced internally, including website development costs, that meets the recognition criteria set out in section 1 of the standard on intangible assets shall be capitalised.

Computer software maintenance costs shall not be capitalised.

The criteria applicable to development expenditure shall be used to recognise and amortise computer software. Impairment shall be recognised in accordance with the criteria used for intangible assets.

- f) Other intangible assets. Other items besides the above shall also be recognised as intangible assets provided that they meet the criteria set out in the Framework and the specific requirements of these recognition and measurement standards. These include administrative concessions, commercial rights, intellectual property or licences.

These items shall be amortised and impairment recognised in accordance with the criteria applicable to intangible assets.

7th Non-current assets and disposal groups held for sale

1. Non-current assets held for sale

The company shall classify a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, and provided that it meets the following requirements:

- a) The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets; and
- b) Its sale must be highly probable due to the following circumstances:
 - b₁) The company must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
 - b₂) The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
 - b₃) The sale should be expected to be completed within one year from the date the asset is classified as held for sale, unless this period must be extended due to events or circumstances beyond the company's control and there is sufficient evidence that the company remains committed to its plan to sell the asset.
 - b₄) Actions to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held for sale shall be measured at the date of reclassification at the lower of the carrying amount and the fair value less costs to sell.

In order to obtain the carrying amount at the date of reclassification, impairment at that time shall be determined and an impairment allowance shall be recognised if necessary.

The company shall not depreciate or amortise a non-current asset while it is classified as held for sale, and shall recognise the necessary impairment so that the carrying amount does not exceed the fair value less costs to sell.

When an asset no longer meets the conditions for classification as held for sale, it shall be reclassified according to its nature and measured at the lower of the carrying amount before it was classified as held for sale, adjusted for any depreciation, amortisation or impairment that would have been recognised had the asset not been classified as held for sale, and the recoverable amount at the reclassification date. Any difference is recognised in the income statement according to its nature.

The above measurement criteria shall not apply to the following assets, for which specific measurement standards exist, although they are classified in this category for presentation purposes:

- a) Deferred tax assets, which are subject to the standard on income tax.
- b) Assets arising from employee benefits, which are subject to the standard on liabilities arising from long-term employee benefits.
- c) Financial assets, except equity investments in group companies, jointly controlled entities and associates, which are covered by the standard on financial instruments.

Impairment of non-current assets held for sale, and reversals thereof when the circumstances that gave rise to the impairment cease to exist, shall be recognised in the income statement, except when they must be recognised directly in equity in accordance with the specific standards applicable to each asset.

2. Disposal groups held for sale

A disposal group held for sale is a group of assets, and the directly associated liabilities, to be sold together as a group in a single transaction. A disposal group can include any of the company's assets or associated liabilities, even where these do not meet the definition of a non-current asset, provided that they are to be sold together.

Disposal groups held for sale shall be measured using the rules described in the preceding section. Assets and associated liabilities not covered by the aforementioned rules shall be measured in accordance with the specific applicable standard. After measurement, the disposal group shall be carried at the lower of the carrying amount and the fair value less costs to sell. Where it is necessary to recognise impairment for the disposal group, the carrying amount of the non-current assets in the group shall be reduced using the allocation basis set out in section 2.2 of the standard on property, plant and equipment.

8th Leases and similar transactions

For the purposes of this standard, a lease is any legal agreement (regardless of the form of the agreement) whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a sole payment or series of payments, irrespective of whether the lessor is required to render services in connection with the operation or maintenance of the asset.

Classification of leases as finance leases or operating leases depends on the circumstances of each party to the contract. The lessor and the lessee might therefore classify the lease differently.

1. Finance leases

1.1. Description

When the economic conditions of a lease agreement indicate that substantially all the risks and rewards incidental to ownership of an asset are transferred, this agreement shall be classified as a finance lease and recognised as stipulated below.

When it is reasonably certain that a purchase option associated with an asset lease agreement will be exercised, substantially all the risks and rewards of ownership shall be considered to be transferred. In the absence of evidence to the contrary, substantially all the risks and rewards of ownership shall be considered to be transferred in the following cases, even when there is no purchase option:

- a) Lease contracts that transfer ownership of the leased asset, or where the contract conditions imply that ownership will be transferred to the lessee by the end of the lease term.
- b) Contracts with a lease term that covers all or the major part of the economic life of an asset, provided that the terms and conditions demonstrate the economic feasibility of the continued transfer of usage rights.

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

- c) At the inception of the lease the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset.
- d) When the specialised nature of the leased assets restricts their use to the lessee.
- e) The lessee can cancel the lease and the lessor's losses associated with the cancellation are borne by the lessee.
- f) Gains or losses from the fluctuation in the fair value of the residual amount accrue to the lessee.
- g) The lessee can continue the lease for a secondary period at a rent that is substantially lower than market rent.

1.2. Lessee accounting records

At the commencement of the lease term, the lessee shall recognise an intangible asset or an item of property, plant and equipment, according to the nature of the asset, and a financial liability for the same amount, at the lower of the fair value of the leased asset and the present value of the minimum lease payments determined at the inception of the lease. The minimum lease payments shall include the purchase option payment, when it is reasonably certain this will be exercised, as well as any amounts guaranteed directly or indirectly, excluding contingent rents, costs for services and taxes that may be passed on by the lessor. Contingent rents are those lease payments that are not fixed in amount but are based on future trends in a particular variable. Initial direct transaction costs incurred by the lessee shall be considered as an increase in the value of the asset. Fair value shall be calculated based on the interest rate implicit in the lease. Where this cannot be determined, the lessee interest rate for similar transactions shall be used.

The total finance charge shall be allocated over the lease term and recognised in profit and loss for the reporting period in which it is accrued, using the effective interest rate method. Contingent rents shall be expensed in the reporting period in which they are accrued.

The lessee shall apply the relevant depreciation, amortisation, impairment and derecognition criteria based on the nature of the assets to be recognised in the balance

sheet. Financial liabilities shall be derecognised in accordance with section 3.5 of the standard on financial instruments.

1.3. Lessor accounting records

The lessor shall initially recognise a receivable for the present value of minimum lease payments and the residual value of the asset, even if not guaranteed, discounted at the interest rate implicit in the lease.

The lessor shall recognise gains or losses arising on the lease transaction in accordance with section 3 of the standard on property, plant and equipment. However, where the lessor is also the manufacturer or dealer of the leased item, the lease shall be considered as a trading transaction and the criteria set out in the standard on revenue from sales and the rendering of services shall apply.

The difference between the receivable recognised in assets in the balance sheet and the amount to be collected in respect of unearned interest shall be recorded in profit or loss for the reporting period in which the interest is accrued, using the effective interest rate.

Impairment and derecognition of receivables recognised in respect of the lease shall be accounted for using the criteria in sections 2.1.3 and 2.9 of the standard on financial instruments.

2. Operating leases

An operating lease is an agreement other than a finance lease whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a sole payment or series of payments.

Income and expenses attributable to the lessor and the lessee in respect of an operating lease agreement shall be considered as income or an expense, respectively, for the reporting period in which they are accrued, and shall be recognised in profit or loss.

The lessor shall continue to disclose and measure the leased assets in accordance with their nature. The carrying amount shall be increased by the amount of directly attributable contract costs, which shall be recognised as an expense over the lease term using the same criteria as for the recognition of lease income.

Any payment received or made on entering into an operating lease shall be considered as revenue received in advance or a prepayment and taken to the income statement over the lease term in accordance with the pattern of economic benefits transferred or received.

3. Sale and leaseback transactions

When the economic conditions of the sale associated with the leaseback of the assets sold indicate that the transaction is a financing method, and therefore a finance lease, the lessee shall not change the classification of the asset or recognise any gain or loss on the transaction. The amount received shall be recognised with a credit to an account that reflects the related financial liability.

The total finance charge shall be allocated over the lease term and recognised in profit or loss for the reporting period in which it is accrued, using the effective interest rate method. Contingent rents shall be taken to expenses in the reporting period in which they are accrued.

The lessor shall account for the associated financial asset in accordance with section 1.3 of this standard.

4. Leases of land and buildings

Joint leases of land and buildings shall be classified as operating or finance leases using the same criteria as for leases of other assets.

However, as land normally has an indefinite economic life, the land and buildings components in a joint finance lease shall be considered separately. The portion of the lease relative to land shall be classified as an operating lease, unless title is expected to pass to the lessee by the end of the lease term.

The minimum lease payments shall be allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in these components. If the lease payments cannot be allocated reliably between these two elements, the entire lease shall be classified as a finance lease, unless it is clearly an operating lease.

9th Financial instruments

A financial instrument is a contract that gives rise to a financial asset in one company and, simultaneously, a financial liability or an equity instrument in another company.

This standard is applicable to the following financial instruments:

a) Financial assets:

- Cash and cash equivalents as defined in standard 9 on the preparation of annual accounts;
- Trade and other receivables;
- Loans and credits extended to third parties, including those relating to the sale of non-current assets;
- Acquired debt securities of other companies, such as obligations, bonds and promissory notes;
- Acquired equity instruments of other companies, e.g. shares, mutual fund units and other equity instruments;
- Derivatives that are in the money for the company, including futures, options, financial swaps and forward exchange contracts; and

- Other financial assets, such as bank deposits, loans and advances to personnel, guarantees and deposits extended, dividends receivable and receivables on called-up own equity instruments.
- b) Financial liabilities:
- Trade and other payables;
 - Debt with financial institutions;
 - Obligations and other marketable securities issued, such as bonds and promissory notes;
 - Derivatives that are out of the money for the company, including futures, options, financial swaps and forward exchange contracts;
 - Payables of a special nature; and
 - Other financial liabilities, such as loans and credits extended by individuals or companies other than financial institutions, including those relating to the purchase of non-current assets, guarantees and deposits received and payables to third-parties on called-up equity holdings.
- c) Own equity instruments comprising all financial instruments included in capital and reserves without valuation adjustments, such as ordinary shares issued.

A financial derivative is a financial instrument with the following characteristics:

1. Its value changes in response to a change in variables such as interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit rating and indexes thereon. Non-financial variables do not need to be specific to a party to the contract.
2. The initial investment required is zero, or less than that required for other types of contracts that would be expected to respond similarly to changes in market conditions.
3. It is settled at a future date.

This standard is applicable to accounting hedges and the transfer of financial assets, such as trade discounts, factoring transactions, repurchase agreements and securitisation of financial assets.

1. Recognition

The company shall recognise a financial instrument in its balance sheet under the terms of the contract or legal transaction to which it becomes party.

2. Financial assets

A financial asset is any asset that is cash, an equity instrument of another company, or which represents a contractual right to receive cash or another financial asset, or to exchange financial assets or financial liabilities with third parties under potentially favourable conditions.

Any contract that can or will be settled in the company's own equity instruments shall also be classed as a financial asset, provided that it is:

- a) a non-derivative that requires or could require the company to receive a variable number of its own equity instruments.
- b) a derivative that can or will be settled through means other than the exchange of a fixed amount of cash or another financial asset for a fixed number of the company's own equity instruments. For this purpose, own equity instruments shall not include instruments that are themselves contracts for the future receipt or delivery of the company's own equity instruments.

For measurement purposes, financial assets shall be classified in one of the following categories:

1. Loans and receivables
2. Held-to-maturity investments
3. Financial assets held for trading
4. Other financial assets at fair value through profit or loss
5. Equity investments in group companies, jointly controlled entities and associates
6. Available-for-sale financial assets

2.1. Loans and receivables

The following items shall be classified in this category unless sections 2.3 and 2.4 below are applicable:

- a) Trade receivables: financial assets arising on the sale of goods and the rendering of services in the course of the company's trade operations; and
- b) Non-trade receivables: financial assets that are neither equity instruments nor derivatives, not arising on trade transactions, with fixed or determinable payments, and which are not traded in an active market. This category shall not include financial assets for which the holder may not recover substantially all of its initial investment, for reasons other than credit deterioration.

2.1.1. Initial measurement

Financial assets included in this category shall initially be measured at fair value. In the absence of evidence to the contrary, this shall be the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

Nonetheless, trade receivables falling due within one year for which there is no contractual interest rate, and loans and advances to personnel, dividends receivable and receivables on

called-up equity instruments expected to be collected in the short term can be measured at their nominal amount, provided that the effect of not discounting the cash flows is not material.

2.1.2. Subsequent measurement

The financial assets included in this category shall subsequently be measured at amortised cost. Accrued interest shall be recognised in the income statement using the effective interest rate method.

Contributions made as a result of joint account contracts and similar agreements shall be measured at cost plus or minus the gain or loss, respectively, attributable to the company as a non-trustee venturer, less any accumulated impairment.

However, receivables falling due within one year initially measured at the nominal amount, in accordance with the preceding section, shall continue to be measured at that amount, unless they are impaired.

2.1.3. Impairment

At least at the balance sheet date, the company shall recognise any necessary valuation allowances when there is objective evidence that the value of a receivable, or group of receivables with similar risk exposure measured together, is impaired as a result of one or more events occurring after initial recognition and leading to a reduction or delay in estimated future cash flows, which could be due to debtor insolvency.

The amount of the impairment loss on these financial assets shall be measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate calculated upon initial recognition. For variable interest financial assets, the effective interest rate at the balance sheet date, in accordance with contractual terms, shall be used. Formula-based models or statistical methods may be used to determine impairment losses in a group of financial assets.

Impairment, and reversals thereof when the loss is reduced due to a subsequent event, shall be recognised in the income statement as an expense or income, respectively. The loss can only be reversed up to the limit of the carrying amount of the receivable that would have been recorded at the reversal date had the impairment loss not been recognised.

2.2. Held-to-maturity investments

Held-to-maturity investments include debt securities with fixed maturity and fixed or determinable payments traded in an active market, which the company has the intention and ability to hold to maturity.

2.2.1. Initial measurement

Held-to-maturity investments shall initially be measured at fair value. In the absence of evidence to the contrary, this shall be the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

2.2.2. Subsequent measurement

Held-to-maturity investments shall subsequently be measured at amortised cost. Accrued interest shall be recognised in the income statement using the effective interest rate method.

2.2.3. Impairment

At least at the annual balance sheet date, the company shall recognise any necessary valuation allowances using the criteria described in section 2.1.3.

The market value of the instrument may be used instead of the present value of estimated future cash flows, provided that this is sufficiently reliable to be considered representative of the value recoverable by the company.

2.3. Financial assets held for trading

Financial assets held for trading shall be measured as described below.

A financial asset shall be classified as held for trading if it:

- a) originates or is acquired principally for the purpose of selling it in the near term (for example, debt securities, irrespective of their maturity date, or quoted equity instruments acquired for resale in the short term);
- b) forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent initiatives to obtain profits in the short term; or
- c) is a derivative financial instrument, except for a derivative that is a financial guarantee contract or a designated hedging instrument.

2.3.1. Initial measurement

Financial assets held for trading shall initially be measured at fair value. In the absence of evidence to the contrary, this shall be the transaction price, which is equivalent to the fair value of the consideration given. Directly attributable transaction costs shall be recognised in profit and loss for the reporting period.

Initial measurement of equity instruments shall include any pre-emptive and similar rights acquired.

2.3.2. Subsequent measurement

Financial assets held for trading shall subsequently be measured at fair value, without deducting any transaction costs incurred on disposal. Changes in fair value shall be recognised in profit or loss for the reporting period.

2.4. Other financial assets at fair value through profit or loss

This category shall include the hybrid financial assets mentioned in the last paragraph of section 5.1 of this standard.

This category could also include assets designated by the company on initial recognition as financial assets at fair value through profit or loss. Assets may only be designated at fair value through profit or loss where this information is more relevant because:

- a) It eliminates or significantly reduces measurement or recognition inconsistency (also referred to as an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses thereon using different criteria.
- b) A group of financial assets, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the company's key management personnel as defined in standard 15 on the preparation of annual accounts.

The use of this option shall be disclosed in the notes to the annual accounts.

Initial and subsequent measurement

The financial assets included in this category shall be measured using the criteria described in section 2.3 of this standard.

2.5. Equity investments in group companies, jointly controlled entities and associates

Equity investments in group companies, jointly controlled entities and associates, as defined in standard 13 on the preparation of annual accounts, shall be measured using the criteria described in this section. These investments may not be included in other categories for measurement purposes.

2.5.1. Initial measurement

Equity investments in group companies, jointly controlled entities and associates shall initially be measured at cost, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs. The criterion described in section 2 of the standard on transactions between group companies and the criteria for determining the cost of the combination set out in the standard on business combinations shall be applied to group companies, where applicable.

In the case of investments existing prior to classification as a group company, jointly controlled entity or associate, the cost of the investment shall be the carrying amount immediately before classification. Prior valuation adjustments associated with the investment and recognised directly in equity shall continue to be recorded in equity until one of the circumstances described in section 2.5.3 arises.

Initial measurement shall include any pre-emptive and similar rights acquired.

2.5.2. Subsequent measurement

Equity investments in group companies, jointly controlled entities and associates shall subsequently be measured at cost less any accumulated impairment.

When a value must be assigned to assets in this category due to derecognition from the balance sheet or any other reason, the weighted average cost method applied to homogeneous groups, i.e. securities with the same rights, shall be used.

When pre-emptive or similar rights are sold, or separated to be exercised, the carrying amount of the respective assets shall be reduced by the cost of the rights. This cost shall be determined using a generally accepted measurement technique.

2.5.3. Impairment

At least at the balance sheet date, the company shall recognise any necessary valuation allowances when there is objective evidence that the carrying amount of an investment will not be recovered.

The impairment loss shall be measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment, estimated as either those from dividends expected to be received from the investee and the disposal or derecognition of the investment, or from the share in the cash flows expected to be generated by the investee in the ordinary course of business and from disposal or derecognition. When estimating impairment of these types of assets, the investee's equity shall be taken into consideration, corrected for any unrealised gains existing at the measurement date, unless better evidence of the recoverable amount of the investment is available. Where the investee in turn holds an interest in another company, its equity shall be measured taking into account equity disclosed in the consolidated annual accounts prepared using the criteria contained in the Commercial Code and implementation standards.

When the investee's registered offices are located outside Spain, the equity to be taken into consideration shall be as specified in the standards in this provision. However, in a hyperinflationary environment, the values to be considered shall be taken from the adjusted financial statements, as described in the standard on foreign currency.

Impairment, and reversals thereof, shall be recognised in profit or loss. The loss can only be reversed up to the limit of the carrying amount of the investment that would have been disclosed at the reversal date had the impairment loss not been recognised.

However, when an investment was made in a group company, jointly controlled entity or associate before it was classified as such, and valuation adjustments for the investment were recognised directly in equity prior to this classification, these adjustments shall be maintained after classification, either until disposal or derecognition of the investment, at which point they shall be recognised in the income statement, or until the following circumstances occur:

- a) Where prior valuation adjustments have been made for an increase in value, impairment shall be recognised in the equity line item that reflects prior valuation adjustments, up to the value of those adjustments. Any excess shall be recognised in the income statement. Impairment recognised directly in equity shall not be reversed.
- b) Where prior valuation adjustments have been made for a decrease in value and the recoverable amount will subsequently exceed the carrying amount of the investment, the latter shall be increased up to the limit of the reduction in value, and recognised in the line item that reflected the prior valuation adjustments. The resulting amount shall be considered as the cost of the investment. However, when there is objective evidence that the investment is impaired, losses accumulated directly in equity shall be recognised in the income statement.

2.6. Available-for-sale financial assets

This category shall include debt securities and equity instruments of other companies not classified in any of the above categories.

2.6.1. Initial measurement

Available-for-sale financial assets shall initially be measured at fair value. In the absence of evidence to the contrary, this shall be the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

Initial measurement shall include any pre-emptive and similar rights acquired.

2.6.2. Subsequent measurement

Available-for-sale financial assets shall subsequently be measured at fair value, without deducting any transaction costs incurred on disposal. Changes in fair value shall be accounted for directly in equity until the financial asset is derecognised or impaired, and subsequently recognised in the income statement.

However, impairment and exchange gains and losses on monetary financial assets in foreign currency shall be recognised in the income statement, in accordance with the standard on foreign currency.

Interest calculated using the effective interest rate method and accrued dividends shall also be recognised in the income statement.

Investments in equity instruments for which the fair value cannot be estimated reliably shall be measured at cost less any accumulated impairment.

When a value must be assigned to assets in this category due to derecognition from the balance sheet or for any other reason, the weighted average cost method applied to homogeneous groups shall be used.

In the exceptional event that the fair value of an equity instrument ceases to be reliable, prior adjustments recognised directly in equity shall be accounted for in accordance with section 2.5.3. of this standard.

When pre-emptive or similar rights are sold, or separated to be exercised, the carrying amount of the respective assets shall be reduced by the cost of the rights. This amount shall reflect the fair value or the cost of the rights, measured consistently with the associated financial assets, and shall be determined using a generally accepted measurement technique.

2.6.3. Impairment

At least at the balance sheet date, the company shall recognise any necessary impairment when there is objective evidence that the value of an available-for-sale financial asset, or group of available-for-sale financial assets with similar risk exposure measured together, is impaired as a result of one or more events that occurred after initial recognition, giving rise to the following:

- a) a reduction or delay in estimated future cash flows from acquired debt instruments, which could be due to debtor insolvency; or
- b) failure to recover the carrying amount of investments in equity instruments, for example due to a significant or prolonged decline in the fair value. The instrument shall be considered impaired after a decline of a year and a half and of forty percent of its quoted price with no recovery in value. However, it may be necessary to recognise an impairment loss before this period has elapsed or before the quoted price has dropped by the aforementioned percentage.

The impairment for these financial assets shall be measured as the difference between the cost or amortised cost, less any impairment previously recognised in the income statement, and the fair value at the measurement date.

Where there is objective evidence that the asset is impaired, accumulated losses recognised in equity for a decrease in fair value shall be recorded in the income statement.

If in subsequent reporting periods the fair value were to increase, the impairment recognised in prior periods shall be reversed with a credit to the income statement for the reporting period. However, where the fair value of an equity instrument increases, the impairment recognised in prior periods shall not be reversed with a credit to the income statement; rather, the increase in fair value shall be accounted for directly in equity.

Impairment of equity instruments which are carried at cost because the fair value cannot be measured reliably shall be calculated in accordance with section 2.5.3 of this standard, referring to equity investments in group companies, jointly controlled entities and associates. Impairment recognised in prior reporting periods shall not be reversed.

2.7. Reclassification of financial assets

The company may only reclassify a financial asset initially designated as held for trading or at fair value through profit or loss to other categories, or vice versa, when the asset qualifies for classification as an equity investment in group companies, jointly controlled entities or associates.

The company shall not classify any financial assets as held-to-maturity if, during the current reporting period or during the two preceding periods, the company has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:

- a) relate to assets very close to maturity; or
- b) occur after the company has collected substantially all of the financial asset's original principal; or
- c) are attributable to an isolated event that is beyond the company's control, is non-recurring and could not have been reasonably anticipated by the company.

If it is no longer appropriate to classify a financial asset as held-to-maturity, due to a change in intention or ability, or due to the sale or reclassification of more than an insignificant amount, as described in the preceding paragraph, it shall be reclassified, together with the other assets designated as held-to-maturity, as available-for-sale and remeasured at fair value. The difference between the carrying amount and the fair value shall be accounted for directly in equity applying the rules applicable to available-for-sale assets.

If a financial asset is reclassified to held-to-maturity investments as a result of a change in the company's intention or financial ability, or where two full reporting periods have passed since reclassification of a financial asset from held-to-maturity to available-for-sale, the carrying amount of the financial asset at that date shall be the new amortised cost. Any previous gain or loss on that asset that has been recognised directly in equity shall continue to be accounted for in equity and shall be taken to profit or loss over the remaining useful life of the held-to-maturity investment using the effective interest rate method.

When an equity investment in a group company, jointly controlled entity or associate ceases to qualify as such, any investments held in these entities shall be measured using the rules applicable to available-for-sale financial assets.

2.8. Interest and dividends from financial assets

Interest and dividends accrued on financial assets after acquisition shall be recognised as income. Interest shall be accounted for using the effective interest rate method, while dividends shall be recognised when the equity holder's right to receive payment is established.

Upon initial measurement of financial assets, accrued explicit interest receivable at the measurement date shall be recognised separately, based on maturity. Dividends declared by the pertinent body at the acquisition date shall also be accounted for separately. "Explicit interest" is the interest obtained by applying the financial instrument's contractual interest rate.

If distributed dividends are clearly derived from profits generated prior to the acquisition date because amounts have been distributed which are higher than the profits generated by the investment since acquisition, the difference shall be accounted for as a deduction in the carrying amount of the investment and shall not be recognised as income.

2.9. Derecognition of financial assets

As stated in the Framework, analysis of the transfer of financial assets should be based on their economic reality, not only on their legal form or the nature of the contracts.

The company shall derecognise a financial asset, or a part of a financial asset, when the contractual rights to the cash flows from the financial asset expire or have been transferred, provided that substantially all the risks and rewards of ownership have been transferred. The transfer of risks and rewards shall be assessed by comparing the company's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. The company shall have transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset (such as binding agreements for sales of assets, transfers of trade receivables in factoring transactions in which the company retains no credit or interest rate risk, sales of financial assets with an agreement to repurchase them at fair value and securitisations of financial assets whereby the transferee neither retains any subordinated financing nor extends any type of guarantee or incurs any other type of risk).

If the company has neither transferred nor retained substantially all the risks and rewards, it shall derecognise the financial asset when it has not retained control over that asset. Control shall be determined based on the transferee's ability to transfer the asset. If the transferor has retained control, it shall continue to recognise the financial asset at the amount of the company's exposure to variability in the value of the transferred asset; that is, to the extent of its continuing involvement in the financial asset. The associated liability shall also be recognised.

The gain or loss on derecognition of the financial asset shall be determined as the difference between the consideration received net of attributable transaction costs, including any new asset obtained less any liability assumed, and the carrying amount of the financial asset, plus any accumulated amount recognised directly in equity. The gain or loss shall be recognised in profit or loss for the reporting period in which it arises.

The above criteria shall also apply to transfers of a group or part of a group of financial assets.

The company shall not derecognise financial assets in transfers whereby it retains substantially all the risks and rewards of ownership. These include discounted bills, factoring with recourse, sales of financial assets with an agreement to repurchase them at a fixed price or at the sales price plus interest, and securitisations of financial assets whereby the transferor retains subordinated financing or another type of guarantee that absorbs substantially all expected losses. The company shall recognise a financial liability for the amount of the consideration received, which shall subsequently be accounted for in accordance with section 3 of this standard.

3. Financial liabilities

Financial instruments issued, incurred or assumed shall be classified as financial liabilities, as a whole or in part, when their economic reality entails a direct or indirect contractual

obligation for the company to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with third parties under potentially unfavourable conditions. For example, a financial instrument which the issuer is obliged to repurchase, or which gives the holder the right to require the issuer to redeem the instrument at a particular date and for a fixed or determinable amount, or to receive a return of a fixed amount when distributable profit is available. In particular, these include certain redeemable shares and non-voting shares or equity holdings.

Any contract that can or will be settled with the company's own equity instruments shall also be classed as a financial liability, provided that it is:

- a) a non-derivative that requires the company to deliver a variable number of its own equity instruments.
- b) a derivative that can or will be settled through means other than the exchange of a fixed amount of cash or another financial asset for a fixed number of the company's own equity instruments. For this purpose, own equity instruments shall not include instruments that are themselves contracts for the future receipt or delivery of the company's own equity instruments.

For measurement purposes, financial liabilities shall be classified in one of the following categories:

1. Debts and payables
2. Financial liabilities held for trading
3. Other financial liabilities at fair value through profit or loss

Measurement of financial liabilities arising on asset transfers whereby the company neither transfers nor retains substantially all the risks and rewards shall be consistent with the method used for the transferred asset.

3.1. Debts and payables

The following items shall be classified in this category, unless sections 3.2 and 3.3 below are applicable:

- a) Trade payables: financial liabilities arising on the purchase of goods and services in the course of the company's trade operations; and
- b) Non-trade payables: financial liabilities that are not derivatives and do not arise on trade transactions.

3.1.1. Initial measurement

Financial liabilities included in this category shall initially be measured at fair value. In the absence of evidence to the contrary, this shall be the transaction price, which is equivalent to the fair value of the consideration received, adjusted for directly attributable transaction costs.

Nonetheless, trade payables falling due within one year for which there is no contractual interest rate, and called-up equity holdings expected to be settled in the short term can be measured at their nominal amount, provided that the effect of not discounting the cash flows is immaterial.

3.1.2. Subsequent measurement

The financial liabilities included in this category shall subsequently be measured at amortised cost. Accrued interest shall be recognised in the income statement using the effective interest rate method.

Contributions received as a result of joint account contracts and similar agreements shall be measured at cost plus or minus the gain or loss, respectively, attributable to the non-trustee venturers.

Nonetheless, payables falling due within one year initially measured at the nominal amount, in accordance with the preceding section, shall continue to be measured at that amount.

3.2. Financial liabilities held for trading

Financial liabilities held for trading shall be measured as described below.

A financial liability shall be classified as held for trading if it:

- a) is issued principally for the purpose of repurchasing it in the near term (for example, quoted bonds and other marketable securities issued that the company can purchase in the short term depending on changes in value);
- b) forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent initiatives to obtain profits in the short term; or
- c) is a derivative financial instrument, except for a derivative that is a financial guarantee contract or a designated hedging instrument.

The fact that a liability is used to fund trading activities is not sufficient reason for its inclusion in this category.

Initial and subsequent measurement

The financial liabilities included in this category shall be measured using the criteria described in section 2.3 of this standard.

3.3. Other financial liabilities at fair value through profit or loss

This category shall include the hybrid financial liabilities mentioned in the last paragraph of section 5.1 of this standard.

This category could also include liabilities designated by the company on initial recognition as financial liabilities at fair value through profit or loss. Liabilities may only be designated at fair value through profit or loss where this results in more relevant information due to the following:

- a) It eliminates or significantly reduces measurement or recognition inconsistency (also called accounting mismatches) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses thereon using different criteria.
- b) A group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the company's key management personnel as defined in standard 15 on the preparation of annual accounts.

The use of this option shall be disclosed in the notes to the annual accounts.

Initial and subsequent measurement

The financial liabilities included in this category shall be measured using the criteria described in section 2.3 of this standard.

3.4. Reclassification of financial liabilities

The company may not reclassify a financial liability initially designated as held for trading or at fair value through profit or loss to other categories, or vice versa.

3.5. Derecognition of financial liabilities

The company shall derecognise a financial liability when the obligation is extinguished. The company shall also derecognise any own financial liabilities it acquires, even when intended for reissue in the future.

An exchange between a borrower and a lender of debt instruments with substantially different terms shall entail derecognition of the original financial liability and recognition of the new financial liability. Similarly, any substantial modification of the terms of an existing financial liability shall also be recognised.

The difference between the carrying amount of a financial liability, or part of that liability, that has been derecognised and the consideration given, including attributable transaction costs and any asset transferred (other than cash) or liability assumed, shall be recognised in profit or loss for the reporting period in which it arises.

In an exchange of debt instruments that do not have substantially different terms, the original financial liability shall not be derecognised. Fees and commissions paid shall be accounted for as an adjustment to the carrying amount. The amortised cost of the financial asset shall be calculated using the effective interest rate, which is the discount rate that

equates the carrying amount of the financial liability at the modification date to the cash flows payable under the new terms.

The terms of the contract shall be considered substantially different when the present value of the cash flows from the new financial liability, including any fees paid net of any fees received, differs by at least ten per cent from the discounted present value of the remaining cash flows from the original financial liability, discounted using the effective interest rate of the latter.

4. Own equity instruments

An equity instrument is any legal transaction that evidences a residual interest in the assets of the issuer after deducting all of its liabilities.

In transactions carried out by the company with its own equity instruments, the amount of these instruments shall be recognised in equity as a change in capital and reserves without valuation adjustments. Under no circumstances may it be accounted for as a financial asset of the company and no profit or loss may be recognised in the income statement.

Expenses arising on these transactions, including costs incurred on issuing the instruments – such as lawyer, notary and registrar fees; printing of prospectuses, bulletins and securities; taxes; advertising; commissions and other placement expenses – shall be accounted for directly in equity as a reduction in reserves.

Costs incurred on an own equity transaction that is discontinued or abandoned shall be recognised as an expense.

5. Specific cases

5.1. Hybrid financial instruments

Hybrid financial instruments combine a non-derivative host contract and a financial derivative, known as an embedded derivative, which cannot be transferred separately, with the effect that some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivative (for example, bonds indexed to share prices or stock market index performance).

The company shall recognise, measure and disclose the host contract and the embedded derivative separately when the following conditions are met:

- a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- c) the hybrid instrument is not measured at fair value through profit or loss.

The embedded derivative shall be accounted for as a derivative financial instrument, while the host contract shall be recognised according to its nature. This assessment shall

only be made on initial recognition. However, if a change in the terms of the contract significantly modifies future cash flows, a new assessment shall be made.

If the company is unable to determine the fair value of the embedded derivative reliably, this shall be the difference between the fair value of the hybrid instrument and the fair value of the host contract, if both can be measured reliably.

If the company is unable to measure the embedded derivative separately or to determine the fair value reliably, either at acquisition or subsequently, it shall consider the entire hybrid financial instrument as a financial asset or financial liability under other financial assets (or other financial liabilities) at fair value through profit or loss. This criterion shall also apply when the company chooses to measure the hybrid financial instrument at fair value on initial recognition.

5.2. Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that simultaneously includes liability and equity components.

The company shall recognise, measure and disclose separately the components of any compound financial instruments it has issued.

The initial carrying amount shall be allocated using the criteria described below and shall not be subsequently modified, except in the event of error:

- a) The liability component shall be measured at the fair value of a similar instrument that does not have an associated equity component.
- b) The equity component shall be measured as the difference between the initial amount and the value assigned to the liability component.
- c) Transaction costs shall be allocated proportionately.

5.3. Derivatives with underlying investments in unquoted equity instruments for which the fair value cannot be determined reliably

Derivatives that are linked to and settled by delivery of unquoted equity instruments for which the fair value cannot be determined reliably shall be measured at cost less any accumulated impairment.

5.4. Contracts held for the purpose of the receipt or delivery of a non-financial asset

Contracts held for the purpose of the receipt or delivery of a non-financial asset in accordance with the company's expected purchase, sale or usage requirements shall be recognised as prepayments on account or commitments for purchases and sales, as applicable.

Contracts shall be measured and recognised in accordance with the criteria applicable to derivative financial instruments set out in this standard when the contract can be settled by differences, in cash or another financial instrument, or by exchanging financial

instruments or, even when they are settled through delivery of a non-financial asset, the company has a practice of selling the underlying within a short period after delivery, and shorter than the normal sector period, for the purpose of generating a profit from short-term fluctuations in price or dealer's margin, or where the non-financial asset is readily convertible into cash.

5.5. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, such as a guarantee.

Financial guarantee contracts shall initially be recognised at fair value. In the absence of evidence to the contrary, this shall be equal to the premium received plus the present value of any premiums receivable.

Unless the financial guarantee was classified in other financial liabilities at fair value through profit or loss on initial recognition or section 2.9 of this standard applies because the guarantees arose on a transfer of financial assets that does not qualify for derecognition, financial guarantees shall subsequently be measured at the higher of the following:

- a) The value resulting from application of the standard on provisions and contingencies.
- b) The initially recognised amount less any portion recognised in the income statement as accrued income.

5.6. Guarantees extended and received

In guarantees extended or received for operating leases or the rendering of services, the difference between the fair value and the amount disbursed (for example, because the guarantee is non-current and earns no interest) shall be considered as a prepayment or revenues received in advance for the lease or service rendered and shall be recognised in profit or loss over the lease term, in accordance with section 2 of the standard on leases and similar transactions, or over the period during which the service is rendered, in accordance with the standard on revenue from sales and the rendering of services.

When estimating the fair value of guarantees, the minimum contractual term during which the amount may not be reimbursed is considered as the remaining period, without taking into account the statistical reimbursement trends.

Cash flows from current guarantees need not be discounted if the effect is immaterial.

6. Hedge accounting

In a hedging transaction, one or more financial instruments, known as hedging instruments, are designated to hedge a specifically identified risk that could have an

impact on the income statement due to changes in the fair value or cash flows of one or more hedged items.

Under hedge accounting, when certain conditions are met the hedging instruments and hedged items shall be recognised using the criteria described in this section.

Derivatives of which the fair value or future cash flows offset changes in the fair value or future cash flows of items that qualify for classification as hedged items can generally be designated as hedging instruments.

In the case of exchange rate hedges, financial assets and financial liabilities other than derivatives may also qualify as hedging instruments.

A hedged item can be a recognised asset or liability, an unrecognised firm commitment, a highly probable forecast transaction or a net investment in a foreign operation that exposes the company to specific identified risks of changes in the fair value or changes in cash flows. A net asset or liability position shall in no case be considered as a hedged item.

At the inception of the hedge the hedging relationship must be formally designated and documented for all accounting hedges. The hedge must also be highly effective. A hedge is regarded as highly effective if, at the inception and over the term of the hedge, the company can expect, prospectively, changes in the fair value or cash flows of the hedged item attributable to the hedged risk to be almost entirely offset by changes in the fair value or cash flows of the hedging instrument; and, retrospectively, if the results of the hedge are within a range of 80–125 per cent with respect to the results of the hedged item.

For recognition and measurement purposes, hedging transactions shall be classified in the following categories:

- a) Fair value hedges: hedges of the exposure to changes in the fair value of a recognised asset or liability, or unrecognised firm commitment, or an identified portion thereof, that is attributable to a particular risk and could affect the income statement (for example, a swap contract to hedge the risk of fixed-rate financing). Changes in value of the hedging instrument and the hedged item attributable to the hedged risk shall be recognised in profit or loss.
- b) Cash flow hedges: hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, provided it can have an effect on the income statement (for example, a hedge of the foreign currency risk related with the forecast sale and purchase of property, plant and equipment, goods and services in foreign currency or a swap contract to hedge the risk of variable-rate financing). A hedge of the foreign currency risk of a firm commitment may be accounted for as a cash flow hedge. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall temporarily be recognised in equity and allocated to the income statement in the reporting period or periods in which the forecast hedged transaction affects profit or loss, except where the hedge relates to a forecast transaction that requires recognition of a non-financial

asset or liability. In the latter case, the amounts recognised in equity shall be included in the cost of the asset or liability when it is acquired or assumed.

- c) Hedges of a net investment in a foreign operation: hedges of the risk of changes in foreign currency exchange rates derived from investments in subsidiaries, associates, joint ventures and branches that carry out their activities in a functional currency other than that of the company that prepares the annual accounts.

In the case of hedges of a net investment in joint ventures with no separate legal identity and foreign branches, changes in value of the hedging instruments attributable to the hedged risk shall temporarily be recognised in equity and transferred to the income statement in the reporting period or periods in which disposal of the net investment in the foreign operation takes place.

Hedges of a net investment in a foreign operation, specifically subsidiaries, jointly controlled entities and associates, shall be accounted for as fair value hedges with regard to the foreign currency component.

A net investment in a foreign operation comprises the equity holding and any monetary item receivable or payable for which settlement is neither planned nor likely to occur in the foreseeable future, except trade receivables or payables.

A hedging instrument that is not, or ceases to be, an effective hedge shall be measured and recognised according to its nature.

10th Inventories

1. Initial measurement

Goods and services included in inventories shall be measured at cost, determined as purchase price or production cost.

The purchase price or production cost shall only include indirect taxes on inventories when these are not directly recoverable from the taxation authorities.

The purchase price or production cost of inventories that require a period of more than one year to bring them to a saleable condition shall include borrowing costs, in accordance with the standard on property, plant and equipment.

Advances to suppliers on account of future supplies of inventories shall be measured at cost.

Trade payables shall be measured in accordance with the standard on financial instruments.

1.1. Purchase price

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, such as interest incorporated into the nominal amount, plus any additional costs incurred to bring the goods to a saleable condition,

such as transport, import duties, insurance and other costs directly attributable to the acquisition of inventories. Nevertheless, the purchase price can include interest on payables maturing within one year which do not have a contractual interest rate when the effect of not discounting the cash flows is immaterial.

1.2. Production cost

The production cost shall comprise the purchase price of raw materials and consumables, directly related costs and the proportional amount of costs indirectly attributable to the related products, insofar as these relate to the production, construction or manufacturing period, are required to bring the item into a saleable condition and are based on the level of usage of normal production capacity.

1.3. Allocation of value

The value of specific items included in inventories of interchangeable goods shall be allocated using the weighted average cost or price method. The FIFO method is also acceptable and can be used if the company considers this more appropriate for management purposes. The company shall use the same allocation method for all inventories having a similar nature and use.

The value of inventories of items that are not ordinarily interchangeable and goods produced and segregated for specific projects shall be assigned by identifying the price or specific attributable costs on an individual basis.

1.4. Cost of inventories for services rendered

The criteria described in the preceding sections shall also apply when determining the cost of inventories for services. Specifically, inventories shall include production costs associated with the services when the revenue from the services rendered has not yet been recognised in accordance with the standard on revenue from sales and the rendering of services.

2. Subsequent measurement

Valuation allowances shall be made and recognised as an expense in the income statement when the purchase price or production cost of inventories exceeds the net realisable value.

No valuation allowances shall be made for raw materials and other consumables used in the production process if the finished products into which they will be incorporated are expected to be sold above cost. When a valuation allowance is required, the replacement cost of the raw materials and other consumables may be the best available measure of their net realisable value.

Valuation allowances shall not be made for goods or services subject to firm sales or service contracts to be implemented at a subsequent date if the sales price specified in the contract at least covers the cost of those goods or services, plus all costs to be incurred for completion of the contract.

If the circumstances that gave rise to the valuation allowance for inventories cease to exist, the valuation allowance shall be reversed and recognised as income in profit and loss.

11th Foreign currency

1. Foreign currency transactions

A foreign currency transaction is a transaction denominated, or which requires settlement, in a currency other than the functional currency.

The functional currency is the currency of the primary economic environment in which the company operates. In the absence of evidence to the contrary, it shall be presumed that the functional currency of companies domiciled in Spain is the euro.

For the purposes of this standard, assets and liabilities are classified in accordance with the nature of the consideration given or received, as follows:

- a) Monetary items are cash held and assets and liabilities to be received or paid in a fixed or determinable number of currency units. These include loans and receivables, debts and payables and investments in debt securities that meet the aforementioned conditions.
- b) Non-monetary items are assets and liabilities that are not considered monetary items; that is, which shall be received or paid in an unfixed or undeterminable number of currency units. These include property, plant and equipment, investment property, goodwill and other intangible assets, inventories, equity investments in other companies that meet the aforementioned criteria, advances on account of purchases and sales, and liabilities to be settled through delivery of a non-monetary asset.

1.1. Initial measurement

All foreign currency transactions shall be translated into the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. The spot exchange rate is the exchange rate used in transactions with immediate delivery and the date of the transaction is understood to be the date on which the transaction qualifies for recognition.

An average exchange rate may be used for all transactions in each foreign currency occurring during a period (maximum period of one month), except where there have been significant fluctuations in this rate during the period.

1.2. Subsequent measurement

1.2.1. Monetary items

At the balance sheet date, monetary items shall be measured at the closing rate, considered to be the average spot exchange rate at that date.

Exchange gains and losses arising on this process and on settlement of these assets and liabilities shall be recognised in the income statement for the reporting period in which they occur.

In the particular case of monetary financial assets classified as available-for-sale, exchange differences arising due to exchange rate fluctuations between the transaction date and the balance sheet date shall be determined assuming that the assets have been measured at amortised cost in the foreign currency. Exchange differences shall therefore be due to variations in the amortised cost as a result of exchange rate fluctuations, irrespective of the fair value. Exchange differences calculated in this way shall be recognised in profit or loss for the reporting period in which they arise, while other changes in the carrying amount of these financial assets shall be accounted for directly in equity in accordance with section 2.6.2 of the standard on financial instruments.

1.2.2. Non-monetary items

1.2.2.1. Non-monetary items measured at historical cost

These items shall be measured using the exchange rate prevailing at the transaction date.

The amortisation or depreciation charge of an asset denominated in a foreign currency shall be calculated based on the amount expressed in the functional currency using the exchange rate prevailing at the initial recognition date.

At each subsequent balance sheet date, the amount obtained using this method may not exceed the recoverable amount at that time, using the closing exchange rate prevailing at the balance sheet date where necessary.

When, in accordance with the standard on financial instruments, it is necessary to calculate the equity of an investee, corrected for any unrealised gains existing at the measurement date, the closing exchange rate shall be applied to equity and to unrealised gains existing at that date.

However, in the case of foreign companies subject to hyperinflation, the values to be considered shall be the amounts disclosed in the adjusted financial statements prior to translation. Adjustments shall be made in accordance with the criteria applicable to “Adjustments for hyperinflation”, set out in the standards for the preparation of consolidated annual accounts that implement the precepts of the Commercial Code.

Hyperinflation in a country’s economic environment is indicated by certain characteristics including, but not limited to, the following:

- a) the cumulative inflation rate over three years is approaching, or exceeds, 100%;
- b) the general population prefers to keep its wealth in non-monetary assets or in a stable foreign currency;
- c) monetary amounts are usually considered in terms of a stable foreign currency, and prices may even be established in that currency;
- d) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short; or
- e) interest rates, wages and prices are linked to a price index.

1.2.2.2. Non-monetary items measured at fair value

These items shall be measured using the exchange rate prevailing at the fair value calculation date.

When gains or losses deriving from changes in the value of non-monetary items, such as investments in equity instruments classified as available-for-sale financial assets, are recognised directly in equity, any exchange differences included in the gain or loss shall also be accounted for directly in equity. However, when gains or losses deriving from changes in the value of non-monetary items, such as investments in equity instruments classified as financial assets held for trading or investments in other financial assets at fair value through profit or loss, are recognised in the income statement for the reporting period, any exchange differences included in the gain or loss shall also be accounted for in profit or loss for the period.

2. Translation of annual accounts into the presentation currency

The presentation currency is the currency in which the annual accounts are prepared; that is, the euro.

In exceptional circumstances, when a Spanish company has a functional currency or currencies other than the euro, its annual accounts shall be translated into the presentation currency using the criteria applicable to financial statements expressed in a functional currency other than the presentation currency. These are set out in the standards for the preparation of consolidated annual accounts that implement the precepts of the Commercial Code.

Translation differences shall be recognised directly in equity.

When a Spanish company holds an interest in foreign assets or operations which are jointly controlled, as defined in the standard on joint ventures, and the functional currency of these operations is not the euro, the aforementioned procedures for translation to the presentation currency shall apply. Foreign currency transactions carried out by joint ventures disclosed in the annual accounts of the investee shall be translated into the functional currency applying the rules set out in section one of this standard. The same criteria shall apply to the company's foreign branches.

12th Value added tax (VAT), Canary Island tax (IGIC) and other indirect taxes

Non-deductible input VAT shall be included in the purchase price of current and non-current assets and services that are subject to this tax. In the case of work carried out by the company for assets, non-deductible VAT shall be capitalised as part of the cost of the respective non-current assets.

Rectification of non-deductible input VAT resulting from final pro rata adjustments, including adjustments for capital goods, shall not affect initial measurement.

Output VAT shall not be included in income from operations subject to this tax or in the net amount obtained on disposal when non-current assets are derecognised.

The rules applicable to non-deductible input VAT shall also apply to Canary Island tax (IGIC) and any other indirect tax incurred on the acquisition of assets or services that is not directly recoverable from the taxation authorities.

The rules applicable to output VAT shall also apply to Canary Island tax (IGIC) and to any other indirect tax charged on operations carried out by the company and collected on behalf of the taxation authorities. However, when taxes payable are calculated on the basis of revenue or another related indicator, for which the taxable event is not the transaction whereby assets are transferred or services rendered, such taxes shall be accounted for as expenses and, consequently, not a reduction in revenue.

13th Income tax

The income taxes referred to in this standard are direct Spanish or foreign taxes, settlement of which is based on profit or losses calculated in accordance with applicable tax standards.

When the calculation is not based on actual economic transactions but, rather, on objective signs, indexes and modules, the section of this standard that refers to deferred tax shall not apply. Nevertheless, the partial application of these procedures to calculate taxes or income could give rise to deferred tax assets or liabilities.

1. Current tax assets and liabilities

Current tax is the amount of taxes payable by the company as a result of income tax or other tax settlements for a period.

Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and tax loss carryforwards applied in the current reporting period shall be accounted for as a reduction in current tax. However, deductions and other tax relief of an economic nature similar to grants may be accounted for in accordance with section 4 of this standard and the standard on grants, donations and bequests received.

Current tax for the current and prior reporting periods shall be recognised as a liability to the extent unpaid. However, if the amount already paid in respect of the current and prior reporting periods exceeds the amounts due for those periods, the excess shall be recognised as an asset.

In jurisdictions that allow a tax loss for the current period to be carried back to recover tax paid for a previous period, the current tax shall be the total amount of tax for prior reporting periods to be recovered as a result of tax settlements for the period. When a tax loss is used to recover tax paid for a previous period, the benefit shall be recognised as a current tax asset.

2. Deferred tax assets and liabilities

2.1. Temporary differences

Temporary differences are those differences arising between the carrying amount of assets, liabilities and certain own equity instruments of the company and the value attributed to these items for tax purposes that have an impact on future tax payments.

The value of an asset, liability or own equity instrument for tax purposes, called the tax base, is the amount attributed to that item in accordance with applicable tax legislation. It is possible that certain items may have a tax base but no carrying amount and therefore are not recognised in the balance sheet.

Temporary differences arise due to the following:

- a) Usually, as a result of timing differences between taxable income and accounting profit before tax deriving from different timing criteria used to determine these two results. These differences therefore reverse in subsequent periods.
- b) Other cases, such as the following:
 - income and expenses recognised directly in equity that are not considered as taxable income, including changes in the value of assets and liabilities, if these variations differ from those attributed for tax purposes;
 - when the carrying amount of assets and liabilities recognised in a business combination differs from their tax base;
 - on initial recognition of an item not deriving from a business combination, if the carrying amount differs from its tax base.

Temporary differences are classified as follows:

- a) Taxable temporary differences, which are temporary differences that will result in higher tax payments or lower recoverable tax in future reporting periods, usually as the carrying amount of the assets or liabilities from which they arise is recovered or settled.
- b) Deductible temporary differences, which are temporary differences that will result in lower tax payments or higher recoverable tax in future reporting periods, usually as the carrying amount of the assets or liabilities from which they arise is recovered or settled.

2.2. Deferred tax liabilities

A deferred tax liability shall be recognised for all taxable temporary differences, except where they arise due to the following:

- a) Initial recognition of goodwill. However, deferred tax liabilities relating to goodwill shall be recognised to the extent that they do not arise from initial recognition of that goodwill.
- b) Initial recognition of an asset or liability in a transaction that is not a business combination and affected neither accounting profit nor taxable income.

2.3. Deferred tax assets

In accordance with the prudence principle, deferred tax assets shall only be recognised to the extent that it is probable that future taxable income will be available to enable their application.

Provided that the above condition is met, a deferred tax asset shall be recognised in respect of the following:

- a) deductible temporary differences;
- b) the right to offset tax losses in subsequent periods;
- c) unused deductions and tax incentives pending application.

Nonetheless, a deferred tax asset shall not be recognised when the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affected neither accounting profit nor taxable income.

At each balance sheet date, the company shall reassess recognised and previously unrecognised deferred tax assets. The company shall then derecognise previously recorded deferred tax assets when recovery is no longer probable, or recognise a previously unrecorded deferred tax asset to the extent that it is probable that future taxable profit will enable its application.

3. Measurement of current and deferred tax assets and liabilities

Current tax assets or liabilities shall be measured at the amount expected to be paid or recovered from the taxation authorities, using the tax legislation in force or approved and pending publication at the balance sheet date.

Deferred tax assets and liabilities shall be measured using the tax rates expected to prevail upon their reversal, based on tax legislation in force or approved and pending publication at the balance sheet date, and in accordance with the manner in which the assets are reasonably expected to be recovered and liabilities settled.

Any amendments to tax legislation, particularly changes in tax rates, and the company's economic performance shall give rise to a variation in deferred tax assets and liabilities.

Deferred tax assets and liabilities shall not be discounted.

4. *Tax expense (tax income)*

Tax expense (tax income) for the reporting period shall comprise current tax expense (income) and deferred tax expense (income).

Current tax expense (income) shall reflect the settlement of withholdings and payments on account and the recognition of current tax assets and liabilities.

Deferred tax expense (income) shall reflect the recognition and settlement of deferred tax assets and liabilities and the recognition and transfer to profit and loss of any income

recognised directly in equity due to deductions and other tax relief of an economic nature similar to grants.

Both current and deferred tax expense (income) shall be accounted for in profit and loss. However, in the following cases, current and deferred tax assets and liabilities shall be recognised as described below:

- a) Current and deferred tax assets and liabilities relating to a transaction or event which is recognised directly in equity shall be accounted for with a debit or credit to equity.
- b) Current and deferred tax assets and liabilities arising on a business combination shall be accounted for consistently with the other assets and liabilities of the acquired business, unless they are assets or liabilities of the acquirer, in which case their recognition or derecognition shall not form part of the business combination. The current tax expense arising on cancellation of the previously held investment in the acquiree shall be recognised in the income statement.

When deferred tax assets and liabilities are increased or reduced as a result of changes in tax legislation or changes in the company's economic performance, these adjustments shall be recognised in profit or loss as a deferred tax expense or deferred tax income, as applicable. However, adjustments shall be accounted for directly in equity where relating to items which, in application of this General Accounting Plan, should be credited or debited to equity.

On the initial recognition of business combinations, when the deferred tax assets of the acquiree do not qualify for separate recognition and subsequently these recognition criteria are met, the following shall apply:

- a) Deferred tax assets recognised during the measurement period, as described in section 2.6 of the recognition and measurement standard on business combinations, arising from new information on events and circumstances existing at the acquisition date, shall reduce the carrying amount of any goodwill relating to that acquisition. If the goodwill is zero, any deferred tax assets shall be recognised as an adjustment to the negative goodwill.
- b) Deferred tax assets recognised after the aforementioned measurement period, or which are recognised during the measurement period but arise from events or circumstances that did not exist at the acquisition date, shall not give rise to adjustments in the carrying amount of goodwill or negative goodwill. Rather, they shall be recognised in profit and loss or, if required by the standard, directly in equity.

In the specific case of a company in which all temporary differences at the start of the reporting period and at the balance sheet date have arisen due to timing differences between taxable income and accounting profit before tax, the deferred tax expense (income) can be directly measured as the algebraic sum of the following amounts, which may be positive or negative:

- a) the amount resulting from applying the tax rate applicable to each difference recognised or applied during the reporting period, and to the tax loss carryforwards recognised or applied during the period;
- b) the amount of deductions and other tax incentives pending application in subsequent reporting periods, recognised or applied during the period, and the recognition and transfer to profit and loss of any income recognised directly in equity due to deductions and other tax incentives of an economic nature similar to grants;
- c) the amount resulting from any valuation adjustments to deferred tax assets and liabilities, usually due to changes in tax rates or in circumstances affecting the subsequent elimination or recognition of these assets and liabilities.

In this particular case, the total income tax expense (income) shall include both current and deferred tax calculated as described for this case.

5. Individual independent professionals

The income tax line item should not include any amounts for individual professionals. Withholdings and instalments of personal income tax shall be transferred to the account of the company owner at the end of the reporting period.

14th Revenue from sales and the rendering of services

1. Common aspects

Revenue from the sale of goods and rendering of services shall be measured at the fair value of the consideration received or receivable. In the absence of evidence to the contrary, this shall be the agreed price of those goods or services, less any trade discounts, rebates or similar items granted by the company and interest on the nominal amount. However, the company could include interest incorporated in trade balances maturing in less than a year that do not have a contractual rate of interest when the effect of not discounting the cash flows is not material.

Taxes on sales and the rendering of services that the company must pass on to third parties, such as value added tax and special taxes, and amounts collected on behalf of third parties shall not be included in revenue.

Trade receivables shall be measured in accordance with the standard on financial instruments.

Revenue from trade transactions involving exchanges of goods or services of a similar nature or value shall not be recognised.

In order to account for revenue based on the economic substance of a transaction, it may be necessary to use different criteria when recognising the separately identifiable components of single transaction, such as the sale of goods and the associated services. Conversely, different transactions that are linked shall be accounted for jointly.

When uncertainty arises as to the collectibility of revenue already recognised from sales and the rendering of services, the amount in respect of which recovery is considered improbable shall be recognised in expenses as an impairment loss, rather than as a decrease in revenue.

2. Revenue from the sale of goods

Revenue from the sale of goods shall only be recognised when all the following conditions have been satisfied:

- a) the company has transferred to the buyer all significant risks and rewards of ownership of the goods, irrespective of the transfer of legal title. It shall be considered that the item has not been transferred when the buyer has the right to sell the goods to the company, and the company is obliged to repurchase the goods at the initial sales price plus a lender's return;
- b) the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) the amount of revenue can be measured reliably;
- d) it is probable that the economic benefits associated with the transaction will flow to the company;
- e) the costs incurred or to be incurred on the transaction can be measured reliably.

3. Revenue from the rendering of services

Revenue from the rendering of services shall be recognised when the outcome of the transaction can be estimated reliably, taking into account the stage of completion of the transaction at the balance sheet date.

Revenue from the rendering of services shall only be recognised when all the following conditions have been satisfied:

- a) the amount of revenue can be measured reliably;
- b) it is probable that the economic benefits associated with the transaction will flow to the company;
- c) the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The company shall review and, when necessary, revise the estimates of revenue as the service is performed. The need for such revisions does not necessarily indicate that the outcome of the service transaction cannot be estimated reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

15th Provisions and contingencies

1. Recognition

The company shall recognise liabilities that meet the definition and the recognition criteria set out in the Accounting Framework, for which the amount and settlement date are uncertain, as provisions. Provisions can be determined by a legal, contractual, constructive or tacit obligation. In the latter case, the provision arises because the company has created a valid expectation with respect to third parties that it will assume an obligation.

Details of the contingencies to which the company is exposed in relation to obligations other than those mentioned in the preceding paragraph shall be disclosed in the notes to the annual accounts.

2. Measurement

Provisions shall be measured at the balance sheet date, based on information available at any given time, as the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party. Adjustments arising from the discounting of the provision shall be recognised as a finance expense when accrued. Provisions expiring within one year shall not be discounted where the financial effect is not material.

Reimbursements receivable from a third party on settlement of the obligation shall not reduce the amount of debt. The company shall nonetheless recognise the related receivable as an asset, provided that there is no doubt as to its collection. The amount of the asset shall not exceed the amount of the obligation recognised. Where a risk is externalised by means of a legal or contractual agreement, provision is only made for the part of the risk assumed by the company.

16th Liabilities arising from long-term employee benefits

Post-employment benefits such as pensions and other retirement benefits, and any other long-term benefits entailing a payment that is deferred with respect to when the employee renders the service, shall be considered as long-term employee benefits. This standard shall not apply to share-based payment transactions, which are covered by the next standard.

1. Long-term employee benefits under defined contribution schemes

Long-term employee benefits shall be considered defined contribution plans when the company pays fixed contributions into a separate entity, such as an insurance company or pension plan, provided that the company has no legal, contractual or constructive obligation to pay further contributions if the separate entity were unable to meet its obligations.

Accrued contributions payable to a defined contribution plan shall give rise to a liability under long-term employee benefits when they are payable at the balance sheet date.

2. Long-term employee benefits under defined benefit schemes

Long-term employee benefits other than defined contribution schemes shall be considered defined benefit plans. The company shall recognise a provision for long-term employee benefits equivalent to the difference between the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled, less any past service cost not yet recognised under the terms of this standard. Any changes in these amounts during the reporting period shall be recognised in profit or loss, except those which must be accounted for directly in equity, as described below.

Where application of the previous paragraph gives rise to an asset, the value of that asset may not exceed the present value of any economic benefits available to the company in the form of direct reimbursements or reductions in future contributions, plus the part not yet recognised in profit and loss of any past service cost. Any adjustments required in respect of this asset ceiling, relating to post-employment benefits, shall be recognised directly in equity as reserves.

Actuarial calculation methods and unbiased and mutually compatible financial and actuarial assumptions shall be used when estimating the present value of the defined benefit obligation.

Plan assets, including insurance policies, shall comprise assets owned by a third party legally separate from the company and which may only be used to settle employee benefits. Such assets can only be returned to the company when the remaining assets are sufficient to meet all obligations. In the case of insurance policies, the insurer must not be a related party of the company as defined in standard 15 on the preparation of annual accounts. Assets held by a long-term employee benefit fund cannot be non-transferable financial instruments issued by the company.

Any variations in the calculation of the present value of post-employment benefit obligations or the related plan assets at the balance sheet date due to actuarial gains and losses shall be recognised directly in equity, as reserves, in the reporting period in which they arise. Actuarial gains and losses are due to changes in actuarial assumptions or differences between previous calculations based on actuarial assumptions and actual events.

If the company can require an insurer to pay part or all of the expenditure required to settle a defined benefit obligation, and it is practically certain that the insurer will reimburse some or all of the expenditure required to settle that obligation but the insurance policy does not qualify as a plan asset, the company shall recognise its right to reimbursement as a separate asset which, in all other respects, is treated as a plan asset. This reimbursement right shall be measured at fair value.

Past service costs arising on the introduction of a long-term post-employment defined benefit plan or on improvements to that plan shall be recognised as an expense in the income statement, as follows:

- a) Costs relating to vested rights shall be recognised in profit and loss immediately.

- b) Costs relating to unvested rights shall be recognised in profit and loss on a straight-line basis over the average remaining period until the past service benefits become vested. However, if application of this standard gives rise to an asset, unvested rights shall be recognised in profit and loss immediately, unless there is a reduction in the present value of the economic benefits available to the company in the form of direct reimbursements or reductions in future contributions. In this case, the excess over that reduction shall immediately be accounted for in profit and loss.

Past service costs arising on any other type of long-term employee benefits shall immediately be recognised as expenses at present value in the income statement.

17th Share-based payment transactions

Share-based payment transactions are those in which the company settles goods or services received, including services rendered by employees, through its own equity instruments or an amount that is based on the value of its own equity instruments, such as share options or share appreciation rights.

1. Recognition

The company shall account for goods and services when it obtains the goods or as the services are received, as an asset or an expense, depending on the nature of the item. The company shall recognise an increase in equity if the transaction has been settled through equity instruments, or a liability if the transaction has been settled with an amount based on the value of equity instruments.

Where the company has the choice of settling through equity instruments or in cash, it shall recognise a liability to the extent that it has incurred a present obligation to settle in cash or through other assets; otherwise, it shall recognise an equity item. Where it is the provider of the goods or services that has the choice, the company shall recognise a compound financial instrument, including a liability component in respect of the counterparty's right to demand payment in cash, and an equity component reflecting the counterparty's right to demand settlement in own equity instruments.

In transactions requiring completion of a specified period of service, services shall be recognised during the period over which they are rendered.

2. Measurement

In transactions with employees settled through equity instruments, the services rendered and the increase in equity shall be recognised at the grant date fair value of the equity instruments transferred.

Transactions settled through equity instruments as consideration for goods or services other than those provided by employees shall be measured at fair value at the date when the goods or services are received, where this can be estimated reliably. Where the fair value of the goods or services cannot be estimated reliably, the goods or services received and the increase in equity shall be measured at the fair value of the equity instruments transferred, at the date the company receives the goods or the counterparty renders the services.

Once the goods and services received, and the related increase in equity, have been recognised in accordance with the preceding paragraphs, no further adjustments shall be made to equity after the vesting date.

For cash-settled transactions, the goods or services received and the liability to be recognised shall be measured at the fair value of the liability at the date on which the recognition criteria are met.

The liability shall subsequently be measured at fair value at each balance sheet date until settled and any change in measurement during the reporting period shall be accounted for in profit and loss.

18th Grants, donations and bequests received

1. Grants, donations and bequests awarded by third parties other than equity holders or owners

1.1. Recognition

Non-refundable grants, donations and bequests shall initially be accounted for as income directly in equity and allocated to the income statement on a systematic and rational basis as the expenses related with the grant, donation or bequest are incurred, in accordance with section 1.3 of this standard.

The company shall recognise repayable grants, donations and bequests as liabilities until they meet the criteria for classification as non-refundable. Grants, donations and bequests shall be considered non-refundable when they have been awarded to the company through an individual agreement, the conditions have been met and their receipt is reasonably assured.

1.2. Measurement

Monetary grants, donations and bequests shall be measured at the recognition date fair value of the consideration awarded. Non-monetary grants, donations and bequests and those received in kind shall be measured at the recognition date fair value of the item received.

1.3. Allocation to profit and loss

Non-refundable grants, donations and bequests shall be taken to profit and loss in accordance with the purpose for which they were awarded.

Monetary grants, donations and bequests shall be recognised in profit and loss using the same criteria as those applicable to grants, donations and bequests received in kind when they are used to acquire the same type of asset or settle the same type of liability.

Grants, donations and bequests shall be recognised in profit and loss distinguishing between the following:

- a) Those awarded to ensure a minimum profitability or to offset operating losses shall be recognised as income for the reporting period in which they are awarded, except those earmarked to finance operating losses for a future period, in which case they shall be recognised as income in that period.
- b) Those awarded to finance specific expenses shall be recognised as income in the reporting period in which the financed expenses are accrued.
- c) Those awarded to acquire assets or settle liabilities shall be recognised as follows:
 - Grants, donations and bequests awarded to acquire intangible assets, property, plant and equipment and investment property shall be recognised as income for the reporting period in proportion with the amortisation or depreciation charges for those assets in that period or when the assets are disposed of, impaired or derecognised.
 - Grants, donations and bequests awarded to acquire inventories not obtained through a trade discount shall be recognised as income for the reporting period in which the inventories are disposed of, impaired or derecognised.
 - Grants, donations and bequests awarded to acquire financial assets shall be recognised as income for the reporting period in which the assets are disposed of, impaired or derecognised.
 - Grants, donations and bequests awarded for settlement of debt shall be recognised as income for the reporting period in which the liability is settled. However, those awarded in relation to specific financing shall be recognised depending on the nature of the financed item.
- d) Monetary amounts received that are not earmarked for a specific purpose shall be taken to income for the reporting period in which they are recognised.

Impairment for parts of items financed free of charge shall not be reversed.

2. Grants, donations and bequests awarded by equity holders or owners

Non-refundable grants, donations and bequests received from equity holders or owners shall not be considered as income and shall instead be recognised directly in capital and reserves without valuation adjustments, irrespective of their nature. These grants, donations and bequests shall be measured in accordance with section 1.2 of this standard.

However, public sector companies that receive grants, donations and bequests from the controlling public entity to finance activities of general or public interest shall be accounted for in accordance with the preceding section of this standard.

19th Business combinations

1. Scope and application

This standard regulates how companies should account for business combinations, defined as transactions in which a company acquires control of one or more businesses.

For the purposes of this standard, a business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return, lower costs or other economic benefits directly to the owners or participants. Control is the power to govern the financial and operating policies of a business so as to obtain economic benefits from its activities.

In each case, the company shall determine whether the transaction in question is a business combination, based on the definition in the preceding paragraph. In particular, it shall determine whether the acquired assets and the liabilities assumed constitute a business. Where this is not the case, the purchase method shall only be applied insofar as it does not conflict with the relevant recognition and measurement standard, and the transaction shall be accounted for as an acquisition of assets and, where applicable, an assumption of liabilities, in accordance with the provisions of the aforementioned standard. In this instance, the transaction cost shall be distributed between the identifiable assets acquired and the liabilities assumed based on their relative fair values. Such transactions shall not give rise to goodwill or negative goodwill under the terms regulated in section 2.5 of this standard.

Business combinations can arise due to the following circumstances, depending on the legal form of the transaction:

- a) The merger or spin-off of several companies.
- b) The acquisition of all assets and liabilities of a company or a portion comprising one or more businesses.
- c) The acquisition of shares or equity holdings in the capital of a company, including those received as a non-monetary contribution on the incorporation of a company or in a subsequent share capital increase.
- d) Other transactions or events whereby a company acquires control over another company other than through an investment, irrespective of whether it previously held an interest in that company's capital.

The business combinations referred to in a) and b) above shall be accounted for using the purchase method described in the subsequent section of this standard.

For the business combinations referred to in c) and d) above, in its individual annual accounts the investor shall measure the equity investment in other group companies using the criteria applicable to those companies set out in section 2.5 of the standard on financial instruments. In the consolidated annual accounts, these business combinations shall be recognised in accordance with applicable consolidation standards.

Except in the case of a reverse acquisition – as defined in the last paragraph of section 2.1 – and transactions between group companies, acquirees that are extinguished or spun off in a business combination shall recognise the transfer of the assets and liabilities comprising the business transferred through derecognition of the related balance sheet

items, recording the gain or loss on the transaction in the income statement as the difference between the carrying amount of the business transferred and the fair value of the consideration received, net of transaction costs. In reverse acquisitions, this difference shall be recognised as income or an expense in the income statement of the absorbing company or the beneficiary acquired, irrespective of subsequent elimination in accordance with section 2.2.

2. Purchase method

Under the purchase method, at the acquisition date the acquirer shall recognise the identifiable assets acquired and liabilities assumed in a business combination, as well as any goodwill or negative goodwill. Income, expenses and the associated cash flows shall be recognised from that date onwards, in accordance with section 2.2 of this standard.

In particular, application of the purchase method requires the following:

- a) identifying the acquirer;
- b) determining the acquisition date;
- c) measuring the cost of the business combination;
- d) recognising and measuring the identifiable assets acquired and liabilities assumed; and
- e) determining the amount of goodwill or negative goodwill.

Measurement of the acquirer's assets and liabilities shall not be affected by the business combination and no assets or liabilities shall be recognised as a result of the transaction.

2.1. Acquirer

The acquirer is the company that obtains control of the acquired business or businesses. For the purposes of this standard, the acquirer could also be a part of a company which, as a result of the combination, is spun off from the entity of which it formed part and obtains control over another business or other businesses.

When a new company is incorporated as a result of a merger, spin off or non-monetary contribution, one of the combining companies that existed before the business combination shall be identified as the acquirer.

The company that obtains control shall be identified based on the economic reality of the business combination, and not merely its legal form.

However, as a general rule, the company that gives consideration in exchange for the acquired business or businesses shall be considered the acquirer. To determine which company actually obtains control, the following criteria shall also be taken into consideration:

- a) If the business combination empowers the equity holders or owners of one of the combining companies or businesses to retain or receive the largest portion of the voting rights in the combined entity or enables them to elect, appoint or remove the majority of the members of the governing body of the combined entity, or if, as a result of the combination, those equity holders or owners acting

as an organised group hold the largest minority voting interest in the combined entity, if no other group of owners has a significant voting interest, that company shall usually be the acquirer.

- b) If the business combination empowers the equity holders or owners of one of the combining companies or businesses to appoint the management team of the combined business, that company shall usually be the acquirer.
- c) If the fair value of one of the companies or businesses is significantly higher than the fair value of the other or others involved in the transaction, the acquirer shall usually be the company with the highest fair value.
- d) The acquirer is usually the company that pays a premium over the fair value of the equity instruments of the other combining companies.

In a combination involving more than two companies or businesses, other factors are taken into consideration, such as which of the companies initiated the combination or whether the volume of assets, revenues or profit and loss of one of the combining companies or businesses significantly exceeds those of the others.

When determining which company is the acquirer, the criterion described in section a) above shall preferably be considered. Failing that, the criterion included in section b) shall be used.

Applying the above criteria, the acquired business could be that of the absorbing company, of the beneficiary or of the company that increases its share capital. For the purposes of this standard, these transactions are called reverse acquisitions. In such cases the criteria included in the standards for the preparation of consolidated annual accounts that implement the precepts of the Code of Commerce should be taken into consideration, adapted as necessary by the reporting party.

2.2. Acquisition date

The acquisition date is the date on which the acquirer obtains control of the business acquired.

In the case of a merger or spin-off, that date shall generally be the date of the general meeting of the acquiree's shareholders, or equivalent body, at which the transaction is approved, provided that the agreement for the merger or spin-off project does not contain an express statement regarding the acquirer's assumption of control over the business at a subsequent time.

Notwithstanding the above, the acquiree or spun-off company shall still be subject to the registration obligations set out in article 28.2 of the Code of Commerce until the date on which the merger or spin-off is filed at the Business Registry. At that date, which is the registration date, the acquirer shall recognise the retrospective effects of the merger or spin-off from the acquisition date onwards. This circumstance shall in turn give rise to an adjustment in the accounting ledgers of the acquiree or spun-off company, to derecognise transactions carried out since the acquisition date. Once the merger or spin-off has been filed at the Business Registry, the acquirer shall recognise the assets and liabilities of the

acquired business, applying the recognition and measurement criteria described in section 2.4 of this standard.

In reverse acquisitions, the accounting effects of the merger or spin-off should reflect the economic substance of the transaction. Therefore, at the date on which the acquisition is filed at the Business Registry, income and expenses of the acquired business (the legal acquirer) accrued up to the acquisition date shall be recognised under share premium, while income and expenses of the acquirer shall be recorded in the annual accounts of the absorbing company or beneficiary of the spin-off from the beginning of the financial year.

The effectiveness of the merger or spin-off shall be subject to the new company, or the absorption or spin-off, as applicable, being filed at the Business Registry. Therefore, the obligation to prepare annual accounts prevails until the date on which the companies involved in the merger or spin-off are extinguished, and the content of those annual accounts shall be in accordance with the above, as well as with the stipulations set out below. In particular, the following rules shall apply:

- a) If the balance sheet date of the companies involved in the transaction falls between the date on which control is acquired and the date on which the new company, or the absorption or spin-off, as applicable, is filed at the Business Registry, their annual accounts shall reflect the accounting effect of the merger or spin-off from the acquisition date onwards, provided that registration takes place before the statutory period for the preparation of annual accounts specified in commercial law elapses.

In such cases, the acquirer's annual accounts shall reflect the income, expenses and cash flows of the acquiree from the acquisition date, as well as the identifiable assets and liabilities, in accordance with section 2.4 of this standard. The acquiree shall recognise income, expenses and cash flows prior to the acquisition date in its annual accounts, and derecognise all its assets and liabilities with accounting effect from that date.

The same criteria shall apply if the merger or spin-off process commences and is completed in the same financial year.

- b) However, if registration takes place after the statutory period for the preparation of annual accounts specified in commercial law, the effect of the retrospective recognition mentioned in the third paragraph of this section shall not be reflected in the annual accounts. Consequently, the acquirer shall not disclose the assets, liabilities, income, expenses and cash flows of the acquiree in these annual accounts, notwithstanding the information on the merger or spin-off that should be included in the notes to the annual accounts of the companies involved in the transaction.

Once the merger or spin-off has been registered, the acquirer shall recognise the accounting effect of the retrospective recognition, and make the corresponding adjustment to the comparative information for the prior year.

c) The criteria specified in the above sections shall be applied to reverse acquisitions as follows:

c.1) In the scenario described in section a), the annual accounts of the legal acquirer shall not include the income and expenses accrued up to the acquisition date, irrespective of the obligation to disclose the amount and nature of the income and expenses in the notes to the annual accounts. The acquirer, which is the legal absorbed company, shall not prepare annual accounts insofar as its assets and liabilities, as well as its income, expenses and cash flows from the beginning of the financial year, should be reflected in the annual accounts of the acquiree, the legal absorbing company.

c.2) In the scenario described in section b), the companies involved in the transaction shall not reflect the effects of the retrospective recognition described in the fourth paragraph of this section. Once the merger or spin-off has been registered, the legal absorbing company shall reflect the aforementioned effects in accordance with section c.1), giving rise to an adjustment to the comparative information for the prior year.

These rules, adapted as may be required, shall also apply to transfers of assets and liabilities.

2.3. Cost of the business combination

The cost of a business combination for the acquirer shall be calculated as the aggregate of:

- a) The acquisition-date fair values of the assets given, liabilities incurred or assumed and the equity instruments issued by the acquirer. However, when the fair value of the business acquired is more reliable, this shall be used to estimate the fair value of the consideration given.
- b) The fair value of any consideration contingent on future events or compliance with certain conditions, which should be recognised as an asset, a liability or equity in accordance with its nature, except where such consideration gives rise to the recognition of a contingent asset that requires income to be recorded in the income statement. In this case, the contingent asset shall be accounted for in accordance with section 2.4.c.4) of this standard.

Costs related with the issue of equity instruments or the financial liabilities given as consideration for the acquired assets and liabilities shall not be included in the cost of the business combination. These costs shall be accounted for in accordance with the standard on financial instruments.

The remaining fees paid to legal advisors or other professionals involved in the transaction shall be recognised as an expense in the income statement. Under no circumstances shall expenses incurred internally on such items, or expenses incurred by the acquiree in relation to the business combination, be included in the cost of the combination.

In the absence of a more reliable measurement, the fair value of the equity instruments or the financial liabilities issued which are given as consideration in a business combination shall be their quoted price in an active market, where this is available. Where this is not available, in the particular case of mergers and spin-offs, the fair value shall be the value allocated to the shares or equity holdings of the acquirer in order to determine the exchange ratio.

When the carrying amount of the assets given by the acquirer as consideration differs from the fair value, any gain or loss shall be recognised in the income statement, as provided for in the standard on exchanges of property, plant and equipment.

2.4. Recognition and measurement of the identifiable assets acquired and liabilities assumed

At the acquisition date, identifiable assets acquired and liabilities assumed shall be recognised and measured using the following criteria:

a) Recognition criterion

1. The identifiable assets acquired and the liabilities assumed should meet the definition of an asset or liability set out in the Accounting Framework, and should be part of the assets and liabilities exchanged by the acquirer and the acquiree in the business combination, irrespective of whether some of these assets and liabilities did not previously qualify for recognition in the annual accounts of the acquiree or of the company that owned the acquired business.

In particular, if at the acquisition date the acquired business is party to an operating lease contract under favourable or unfavourable terms compared with market conditions, the acquirer shall recognise an intangible asset or a provision, respectively.

2. At the acquisition date, the acquirer shall classify or designate the identifiable assets acquired and the liabilities assumed in accordance with the remaining recognition and measurement standards, taking into consideration the contractual agreements, economic conditions, accounting and operating criteria, as well as other relevant conditions existing at that date.

However, contrary to the stipulations in the preceding paragraph, contracts for leases and similar transactions shall be classified based on the contractual terms and other factors existing at the inception of the contract; or, if the terms have been changed and the contract must therefore be reclassified, at the amendment date, which can be the acquisition date.

b) Measurement criterion

The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value, provided that this can be measured reliably.

c) Exceptions to the recognition and measurement criteria

Notwithstanding the above, the following identifiable assets acquired and liabilities assumed shall be recognised and measured in accordance with the rules described below:

1. Non-current assets classified by the acquirer as held-for-sale shall be measured in accordance with the standard on non-current assets and disposal groups held for sale.
2. Deferred tax assets and liabilities shall be recognised and measured in accordance with the standard on income tax.
3. Assets and liabilities associated with long-term employee benefits under defined benefit schemes shall be accounted for at the acquisition-date present value of the defined benefit obligation less the fair value of the plan assets out of which the obligations are to be settled.

The present value of the obligations shall include past service costs arising on changes in benefits or on the introduction of a plan before the acquisition date, as well as any actuarial gains and losses arising before that date.

4. If as a result of accounting for an identifiable intangible asset, the value of which cannot be measured in relation to an active market, income is recognised in profit and loss in accordance with section 2.5 of this standard, this asset shall be measured at fair value less the initial negative goodwill. The asset shall not be recognised if the negative goodwill exceeds the total value of the intangible asset.
5. If the acquirer receives an asset as an indemnity for a contingency or uncertainty related with all or part of a specific asset or liability, this asset shall be recognised and measured at the same time and consistently with the item that gives rise to the contingency or uncertainty.
6. The acquirer shall measure a reacquired right recognised as an intangible asset on the basis of the remaining term of the contract, irrespective of whether a third party would consider possible contract renewals when determining the fair value.
7. When the acquired business includes contingent obligations, the acquirer shall recognise the obligations it undertakes as a liability at fair value, provided that the liability is a present obligation that arises from past events and the fair value can be measured reliably, even when it is not probable that an outflow of resources embodying economic benefits will result from settlement of the obligation.

2.5. Determining the amount of goodwill or negative goodwill

The excess of the cost of the business combination at the acquisition date over the value of the identifiable assets acquired less the liabilities assumed under the terms described in the preceding section shall be recognised as goodwill.

The criteria set out in the specific standards on intangible assets shall apply to goodwill.

In the exceptional event that the value of the identifiable assets acquired less the liabilities assumed exceeds the cost of the business combination, the excess shall be accounted for as income in profit and loss.

However, before recognising the aforementioned income, the company shall reassess whether it has correctly identified and measured the identifiable assets acquired and the liabilities assumed, as well as the cost of the combination. If during this reassessment any contingent assets or intangible assets have been identified for which there is no active market, these assets shall only be recognised for amounts that do not give rise to any negative goodwill.

2.6. Provisional accounting

If the measurement process required for application of the purchase method cannot be completed by the end of the reporting period in which the combination is effected, the annual accounts shall be prepared using provisional values.

The provisional values shall be adjusted over the necessary period to obtain the information required to complete the initial accounting (hereinafter the measurement period). This period shall not exceed one year from the acquisition date.

In any event, adjustments to provisional amounts shall only reflect information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date.

Some changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date may be the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. Such changes are measurement period adjustments. For example, if contingent consideration is agreed based on profits expected to be obtained in the coming three years, the acquirer shall calculate its best estimate of that amount at the acquisition date, and this estimate shall be adjusted one year later to take into account information on the entity's results existing at that date.

However, changes resulting from events after the acquisition date, such as reaching a specified share price or achieving a milestone on a research and development project, are not measurement period adjustments.

Adjustments to complete the initial accounting shall be made retrospectively, so that the resulting values are those that would have been recognised had the newly incorporated information been available at the outset. Therefore:

- a) Adjustments to the initial value of the identifiable assets and the liabilities assumed shall be considered to have been carried out at the acquisition date.
- b) The value of goodwill or negative goodwill shall be corrected with effect from the acquisition date by an amount equal to the adjustment to the initial value of the identifiable assets and the liabilities assumed, or to the cost of the combination.

- c) The adjustments shall be disclosed in the comparative information.

After this period, adjustments shall only be made to initial values when errors must be corrected, in accordance with the standard on changes in accounting criteria, errors and accounting estimates. Any other subsequent amendments shall be recognised as changes in estimates, in accordance with the aforementioned standard on changes in accounting criteria, errors and accounting estimates.

2.7. Business combinations achieved in stages

Business combinations achieved in stages are business combinations whereby the acquirer obtains control of the acquiree through several independent transactions carried out at different dates.

In these cases, goodwill or negative goodwill shall be determined as the difference between the following amounts:

- a) The cost of the business combination, plus the acquisition-date fair value of the acquirer's previously held investment in the acquiree; and
- b) The value of the identifiable assets acquired less the value of the liabilities assumed under the terms described in section 2.4.

Any gain or loss arising as a result of the fair value measurement at the date on which control of the acquirer's previously held investment in the acquiree is obtained shall be recognised in line item 14.b) or 16.b) of the income statement. If the investment has previously been measured at fair value, valuation adjustments pending recognition in profit and loss for the year shall be taken to the income statement.

The cost of the business combination is presumed to be the best reference for estimating the acquisition-date fair value of any previously held investment in the acquiree. Where there is evidence to the contrary, other valuation techniques shall be used to determine the fair value of the investment.

2.8. Recognition and measurement of separate transactions

The acquirer and the acquiree may have a pre-existing relationship before the business combination began, or they may enter into a simultaneous arrangement that is separate from the business combination. In either case, the acquirer shall identify separate transactions that do not form part of the business combination, and shall account for these in accordance with the relevant recognition and measurement standard, recognising an adjustment to the cost of the combination where applicable.

A transaction entered into by or on behalf of the acquirer or primarily for the benefit of the acquirer or the combined entity, rather than primarily for the benefit of the acquiree (or its former owners) before the combination, is likely to be a separate transaction. The following are examples of separate transactions to which the purchase method should not be applied:

- a) A transaction that settles pre-existing relationships between the acquirer and the acquiree

Where there is a pre-existing contractual or non-contractual relationship between the acquirer and the acquiree, the acquirer shall recognise a gain or loss on the settlement of that pre-existing relationship, the amount of which shall be determined as follows:

1.1. For a pre-existing non-contractual relationship (for example, a lawsuit), fair value.

1.2. For a pre-existing contractual relationship, the lesser of the following:

- i) The amount by which the contract is favourable or unfavourable for the acquirer when compared with market conditions.
- ii) The amount of any settlement provisions stated in the contract available to the counterparty to whom the contract is unfavourable.

If the second amount is less than the first, the difference shall be included in the cost of the business combination. However, if under the settlement the acquirer reacquires a right it has previously transferred, the acquirer shall recognise an intangible asset in accordance with section 2.4.c.6).

Whether the settlement is of a contractual or a non-contractual relationship, when determining the gain or loss the acquirer should take into consideration any previously recognised related assets and liabilities.

Any expense or income to be recognised in accordance with the above criteria shall be accounted for against the consideration transferred. Consequently, the amount of the aforementioned expense or income should be reduced or increased, respectively, by the cost of the combination in order to calculate the goodwill or negative goodwill.

Any impairment loss previously recognised by the acquirer or the acquiree in relation to reciprocal receivables and payables shall be reversed and accounted for as income in the income statement of the company that had previously recorded the impairment loss. The reciprocal receivables and payables shall be eliminated from the acquirer's accounting records at the acquisition date.

- b) Replacement of remuneration arrangements with the employees or former owners of the acquiree

If as a result of the business combination payment commitments with employees based on equity instruments of the acquiree are voluntarily or obligatorily replaced by payment commitments based on equity instruments of the acquirer, the amount of the replacement arrangements included in the cost of the business combination shall be equivalent to the part of the acquiree's arrangement that is attributable to services rendered prior to the acquisition date. This amount shall be determined by applying the percentage resulting from comparing the vesting

period completed at the acquisition date with the longer of the initial period and the new vesting period resulting from new arrangements, to the acquisition-date fair value of the acquiree's arrangements.

If the new arrangements require employees to render additional services, any excess of the fair value of the new arrangement over the aforementioned cost shall be recognised as a personnel expense in accordance with the standard on share-based payment transactions. Otherwise, any excess shall be recognised as a personnel expense at the acquisition date.

However, when the acquirer voluntarily replaces share-based payment arrangements that expire as a result of the business combination, the entire acquisition-date value of the new incentives shall be recognised as a personnel expense in accordance with the standard on share-based payment transactions. In this scenario, therefore, the aforementioned incentives shall not form part of the consideration transferred in the business combination.

c) Indemnification for receiving a loss-making business

If the acquirer receives an asset or the commitment to receive an asset as indemnification for assuming a loss-making business (for example, to cover the cost of a future personnel restructuring plan), it shall account for this agreement as a separate transaction from the business combination, recognising a provision against the aforementioned asset at the date on which that asset qualifies for recognition and measurement.

2.9. *Subsequent measurement*

After initial measurement, and notwithstanding the adjustments required by section 2.6 of this standard, the liabilities and equity instruments issued as a cost of the business combination, and the identifiable assets acquired and liabilities assumed in the business combination, shall generally be accounted for in accordance with the relevant recognition and measurement standards, based on the nature of the transaction or of the asset or liability.

However, as an exception to the aforementioned rule, the following criteria shall apply to the transactions and items indicated below:

a) Liabilities recognised as contingencies. After initial measurement, and until the liability is cancelled, settled or expires, these liabilities shall be measured at the higher of the following amounts:

1. The amount resulting from application of the standard on provisions and contingencies.

2. The amount initially recognised, less, where applicable, the portion taken to the income statement as accrued income, in accordance with the standard that is applicable based on the nature of the liability.

b) Indemnification assets shall be measured on a basis that is consistent with the item that gives rise to the contingency or uncertainty, subject to any contractual limitation on the amount and, in the case of indemnification assets that are not subsequently measured at fair value, considering management's assessment of the circumstances relating to collection. The acquirer shall only derecognise such assets when the associated right is collected, sold or otherwise extinguished.

c) A reacquired right recognised as an intangible asset shall be amortised over the remaining term of the initial assignment.

d) Contingent consideration. After provisional recognition of the business combination, the following criterion shall be applied to subsequent changes in the fair value of contingent consideration:

1. Contingent consideration classified as equity shall not be remeasured and subsequent settlement shall be accounted for in equity.
2. Contingent consideration classified as an asset or a liability that is a financial instrument and falls within the scope of the standard on financial instruments shall be measured at fair value, with any gain or loss recognised in the income statement. If it does not fall within the scope of the aforementioned standard, it shall be accounted for in accordance with the standard on provisions and contingencies, or the standard that is applicable based on the nature of the consideration.

In particular, in the case of contingent assets that have not been recognised because they give rise to negative goodwill, subsequent recognition and measurement shall be on a basis that is consistent with the item that gives rise to the contingency or uncertainty.

20th Joint ventures

1. Scope of application

A joint venture is an economic activity that is jointly controlled by two or more individuals or entities. Joint control is a statutory or contractual arrangement whereby two or more individuals, hereinafter referred to as "venturers" for the purposes of this standard, agree to share the power to govern the financial and operating policies of an economic activity so as to obtain economic benefits, in such a way that strategic financial and operating decisions relating to the activity require the unanimous consent of all the venturers.

2. Categories of joint venture

Joint ventures can be categorised as follows:

- a) Joint ventures that do not arise from the incorporation of a company or the establishment of a financial structure that is separate from the venturers, such as temporary joint ventures and co-ownerships, distinguishing between the following:

- a₁) Jointly controlled operations: activities entailing the use of assets and other resources owned by each of the venturers.
- a₂) Jointly controlled assets: assets jointly controlled or owned by the venturers.
- b) Joint ventures arising through the incorporation of a separate legal entity or jointly controlled entities.

2.1. Jointly controlled operations and assets

A venturer shall recognise its share of jointly controlled operations or assets in the balance sheet based on its percentage ownership of jointly controlled assets and its proportional share of liabilities incurred jointly with other venturers. Assets controlled by the venturer used in jointly controlled operations and liabilities incurred in respect of joint ventures are also recognised in the venturer's balance sheet.

A venturer shall recognise in the income statement its share of income earned and expenses incurred by the joint venture, as well as expenses relating to its interest in the joint venture, which under this General Accounting Plan should be taken to profit and loss.

The venturer's statement of changes in equity and statement of cash flows shall also reflect its proportional share of the joint venture items based on its contractual percentage ownership.

Any unrealised gains and losses on transactions between the venturer and the joint venture should be eliminated in proportion to the venturer's interest. Reciprocal assets, liabilities, income, expenses and cash flows shall also be eliminated.

If the joint venture prepares financial statements for management purposes, these may be integrated into the individual annual accounts of the venturers in proportion to their percentage ownership, provided that the recognition requirements set out in article 28 of the Commercial Code are met. The financial statements shall be integrated after the required timing and measurement adjustments have been made for harmonisation with the venturer's balance sheet date, financial year and measurement criteria, and once the necessary reconciliations and reclassifications have been completed.

2.2. Jointly controlled entities

The venturer shall recognise its interest in a jointly controlled entity in accordance with the criteria applicable to equity investments in group companies, jointly controlled entities and associates in section 2.5 of the standard on financial instruments.

21st Transactions between group companies

1. Scope and general rules

This standard shall apply to transactions carried out between companies of the same group, as defined in standard 13 on the preparation of annual accounts.

Transactions between group companies shall be accounted for in accordance with the general standards, irrespective of the type of relationship of the entities forming the group.

Therefore, notwithstanding the content of the following section, items involved in a transaction shall initially be recognised at fair value. If the agreed transaction price were not the fair value, the difference shall be recognised based on the economic reality of the transaction and subsequently measured in accordance with the applicable standards.

2. Specific standards

The specific standards shall only apply when the items included in the transaction must be classified as a business. For this purpose, equity investments that grant control over a company that constitutes a business shall also be classified as a business.

The value of these investments in consolidated accounts is the amount that represents the percentage ownership of the assets and liabilities of the subsidiary recognised in the consolidated balance sheet, less non-controlling interests.

2.1. Non-monetary contributions

In non-monetary contributions to a group company, the contributing company shall measure its investment at the carrying amount at which the contributed items are recognised in the consolidated annual accounts at the transaction date, in accordance with the standards for the preparation of consolidated annual accounts that implement the precepts of the Code of Commerce.

The acquirer shall recognise those items at the same amount.

The consolidated annual accounts used for this purpose shall be those of the largest Spanish-parented group or subgroup into which the items are integrated. In the event that preparation of those consolidated annual accounts is not required, pursuant to any of the exemptions provided for in the consolidation standards, the amounts recognised in the individual annual accounts of the contributing company prior to the transaction shall be used.

2.2. Mergers and spin-offs

2.2.1. Recognition and measurement criteria

The following rules shall apply to mergers and spin-offs:

a) In transactions between group companies involving the parent company of the group or the parent of a subgroup and its direct or indirect subsidiary, the assets and liabilities acquired shall be measured at the amount at which they would be recognised in the consolidated annual accounts of the group or subgroup after the transaction, in accordance with the aforementioned standards for the preparation of consolidated annual accounts.

Any accounting differences arising due to application of the above criteria shall be recognised in reserves.

Notwithstanding the above, the purchase method shall apply when the pre-merger relationship between the parent and the subsidiary results from the transfer of shares or equity holdings of the subsidiary between group companies, and this transaction does not give rise to a new subgroup that is obliged to consolidate, provided that the consideration given is not in the form of equity instruments of the acquirer. The date on which the aforementioned relationship arises shall be taken as the reference date.

This criterion shall also apply in the case of indirect control, when the parent company must compensate other group companies not involved in the transaction for the loss that those group companies would otherwise incur in their equity.

b) In the case of transactions between other group companies, the assets and liabilities acquired shall also be measured at their carrying amount in the consolidated annual accounts at the transaction date.

In the particular case of a merger, any difference between the net value of the assets and liabilities of the acquiree, adjusted for the amount that should be recognised in subgroups A-2) and A-3) in equity, and any amount relating to capital or share premium issued by the absorbing company, shall be accounted for in reserves.

This criterion shall also apply to spin-offs.

The consolidated annual accounts used for this purpose shall be those of the largest Spanish parented group or subgroup into which the assets and liabilities are integrated. In the event that preparation of those consolidated annual accounts is not required, pursuant to any of the exemptions provided for in the consolidation standards, the amounts recognised in the individual annual accounts of the contributing company prior to the transaction shall be used.

Notwithstanding the above, when the absorbing company must compensate other group companies not involved in the transaction for the loss that those group companies would otherwise incur in their equity, the assets and liabilities of the absorbed company shall be accounted for in accordance with the general rules.

2.2.2. Date for accounting purposes

In mergers and spin-offs between group companies, the date for accounting purposes shall be the first day of the year in which the merger is approved, provided that this is subsequent to the date on which the companies were incorporated into the group. If one of the companies is incorporated into the group during the year in which the merger or spin-off is carried out, the date for accounting purposes shall be the acquisition date.

In the event that the companies involved in the transaction formed part of the same group before the beginning of the immediately prior year, the information on the accounting effect of the merger shall not extend to the comparative information.

If a balance sheet date falls between the approval date of the merger and the date on which the merger is filed at the Business Registry, the companies involved in the transaction are still required to prepare annual accounts. The content of these annual

accounts shall be that specified in the general criteria set out in section 2.2 of the 19th recognition and measurement standard, on business combinations.

2.3. Share capital reductions, distributions of dividends and company dissolutions

The criteria described below shall apply to share capital reductions, distributions of dividends and company dissolutions, provided that the business in which the share capital reduction is carried out, the dividend payment is declared or the equity holder's or owner's liquidation payment is settled remains within the group.

The assigner company shall account for the difference between the amount payable to the equity holder or owner and the carrying amount of the business transferred as a credit to reserves.

The assignee shall account for the difference using the criteria set forth in section 2.2 of this standard.

22nd Changes in accounting criteria, errors and accounting estimates

Changes in accounting criteria, which can only be made in accordance with the consistency principle, shall be applied retrospectively and the effect shall be calculated from the earliest reporting period for which information is available.

Income or expenses for prior periods deriving from application of this principle shall give rise to an adjustment in the reporting period in which the change in criteria occurs for the accumulated effect of changes in assets and liabilities, which shall be recognised directly in equity as reserves, except where it relates to an expense or income recognised directly in another equity item in previous reporting periods. The comparative information for the reporting periods to which the change in accounting criteria relates shall also be adjusted.

The same rules shall apply to the correction of errors from prior reporting periods as to changes in accounting criteria. Errors are considered to be omissions and misstatements in annual accounts for prior reporting periods arising from a failure to use, or the misuse of, reliable information that was available when the annual accounts were prepared and which the company could reasonably have obtained and taken into account in the preparation of those annual accounts.

However, adjustments to the carrying amount of assets or liabilities or to the future consumption of an asset as a result of additional information, more experience or knowledge of new events shall qualify as changes in accounting estimates. Changes in accounting estimates shall be applied prospectively and the effect shall be recognised in accordance with the nature of the transaction as income or an expense in profit or loss for the reporting period, or directly in equity, as appropriate. The impact on future reporting periods shall be recognised over the course of those periods.

Details of changes in accounting criteria and the correction of errors relating to prior reporting periods shall be disclosed in the notes to the annual accounts.

The notes to the annual accounts shall also include information on changes in accounting estimates having a significant effect on the current reporting period or which are expected to have an impact on future periods.

23rd Events after the balance sheet date

Events after the balance sheet date that bring to light conditions existing at the balance sheet date shall be taken into consideration when preparing the annual accounts. Such subsequent events shall give rise to an adjustment or a disclosure in the annual accounts, or both, in accordance with their nature.

Events after the balance sheet date that bring to light conditions that did not exist at the balance sheet date shall not require any adjustment to the annual accounts. However, when the events are of such a material nature that non-disclosure could affect the user's capacity to evaluate the annual accounts, information on the nature of the event shall be disclosed in the notes to the annual accounts together with an estimate of the effect or, where applicable, a statement that such an estimate cannot be made.

All information that could affect the preparation of the annual accounts on a going concern basis shall be taken into account. Therefore, the company shall not prepare its annual accounts on a going concern basis if management determines, even after the balance sheet date, that it intends to liquidate the company or cease trading, or that it has no realistic alternative but to do so.

PART THREE

ANNUAL ACCOUNTS

I. Standards for the preparation of annual accounts

1st Documents comprising the annual accounts

The annual accounts contain the balance sheet, the income statement, the statement of changes in equity, the statement of cash flows and the notes thereto. These documents form a single unit and should be prepared in compliance with the Commercial Code, the revised Companies Act, the Limited Liability Companies Act and this General Accounting Plan, with particular reference to the Accounting Framework, in order to present fairly the equity, financial position and results of the company.

The statement of cash flows shall not be obligatory when the balance sheet, statement of changes in equity and the notes thereto can be prepared in abbreviated format.

2nd Preparation of annual accounts

1. The annual accounts shall be prepared every twelve months, except in cases where the company has been recently incorporated, has changed its financial year end or is being dissolved.
2. The annual accounts shall be drawn up within three months of the balance sheet date by the owner or the directors, who shall be responsible for the veracity of the content. The annual accounts shall bear the date on which they were drawn up and shall be signed by the owner, all equity holders with unlimited liability for corporate debt, or all directors of the company. If any of the aforementioned is unable to sign, the reason shall be expressly indicated in each of the unsigned documents.
3. The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto shall each be clearly identified by indicating the name of the statement, the name of the reporting entity and the period to which it refers.
4. The annual accounts shall be expressed in euros. Nonetheless, figures may be expressed in thousands or millions of euros where this is advisable due to their magnitude, in which case the level of rounding in presentation should be disclosed in the annual accounts.

3rd Structure of the annual accounts

The annual accounts of corporations (sociedades anónimas) including those that are employee-owned, limited liability companies (sociedades de responsabilidad limitada) including those that are employee-owned, partnerships limited by shares and cooperatives shall be prepared using the standard format. When, at the balance sheet date, all partners of general and limited partnerships are Spanish or foreign companies, these partnerships shall also prepare their annual accounts using the standard format.

4th Abbreviated annual accounts

1. The companies mentioned in the preceding standard may use the abbreviated format for annual accounts in the following cases:
 - a) Abbreviated balance sheet, abbreviated statement of changes in equity and abbreviated notes thereto: companies that meet at least two of the following conditions at the balance sheet date:
 - Total assets do not exceed two million eight hundred and fifty thousand euros. Total assets shall be those disclosed in the standard format balance sheet.
 - Total annual revenue does not exceed five million seven hundred thousand euros.
 - The average number of employees during the reporting period does not exceed 50.
 - b) Abbreviated income statement: companies that meet at least two of the following conditions at the balance sheet date:
 - Total assets do not exceed eleven million four hundred thousand euros. Total assets shall be those disclosed in the standard format balance sheet.
 - Total annual revenue does not exceed twenty-two million eight hundred thousand euros.
 - The average number of employees during the reporting period does not exceed 250.

The above is applicable only when at least two of the conditions are met or are no longer met by a company on two consecutive annual balance sheet dates.

2. Types of companies other than those listed in the above standard and individual independent professionals shall be required to prepare, as a minimum, abbreviated annual accounts.
3. Companies whose shares are admitted to trading on a regulated market of any European Union member state may not prepare abbreviated annual accounts.
4. The procedures specified in the following standards in relation to the standard formats shall be adapted to the specific characteristics of the abbreviated formats.
5. The content of the abbreviated notes specified in the section on the abbreviated formats in part three of this General Accounting Plan indicates the minimum disclosure requirements for companies that can use this format. When these companies carry out transactions that require disclosure in the notes to the annual

accounts in the standard format, and not the abbreviated format, this information shall be included in the abbreviated notes. Such transactions would include accounting hedges and environmental information.

5th Standards commonly applicable to the balance sheet, the income statement, the statement of changes in equity and the statement of cash flows

Notwithstanding the specific standards for preparation of the balance sheet, income statement, statement of changes in equity and statement of cash flows, the following rules shall be followed:

1. Each line item shall present amounts for the current reporting period and the immediately preceding reporting period. When these figures are not comparable due to an amendment to the structure, a change in accounting policies or correction of an error, the prior period figures shall be adjusted for the purposes of comparison with the actual reporting period and this adjustment shall be disclosed in detail in the notes.
2. Items for which the amount is zero in both the current and prior period shall be omitted.
3. The structure may not be amended from one reporting period to the next, other than in exceptional circumstances which shall be disclosed in the notes.
4. Additional line items to those foreseen in the standard and abbreviated formats may be included provided that their content is not covered by existing line items.
5. Additional subclassifications may be made to the line items in the standard and abbreviated formats.
6. The numbered classes of line items disclosed in the balance sheet and statement of changes in equity and the lettered items in the income statement and statement of cash flows may only be grouped if they represent an amount that is not material to fair presentation or where this would improve clarity.
7. When appropriate, each item shall be cross-referenced to the related information in the notes.
8. Loans and debts with group companies and associates, as well as the related income and expenses, shall be disclosed separately from loans and debts not related to group companies or associates. Line items relating to associates shall also include balances with jointly controlled entities.
9. Companies with an interest in one or more joint ventures which do not have legal entity (temporary joint ventures, co-ownerships, etc.) shall disclose this information in accordance with the recognition and measurement standard on joint ventures, reflecting the amounts associated with the joint ventures in each of the statements and including details in the notes.
10. In accordance with the criteria set forth in the recognition and measurement standard on business combinations, the annual accounts resulting from a reverse acquisition shall be prepared by the acquiree. Therefore, the share capital that must be recognised

in equity will be that of the acquiree. However, the annual accounts shall be considered an extension of the acquirer's and, consequently:

- a) The comparative information for periods prior to the combination shall refer to the acquirer. The acquiree's capital and reserves without valuation adjustments should therefore be adjusted retrospectively to show the amount that would theoretically have corresponded to the acquirer. This adjustment shall be made considering that the relative variation in share capital should reconcile with the variation that would have arisen if the acquirer, for legal and economic purposes, were the same company.
- b) In the year in which the acquisition takes place, the income statement and the statement of changes in equity shall include the income and expenses of the acquirer for that year and the income and expenses of the acquiree from the transaction date until the balance sheet date. These criteria shall also apply when preparing the statement of cash flows.

6th Balance sheet

The balance sheet comprises assets, liabilities and equity of the company, which shall be disclosed separately, and shall be prepared considering the following:

1. Items shall be classified as current or non-current based on the following criteria:

a) Current assets shall comprise:

- Assets associated with the company's normal operating cycle which it expects to sell, consume or realise within that cycle. The normal operating cycle shall generally not exceed one year.

The normal operating cycle is considered to be the time between the acquisition of assets for inclusion in the production process and the realisation of the finished product into cash or cash equivalents. When the normal operating cycle is not clearly identifiable, its duration shall be assumed to be one year.

- Assets other than those indicated in the previous point that are expected to mature or to be sold or realised in the short term; that is, within one year of the balance sheet date. Consequently, the current portion of non-current financial assets shall be classified as current.
- Financial assets classified as held for trading, except financial derivatives that will be settled in more than one year.
- Cash and cash equivalents, unless they are restricted from being exchanged or used to settle a liability for at least one year after the balance sheet date.

All other assets shall be classified as non-current.

b) Current liabilities shall comprise:

- Liabilities associated with the normal operating cycle, as defined above, which the company expects to settle within that cycle.
- Liabilities expected to fall due or be extinguished in the short term, i.e. within one year after the balance sheet date; particularly obligations for which the company does not have an unconditional right to defer settlement for the aforementioned period. The current portion of non-current liabilities shall therefore be classified as current.
- Financial liabilities classified as held for trading, except financial derivatives that will be settled in more than one year.

All other liabilities shall be classified as non-current.

2. A financial asset and a financial liability may be disclosed in the balance sheet on a net basis when both of the following conditions are met:
 - a) the company must have a currently enforceable right to offset the recognised amounts; and
 - b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The company must also meet the above-mentioned conditions in order to disclose tax assets and liabilities on a net basis.

Nonetheless, when a financial asset that does not qualify for derecognition in accordance with section 2.9 of the recognition and measurement standard on financial instruments is transferred, any associated financial liability shall not be offset against the transferred asset.

3. Impairment and accumulated amortisation shall be accounted for as a deduction from the line item in which the associated asset has been recognised.
4. Research expenses capitalised in accordance with the specific standards on intangible assets in the recognition and measurement standards shall be recognised separately in “Research” within A.I “Intangible assets” in the standard format balance sheet.
5. Land and buildings held by the company to earn rental income, or for capital appreciation on the sale of the property other than in the ordinary course of business, shall be included in the asset line item A.III. “Investment property”.
6. When the company has invested in assets that meet the definition of financial assets included in section 2 of the recognition and measurement standard on financial instruments, but to which that standard is not applicable and which are not specifically presented in other balance sheet line items, these assets shall be recognised as “Other investments” within the line items A.IV, A.V, B.IV and B.V in the standard format balance sheet, depending on whether the investments are non-current or current and whether they relate to group companies and associates or otherwise. Examples of such assets are those associated with defined benefit post-

employment remuneration, to be recognised in accordance with the recognition and measurement standard on liabilities arising from long-term employee benefits.

7. If the company has inventories with a production cycle of more than one year, items with a short production cycle and those with a long production cycle shall be disclosed separately within the asset line item B.II as 3. "Work in progress" and 4. "Finished goods" in the standard format balance sheet.
8. Trade receivables that fall due in more than one year shall be disclosed separately as current and non-current trade receivables within the asset line item B.III in the balance sheet. Balances falling due in periods that exceed the normal operating cycle shall be recognised as a non-current asset in A.VII "Non-current trade receivables".
9. Share capital and any share premium or additional paid-in capital for shares and equity holdings having the nature of equity shall be recognised in A-1.I. "Capital" and A-1.II. "Share premium", provided that transactions involving these items have been filed at the Business Registry before the annual accounts are drawn up. If they have not been filed at the Business Registry at the date on which the annual accounts are drawn up, these amounts shall be recognised within the current liability line item C.III "Current payables" in 5. "Other financial liabilities" or 3. "Other current payables" in the standard or abbreviated format, respectively.
10. Uncalled capital shall be recognised either in A-1.I.2 "Uncalled capital" or as a reduction in "Payables of a special nature", in accordance with the accounting classification of the contributions.
11. Notwithstanding the disclosure requirement in the notes, own equity instruments acquired by the company shall be recognised in "Equity" as follows:
 - a) Equity instruments having the nature of capital shall be accounted for in A-1.IV. "Own shares" as a negative amount.
 - b) In all other cases, these items shall be recognised as a deduction in A-1.IX "Other equity instruments".
12. Compound financial instruments issued shall be classified in "Equity" and "Liabilities" in the proportions specified in section 5.2 of the recognition and measurement standard on financial instruments.
13. If the company has classified assets or liabilities as "Non-current assets held for sale" or "Liabilities associated with non-current assets held for sale" for which changes in value must be accounted for directly in equity (for example, available-for-sale financial assets), a specific line item "Non-current assets and associated liabilities held for sale" shall be created in the equity subgroup A-2. "Valuation adjustments" in the standard format balance sheet.
14. If, exceptionally, the company has a functional currency or currencies other than the euro, changes in value arising on translation to the presentation currency of the annual accounts shall be recognised as "Translation differences", within the equity subgroup A-2. "Valuation adjustments" in the standard format balance sheet. This line item shall also

include changes in value of hedges of a net investment in a foreign operation, which must be recognised in equity in accordance with the recognition and measurement standards.

15. Non-refundable grants, donations and bequests awarded by third parties other than equity holders or owners that are pending recognition in profit and loss shall be included in the company's equity, in subgroup A-3. "Grants, donations and bequests received". Non-refundable grants, donations and bequests awarded by equity holders or owners shall be recognised in capital and reserves without valuation adjustments in equity, in A-1.VI. "Other equity holders' contributions".
16. Balances payable to suppliers that fall due in more than one year shall be disclosed separately as non-current and current payables to suppliers within the liability line item C.V. Balances falling due in periods that exceed the normal operating cycle shall be recognised as a non-current liability in B.VI "Non-current trade payables".
17. Financial instruments issued by the company that should be recognised as financial liabilities but, given their particular characteristics, could be subject to other standards, shall be recognised in "Non-current payables of a special nature" and "Current payables of a special nature" in non-current and current liabilities, respectively. Details of instruments issued shall be disclosed in the notes.
18. The company shall disclose, separately from other assets and liabilities in the balance sheet, any non-current assets held for sale and any assets included in a disposal group held for sale in the asset line item B.I., and liabilities included in a disposal group held for sale in the liability line item C.I. These assets and liabilities shall not be offset or presented as a single amount.

7th Income statement

The income statement reflects the profit or loss for the reporting period, comprising income and expenses for the period, except those recognised directly in equity in accordance with the recognition and measurement standards. The income statement shall be prepared considering the following:

1. Income and expenses shall be classified according to their nature.
2. Amounts relating to sales, services rendered and other operating income shall be disclosed in the income statement net of returns and discounts.
3. Amounts relating to activities carried out by other companies as part of the production process shall be disclosed in 4.c) "Subcontracted work".
4. Grants, donations and bequests received to finance assets used or expenses incurred in the normal operating cycle shall be recognised in 5. b). "Operating grants taken to income". Grants, donations and bequests that finance intangible assets, property, plant and equipment or investment property shall be taken to income, under 9. "Non-financial and other capital grants", in accordance with the recognition and measurement standard. Grants, donations and bequests awarded without a specific purpose and used to cancel debts shall also be recognised under "Non-financial and other capital grants". If

awarded to finance either an asset or expense of a financial nature, the corresponding income shall be recorded as finance income and disclosed separately within “Financial grants, donations and bequests” if the amount is material.

5. Provisions released during the reporting period shall be disclosed in 10. “Provision surpluses”, except those relating to personnel, which are disclosed in 6. “Personnel expenses”, and those associated with trade transactions, which are reflected in 7.c).
6. In the exceptional event of a business combination in which the value of the identifiable assets acquired less the liabilities assumed exceeds the cost of the business combination, the difference shall be disclosed in “Negative goodwill on business combinations” as part of results from operating activities.
7. Gains and losses on hedging instruments that should be taken to profit or loss in accordance with the recognition and measurement standards shall be recognised as income or expense in the same line items as the hedged item. Details shall be disclosed in the notes.
8. Restructuring costs shall be classified in accordance with their nature. Details of total restructuring costs and any significant line item amounts shall be disclosed in the notes.
9. Significant exceptional income or expenses shall be disclosed in “Other results”, within results from operating activities, and details shall be disclosed in the notes. Examples of exceptional income and expenses could be amounts resulting from floods, fire, fines or penalties.
10. Changes in the fair value of financial instruments classified as “Financial assets (liabilities) held for trading” and “Other financial assets (liabilities) at fair value through profit or loss” shall be recorded in 14.a) “Change in fair value of financial instruments, Trading portfolio and other”, in accordance with the recognition and measurement standard on financial instruments. Accrued interest calculated using the effective interest rate method and accrued dividends receivable may be classified in accordance with their nature.
11. The company shall recognise a single amount in 18. “Profit/(loss) from discontinued operations, net of income tax” in the standard format income statement, comprising the following:
 - profit or loss after tax from discontinued operations; and
 - profit or loss after tax from measuring the assets or disposal groups comprising the discontinued operation at fair value less costs to sell, or on the disposal of these items.

Prior reporting period figures for line item 18 shall include the amounts from the prior year related to the operations considered discontinued at the current balance sheet date.

A discontinued operation is any component of a company that has been sold or disposed of or is classified as held for sale and:

- a) represents a separate major line of business or geographical area of operations;
- b) forms part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- c) is a subsidiary acquired exclusively with a view to resale.

A component of a company comprises operations and/or cash flows that are separate and independent and can therefore be clearly distinguished from the rest of the entity operationally and for financial reporting purposes, such as a subsidiary, a business segment or a geographical segment.

12. Income and expenses generated by non-current assets and disposal groups held for sale that do not qualify for recognition as discontinued operations shall be recognised in the income statement in accordance with their nature.

8th Statement of changes in equity

The statement of changes in equity has two parts.

1. The first part, "Statement of recognised income and expense", reflects changes in equity due to the following:
 - a) Profit or loss for the reporting period recognised in the income statement.
 - b) Income and expenses that, as required by the recognition and measurement standards, must be recognised directly in the company's equity.
 - c) Amounts transferred to the income statement in accordance with this General Accounting Plan.

This document shall be prepared considering the following:

- 1.1 Income and expenses recognised directly in equity and the amounts transferred to the income statement shall be recognised on a gross basis and any related tax effect shall be disclosed as a separate item.
- 1.2 Changes in the value of "Non-current assets held for sale" or "Liabilities associated with non-current assets held for sale", that must be recognised directly in equity (for example, available-for-sale financial assets), shall be disclosed in "Non-current assets and associated liabilities held for sale" within B. "Income and expense recognised directly in equity" and C. "Amounts transferred to the income statement".
- 1.3 If, exceptionally, the company has a functional currency or currencies other than the euro, changes in value arising on translation to the presentation currency of the annual accounts shall be disclosed in "Translation differences", within B. "Income and expense recognised directly in equity" and C. "Amounts transferred to the income statement". These line items shall also include changes in value of hedges

of a net investment in a foreign operation, which must be recognised in equity in accordance with the recognition and measurement standards.

2. The second part, “Statement of total changes in equity”, reflects all changes in equity due to the following:
 - a) Total recognised income and expense.
 - b) Changes in equity due to transactions with equity holders or owners of the company when acting as such.
 - c) All other changes in equity.
 - d) Adjustments to equity in light of changes in accounting policies and corrections of errors.

If, in the reporting period, an error is detected corresponding to a period prior to the comparative period, this fact shall be disclosed in the notes and the pertinent adjustment shall be made in A.II. in the “Statement of total changes in equity”. The opening equity balance for the comparative reporting period shall be restated to reflect the correction of this error. If the error relates to the comparative reporting period, the adjustment shall be recognised in C.II. in the “Statement of total changes in equity”.

The same rules shall apply to changes in accounting policies.

This document shall be prepared considering the following:

- 2.1 Profit or loss for one reporting period shall be carried forward in the subsequent year as profit or loss of prior reporting periods.
- 2.2 Distribution of profit or application of losses for the prior reporting period shall be reflected in the following line items:
 - B.II or D.II “Transactions with equity holders or owners”, in 4. “Distribution of dividends”.
 - B.III or D.III “Other changes in equity” for other applications entailing reclassifications of equity items.

9th Statement of cash flows

The statement of cash flows discloses the origin and use of monetary assets representing cash and cash equivalents. Movements are classified by activity, indicating the net change in the balance for the reporting period.

Cash and cash equivalents are those items disclosed in asset line item B.VII of the balance sheet: cash in hand, demand deposits at banks and financial instruments that are convertible to cash and have a maturity of three months or less from the date of

acquisition, provided that there is no significant risk of changes in value and that they form part of the company's usual cash management policy.

For the purposes of the statement of cash flows, cash may also include occasional overdrafts when these form an integral part of the company's cash management.

This document shall be prepared considering the following:

1. Cash flows from operating activities are essentially those generated by the main revenue-producing activities of the company and other activities that are not investing or financing activities. Changes in cash flows from operating activities shall be reflected on a net basis, except for cash flows from interest, dividends received and income tax, which shall be disclosed separately.

Profit or loss for the period before tax shall be corrected to eliminate income and expenses that have not produced cash movements and to incorporate transactions from prior reporting periods that have been collected or settled in the current reporting period. The following items shall be classified separately:

a) Adjustments to eliminate:

- Valuation allowances, such as amortisation and depreciation, impairment losses, gains or losses due to fair value measurement and changes in provisions.
- Transactions that must be classified as investing or financing activities, such as profit or loss from disposal of fixed assets or financial instruments.
- Remuneration from financial assets and financial liabilities for which the cash flows must be disclosed separately, in accordance with section c) below.

For the purposes of the statement of cash flows, discounted trade bills or advances for any other type of agreement for the amount of sales to customers shall be treated as an advance collection of a trade receivable.

- b) Changes in operating assets and liabilities arising from a timing difference between delivery or receipt of goods and services and payment or receipt of cash or its equivalent.
 - c) Cash flows from interest, including interest accounted for as an increase in assets, and dividends received.
 - d) Cash flows from income tax.
2. Cash flows from investing activities comprise payments to acquire non-current assets and other assets not included in cash and cash equivalents, such as intangible assets, property, plant and equipment, investment property and investments, as well as proceeds from disposal of these items or their redemption at maturity.

3. Cash flows from financing activities comprise proceeds from third-party acquisitions of securities issued by the company or loans and other borrowings extended by financial institutions and lenders, as well as the company's repayments of these amounts. Cash flows from financing activities shall also include dividends distributed to shareholders.
4. Payments and receipts related to financial assets and to financial liabilities with a quick turnover can be disclosed on a net basis provided that this fact is disclosed in the notes. Turnover is considered to be quick when the period between the date of acquisition and maturity does not exceed six months.
5. Cash flows from foreign currency transactions shall be translated into the functional currency at the exchange rate prevailing at the date of the cash flow. Nonetheless, a weighted average exchange rate for the period may be used when the volume of transactions is significant.

If cash and cash equivalents include assets denominated in foreign currencies, the effect of exchange rate fluctuations on these assets shall be disclosed in the statement of cash flows.

6. The company should disclose any significant amount of cash and cash equivalents that is not available for use.
7. In the case of accounting hedges, cash flows from the hedging instrument shall be disclosed in the same line item as the cash flows from the hedged item, indicating this fact in the notes.
8. Cash flows from the different activities of discontinued operations shall be disclosed in the relevant note.
9. In the case of non-monetary transactions, details of significant investing and financing activities not included in the statement of cash flows because they have not led to changes in cash (for example, conversion of debt into equity instruments or acquisition of an asset through a finance lease) shall be disclosed in the notes.

For investing transactions entailing consideration partly in the form of cash and cash equivalents and partly other items, the non-monetary portion shall be disclosed separately from the information on cash or cash equivalents included in the statement of cash flows.

10. Changes in cash and cash equivalents due to the acquisition or disposal of assets and liabilities comprising a business or a line of activity shall be recognised in investing activities as a single item in "Business unit" within investments or sales of investments, as applicable.
11. If the company has payables of a special nature, cash flows from these payables shall be recognised as cash flows from financing activities within "Payables of a special nature" in 10. "Proceeds from and payments for financial liability instruments".

10th Notes

The notes complement and expand upon the information provided in the other documents comprising the annual accounts. The notes shall be prepared considering the following:

1. The model of the notes reflects the minimum disclosure requirements. However, where the required information is not significant, the corresponding sections need not be completed.
2. Any other information not included in the model of the notes but which is necessary to report the company's situation and activity during the reporting period shall also be disclosed, to facilitate comprehension of the annual accounts and for these to present fairly the equity, financial position and results of the company. Qualitative data reflecting the position for the prior reporting period shall be included when significant. Any disclosures required in accordance with other regulations shall also be included in the notes.
3. The quantitative information to be disclosed in the notes should relate to the present reporting period as well as to the comparative prior reporting period, except where specifically indicated otherwise by an accounting standard.
4. Disclosure requirements in the notes relating to associates shall also be considered to apply to jointly controlled entities.
5. The requirements of note 4 within the notes shall be adapted to enable a concise and clear presentation.

11th Revenue for the period

Revenue for the period shall be calculated as revenue from sales of goods and the rendering of services or other income generated by the company's ordinary activities, less any trade discounts (volume rebates and other sales reductions), value added tax and other directly related taxes that must be passed on to customers.

12th Average number of employees

The average number of employees shall be calculated taking into consideration all persons having a professional relationship with the company during the reporting period, averaged based on the duration of their service.

13th Group companies, jointly controlled entities and associates

For the purposes of presentation of a company's annual accounts, another company shall be considered to form part of the group when there is a relationship of direct or indirect control between the two companies similar to that foreseen in article 42 of the Commercial Code for groups of companies, or when the companies are controlled by any means, by one or more individuals or legal entities in conjunction or which are solely managed in accordance with statutory clauses or agreements.

An associate is an entity that is not a group company, in the terms described above, over which the company or one or more group companies, including the parent entities

or controlling individuals, exercise significant influence as a result of an interest held therein which creates a long-term relationship and entitles the company to contribute to its activity.

Significant influence in the management of another company is considered to exist when the following two requirements are met:

- a) the company or one or more group companies, including the parent entities or controlling individuals, hold an interest in the company and
- b) have the power to participate in the financial and operating policy decisions of the investee, without having control over those policies.

The existence of significant influence can be evidenced in one or more of the following ways:

1. representation on the board of directors or equivalent governing body of the investee;
2. participation in policy-making processes;
3. material transactions with the investee;
4. interchange of managerial personnel; or
5. provision of essential technical information.

Unless there is evidence to the contrary, significant influence shall be presumed to exist when the company or one or more group companies, including the parent entities or controlling individuals, hold at least 20 per cent of the voting rights of another company.

Jointly controlled entities are those which are jointly controlled by the company or one or more group companies, including parent entities or controlling individuals, and one or more third parties.

14th Interim financial statements

The interim financial statements shall be presented using the format and criteria established for the annual accounts.

15th Related parties

1. A party is considered to be related to another party when one of the two, or several parties acting together, exercises or has the possibility to exercise control over the other party, directly, indirectly or through shareholder or equity holder agreements, or has a significant influence in the financial and operating policy decisions of the other party.
2. The following shall be considered related parties:

- a) Entities that are considered group companies, associates or jointly controlled entities, as described in standard 13 on the preparation of annual accounts.

However, a company shall be exempt from disclosing the information on transactions with related parties when it is controlled or significantly influenced by a local, regional or national government and the other company is also controlled or significantly influenced by that public entity, provided that there are no indications of influence between the two companies. Such influence shall be considered to exist when, for example, transactions are not at arm's length (except where these conditions are imposed by a specific regulation).

- b) Individuals holding a direct or indirect interest in the voting rights of the company or its parent entity, enabling them to exercise significant influence over one or the other. This shall also include close family members of these individuals.
 - c) Key personnel of the company or its parent; i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including management and directors. This shall also include close family members of these individuals.
 - d) Companies over which any of the persons mentioned in b) and c) can exercise significant influence.
 - e) Companies that share a director with the company, unless that director does not have significant influence in the financial and operating policies of both companies.
 - f) Persons considered as close family members of the representative of the director of the company, when that director is not an individual.
 - g) Pension plans for employees of the company or of a related entity.
3. For the purposes of this standard, close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in decisions relating to the company, including the following:
- a) the individual's husband, wife or domestic partner;
 - b) parents, children, siblings and their respective husband, wife or domestic partners;
 - c) parents, children and siblings of the husband, wife or domestic partner; and
 - d) dependants of the individual or the individual's husband, wife or domestic partner.

STANDARD FORMAT FOR ANNUAL ACCOUNTS

BALANCE SHEET AT XX XXXX 200X

ACCOUNTS	ASSETS	NOTES	200X	200X-1
	A) NON-CURRENT ASSETS			
201, (2801), (2901) 202, (2802), (2902) 203, (2803), (2903) 204 206, (2806), (2906) 205, 209, (2805), (2905) 210, 211, (2811), (2910), (2911) 212,213,214,215,216,217,218,219,(2812),(2813),(2814),(2815),(2816), (2817),(2818),(2819),(2912), (2913),(2914),(2915),(2916),(2917),(2918),(2919) 23 220,(2920) 221,(282),(2921) 2403,2404,(2493),(2494),(293) 2423,2424,(2953),(2954) 2413,2414,(2943),(2944) 2405,(2495),250,(259) 2425,252,253,254,(2955),(298) 2415,251,(2945),(297) 255 258,26 474	I. Intangible assets 1. Development 2. Concessions 3. Patents, licences, trademarks and similar rights 4. Goodwill 5. Computer software 6. Other intangible assets II. Property, plant and equipment 1. Land and buildings 2. Technical installations and other items 3. Under construction and advances III. Investment property 1. Land 2. Buildings IV. Non-current investments in group companies and associates 1. Equity instruments 2. Loans to companies 3. Debt securities 4. Derivatives 5. Other financial assets V. Non-current investments 1. Equity instruments 2. Loans to third parties 3. Debt securities 4. Derivatives 5. Other financial assets VI. Deferred tax assets			
	B) CURRENT ASSETS			
580,581,582,583,584,(599)	I. Non-current assets held for sale II. Inventories			

30,(390)	1. Goods for resale			
31,32,(391),(392)	2. Raw materials and other supplies			
33,34,(393),(394)	3. Work in progress			
35,(395)	4. Finished goods			
36,(396)	5. By-products, waste and recovered materials			
407	6. Advances to suppliers			
430,431,432,435,436,(437),(490), (4935)	III. Trade and other receivables			
433,434,(4933),(4934)	1. Trade receivables			
44,460,544	2. Trade receivables from group companies and associates			
4709	3. Other receivables			
4700,4708,471,472	4. Personnel			
5580	5. Current tax assets			
	6. Public entities, other			
	7. Receivable on called-up capital			
	IV. Current investments in group companies and associates			
5303,5304,(5393),(5394),(593)	1. Equity instruments			
5323,5324,5343,5344,(5953),(5954)	2. Loans to companies			
5313,5314, 5333,5334,(5943),(5944)	3. Debt securities			
	4. Derivatives			
5353,5354,5523,5524	5. Other financial assets			
	V. Current investments			
5305,540,(5395),(549)	1. Equity instruments			
5325,5345,542,543,547,(5955),(598),	2. Loans to companies			
5315,5335,541,546,(5945),(597)	3. Debt securities			
5590,5593	4. Derivatives			
5355,545,548,551,5525,565,566	5. Other financial assets			
480,567	VI. Prepayments for current assets			
	VII. Cash and cash equivalents			
570,571,572,573,574,575	1. Cash			
576	2. Cash equivalents			
	TOTAL ASSETS (A + B)			

ACCOUNTS	EQUITY AND LIABILITIES	NOTES	200X	200X-1
	A) EQUITY			
	A-1) Capital and reserves without valuation adjustments			
	I. Capital			
100, 101, 102	1. Registered capital			
(1030), (1040)	2. (Uncalled capital)			
110	II. Share premium			
	III. Reserves			
112, 1141	1. Legal and statutory reserves			
113,1140,1142,1143,1144,115,119	2. Other reserves			
(108), (109)	IV. (Own shares and equity holdings)			
	V. Prior periods' profit and loss			
120	1. Retained earnings			
(121)	2. (Prior periods' losses)			
118	VI. Other equity holder contributions			
129	VII. Profit/(loss) for the period			
(557)	VIII. (Interim dividend)			
111	IX. Other equity instruments			
	A-2) Valuation adjustments			
133	I. Available-for-sale financial assets			
	II. Hedging transactions			
1340	III. Other			
137				
130, 131, 132	A-3) Grants, donations and bequests received			
	B) NON-CURRENT LIABILITIES			
	I. Non-current provisions			
140	1. Long-term employee benefits			
145	2. Environmental actions			
146	3. Restructuring costs			

<p>141,142,143,147</p> <p>177,178,179</p> <p>1605,170</p> <p>1625,174</p> <p>176</p> <p>1615,1635,171,172,173,175,180,185,189</p> <p>1603,1604,1613,1614,1623,1624,1633,1634</p> <p>479</p> <p>181</p>	<p>4. Other provisions</p> <p>II. Non-current payables</p> <p>1. Bonds and other marketable securities</p> <p>2. Debt with financial institutions</p> <p>3. Finance lease payables</p> <p>4. Derivatives</p> <p>5. Other financial liabilities</p> <p>III. Group companies and associates, non-current</p> <p>IV. Deferred tax liabilities</p> <p>V. Non-current accruals</p>			
C) CURRENT LIABILITIES				
<p>585,586,587,588, 589</p> <p>499,529</p> <p>500,501,505,506</p> <p>5105,520,527</p> <p>5125,524</p> <p>5595,5598</p> <p>(1034),(1044) (190),(192),194,509,5115,5135,5145,521,522,523,</p> <p>525,526,528,551,5525,555,5565,5566, 560,561,569</p> <p>5103,5104,5113,5114,5123,5124,5133,5134,5143,5144,5523, 5524</p> <p>5563,5564</p> <p>400,401,405,(406)</p> <p>403, 404</p> <p>41</p> <p>465, 466</p> <p>4752</p> <p>4750,4751,4758, 476,477</p> <p>438</p> <p>485, 568</p>	<p>I. Liabilities associated with non-current assets held for sale</p> <p>II. Current provisions</p> <p>III. Current payables</p> <p>1. Bonds and other marketable securities</p> <p>2. Debt with financial institutions</p> <p>3. Finance lease payables</p> <p>4. Derivatives</p> <p>5. Other financial liabilities</p> <p>IV. Group companies and associates, current</p> <p>V. Trade and other payables</p> <p>1. Suppliers</p> <p>2. Suppliers, group companies and associates</p> <p>3. Other payables</p> <p>4. Personnel (salaries payable)</p> <p>5. Current tax liabilities</p> <p>6. Public entities, other</p> <p>7. Advances from customers</p> <p>VI. Current accruals</p>			
TOTAL EQUITY AND LIABILITIES (A + B + C)				

INCOME STATEMENT FOR
THE PERIOD ENDED XX XXXXX 200X

ACCOUNTS		Note	(Debit) Credit	
			200X	200X-1
	A) CONTINUING OPERATIONS			
700,701,702,703,704,(706),(708),(709)	1. Revenue			
705	a) Sales			
(6930), 71*,7930	b) Services rendered			
73	2. Changes in inventories of finished goods and work in progress			
	3. Work carried out by the company for assets			
	4. Supplies			
(600), 6060,6080,6090, 610*	a) Merchandise used			
(601),(602),6061,6062,6081,6082,6091,6092,611*,612*	b) Raw materials and other consumables used			
(607)	c) Subcontracted work			
(6931),(6932),(6933),7931,7932,7933	d) Impairment of merchandise, raw materials and other supplies			
	5. Other operating income			
75	a) Non-trading and other operating income			
740, 747	b) Operating grants taken to income			
	6. Personnel expenses			
(640),(641),(6450)	a) Salaries and wages			
(642),(643),(649)	b) Employee benefits expense			
(644),(6457),7950,7957	c) Provisions			
	7. Other operating expenses			
(62)	a) External services			
(631),(634),636,639	b) Taxes			
(650),(694),(695),794,7954	c) Losses, impairment and changes in trade provisions			
(651),(659)	d) Other operating expenses			
(68)	8. Amortisation and depreciation			
746	9. Non-financial and other capital grants			
7951,7952,7955,7956	10. Provision surpluses			
(690),(691),(692),790,791,792	11. Impairment and gains/(losses) on disposal of fixed assets			
(670),(671),(672),770,771,772	a) Impairment and losses			
	b) Gains/(losses) on disposal and other			
	A.1) RESULTS FROM OPERATING ACTIVITIES (1+2+3+4+5+6+7+8+9+10+11)			

<p>7600, 7601 7602,7603</p> <p>7610,7611,76200,76201,76210,76211 7612,7613,76202,76203,76212,76213,767,769</p> <p>(6610),(6611),(6615),(6616),(6620),(6621),(6640),(6641),(6650),(6651), (6654), (6655)</p> <p>(6612),(6613),(6617),(6618),(6622),(6623), (6624),(6642),(6643),(6652),(6653),(6656), (6657),(669) (660)</p> <p>(6630),(6631),(6633),7630,7631,7633 (6632),7632 (668),768</p> <p>(696),(697),(698),(699),796,797,798,799 (666),(667),(673),(675),766,773,775</p> <p>(6300)*,6301*,(633),638</p>	<p>12. Finance income</p> <p>a) Dividends</p> <p>a₁) Group companies and associates</p> <p>a₂) Other</p> <p>b) Marketable securities and other financial instruments</p> <p>b₁) Group companies and associates</p> <p>b₂) Other</p> <p>13. Finance expenses</p> <p>a) Group companies and associates</p> <p>b) Other</p> <p>c) Provision adjustments</p> <p>14. Change in fair value of financial instruments</p> <p>a) Trading portfolio and other</p> <p>b) Proceeds from available-for-sale financial assets</p> <p>15. Exchange gains/(losses)</p> <p>16. Impairment and gains/(losses) on disposal of financial instruments</p> <p>a) Impairment and losses</p> <p>b) Gains/(losses) on disposal and other</p> <p>A.2) NET FINANCE INCOME/(EXPENSE) (12+13+14+15+16)</p> <p>A.3) PROFIT/(LOSS) BEFORE INCOME TAX (A.1+A.2)</p> <p>17. Income tax expense</p> <p>A.4) PROFIT/(LOSS) FROM CONTINUING OPERATIONS (A.3+17)</p> <p>B) DISCONTINUED OPERATIONS</p> <p>18. Profit/(loss) from discontinued operations, net of income tax</p> <p>A.5) PROFIT/(LOSS) FOR THE PERIOD (A.4+18)</p>			
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* May be a positive or negative figure

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED XX XXXX 200X

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ENDED XX XXXX 200X

ACCOUNTS		Notes	200X	200X-1
	A) Profit/(loss) for the period			
(800),(89),900,991,992	Income and expense recognised directly in equity			
(810),910	I. Measurement of financial instruments			
94	1. Available-for-sale financial assets			
(85),95	2. Other income/expenses			
(8300)*,8301*,(833),834,835,838	II. Cash flow hedges			
	III. Grants, donations and bequests received			
	IV. Actuarial gains and losses and other adjustments			
	V. Tax effect			
	B) Total income and expense recognised directly in equity (I+II+III+IV+V)			
(802),902,993,994	Amounts transferred to the income statement			
(812),912	VI. Measurement of financial instruments			
(84)	1. Available-for-sale financial assets			
8301*,(836),(837)	2. Other income/expenses			
	VII. Cash flow hedges			
	VIII. Grants, donations and bequests received			
	IX. Tax effect			
	C) Total amounts transferred to the income statement (VI+VII+VIII+IX)			
	TOTAL RECOGNISED INCOME AND EXPENSE (A + B + C)			

* May be a positive or negative figure

B) STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE PERIOD ENDED XX XXXX 200X

	Capital		Share premium	Reserves	(Own shares and equity holdings)	Prior periods' profit and loss	Other equity holder contributions	Profit/(loss) for the period	(Interim dividend)	Other equity instruments	Valuation adjustments	Grants, donations and bequests received	TOTAL
	Registered	Unca lled											
A. BALANCE AT 31 XXXX 200X-2													
I. Adjustments for changes in criteria 200X-2 and prior periods													
II. Adjustments for errors 200X-2 and prior periods													
B. ADJUSTED BALANCE AT 1 XXXX 200X-1													
I. Total recognised income and expense													
II. Transactions with equity holders or owners													
1. Capital increases													
2. (-) Capital reductions													
3. Conversion of financial liabilities into equity (conversion of bonds, pardoning of debts)													
4. (-) Distribution of dividends													
5. Transactions with own shares and equity holdings (net)													
6. Increase (decrease) in equity resulting from a business combination													
7. Other transactions with equity holders or owners													
III. Other changes in equity													
C. BALANCE AT 31 XXXX 200X-1													
I. Adjustments for changes in 200X-1 criteria													
II. Adjustments for 200X-1 errors													
D. ADJUSTED BALANCE AT 1 XXXX 200X													
I. Total recognised income and expense													
II. Transactions with equity holders or owners													
1. Capital increases													
2. (-) Capital reductions													
3. Conversion of financial liabilities into equity (conversion of bonds, pardoning of debts)													
4. (-) Distribution of dividends													
5. Transactions with own shares and equity holdings (net)													
6. Increase (decrease) in equity resulting from a business combination													
7. Other transactions with equity holders or owners													
III. Other changes in equity													
E. BALANCE AT 31 XXXX 200X													

STATEMENT OF CASH FLOWS FOR THE PERIOD
ENDED XXX 200X

	NOTES	200X	200X-1
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit/(loss) for the period before tax			
2. Adjustments for:			
a) Amortisation and depreciation (+)			
b) Valuation allowances for impairment losses (+/-)			
c) Change in provisions (+/-)			
d) Grants recognised in the income statement (-)			
e) Proceeds from disposals of fixed assets (+/-)			
f) Proceeds from disposals of financial instruments (+/-)			
g) Finance income (-)			
h) Finance expenses (+)			
i) Exchange gains/losses (+/-)			
j) Change in fair value of financial instruments (+/-)			
k) Other income and expenses (-/+)			
3. Changes in operating assets and liabilities			
a) Inventories (+/-)			
b) Trade and other receivables (+/-)			
c) Other current assets (+/-)			
d) Trade and other payables (+/-)			
e) Other current liabilities (+/-)			
f) Other non-current assets and liabilities (+/-)			
4. Other cash flows from operating activities			
a) Interest paid (-)			
b) Dividends received (+)			
c) Interest received (+)			
d) Income tax received (paid) (+/-)			
e) Other amounts paid (received) (-/+)			
5. Cash flows from/used in operating activities (+/-1+/-2+/-3+/-4)			
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Payments for investments (-)			
a) Group companies and associates			
b) Intangible assets			
c) Property, plant and equipment			
d) Investment property			
e) Other financial assets			
f) Non-current assets held for sale			
g) Other assets			
7. Proceeds from sale of investments (+)			
a) Group companies and associates			
b) Intangible assets			
c) Property, plant and equipment			
d) Investment property			
e) Other financial assets			
f) Non-current assets held for sale			
g) Other assets			
8. Cash flows from/used in investing activities (7-6)			

C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Proceeds from and payments for equity instruments			
a) Issue of equity instruments (+)			
b) Redemption of equity instruments (-)			
c) Acquisition of own equity instruments (-)			
d) Disposal of own equity instruments (+)			
e) Grants, donations and bequests received (+)			
10. Proceeds from and payments for financial liability instruments			
a) Issue			
1. Bonds and other marketable securities (+)			
2. Debt with financial institutions (+)			
3. Group companies and associates (+)			
4. Other payables (+)			
b) Redemption and repayment of			
1. Bonds and other marketable securities (-)			
2. Debt with financial institutions (-)			
3. Group companies and associates (-)			
4. Other payables (-)			
11. Dividends and interest on other equity instruments paid			
a) Dividends (-)			
b) Interest on other equity instruments (-)			
12. Cash flows from/used in financing activities (+/-9+/-10-11)			
D) Effect of exchange rate fluctuations			
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/- D)			
Cash and cash equivalents at beginning of period			
Cash and cash equivalents at end of period			

NOTES TO THE ANNUAL ACCOUNTS

CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS

1. Activity of the company

This section shall include a description of the statutory activity and principal activities of the company, particularly the following:

1. Address of the company's registered offices and details of its legal form, and the address at which it carries out its activities if this is different from the corporate headquarters.
2. Description of the nature of the company's operations and its principal activities.
3. Obligation to prepare consolidated annual accounts

3.1. If the company is the parent of a group of companies, under the terms of article 42 of the Code of Commerce, the fact that consolidated annual accounts have been prepared or, where applicable, details of which of the exemptions specified in article 43 of the Code of Commerce supports the company having not prepared consolidated annual accounts, shall be disclosed.

3.2. If the company is part of a group of companies under the terms of article 42 of the Code of Commerce, the name of the group, the direct parent company and the ultimate parent of the group shall be disclosed, even when the parent company's registered offices are located outside Spain. Details of the registered offices of these companies shall also be included, as well as the Business Registry at which the consolidated annual accounts have been filed, the date on which the consolidated annual accounts were authorised for issue or, where applicable, the circumstances that exempt the company from the obligation to prepare consolidated accounts.

4. If the functional currency is different from the euro, this circumstance shall be clearly stated, indicating the criteria considered when determining that currency.

2. Basis of presentation of the annual accounts

1. Fair presentation:
 - a) The company shall make an explicit statement that the annual accounts present fairly the equity, financial position and results of the company and shall attest to the veracity of the cash flows included in the statement of cash flows.
 - b) Exceptional circumstances, whereby to achieve a fair presentation the company has departed from the requirements of mandatory accounting standards, indicating the title of the standards not applied and the qualitative and

quantitative impact of the departure on the equity, financial position and the results of the company for each reporting period presented.

- c) Additional information when compliance with mandatory accounting standards is not sufficient to achieve a fair presentation, and an indication of where this information is disclosed in the notes to the annual accounts.
2. Non-mandatory accounting principles applied
 3. Critical issues regarding the measurement and estimation of uncertainties
 - a) Notwithstanding the indications of each specific note, key assumptions concerning the future and other relevant data on the uncertainty of estimates at the balance sheet date, which could entail a considerable risk of significant changes in the value of assets and liabilities in the subsequent reporting period, shall be disclosed in this section. Information on the nature of these assets and liabilities and their carrying amount at the balance sheet date shall also be included.
 - b) Details of the nature and amount of any significant changes in accounting estimates that affect the current reporting period or are expected to affect future reporting periods shall be disclosed. Where it is impracticable to estimate the effect on future reporting periods that fact shall also be indicated.
 - c) When management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, those uncertainties shall be disclosed in this section. When the annual accounts are not prepared on a going concern basis, that fact shall be explicitly disclosed together with the alternative assumptions on which the annual accounts are prepared, and the reasons why the company is not regarded as a going concern.
 4. Comparative information

Notwithstanding the subsequent sections on changes in accounting criteria and correction of errors, the following information shall be disclosed in this section:

 - a) Details of exceptional circumstances that justify amending the structure of the balance sheet, income statement, statement of changes in equity and statement of cash flows for the prior reporting period.
 - b) Explanation of reasons why the annual accounts for the current reporting period are not comparable with those of the prior reporting period.
 - c) Explanation of adjustments to make prior reporting period amounts comparable with the current reporting period or why it is impracticable to restate comparative information.
 5. Aggregation of items

Details shall be disclosed of items that have been aggregated with other items on the face of the balance sheet, income statement, statement of changes in equity or the statement of cash flows.

The above disclosure is not required if the items are presented separately in the notes to the annual accounts.

6. Items disclosed under several line items

Identification of the nature and amount of assets and liabilities recognised under two or more balance sheet line items, specifying the line item and the amount of the equity item included under each.

7. Changes in accounting policies

Detailed explanation of adjustments deriving from changes in accounting policies during the reporting period. In particular, the following information shall be provided:

- a) Nature and description of the change and reasons why applying the new accounting policy provides more reliable and relevant information.
- b) Amount of the adjustment for each line item in the statements included in the comparative annual accounts.
- c) If retrospective application is impracticable this fact shall be disclosed, providing details of why it is impracticable and the date from when the change in accounting policy has been applied.

When the change in accounting policy is due to the application of a new standard, this fact shall be disclosed and the change in accounting policy shall be accounted for in accordance with the specific provisions of the new standard. Details of the expected effect on future reporting periods shall be disclosed.

Comparative information is not required in this section.

8. Correction of errors

Detailed explanation of adjustments deriving from correction of errors during the reporting period. In particular, the following information shall be provided:

- a) Nature of the error and the reporting period or periods in which it occurred.
- b) Amount of the correction for each item in the statements included in comparative annual accounts.
- c) If retrospective application is impracticable this fact shall be disclosed, providing details of the reasons why it is impracticable and the date from when the error has been corrected.

Comparative information is not required in this section.

3. Distribution of profit/application of losses

1. Information on the proposed distribution of profit or application of losses for the reporting period, in the following format:

<u>Basis of distribution</u>	<u>Amount</u>
Profit/(loss) for the period	
Retained earnings	
Voluntary reserves	
Other unrestricted reserves	
Total	

<u>Distribution</u>	<u>Amount</u>
Legal reserve	
Goodwill reserve	
Special reserves	
Voluntary reserves	
XXX	
Dividends	
YYY	
Offset of prior periods' losses	
Total	

2. The amount of any interim dividend distributed during the reporting period should be specified and included in the provisional accounting statement prepared in accordance with statutory requirements to demonstrate that sufficient cash is available for distribution of that dividend. The provisional accounting statement shall encompass a period of one year from the date on which the interim dividend was declared.

3. Restrictions on the distribution of dividends.

4. Recognition and measurement standards

Details of the accounting criteria applied to the following items shall be provided:

1. Intangible assets, indicating the criteria used for capitalisation, amortisation and impairment.

The reasons supporting the assessment of the useful life of an intangible asset as indefinite.

Details shall be disclosed of the measurement criteria used to calculate the recoverable amount of goodwill and other intangible assets with an indefinite useful life.

2. Property, plant and equipment, indicating the criteria used for depreciation, impairment and reversals thereof, capitalisation of borrowing costs, extension, modernisation and improvement costs, dismantlement or removal costs and the cost of restoring the site on which an asset is located, as well as the criteria used to determine the cost of work carried out by the company for assets.
3. Details of the criteria used to classify land and buildings as investment property, specifying the criteria indicated in the preceding section.
4. Leases, indicating the criteria used to account for finance lease contracts and similar transactions.
5. Exchanges, indicating the criteria used and the reasons supporting application of those criteria and, particularly, the reasons for determining the exchange as having commercial substance.
6. Financial instruments, stating the following:
 - a) The criteria used to classify and measure the different categories of financial assets and financial liabilities and to recognise changes in fair value. If the company has issued securities that should have been classified as equity instruments in accordance with their legal form, but instead these have been accounted for as financial instruments, an explanation shall be provided.
 - b) The nature of financial assets and financial liabilities initially designated as at fair value through profit or loss, the criteria used to designate these assets as such, and an explanation of how the company has met the requirements specified in the recognition and measurement standard on financial instruments.
 - c) The criteria used to determine whether there is objective evidence of impairment, to recognise impairment and reversals thereof and to derecognise impaired financial assets. In particular, the criteria used to calculate impairment of trade and other receivables shall be disclosed. Details of the accounting criteria applied to rescheduled payment terms of financial assets which would otherwise be past due or impaired shall also be provided.
 - d) The criteria used to derecognise financial assets and financial liabilities.
 - e) Hybrid financial instruments, indicating the criteria used to measure the component instruments separately based on their characteristics and economic risks or, where applicable, indicating that the components cannot be separated. The measurement criteria used shall be disclosed, with particular reference to impairment.
 - f) Compound financial instruments, indicating the measurement criteria used to quantify the financial liability component of these instruments.

- g) Financial guarantee contracts, indicating the criteria used for initial and subsequent measurement.
 - h) Investments in group companies, jointly controlled entities and associates, indicating the criteria used to measure these investments and recognise impairment.
 - i) The criteria used to calculate income and expenses arising on the different financial instrument categories: interest, premiums or discounts, dividends, etc.
 - j) Own equity instruments held by the company, indicating the measurement and recognition criteria used.
7. Accounting hedges, indicating the measurement criteria applied by the company to its hedging transactions, distinguishing between fair value hedges, cash flow hedges and hedges of a net investment in foreign operations, as well as the measurement criteria used to recognise the accounting effect of discontinuing the hedge accounting and the reasons therefor.
8. Inventories, indicating the measurement criteria used and, particularly, those applied to impairment and the capitalisation of borrowing costs.
9. Foreign currency transactions, indicating the following:
- a) Measurement criteria used for foreign currency transactions and criteria for recognising exchange differences.
 - b) Any change in the functional currency and the reasons for that change shall be disclosed.
 - c) The procedure used to calculate the euro exchange rate shall be disclosed for any items in the annual accounts currently or originally expressed in a foreign currency.
 - d) The criteria used to translate the foreign currency to the presentation currency.
10. Income tax, indicating the criteria used to recognise and measure deferred tax assets and liabilities.
11. Income and expenses, indicating the general criteria applied. In particular, details shall be disclosed of the criteria used to calculate revenues from services rendered by the company, specifying the methods used to determine the portion of the service rendered and indicating where application of these methods was impracticable.
12. Provisions and contingencies, indicating the measurement criteria applied and the treatment of any third-party compensation receivable on settlement of the obligation. In the case of provisions, a general description of the method used to estimate and calculate each risk shall be provided.

13. Assets or liabilities of an environmental nature, indicating the following:
 - a) The criteria for measuring and recognising in profit and loss amounts earmarked for environmental activities. In particular, details shall be provided of the criteria used to decide whether these amounts should be considered as expenses for the reporting period or as an increase in the value of the related asset.
 - b) Description of the method used to estimate and calculate provisions for environmental impact.
14. The criteria used to recognise and measure personnel expenses, particularly those relating to pension commitments.
15. Share-based payments, indicating the recognition criteria used.
16. Grants, donations and bequests, indicating the classification criteria used and, where applicable, the criteria for recognition in profit and loss.
17. Business combinations, indicating the recognition and measurement criteria used.
18. Joint ventures, indicating the criteria used by the company to account for balances related to the joint venture in which it holds an interest.
19. The criteria used for transactions between related parties.
20. Non-current assets held for sale, indicating the criteria used to classify and measure these assets or groups of items as held for sale, including the associated liabilities.
21. Discontinued operations, indicating the criteria used to identify and classify an activity as discontinued and the treatment of associated income and expenses.

5. Property, plant and equipment

1. Analysis of movement in each item of property, plant and equipment, as well as accumulated depreciation and impairment, indicating the following:
 - a) Opening balance.
 - b) Additions and charges, specifying acquisitions made through business combinations and non-monetary contributions and those relating to extensions or improvements.
 - c) Reversals of impairment.
 - d) Increases/decreases due to transfers of other items, particularly to non-current assets held for sale or discontinued operations.
 - e) Disposals, derecognition and reductions.
 - f) Impairment, distinguishing between those recognised during the reporting period and accumulated allowances.
 - g) Depreciation, distinguishing between that recognised during the reporting period and accumulated depreciation.
 - h) Closing balance.
2. Information on:

- a) Estimated costs of dismantling, removing or restoring items of property, plant and equipment included as an increase in the value of the assets, specifying the circumstances considered in the measurement process.
- b) Useful lives and depreciation rates used for each class of asset and the depreciation method applied. Details shall be disclosed of the depreciation charge for the reporting period and accumulated depreciation for each significant item of property, plant and equipment.
- c) Changes in estimates affecting residual values, estimated costs of dismantling, removing or restoring items of property, plant and equipment, useful lives and depreciation methods shall be disclosed when the effect on the current or future reporting periods is significant.
- d) Characteristics of investments in property, plant and equipment acquired from group companies and associates, indicating the carrying amount and accumulated depreciation and impairment.
- e) Characteristics of investments in property, plant and equipment located outside Spain, indicating the carrying amount and accumulated depreciation and impairment.
- f) Borrowing costs capitalised during the reporting period and the criteria used to determine capitalisable expenses.
- g) The following details shall be provided for each significant impairment recognised or reversed during the reporting period for an item of property, plant and equipment:
 - Nature of the item of property, plant and equipment.
 - Amount, and the events and circumstances leading to recognition and reversal of the impairment loss.
 - Criteria used to determine fair value less costs to sell, where applicable.
 - If the value in use method has been used, the discount rate or rates applied to the latest and previous estimates, as well as a description of the key assumptions on which the cash flow projections are based and how these have been calculated, the period encompassed by the cash flow projections and the growth rate applied from the fifth year onwards.
- h) In the case of aggregated impairment losses and reversals for which the information specified in the preceding paragraph is not disclosed, details of the main types of assets affected by impairment losses and reversals and the principal events and circumstances leading to recognition and reversal of these impairments shall be provided.

- i) The amount of third-party compensation recognised in profit and loss for the period for items of property, plant and equipment that were impaired, lost or retired.
- j) If the item of property, plant and equipment is included in a cash-generating unit, details of the impairment loss shall be provided in accordance with section 2 of note 7.
- k) Characteristics of property, plant and equipment not directly used in operating activities, indicating the carrying amount and accumulated depreciation and impairment.
- l) Amount and characteristics of fully depreciated property, plant and equipment in use, distinguishing between buildings and other assets.
- m) Assets pledged as collateral or that will revert as well as details of any restrictions on ownership and the related amount.
- n) Grants, donations and bequests received in relation to property, plant and equipment, specifying the amount of these assets.
- o) Firm purchase commitments and foreseen sources of financing, as well as binding sale agreements.
- p) Any other circumstance of a substantive nature affecting items of property, plant and equipment, such as leases, insurance, litigation, attachments and similar situations.
- q) Property, plant and equipment under finance leases and similar transactions, notwithstanding the disclosure requirements in other notes to the annual accounts.
- r) For buildings, the value of the land and the building itself shall be disclosed separately.
- s) Gain or loss for the period on disposal of property, plant and equipment.

6. Investment property

Besides the information required in the preceding note, information on buildings classified as investment property shall be disclosed, particularly the following:

1. Types of investment property and their use.
2. Income from these investments and associated operating expenses, differentiating investments that generate income from those that do not.
3. The existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds from retirement or disposal.
4. Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

7. Intangible assets

7.1. General

Except in the case of goodwill, for which the information mentioned in section 2 of this note shall be provided, the following information shall be disclosed:

1. Analysis of movement in classes of intangible assets during the reporting period, as well as accumulated amortisation and impairment, indicating the following:
 - a) Opening balance.
 - b) Additions and charges, specifying internally generated assets and assets acquired through business combinations and non-monetary contributions.
 - c) Reversals of impairment.
 - d) Increases/decreases due to transfers of another item, particularly to non-current assets held for sale.
 - e) Disposals, derecognition and reductions.
 - f) Impairment, distinguishing between those recognised during the reporting period and accumulated allowances.
 - g) Amortisation, distinguishing between that recognised during the reporting period and accumulated amortisation.
 - h) Closing balance.

2. Information on:
 - a) Assets pledged as collateral or that will revert as well as details of any restrictions on ownership and the related amount.
 - b) Useful lives or amortisation rates used for each class of asset and the amortisation method applied. Details of the amortisation charge for the reporting period and accumulated amortisation for each significant intangible asset item.
 - c) Changes in estimates affecting residual values, useful lives and amortisation methods shall be disclosed when the effect on the current or future reporting periods is significant.
 - d) Characteristics of investments in intangible assets acquired from group companies and associates, indicating the carrying amount and accumulated amortisation and impairment.
 - e) Characteristics of investments in intangible assets for which the rights could be exercised outside Spain or which are associated with investments located outside Spain, indicating the carrying amount and accumulated amortisation and impairment.
 - f) Borrowing costs capitalised during the reporting period and the criteria used to determine capitalisable expenses.

- g) The following details shall be provided for each significant impairment recognised or reversed during the reporting period for an intangible asset:
- Nature of the intangible asset.
 - Amount, and the events and circumstances leading to recognition and reversal of the impairment loss.
 - Criteria used to determine fair value less costs to sell, where applicable.
 - If the value in use method has been used, the discount rate or rates applied to the latest and previous estimates shall be disclosed, as well as a description of the key assumptions on which the cash flow projections are based and how these have been calculated, the period encompassed by the cash flow projections and the growth rate applied from the fifth year onwards.
- h) In the case of recognition or reversal of aggregated impairment losses for which the information specified in the preceding paragraph is not disclosed, details of the main classes of assets affected by impairment losses shall be provided together with details of the principal events and circumstances leading to recognition and reversal of this impairment.
- i) If the intangible asset is included in a cash-generating unit, details of the impairment loss shall be provided in accordance with section 2 of this note.
- j) Characteristics of intangible assets not directly used in operating activities, indicating the carrying amount, accumulated amortisation and impairment.
- k) Amount and characteristics of fully amortised intangible assets in use.
- l) Grants, donations and bequests received in relation to intangible assets, specifying the amount of these assets.
- m) Firm purchase commitments and foreseen sources of financing, as well as firm sale commitments.
- n) Gains or losses for the period on disposal or retirement of intangible assets.
- o) The aggregate amount of research and development expenditure recognised as expenses during the reporting period and reasons supporting the capitalisation of research and development expenses.
- p) Details of intangible assets with an indefinite useful life, other than goodwill, indicating their amount, nature and reasons supporting the assessment of useful life as indefinite.
- q) Any other circumstance of a substantive nature affecting intangible assets, such as leases, insurance, litigation, attachments and similar situations.

7.2. Goodwill

This section shall include the following information:

1. Details of goodwill generated on business combinations during the reporting period shall be disclosed, specifying the amount applicable to each business combination.

In the case of business combinations that are not individually material, the above information shall be shown as an aggregate amount.

This information shall also be disclosed for business combinations carried out between the date of the annual accounts and their authorisation for issue. Where this is not possible, the reasons why this information cannot be provided shall be explained.

2. The company shall reconcile the carrying amount of goodwill at the beginning and the end of the reporting period, disclosing the following separately:
 - a) The gross amount of goodwill and accumulated impairment at the beginning of the reporting period.
 - b) Additional goodwill recognised during the period. Goodwill included in a disposal group classified as held for sale, in accordance with the recognition and measurement standards, shall be disclosed separately. Details shall also be provided of goodwill derecognised during the period which was not previously included in a disposal group classified as held for sale.
 - c) Impairment recognised during the reporting period.
 - d) Any other changes in the carrying amount during the reporting period.
 - e) The gross amount of goodwill and accumulated impairment at the end of the reporting period.
3. Description of the factors that have contributed to the recognition of goodwill. The carrying amount of goodwill and other intangible assets with an indefinite useful life allocated to each cash-generating unit shall also be specified together with the basis on which these amounts are determined.
4. The following details shall be provided for each significant goodwill impairment loss:
 - a) Description of the cash-generating unit that includes goodwill and other intangible assets or items of property, plant and equipment, and details of the method used to aggregate assets for identifying the cash-generating group if this has changed compared to prior reporting periods.
 - b) Amount, and the events and circumstances leading to recognition of impairment.
 - c) Criteria used to determine fair value less costs to sell, where applicable.

- d) If the value in use method has been used, the discount rate or rates applied to the latest and previous estimates shall be disclosed, as well as a description of the key assumptions on which the cash flow projections are based and how these have been calculated, the period encompassed by the cash flow projections and the growth rate applied from the fifth year onwards.
- 5. In the case of aggregated impairment losses for which the information specified in the preceding paragraph is not disclosed, details of the main events and circumstances leading to recognition of this impairment shall be provided.
- 6. The assumptions used to determine the recoverable amount of the assets or cash-generating units.

8. Leases and similar transactions

The disclosure requirements specified below for lease transactions shall also apply to other similar transactions carried out by the company.

8.1. Finance leases

1. Lessors shall disclose the following:

- a) A reconciliation of the total gross investment in leases classified as finance leases (indicating any purchase options, if applicable) and the present value at the balance sheet date. Details of the minimum lease payments receivable and the present value of minimum lease payments receivable on these leases shall also be provided for each of the following periods:
 - less than one year
 - one year to five years
 - more than five years
- b) A reconciliation of the total amount of finance lease contracts at the start and the end of the reporting period.
- c) A general description of the lessor's material finance lease arrangements.
- d) Unearned finance income and the allocation criteria used for the financial component of the transaction.
- e) Contingent rents recognised as income for the period.
- f) Impairment of uncollectible lease payments receivable.

2. Lessees shall disclose the following:

- a) For each class of asset, the amount at which the asset was initially recognised, indicating whether this reconciles with the asset's fair value or the present value of the minimum lease payments, as applicable.

- b) A reconciliation of total future minimum lease payments (indicating any purchase options, if applicable) and their present value at the balance sheet date. Details of the minimum lease payments for these leases and the present value of these minimum lease payments shall also be provided for each of the following periods:
 - less than one year
 - one year to five years
 - more than five years
- c) Contingent rents recognised as an expense for the period.
- d) The total future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date.
- e) A general description of the lessee's material finance lease arrangements, including the following:
 - the basis on which contingent rent payable is determined;
 - the existence and terms of renewal of contracts or purchase options and escalation clauses; and
 - restrictions imposed on the company by lease arrangements, such as those concerning dividends, additional debt and further leasing.
- f) Assets arising out of these contracts shall be subject to the disclosure requirements established for each type of asset, as set out in the preceding notes relating to property, plant and equipment, investment property and intangible assets.

8.2. Operating leases

1. Lessors shall disclose the following:

- a) Total future minimum lease payments receivable under non-cancellable operating leases and the amounts for each of the following periods:
 - less than one year
 - one year to five years
 - more than five years
- b) A general description of the lessor's assets and material lease arrangements.
- c) Contingent rents recognised as income for the period.

2. Lessees shall disclose the following:

- a) Total future minimum lease payments under non-cancellable operating leases and the amounts for each of the following periods:

- less than one year
 - one year to five years
 - more than five years
- b) The total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date.
- c) Lease and sublease payments recognised as an expense or income for the period, differentiating between minimum lease payments, contingent rents and sublease payments.
- d) A general description of the lessee's material lease arrangements, including the following:
- the basis on which contingent rent payable is determined;
 - the existence and terms of renewal of contracts or purchase options and escalation clauses; and
 - restrictions imposed on the company by lease arrangements, such as those concerning dividends, additional debt and further leasing.

9. Financial instruments

9.1. General considerations

The disclosure requirements specified in the following sections shall apply to financial instruments included within the scope of the 9th recognition and measurement standard.

For the purposes of presentation in the annual accounts, certain information shall be disclosed by class of financial instrument. Classification shall be defined based on the nature of the financial instruments and the categories established in the 9th recognition and measurement standard. The classes defined by the company shall be disclosed.

9.2 Information on the relevance of financial instruments to the company's financial position and results

9.2.1. Information relating to the balance sheet

a) Categories of financial assets and financial liabilities

The carrying amount of each category of financial assets and financial liabilities specified in the 9th recognition and measurement standard shall be disclosed, as indicated below.

a.1) Financial assets, except equity investments in group companies, jointly controlled entities and associates

Classes Categories	Non-current financial instruments						Current financial instruments						Total	
	Equity instruments		Debt securities		Other credit derivatives		Equity instruments		Debt securities		Other credit derivatives		Year x	Year x-1
	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1		
Assets at fair value through profit or loss - Held for trading - Other														
Held-to-maturity investments														
Loans and receivables														
Available-for-sale assets - At fair value - At cost														
Hedging derivatives														
Total														

a.2) Financial liabilities

Classes Categories	Non-current financial instruments						Current financial instruments						Total	
	Debt with financial institutions		Bonds and other marketable securities		Other derivatives		Debt with financial institutions		Bonds and other marketable securities		Other derivatives		Year x	Year x-1
	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1		
Debts and payables														
Liabilities at fair value through profit or loss - Held for trading - Other														
Hedging derivatives														
Total														

b) Financial assets and financial liabilities at fair value through profit or loss

Changes in fair value during the reporting period and accumulated changes in value since the item was designated shall be disclosed, as well as details of the calculation method used.

The company shall disclose the nature of derivative financial instruments, other than those classified as hedging instruments, and the significant terms and conditions that could affect the amount, timing and certainty of future cash flows.

If the company has opted to designate financial assets or financial liabilities as “Other financial assets at fair value through profit or loss” or “Other financial liabilities at fair value through profit or loss”, it shall disclose this fact, specifying that it has complied with the recognition and measurement standard.

c) Reclassifications

If in accordance with the 9th recognition and measurement standard a financial asset has been reclassified so that it is measured at cost or amortised cost instead of at fair value, or vice versa, the amount of the reclassification shall be disclosed and the reasons supporting the change specified for each financial asset category.

d) Classification by maturity

For financial assets and financial liabilities with fixed or determinable maturity, the amounts falling due in each of the five years subsequent to the balance sheet date, and the remainder until maturity, shall be disclosed. These details shall be presented separately for each financial asset and financial liability, in accordance with the balance sheet model.

e) Transfers of financial assets

If the company has transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition as set out in section 2.9 of the recognition and measurement standard on financial instruments, it shall disclose the following information by classes of assets:

- the nature of the assets transferred;
- the nature of the risks and rewards of ownership to which the entity remains exposed;
- the carrying amount of the transferred assets and associated liabilities that the company continues to recognise; and
- when the company continues to recognise the assets to the extent of its continuing involvement, the carrying amount of the assets initially recognised in the balance sheet, the carrying amount of the assets that the company continues to recognise and the carrying amount of the associated liabilities.

f) Assets pledged as collateral

The company shall disclose the carrying amount of financial assets pledged as collateral, the class of assets and the terms and conditions relating to the pledge.

If the company holds collateral pledged by third parties in the form of financial or non-financial assets that are available to the company in the absence of default, it shall disclose the following information:

- the fair value of the collateral held;
- the fair value of any asset pledged as collateral that the company has used and whether the company has an obligation to return it; and
- the terms and conditions associated with the company's use of the collateral.

g) Impairment due to credit risk

For each class of financial asset, the company shall provide an analysis of movement in allowance accounts due to impairment losses arising on credit risk.

h) Defaults and breaches of contractual conditions

The company shall disclose the following information for loans outstanding at the balance sheet date:

- details of any defaults of the principal or interest during the reporting period;
- the carrying amount of loans in default at the balance sheet date; and
- whether the default was remedied or the terms of the loan were renegotiated before the annual accounts were authorised for issue.

If there are breaches of contractual conditions during the reporting period other than defaults, the company shall disclose the same information as required in the preceding paragraph if those breaches permitted the lender to demand early repayment, unless the breaches were remedied or the terms of the loan were renegotiated before the balance sheet date.

i) Payables of a special nature

The company shall disclose the nature, amount and characteristics of any payables of a special nature stating, where applicable, whether they are payable to group companies or associates.

9.2.2. Information relating to the income statement and equity

The company shall disclose the following:

- a) Net gains and losses on the different categories of financial instruments defined in the 9th recognition and measurement standard.
- b) Finance income and finance expense calculated using the effective interest rate method.
- c) The amount of any impairment for each class of financial asset and any finance income recognised in the income statement in relation to those assets.

9.2.3. Other disclosures in the notes to the annual accounts

a) Hedge accounting

For each type of hedge the company shall include a detailed description of the hedging transactions carried out, a description of the financial instruments designated as hedging instruments and their fair values at the balance sheet date, and the nature of the risks being hedged. The company shall give evidence of compliance with the requirements of the recognition and measurement standard on financial instruments.

For cash flow hedges, the company shall also disclose the following:

- a) the reporting periods when the cash flows are expected to occur and when they are expected to affect the income statement;
- b) the amount recognised in equity during the reporting period and the amount derecognised from equity and included in profit and loss, showing the amounts included in each line item in the income statement;
- c) the amount derecognised from equity during the reporting period and included in the initial cost or carrying amount of a non-financial asset or non-financial liability when the hedged item is a highly probable forecast transaction; and
- d) any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur.

In fair value hedges the company shall disclose the amount of gains or losses on the hedging instrument and gains and losses on the hedged item attributable to the hedged risk.

The ineffectiveness recognised in profit and loss on cash flow hedges and net investments in foreign operations shall also be disclosed.

b) Fair value

The company shall disclose the fair value of each class of financial instrument and a comparison with its carrying amount.

Disclosures of fair value are not required in the following cases:

- a) When the carrying amount is a reasonable approximation of fair value; for example, in the case of non-current trade receivables and payables.
- b) For equity instruments that do not have a quoted market price in an active market and derivatives of which those equity instruments are the underlying, which are measured at cost in accordance with the 9th recognition and measurement standard.

The company shall disclose this fact and provide a description of the financial instruments, their carrying amount and an explanation of why fair value cannot be measured reliably. The company shall also state if and when it intends to dispose of the financial instruments.

If any financial instruments have been derecognised during the reporting period, the company shall disclose this fact, as well as the carrying amount and any gain or loss recognised at the time of derecognition.

The company shall also indicate whether the fair value of financial assets and financial liabilities is determined, in whole or in part, by reference to quoted prices in an active market or estimated using a valuation technique. Where a valuation technique is used, the assumptions and methodologies considered when estimating the fair value of each class of financial asset and financial liability shall be disclosed.

The company shall state that the fair values recognised or disclosed in the notes to the annual accounts are determined, in whole or in part, using valuation techniques based on assumptions that are not supported by market conditions for the same instrument and not based on available observable market data. Where fair value has been determined as described in this paragraph, the total amount of the change in fair value recognised in the income statement during the reporting period shall be disclosed.

c) Group companies, jointly controlled entities and associates

Disclosures on group companies, jointly controlled entities and associates shall include the following:

- a) Name, address of registered offices and legal form of group companies, specifying the following for each one:
 - Activities carried out.
 - Proportion of capital and voting rights held directly or indirectly, distinguishing between the two.
 - Amount of capital, reserves, other equity items and profit and loss for the latest reporting period calculated using the criteria set out in the Commercial Code and the implementation standards. If the company is required to disclose profit or loss from operating activities, continuing operations and discontinued operations in its individual annual accounts, these shall be presented separately.
 - Carrying amount of the investment.
 - Dividends received during the reporting period.
 - Indication of whether the shares are listed on the stock exchange and, if applicable, the average quoted price for the last quarter and at the balance sheet date.
- b) The same information as that required in the preceding point shall be disclosed for jointly controlled entities, associates, entities in which an interest of more than 20% is held but over which the company does not have significant influence and entities in which the company is a general partner. Contingencies incurred in relation to those entities shall also be disclosed. If the company has significant influence over another entity while holding an interest of 20% or less in that entity, or if it holds an interest of

more than 20% but does not have significant influence, the circumstances affecting these relationships shall be explained.

- c) Acquisitions during the reporting period that have led to the classification of a company as a subsidiary, indicating the proportion of capital and the percentage of voting rights acquired.
- d) Notifications issued, in compliance with article 86 of the revised Companies Act, to investees in which the company obtains a direct or indirect interest of more than 10%.
- e) The amount of impairment recognised for the different equity holdings, distinguishing between those recognised during the reporting period and accumulated allowances. Any impairment recognised and reversed against the equity item used for valuation adjustments shall also be disclosed in accordance with the recognition and measurement standard.
- f) Profit or loss on the disposal of investments in group companies, jointly controlled entities and associates.

d) Other information

The company shall disclose the following information:

- a) Firm commitments to purchase financial assets and foreseen sources of financing, and binding sale agreements.
- b) Contracts for the sale and purchase of non-financial assets which are measured and recognised in accordance with section 5.4 of the recognition and measurement standard on financial instruments, as required by that standard.
- c) Any other circumstance of a substantive nature affecting financial assets, such as litigation, attachments, etc.
- d) The available amount of discounting facilities and details of credit facilities extended to the company, specifying the credit limit and the amount of credit drawn down.
- e) The amount of secured debts, indicating the nature and form of the collateral.

9.3. Information on the nature and risk exposure of financial instruments

9.3.1. Qualitative information

For each type of risk – credit risk, liquidity risk, market risk (including currency risk, interest rate risk and price risk) – the company shall disclose the level and origin of risk exposure and describe the risk management objectives, policies and procedures, as well as the methods used to measure risk.

Any changes in these factors from one reporting period to the next shall be explained.

9.3.2. Quantitative information

The company shall disclose the following for each type of risk:

- a) A summary of quantitative information on risk exposure at the balance sheet date. This summary shall be based on the information used internally by the company's board of directors or equivalent governing body.
- b) Information on risk concentration, including a description of the method used to determine concentration, the characteristics common to each case of concentration (geographical area, currency, market, counterparty, etc.) and the amount of risk exposure associated with the financial instruments that share these characteristics.

9.4. Capital and reserves without valuation adjustments

The company shall disclose the following:

- a) Number of shares or equity holdings and the par value per share or unit held, by class, as well as the rights and restrictions attached to that class. Where applicable, the company shall disclose the amount receivable on called-up capital for each class and the date on which payment may be demanded. This information shall also be disclosed for equity instruments other than capital.
- b) Capital increases underway, indicating the number of shares or equity holdings to be subscribed, their par value, share premium or additional paid-in capital, the initial disbursement, the rights and restrictions attached, the existence of any pre-emptive rights available to equity holders, shareholders or bondholders, and the subscription term.
- c) The amount of capital authorised by the shareholders at their general meeting that the directors may make outstanding, indicating the period for which such authorisation is granted.
- d) Rights attached to founder bonds, dividend-right certificates, convertible bonds and similar financial instruments, indicating the number and extent of the rights conferred.
- e) Specific circumstances restricting the availability of reserves.
- f) Number, par value and average purchase price of own shares or equity holdings held by the company or by a third party operating on behalf of the company, specifying the purpose for which they have been earmarked and the amount of the reserve for the acquisition of parent company shares. The company shall also disclose the number and par value, as well as the amount of the related reserve, for own shares pledged as collateral, and provide details of equity instruments other than capital, where applicable.
- g) The proportion of capital held by another company, directly or through subsidiaries, when this interest amounts to 10% or more.
- h) Shares of the company that are listed on the stock exchange.

- i) Options issued by the company or other contracts relating to its own shares which should be classified as capital and reserves without valuation adjustments, with a description of the terms and conditions and the associated amounts.
- j) Specific circumstances relating to grants, donations and bequests awarded by equity holders or owners.

10. Inventories

The company shall disclose the following:

- a) Reasons for the recognition, and reversal where applicable, of impairment during the reporting period, and the amount.
- b) The amount of borrowing costs capitalised during the reporting period as inventories with a production cycle of more than one year, and the criteria used to determine their capitalisation.
- c) Firm purchase commitments and binding sale agreements and details of futures or options contracts associated with inventories.
- d) Restrictions on the availability of inventories due to warranties, pledges, guarantees and similar arrangements, identifying the affected items, their amount and the duration of the restrictions.
- e) Any other circumstance of a substantive nature affecting the ownership, availability or measurement of inventories, such as litigation, insurance, attachments, etc.

11. Foreign currency

1. The overall amount of assets and liabilities denominated in foreign currency, disclosing the most significant items by currency. Amounts relating to purchases, sales and services received and rendered shall also be disclosed.
2. The company shall disclose the following:
 - a) Exchange differences recognised in profit or loss for the period by class of financial instrument. Amounts deriving from transactions settled during the period shall be presented separately from balances that are outstanding or have not fallen due at the balance sheet date, except those arising on financial instruments measured at fair value through profit or loss.
 - b) Translation differences classified as a separate component of equity in “Translation differences”, and a reconciliation of these differences at the start of the reporting period and at the balance sheet date.
3. Any change in the functional currency, either in the reporting company or in a significant foreign operation, and the reasons for that change, shall be disclosed.

4. In the exceptional event that the company has more than one functional currency, the amount of assets, revenue and profit or loss expressed in each of these functional currencies shall be disclosed.
5. Where applicable, the functional currency of a foreign operation shall be disclosed, specifying the net investment therein, when this is not the same as the presentation currency of the annual accounts.
6. When the company has foreign operations that are subject to hyperinflation, it shall disclose the following:
 - a) the fact that the annual accounts and the figures for prior reporting periods have been adjusted for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the current monetary unit at the balance sheet date; and
 - b) the identity and level of the price index at the balance sheet date and movement in the index during the current and the prior reporting period.

12. Taxation

12.1. Income tax

An explanation of the difference between net income and expenses for the reporting period and the taxable income/(tax loss). The company shall include the following reconciliation, taking into consideration that differences not identified as temporary differences in accordance with the recognition and measurement standard shall be classified as permanent differences.

RECONCILIATION OF NET INCOME AND EXPENSES FOR THE PERIOD WITH THE TAXABLE INCOME/(TAX LOSS)

	Income statement		Income and expense recognised directly in equity	
Income and expense for the period	Increases	Decreases	Increases	Decreases
Income tax				
Permanent differences				
Temporary differences:				
- originating in current period				
- originating in prior periods				
Offset of tax loss				

carryforwards
Taxable income/(tax loss)

The company shall provide an explanation and numerical reconciliation of the income tax expense (income) with the result of multiplying total recognised income and expense, as opposed to profit or loss, by the applicable tax rates.

The company shall also disclose the following:

1. Details of the income tax expense (income) recognised in profit or loss, presenting current tax and the variation in deferred taxes separately as well as amounts recognised directly in equity. The effect on each item in the statement of recognised income and expense shall be disclosed separately. If a company is required to disclose profit or loss on discontinued operations, these shall be disclosed separately from profit or loss on continuing operations.
2. The variation in deferred taxes shall be disclosed, distinguishing between assets (temporary differences, tax loss carryforwards and other credits) and liabilities (temporary differences).
3. The amount and expiry date of deductible temporary differences, tax loss carryforwards and other tax credits for which no deferred tax asset is recognised in the balance sheet.
4. The amount of deferred tax assets, indicating the nature of the evidence supporting their recognition, including any tax planning, when the realisation of the deferred tax asset is dependent on future taxable profits in excess of the income from the reversal of existing taxable temporary differences, or when the company has incurred a loss in either the current or preceding reporting period in the tax jurisdiction to which the deferred tax asset relates.
5. The nature and amount of tax benefits applied during the reporting period (such as credits, deductions and certain permanent differences), associated commitments undertaken and tax benefits pending application. The company shall in particular disclose tax benefits subject to accrual, specifying the amount recognised during the reporting period and the amount pending recognition.
6. Taxes payable in the different tax jurisdictions, with details of withholdings and payments on account.
7. The amount and nature of other permanent differences.
8. Changes in the applicable tax rates compared to the prior reporting period, indicating the effect on deferred taxes recognised in previous reporting periods.
9. Information on income tax provisions, tax contingencies and changes in tax law after the balance sheet date that affect the tax assets and liabilities recognised. The company shall in particular disclose the reporting periods open to inspection.

10. Any other circumstance of a substantive nature relating to taxation.

12.2. Other taxes

Details of any significant tax-related circumstances shall be disclosed, particularly tax contingencies and reporting periods open to inspection.

13. Income and expenses

1. Purchases and changes in inventories shall be disclosed separately under 4.a) “Merchandise used” and 4.b) “Raw materials and other consumables used” in the income statement. Purchases made in Spain, within the European Community and imports shall also be presented separately.

Contributions and charges for pensions and other benefits shall be disclosed separately under 6.b) “Employee benefits expense” in the income statement.

If the company prepares an abbreviated income statement, the aforementioned disclosures shall be included in 4. “Supplies” and 6. “Personnel expenses” in the abbreviated model.

2. Sales of goods and the rendering of services arising from exchanges of non-monetary goods and services.
3. Profit generated and losses incurred outside the company’s ordinary activity included under “Other results”.

14. Provisions and contingencies

1. The following shall be disclosed for each provision recognised in the balance sheet:

- a) Analysis of movement in each provision in the balance sheet during the reporting period, indicating the following:
 - Opening balance
 - Charges
 - Applications
 - Other adjustments (business combinations, etc.)
 - Closing balance

Comparative information is not required in this section.

- b) Information on the increase during the reporting period in balances discounted to reflect the time value of money and the effect of any change in the discount rate.

Comparative information is not required in this section.

- c) A description of the nature of the obligation assumed.

- d) A description of the estimates and calculation procedures applied when measuring the amounts and any uncertainties arising in relation to those estimates.
 - e) The amount of any reimbursement rights, specifying any balances recognised in respect of these rights under assets in the balance sheet.
2. Unless the possibility of an outflow of economic benefits is extremely remote, the company shall disclose the following for each type of contingency:
- a) A brief description of the nature.
 - b) Foreseen developments and determining factors.
 - c) A quantified estimate of the possible impact on the financial statements or, where this is impracticable, a statement to that effect and information on the uncertainties preventing such a calculation, indicating the maximum and minimum risks.
 - d) The existence of any reimbursement rights.
 - e) In the exceptional event that a provision has not been recognised in the balance sheet because this could not be estimated reliably, the reasons why such an estimate cannot be made.
3. When it is probable that economic benefits from assets not qualifying for recognition will flow to the company, the following shall be disclosed:
- a) A brief description of the nature.
 - b) Foreseen developments and determining factors.
 - c) Information on the estimation criteria applied and the possible impact on the financial statements or, where this is impracticable, a statement to that effect and information on the uncertainties preventing such a calculation.
4. In the rare cases when disclosure of the information required in the above sections can be expected to seriously prejudice the company's position in a dispute with a third party, this information may be omitted. However, the nature of the dispute, omission of the information and reasons for that omission shall be stated.

15. Environmental information

The company shall disclose the following:

- a) Description and characteristics of the most significant systems, equipment and installations in the company's property, plant and equipment used to minimise the environmental impact of its activity and protect and improve the environment, indicating the nature and usage, the carrying amount and accumulated depreciation, where this can be determined separately, and any impairment recognised during the reporting period and accumulated allowances.

- b) Expenses incurred during the reporting period to protect and improve the environment, indicating the application of such expenditure.
- c) Risks covered by environmental provisions, specifically indicating those relating to litigation in progress, indemnities and other items. For each provision the company shall disclose the information required for provisions recognised in the balance sheet in accordance with section 1 of note 14.
- d) Contingencies relating to the protection and improvement of the environment, including the disclosures required in section 2 of note 14.
- e) Environment-related investments made during the reporting period.
- f) Compensation receivable from third parties.

16. Long-term employee benefits

- 1. When the company grants long-term employee remuneration under defined contribution or defined benefit plans, a general description of the type of plan shall be included.
- 2. For long-term employee remuneration under defined benefit plans, the company shall also disclose the information required in section 1 of note 14 for provisions recognised in the balance sheet, and the following:
 - a) A reconciliation of assets and liabilities recognised in the balance sheet.
 - b) The fair value of plan assets.
 - c) Main actuarial assumptions used and their values at the balance sheet date.

17. Share-based payment transactions

The company shall disclose the following for each share-based payment agreement:

- 1. A description of each type of share-based payment arranged during the reporting period, specifying the beneficiary. Arrangements with similar characteristics may be disclosed together provided that the aggregated information enables the nature and scope of these arrangements to be readily understood.
- 2. When liabilities for share-based payment transactions must be recorded, the company shall disclose the information required in section 1 of note 14 for provisions recognised in the balance sheet.
- 3. For transactions with payment based on share options, the following shall be disclosed:
 - a) The number and weighted average exercise price of options outstanding at the start and end of the reporting period, and options granted, forfeited or that lapse during the reporting period. The same information shall be disclosed for options exercisable at the end of the reporting period.

- b) For share options exercised during the reporting period, the weighted average share price at the exercise date shall be disclosed. The weighted average share price during the period may also be stated.
- c) For share options outstanding at the end of the reporting period, the range of exercise prices and weighted average remaining life.

The method used during the reporting period to determine the fair value of the goods and services received or the fair value of the equity instruments granted shall be disclosed.

The effect of share-based payment transactions on the financial position and profit or loss of the company shall be disclosed.

- 4. When the fair value of the goods and services received cannot be estimated reliably, in accordance with the recognition and measurement standard, this fact and the reasons why shall be explained.

18. Grants, donations and bequests

The company shall disclose the following:

- 1. The amount and characteristics of the grants, donations and bequests accounted for in the balance sheet, and those taken to income.
- 2. Analysis and movement of the content of the relevant subgroup in the balance sheet, indicating the opening and closing balance as well as increases and decreases. In particular, amounts received and, where applicable, reimbursed shall be disclosed.
- 3. Information on the origin of grants, donations and bequests. In the case of grants, the awarding body shall be disclosed, specifying whether it is a local, regional, national or international institution.
- 4. Information on compliance, or otherwise, with the conditions attached to the grants, donations and bequests.

19. Business combinations

1. For each business combination occurring during the reporting period, the acquirer shall disclose the following:

- a) The name and a description of the acquiree or acquirees.
- b) The acquisition date.
- c) The legal form of the transaction.

- d) The main reasons for the business combination and a qualitative description of the factors giving rise to the recognition of goodwill, such as synergies expected to arise from the combination of acquiree and acquirer, intangible assets that do not qualify for separate recognition or other factors.
- e) The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each main type of consideration, such as:
 - Cash
 - Other property, plant and equipment and intangible assets, such as a business or subsidiary of the acquirer
 - The amount of contingent consideration; a description of the agreement shall be provided in section g)
 - Debt instruments
 - Investment in the acquirer's equity, including the number of equity instruments issued or issuable and the basis for determining their fair value

In the case of a business combination achieved in stages, the equity investments held in the acquiree prior to the acquisition, which have not granted control over that entity, shall also be disclosed.

- f) Amounts recognised at the acquisition date for each class of the acquiree's assets and liabilities, stating which, in accordance with the recognition and measurement standard, are not carried at fair value.
- g) For any contingent consideration dependent upon future events, and indemnification assets received for a contingency or uncertainty: the amount recognised at the acquisition date, a description of the arrangement and an estimate of the range of possible outcomes and the maximum potential amount of future payments the acquirer could be obliged to make under the terms of the acquisition. If these cannot be estimated, this fact and the reasons why they cannot be estimated shall be disclosed.

The same information shall be disclosed for contingent assets or indemnification assets when, for example, the arrangement includes a clause whereby the acquirer must be indemnified against any liabilities that may arise from pending lawsuits of the acquiree.

- h) The fair value of acquired receivables, the gross contractual amounts receivable and the best estimate at the acquisition date of the contractual cash flows not expected to be collected. The disclosures shall be provided by major class of receivable, such as loans, direct finance leases and any other class of receivable.
- i) In the case of any goodwill arising on business combinations, the company shall disclose the information required in section 2 of note 7. The total amount of goodwill expected to be tax-deductible shall also be disclosed.
- j) In the case of a "pre-existing relationship", where the acquiree and the acquirer had a relationship that existed before the business combination occurred: a description of the transaction, the amount recognised for each transaction and, if

the transaction in effect settles a pre-existing relationship, the method used to determine the amount of that settlement.

2. In business combinations where the value of the identifiable assets acquired less the liabilities assumed exceeds the cost of the combination, the amount and nature of any excess recognised in the income statement in accordance with the recognition and measurement standard shall be disclosed, as well as the reasons for the gain generated on the transaction. The company shall also provide a description of any intangible assets or contingent assets that could not be recognised as their value could not be measured by reference to an active market.
3. For a business combination achieved in stages:
 - a) The acquisition-date fair value of equity investments held by the acquirer in the acquiree immediately prior to the acquisition date.
 - b) The amount of any recognised gain or loss arising from the remeasurement at fair value of the equity investment held by the acquirer in the acquiree prior to the business combination, and the income statement line item in which the gain or loss is recognised.
4. The information required in section 1 shall be disclosed as an aggregate amount for business combinations carried out during the reporting period that are not individually material.

The acquirer shall also disclose the information contained in section 1 for each business combination completed or underway between the balance sheet date and the date of authorisation of the annual accounts for issue. Where this is not possible, the reasons why this information cannot be provided shall be explained.

The acquired company or business shall disclose in its annual accounts the most significant aspects of the process underway.

5. The acquirer shall disclose, separately for each business combination carried out during the reporting period, or as an aggregate amount for combinations that are not individually material, the portion of income and profit or loss attributable to the combination since the acquisition date. It shall also disclose the revenues and profit or loss for the period that the combined company would have obtained on the assumption that all business combinations carried out during the reporting period had been completed at the beginning of the period.

If disclosure of this information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.

6. The following information shall be disclosed for business combinations carried out during the reporting period or in prior periods:
 - a) If the initial accounting for a business combination was determined only provisionally, the company shall disclose the reasons why initial recognition is not complete, the assets acquired and commitments assumed for which the

measurement period is open and the amount and nature of any valuation adjustments made during the reporting period.

- b) A description of events or circumstances subsequent to the acquisition which have given rise to the recognition during the reporting period of deferred taxes acquired as part of the business combinations.
- c) The amount and an explanation of any gains or losses recognised during the reporting period in relation to assets acquired and liabilities assumed, when the nature, size or incidence of these amounts makes this information relevant to an understanding of the annual accounts of the combined entity.

Until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability, or that liability is cancelled or expires, it shall disclose any changes in the recognised amounts, including any differences arising upon settlement, any changes in the range of possible outcomes (undiscounted) and the reasons for those changes, as well as the valuation techniques used to measure the contingent consideration.

20. Joint ventures

1. The company shall specify and describe significant interests in joint ventures, distinguishing between:
 - a) jointly controlled operations, and
 - b) jointly controlled assets.
2. Irrespective of the information required in section 2 of note 14, unless the possibility of incurring losses is remote the aggregate amount of the following contingencies shall be disclosed separately from the amount of other contingent liabilities:
 - a) any contingency that the company has incurred, as a venturer, in relation to its investments in joint ventures, and its share of each contingency incurred jointly with other venturers;
 - b) its share of the contingencies of the joint ventures for which it could be liable; and
 - c) contingencies that arise because the company, as a venturer, could be liable for the liabilities of other venturers in the joint venture.
3. The company shall disclose the total amount of the following commitments separately from other arrangements:
 - a) any capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other venturers; and

- b) its share of the capital commitments of the joint ventures themselves.
4. Amounts relating to joint ventures shall be disclosed separately in each significant line item in the balance sheet, income statement, statement of cash flows and statement of changes in equity. This information shall be shown as an aggregate amount for all joint ventures in which the company holds an interest.

21. Non-current assets held for sale and discontinued operations

1. The following shall be disclosed for each activity classified as discontinued:
 - a) The revenue, expenses and pre-tax profit or loss of discontinued operations recognised in the income statement.
 - b) The related income tax expense.
 - c) The net cash flows attributable to the operating, investing and financing activities of discontinued operations.
 - d) A detailed description of the assets and liabilities associated with the discontinued operation, stating the amount and the circumstances surrounding their classification.
 - e) Adjustments in the current reporting period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior reporting period. Where applicable, adjustments arising because the discontinued operation was not sold shall be disclosed.
 - f) The gain or loss on operations previously presented in discontinued operations that ultimately were not sold.
2. The following shall be disclosed for each non-current asset or disposal group classified as held for sale, including discontinued operations:
 - a) A detailed description of the assets and liabilities, stating the amount and the circumstances surrounding their classification.
 - b) Details of income and expenses recognised in the income statement or in the statement of changes in equity for each significant item.
 - c) Adjustments in the current reporting period to amounts previously presented in non-current assets or disposal groups held for sale that are directly related to the disposal of these assets in a prior reporting period. Where applicable, adjustments arising because the assets were not sold shall be disclosed.
3. When a non-current asset or disposal group qualifies for recognition as held for sale after the balance sheet date but before the authorisation of the annual accounts for issue, the company shall not classify the items as held for sale in those annual accounts when issued. However, the company shall disclose the information specified in point a) of the preceding section in relation to these items.

22. Events after the balance sheet date

The entity shall disclose the following:

1. Events after the balance sheet date that bring to light circumstances existing at that date, the nature of which has not required any adjustment to the figures presented in the annual accounts, although the information disclosed in the notes to the annual accounts must be amended based on that subsequent event.
2. Events after the balance sheet date that bring to light conditions not existing at that date, the material nature of which could, if not disclosed, affect the user's capacity to evaluate the annual accounts. A description of the subsequent event and the estimated impact shall be included. If the impact of the event cannot be estimated, the company shall disclose this fact, explaining the reasons and circumstances preventing such an estimate.
3. Events after the balance sheet date that affect the application of the going concern principle, disclosing the following:
 - a) Description of the subsequent event and its nature (the factor that casts doubt upon the company's ability to continue operating as a going concern).
 - b) Potential impact of the subsequent event on the company's position.
 - c) Any mitigating factors relating to the subsequent event.

23. Related-party transactions

1. Disclosures on related-party transactions shall be made separately for each of the following categories:
 - a) Parent.
 - b) Other group companies.
 - c) Joint ventures in which the company is a venturer.
 - d) Associates.
 - e) Companies with joint control or significant influence over the company.
 - f) Key management personnel of the company or its parent.
 - g) Other related parties.
2. The company shall disclose the information necessary to ensure that related-party transactions and the effects of these transactions on its financial statements are readily understandable, including the following aspects:

- a) Identification of the individuals or companies with which the related-party transactions have been carried out, specifying the nature of the relationship with each party involved.
 - b) Details and amount of the transaction, specifying the pricing policy applied and comparing this with the company's usual pricing policies for similar transactions with unrelated parties. When no similar transactions have been carried out with unrelated parties, the criteria and basis for determining the amount of the transaction shall be disclosed.
 - c) The gain or loss for the company on the transaction and a description of the functions and risks assumed in the transaction by each related party.
 - d) The amount of outstanding balances receivable and payable, their terms and conditions and the nature of the consideration to be provided in settlement. Assets and liabilities shall be grouped by type of financial instrument (based on the structure of the company's balance sheet) and by guarantees extended or received.
 - e) Provisions for doubtful debts related with the aforementioned outstanding balances.
 - f) Expenses recognised during the reporting period in respect of irrecoverable or doubtful debts due from related parties.
3. The following types of related-party transaction shall be disclosed:
- a) Sales and purchases of current and non-current assets.
 - b) Services rendered and received.
 - c) Finance lease contracts.
 - d) Transfers of research and development.
 - e) Licence agreements.
 - f) Finance arrangements, including loans and capital contributions in cash or in kind. In equity instrument sale and purchase transactions, the company shall specify the number, par value and average price of the instruments and the gain or loss on the transaction, indicating the purpose for which the instruments have been earmarked in each case.
 - g) Interest paid and received, and accrued interest payable or receivable.
 - h) Dividends and other benefits distributed.
 - i) Guarantees and collateral.
 - j) Remuneration and indemnities.

- k) Contributions to pension and life insurance plans.
 - l) Benefits to be settled with own financial instruments.
 - m) Firm commitments relating to call or put options or other instruments entailing a transfer of resources or obligations between the company and the related party.
 - n) Cost sharing arrangements associated with the production of goods and services that will be used by several related parties.
 - o) Cash management agreements.
 - p) Debt pardoning agreements and associated time period.
4. The above information may be disclosed in aggregate for items of a similar nature. Disclosures shall be made separately for each related-party transaction of a significant amount or which is relevant for an understanding of the annual accounts.
 5. The company is not required to disclose transactions forming part of its ordinary activities when these are carried out at arm's length, are for an insignificant amount and are not material to the fair presentation of the equity, financial position and results of the company.
 6. However, the company shall disclose the amount of salaries, allowances and any other remuneration accrued during the reporting period by senior management personnel and the members of the governing body in respect of all items, as well as pension and life insurance obligations assumed on behalf of former and current members of the governing body and senior management personnel. The company shall also include information on termination benefits and share-based payments. When the members of the governing body are companies, the above requirements shall apply to their representatives. This information may be disclosed by remuneration item, presenting remuneration for senior management personnel separately from that attributable to the members of the governing body.

The company shall also disclose the amount of loans and advances to senior management personnel and members of the governing body, stating the interest rate applied, the main terms and conditions and any amounts repaid; and details of any guarantees extended on their behalf. When the members of the governing body are companies, the above requirements shall apply to their representatives. This information may be disclosed by category, presenting items relating to senior management personnel separately from those attributable to the members of the governing body.

7. Corporations shall specify interests held by their directors in the capital of other companies with an identical, similar or complementary statutory activity to that of the company and disclose positions held and functions and activities performed in these companies, as well as activities performed by these directors, on a proprietary or third-party basis, that are identical, similar or complementary to the statutory activity of the company.

8. If the company forms part of a group, the financial structure of that group shall be described.

24. Other information

The company shall disclose the following:

1. The average number of employees during the reporting period, by category.

The distribution of company personnel by gender at the balance sheet date, divided into sufficient categories and levels, including senior management and directors.
2. Companies which have issued securities that are admitted to trading on a regulated market of any European Union member state, and which only prepare individual annual accounts, in accordance with prevailing legislation, shall disclose the main changes in equity and profit or loss if they have applied International Financial Reporting Standards adopted by European Union regulations, and shall specify the measurement criteria used.
3. The amount disclosed in respect of audit fees and other services rendered by the auditors of the annual accounts shall include total fees charged for other assurance services and for tax advisory services. This disclosure shall also include the fees charged by any company of the same group as the auditor of the accounts, or any other company related to the auditor through control, joint ownership or management.
4. The nature and business purpose of the company's agreements that are not presented in the balance sheet or disclosed in any other note to the annual accounts, as well as the possible financial impact, provided that this information is significant and helps in determining the financial position of the company.
5. When the company holds the largest proportion of the assets of a group of companies domiciled in Spain that report to the same decision-making unit because they are controlled, by any means, by one or more individuals or legal entities acting in conjunction, although not required to consolidate, or which are solely managed in accordance with statutory clauses or agreements, a description of these companies shall be included, explaining why they report to the same decision-making unit, disclosing the aggregate amount of assets, liabilities, equity, revenue and profit or loss of those companies.

The company holding the highest proportion of the total assets of a decision-making unit is considered to be the major asset holder.

6. When the company is not the major asset holder of a group of companies that report to the same decision-making unit under the terms described in the preceding paragraph, it shall specify the decision-making unit to which it belongs and the Business Registry at which the annual accounts of the company that has disclosed the information specified in the preceding paragraph are filed.

25. Segment information

The company shall disclose the distribution of net revenue from its ordinary activities, by category of activity and geographical market, insofar as these categories and markets are structured very differently in terms of the sale of products and rendering of services and other income from ordinary activities of the company.

Companies eligible to prepare abbreviated annual accounts can omit this information.

ABBREVIATED FORMAT FOR ANNUAL ACCOUNTS

ABBREVIATED BALANCE SHEET AT 31 XXXX 200X

ACCOUNTS	ASSETS	NOTES	200X	200X-1
	A) NON-CURRENT ASSETS			
20,(280),(290) 21,(281),(291),23 22,(282),(292) 2403,2404,2413,2414,2423,2424,(2493),(2494),(293), (2943),(2944),(2953),(2954) 2405,2415,2425,(2495),250,251,252,253,254,255,257,258, (259),26,(2945),(2955),(297),(298) 474	I. Intangible assets II. Property, plant and equipment III. Investment property IV. Non-current investments in group companies and associates V. Non-current investments VI. Deferred tax assets			
	B) CURRENT ASSETS			
580,581,582,583,584,(599) 30,31,32,33,34,35,36,(39),407 430,431,432,433,434,435,436, (437),(490),(493) 5580 44,460,470,471,472,544 5303,5304,5313,5314,5323,5324,5333,5334, 5343,5344,5353,5354,(5393),(5394),5523,5524, (593),(5943),(5944),(5953),(5954) 5305,5315,5325,5335, 5345,5355,(5395),540,541,542,543,545,546,547,548, (549),551, 5525,5590,5593,565,566,(5945),(5955),(597),(598) 480, 567 57	I. Non-current assets held for sale II. Inventories III. Trade and other receivables <ol style="list-style-type: none"> 1. Trade receivables 2. Receivable on called-up share capital 3. Other receivables IV. Current investments in group companies and associates V. Current financial investments VI. Prepayments for current assets VII. Cash and cash equivalents			
	TOTAL ASSETS (A + B)			

ACCOUNTS	EQUITY AND LIABILITIES	NOTES	200X	200X-1
<p style="text-align: center;">100,101,102 (1030), (1040) 110 112,113,114,115,119 (108),(109)</p> <p style="text-align: center;">120,(121) 118 129 (557) 111</p> <p style="text-align: center;">133,1340,137</p> <p style="text-align: center;">130,131,132</p> <p style="text-align: center;">14</p> <p style="text-align: center;">1605, 170 1625,174</p> <p style="text-align: center;">1615,1635,171,172,173,175,176,177,178,179,180,185,189 1603,1604,1613,1614,1623,1624,1633,1634</p> <p style="text-align: center;">479 181</p>	<p>A) EQUITY</p> <p>A-1) Capital and reserves without valuation adjustments</p> <p style="padding-left: 20px;">I. Capital</p> <p style="padding-left: 40px;">1. Registered capital</p> <p style="padding-left: 40px;">2. (Uncalled capital)</p> <p style="padding-left: 20px;">II. Share premium</p> <p style="padding-left: 20px;">III. Reserves</p> <p style="padding-left: 20px;">IV. (Own shares and equity holdings)</p> <p style="padding-left: 20px;">V. Prior periods' profit and loss</p> <p style="padding-left: 20px;">VI. Other equity holder contributions</p> <p style="padding-left: 20px;">VII. Profit/(loss) for the period</p> <p style="padding-left: 20px;">VIII. (Interim dividend)</p> <p style="padding-left: 20px;">IX. Other equity instruments</p> <p>A-2) Valuation adjustments</p> <p>A-3) Grants, donations and bequests received</p> <p>B) NON-CURRENT LIABILITIES</p> <p>I. Non-current provisions</p> <p>II. Non-current payables</p> <p style="padding-left: 20px;">1. Debt with financial institutions</p> <p style="padding-left: 20px;">2. Finance lease payables</p> <p style="padding-left: 20px;">3. Other non-current payables</p> <p>III. Group companies and associates, non-current</p> <p>IV. Deferred tax liabilities</p> <p>V. Non-current accruals</p> <p>C) CURRENT LIABILITIES</p> <p>I. Liabilities associated with non-current assets held</p>			

<p>585,586,587,588,589</p> <p>499, 529</p> <p>5105,520,527 5125,524</p> <p>(1034),(1044),(190),(192),194,500,501,505,506,509,5115, 5135,5145, 521,522, 523,525,526,528,551,5525, 555,5565,5566,5595,5598,560,561,569</p> <p>5103,5104,5113,5114,5123,5124,5133,5134,5143,5144,5523,5524,5563,5564</p> <p>400,401,403,404,405,(406) 41,438,465,466,475,476,477 485, 568</p>	<p>for sale</p> <p>II. Current provisions</p> <p>III. Current payables</p> <p>1. Debt with financial institutions</p> <p>2. Finance lease payables</p> <p>3. Other current payables</p> <p>IV. Current debts with group and associated companies</p> <p>V. Trade and other payables</p> <p>1. Suppliers</p> <p>2. Other payables</p> <p>VI. Current accruals</p> <p>TOTAL EQUITY AND LIABILITIES (A + B + C)</p>			
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ABBREVIATED INCOME STATEMENT FOR
THE PERIOD ENDED 31 XXXX 200X

ACCOUNTS		Note	(Debit) Credit	
			200X	200X-1
700,701,702,703,704, 705,(706),(708),(709) (6930), 71*,7930 73 (600),(601),(602),606,(607),608,609,61*,(6931), (6932),(6933),7931,7932,7933 740,747,75 (64),7950,7957 (62),(631),(634),636,639,(65),(694),(695),794, 7954 (68) 746 7951,7952,7955,7956 (670),(671),(672),(690),(691),(692),770,771,772, 790,791,792	1. Revenue 2. Changes in inventories of finished goods and work in progress 3. Work carried out by the company for assets 4. Supplies 5. Other operating income 6. Personnel expenses 7. Other operating expenses 8. Amortisation and depreciation 9. Non-financial and other capital grants 10. Provision surpluses 11. Impairment and gains/(losses) on disposal of fixed assets			
	A) RESULTS FROM OPERATING ACTIVITIES (1+2+3+4+5+6+7+8+9+10+11)			
760,761,762,767,769 (660),(661),(662),(664),(665),(669) (663),763 (668),768 (666),(667),(673),(675),(696),(697),(698),(699), 766,773,775,796,797,798,799	12. Finance income 13. Finance expenses 14. Change in fair value of financial instruments 15. Exchange gains/(losses) 16. Impairment and gains/(losses) on disposal of financial instruments			
	B) NET FINANCE INCOME/(EXPENSE) (12+13+14+15+16)			
	C) PROFIT/(LOSS) BEFORE INCOME TAX (A+B)			
(6300)*,6301*,(633),638	17. Income tax expense			
	D) PROFIT/(LOSS) FOR THE PERIOD (C + 17)			

* May be a positive or negative figure

ABBREVIATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 XXXX 200X

A) ABBREVIATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE PERIOD ENDED 31 XXXX 200X

ACCOUNTS		Notes	200X	200X-1
	A) Profit/(loss) for the period			
(800),(89),900, 991,992	Income and expense recognised directly in equity			
(810),910	I. Measurement of financial instruments			
94	II. Cash flow hedges			
(85),95	III. Grants, donations and bequests received			
	IV. Actuarial gains and losses and other adjustments			
(8300)*,8301*,(833),834,835,838	V. Tax effect			
	B) Total income and expense recognised directly in equity (I+II+III+IV+V)			
	Amounts transferred to the income statement			
(802),902,993,994	VI. Measurement of financial instruments			
(812),912	VII. Cash flow hedges			
(84)	VIII. Grants, donations and bequests received			
8301*,(836),(837)	IX. Tax effect			
	C) Total amounts transferred to the income statement (VI+VII+VIII+IX)			
	TOTAL RECOGNISED INCOME AND EXPENSE (A+ B + C)			

* May be a positive or negative figure

B) ABBREVIATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE PERIOD ENDED 31 XXXX 200X

	Capital		Share premium	Reserves	(Own shares and equity holdings)	Prior periods' profit and loss	Other equity holder contributions	Profit/(loss) for the period	(Interim dividend)	Other equity instruments	Valuation adjustments	Grants, donations and bequests received	TOTAL
	Registered	Uncalled											
A. BALANCE AT 31 XXXX 200X-2													
I. Adjustments for changes in criteria 200X-2 and prior periods													
II. Adjustments for errors 200X-2 and prior periods													
B. ADJUSTED BALANCE AT 1 XXXX 200X-1													
I. Total recognised income and expense													
II. Transactions with equity holders or owners													
1. Capital increases													
2. (-) Capital reductions													
3. Other transactions with equity holders or owners													
III. Other changes in equity													
C. BALANCE AT 31 XXXX 200X-1													
I. Adjustments for changes in 200X-1 criteria													
II. Adjustments for 200X-1 errors													
D. ADJUSTED BALANCE AT 1 XXXX 200X													
I. Recognised income and expense													
II. Transactions with equity holders or owners													
1. Capital increases													
2. (-) Capital reductions													
3. Other transactions with equity holders or owners													
III. Other changes in equity													
E. BALANCE AT 31 XXXX 200X													

CONTENT OF THE NOTES TO THE ABBREVIATED ANNUAL ACCOUNTS

1. Activity of the company

This section shall include a description of the statutory activity and principal activities of the company, particularly the following:

1. Address of the company's registered offices and details of its legal form, and the address at which it carries out its activities if this is different from the corporate headquarters.
2. Description of the nature of the company's operations and its principal activities.
3. If the company is part of a group of companies under the terms of article 42 of the Commercial Code, the name of the group, the direct parent company and the ultimate parent of the group shall be disclosed, even when the parent company's registered offices are located outside Spain. Details of the registered offices of these companies shall also be included, as well as the Business Registry at which the consolidated annual accounts have been filed, the date on which the consolidated annual accounts were authorised for issue or, where applicable, the circumstances that exempt the company from the obligation to prepare consolidated accounts.
4. If the functional currency is different from the euro, this circumstance shall be clearly stated, indicating the criteria considered when determining that currency.

2. Basis of presentation of the annual accounts

1. Fair presentation:

- a) The company shall make an explicit statement that the annual accounts present fairly the equity, financial position and results of the company and shall attest to the veracity of the cash flows included in the statement of cash flows, if this statement is prepared.
- b) Exceptional circumstances, whereby to achieve a fair presentation the company has departed from the requirements of mandatory accounting standards, indicating the title of the standards not applied and the qualitative and quantitative impact of the departure on the equity, financial position and the results of the company for each reporting period presented.
- c) Additional information when compliance with mandatory accounting standards is not sufficient to achieve a fair presentation, and an indication of where this information is disclosed in the notes to the annual accounts.

2. Non-mandatory accounting principles applied

3. Critical issues regarding the measurement and estimation of uncertainties

- a) Notwithstanding the indications of each specific note, key assumptions concerning the future and other relevant data on the uncertainty of estimates at the balance sheet date, which could entail a considerable risk of significant changes in the value of assets and liabilities in the subsequent reporting period, shall be disclosed in this section. Information on the nature of these assets and liabilities and their carrying amount at the balance sheet date shall also be included.
- b) Details of the nature and amount of any significant changes in accounting estimates that affect the current reporting period or are expected to affect future reporting periods shall be disclosed. Where it is impracticable to estimate the effect on future reporting periods that fact shall also be mentioned.
- c) When management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, those uncertainties shall be disclosed in this section. When the annual accounts are not prepared on a going concern basis, that fact shall be explicitly disclosed together with the alternative assumptions on which the annual accounts are prepared, and the reasons why the company is not regarded as a going concern.

4. Comparative information

Notwithstanding the subsequent sections on changes in accounting criteria and correction of errors, the following information shall be disclosed in this section:

- a) Details of exceptional circumstances that justify amending the structure of the balance sheet, income statement, statement of changes in equity and, if prepared, the statement of cash flows for the prior reporting period.
- b) Explanation of reasons why the annual accounts for the current reporting period are not comparable with those of the prior reporting period.
- c) Explanation of adjustments to make prior reporting period amounts comparable with the current reporting period or why it is impracticable to restate comparative information.

5. Items disclosed under several line items

Identification of the nature and amount of assets and liabilities recognised under two or more balance sheet line items, specifying the line item and the amount of the equity item included under each.

6. Changes in accounting policies

Detailed explanation of adjustments deriving from changes in accounting policies during the reporting period, stating the reasons why applying the new accounting policy provides more reliable and relevant information.

If retrospective application is impracticable this fact shall be disclosed, providing details of why it is impracticable and the date from when the change in accounting policy has been applied.

Comparative information is not required in this section.

7. Correction of errors

Detailed explanation of adjustments deriving from correction of errors during the reporting period, stating the nature of the error.

If retrospective application is impracticable this fact shall be disclosed, providing details of the reasons why it is impracticable and the date from when the error has been corrected.

Comparative information is not required in this section.

3. Distribution of profit/application of losses

- Information on the proposed distribution of profit or application of losses for the reporting period, in the following format:

<u>Basis of distribution</u>	<u>Amount</u>
Profit/(loss) for the period	
Retained earnings	
Voluntary reserves	
Other unrestricted reserves	

Total	<u>-----</u>

<u>Distribution</u>	<u>Amount</u>
Legal reserve	
Goodwill reserve	
Special reserves	
Voluntary reserves	
XXX	
Dividends	
YYY	
Offset of prior periods' losses	

Total	<u>-----</u>

- The amount of any interim dividend distributed during the reporting period should be specified and included in the provisional accounting statement prepared in accordance with statutory requirements to demonstrate that sufficient cash is available for distribution of that dividend. The provisional accounting statement shall encompass a period of one year from the date on which the interim dividend was declared.
- Restrictions on the distribution of dividends.

4. Recognition and measurement standards

Details of the accounting criteria applied to the following items shall be provided:

1. Intangible assets, indicating the criteria used for capitalisation, amortisation and impairment.

The reasons supporting the assessment of the useful life of an intangible asset as indefinite.

Details shall be disclosed of the measurement criteria used to calculate the recoverable amount of goodwill and other intangible assets with an indefinite useful life.

2. Property, plant and equipment, indicating the criteria used for depreciation, impairment and reversals thereof, capitalisation of borrowing costs, extension, modernisation and improvement costs, dismantlement or removal costs and the cost of restoring the site on which an asset is located, as well as the criteria used to determine the cost of work carried out by the company for assets.

The company shall also disclose the criteria used to account for finance lease contracts and similar transactions.

3. Details of the criteria used to classify land and buildings as investment property, specifying the criteria indicated in the preceding section.

The company shall also disclose the criteria used to account for finance lease contracts and similar transactions.

4. Exchanges, indicating the criteria used and the reasons supporting application of those criteria and, particularly, the reasons for determining the exchange as having commercial substance.

5. Financial instruments, stating the following:

- a) The criteria used to classify and measure the different categories of financial assets and financial liabilities and to recognise changes in fair value. If the company has issued securities that should have been classified as equity instruments in accordance with their legal form, but instead these have been accounted for as financial liabilities, an explanation shall be provided.

- b) The nature of financial assets and financial liabilities initially designated as at fair value through profit or loss, the criteria used to designate these assets as such, and an explanation of how the company has met the requirements specified in the recognition and measurement standard on financial instruments.

- c) The criteria used to determine whether there is objective evidence of impairment, to recognise impairment and reversals thereof and to derecognise impaired financial assets. In particular, the criteria used to calculate impairment for trade and other receivables shall be disclosed. Details of the accounting criteria applied to

rescheduled payment terms of financial assets which would otherwise be past due or impaired shall also be provided.

- d) The criteria used to derecognise financial assets and financial liabilities.
 - e) Investments in group companies, jointly controlled entities and associates, indicating the criteria used to measure these investments and recognise impairment.
 - f) The criteria used to calculate income and expenses arising on the different financial instrument categories: interest, premiums or discounts, dividends, etc.
 - g) Own equity instruments held by the company, indicating the measurement and recognition criteria used.
6. Inventories, indicating the measurement criteria used and, particularly, those applied to impairment and the capitalisation of borrowing costs.
 7. Foreign currency transactions, indicating the following:
 - a) Measurement criteria used for foreign currency transactions and criteria for recognising exchange differences.
 - b) Any change in the functional currency and the reasons for that change shall be disclosed.
 - c) The procedure used to calculate the euro exchange rate shall be disclosed for any items in the annual accounts currently or originally expressed in a foreign currency.
 8. Income tax, indicating the criteria used to recognise and measure deferred tax assets and liabilities.
 9. Income and expenses, indicating the general criteria applied. In particular, details shall be disclosed of the criteria used to calculate revenues from services rendered by the company, specifying the methods used to determine the portion of the service rendered and indicating where application of these methods was impracticable.
 10. Provisions and contingencies, indicating the measurement criteria applied and the treatment of any third-party compensation receivable on settlement of the obligation. In the case of provisions, a general description of the method used to estimate and calculate each risk shall be provided.
 11. The criteria used to recognise personnel expenses, particularly those relating to pension commitments.
 12. Grants, donations and bequests, indicating the classification criteria used and, where applicable, the criteria for recognition in profit and loss.
 13. Business combinations, indicating the recognition and measurement criteria used.
 14. Joint ventures, indicating the criteria used by the company to account for balances related to the joint venture in which it holds an interest.

15. The criteria used for transactions between related parties.

5. Property, plant and equipment, intangible assets and investment property

1. Analysis of movement during the reporting period in each of these balance sheet line items, as well as accumulated depreciation, amortisation and impairment, indicating the following:
 - a) Opening balance
 - b) Additions
 - c) Disposals
 - d) Closing balance

Details of intangible assets with an indefinite useful life shall be provided, stating the reasons supporting the assessment of useful life as indefinite.

The company shall also disclose details of investment property, including a description.

Additional disclosures shall be made for any line items that are significant in terms of their nature or the amount.

2. Non-current assets under finance leases and similar transactions. The company shall specifically disclose the initial cost, duration of the contract, the number of years elapsed, lease payments made in the current and prior reporting periods, instalments pending and the value of any purchase option, as per the terms of the contract.

6. Financial assets

1. The carrying amount of each category of financial assets specified in the 9th recognition and measurement standard shall be disclosed, except for equity investments in group companies, jointly controlled entities and associates.

Each line item shall be disclosed based on the categories established in the 9th recognition and measurement standard. The classes defined by the company shall be disclosed.

Classes Categories	Non-current financial instruments						Current financial instruments						Total	
	Equity instruments		Debt securities		Other credit derivatives		Equity instruments		Debt securities		Other credit derivatives			
	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1
Assets at fair value through profit or loss														
Held-to-maturity investments														
Loans and receivables														

Available-for-sale assets															
Hedging derivatives															
Total															

Disclosures shall be made on transfers or reclassifications between different financial asset categories during the reporting period. In particular, the amount of the reclassification shall be disclosed, as well as the reasons supporting the change specified for each financial asset category.

2. For each class of financial asset, the company shall provide an analysis of movement in allowance accounts due to impairment losses arising on credit risk.
3. The following shall be disclosed for financial assets measured at fair value:
 - a) Whether the fair value is determined, in whole or in part, by reference to quoted prices in an active market or estimated using pricing models and valuation techniques. In the latter case, the company shall specify the main assumptions on which the pricing models and valuation techniques are based.
 - b) The fair value and changes in value recognised in the income statement or directly in equity, as applicable, for each financial asset category.
 - c) The company shall disclose the nature of derivative financial instruments, other than those classified as hedging instruments, and the significant terms and conditions that could affect the amount, timing and certainty of future cash flows.
4. Group companies, jointly controlled entities and associates

Disclosures on group companies, jointly controlled entities and associates shall include the following:

- a) Name, address of registered offices and legal form of group companies, specifying the following for each one:
 - Activities carried out.
 - Proportion of capital and voting rights held directly or indirectly, distinguishing between the two.
 - Amount of capital, reserves, other equity items and profit or loss for the latest reporting period. Results from operating activities shall be presented separately.
 - Carrying amount of the investment.
 - Dividends received during the reporting period.

- Indication of whether the shares are listed on the stock exchange and, if applicable, the average quoted price for the last quarter and at the balance sheet date.
- b) The same information as that required in the preceding point shall be disclosed for jointly controlled entities, associates, entities in which an interest of more than 20% is held but over which the company does not have significant influence and entities in which the company is a general partner. Contingencies incurred in relation to those entities shall also be disclosed. If the company has significant influence over another entity while holding an interest of 20% or less in that entity, or if it holds an interest of more than 20% but does not have significant influence, the circumstances affecting these relationships shall be explained.
 - c) Acquisitions during the reporting period that have led to classification of a company as a subsidiary, indicating the proportion of capital and the percentage of voting rights acquired.
 - d) Notifications issued, in compliance with article 86 of the revised Companies Act, to investees in which the company obtains a direct or indirect interest of more than 10%.
 - e) The amount of impairment recognised for the different investments, distinguishing between those recognised during the reporting period and accumulated allowances. Any impairment recognised and reversed against the equity item used for valuation adjustments shall also be disclosed in accordance with the recognition and measurement standard.

7. Financial liabilities

1. The carrying amount of each category of financial liabilities specified in the 9th recognition and measurement standard shall be disclosed.

Each line item shall be disclosed based on the categories established in the 9th recognition and measurement standard. The classes defined by the company shall be disclosed.

Classes Categories	Non-current financial instruments						Current financial instruments						Total	
	Debt with financial institutions		Bonds and other marketable securities		Other derivatives		Debt with financial institutions		Bonds and other marketable securities		Other derivatives			
	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1	Year x	Year x-1
Debts and payables														
Liabilities at fair value through profit or loss														
Other														
Total														

2. Information on:

- a) Payables falling due in each of the five years subsequent to the balance sheet date and the remainder until maturity, disclosed separately within debt line items in the abbreviated balance sheet.
 - b) The amount of secured debts, indicating the nature and form of the collateral.
 - c) The available amount of discounting facilities and details of credit facilities extended to the company, specifying the credit limit and the amount drawn down.
3. The company shall disclose the following information for loans outstanding at the balance sheet date:
- details of any defaults of the principal or interest during the reporting period;
 - the carrying amount of loans in default at the balance sheet date; and
 - whether the default was remedied or the terms of the loan were renegotiated before the annual accounts were authorised for issue.

8. Capital and reserves without valuation adjustments

1. Where there are several classes of shares or equity holdings, the company shall disclose the number and par value per share or unit held, by class, as well as the rights and restrictions attached to that class. Where applicable, the company shall disclose the amount receivable on called-up capital for each class and the date on which payment may be demanded. This information shall also be disclosed for equity instruments other than capital.
2. Specific circumstances restricting the availability of reserves.
3. Number, par value and average purchase price of own shares or equity holdings held by the company or by a third party operating on behalf of the company, specifying the purpose for which they have been earmarked and the amount of the reserve for the acquisition of parent company shares. The company shall also disclose the number and par value, as well as the amount of the related reserve, for own shares pledged as collateral, and provide details of equity instruments other than capital, where applicable.

9. Taxation

1. Income tax

- a) Disclosures on deductible and taxable temporary differences recognised in the balance sheet.
- b) The date from which tax loss carryforwards are available and the foreseen term for their application.

- c) Tax benefits applied during the reporting period and associated commitments undertaken.
- d) Income tax provisions, tax contingencies and changes in tax law after the balance sheet date that affect the tax assets and liabilities recognised. The company shall in particular disclose the reporting periods open to inspection.
- e) Any other circumstance of a substantive nature relating to taxation.

2. Other taxes

Details of any significant tax-related circumstances shall be disclosed, particularly tax contingencies and reporting periods open to inspection.

10. Income and expenses

1. Purchases and changes in inventories of merchandise and raw materials and other consumables shall be disclosed in 4. "Supplies" in the abbreviated income statement. Purchases made in Spain, within the European Community and imports shall be presented separately.

Employee benefits expense, distinguishing between contributions and charges for pensions and other benefits, shall be disclosed in 6. "Personnel expenses" in the abbreviated income statement.

Impairment of trade receivables and defaults shall be recognised in 7. "Other operating expenses" in the income statement.

2. Sales of goods and the rendering of services arising from exchanges of non-monetary goods and services.
3. Profit generated and losses incurred outside the company's ordinary activity included under "Other results".

11. Grants, donations and bequests

The company shall disclose the following:

1. The amount and characteristics of the grants, donations and bequests accounted for in the balance sheet, and those taken to income.
2. Analysis and movement of the content of the relevant subgroup in the balance sheet, indicating the opening and closing balance as well as increases and decreases. In particular, amounts received and, where applicable, reimbursed shall be disclosed.
3. Information on the origin of grants, donations and bequests. In the case of grants, the awarding body shall be disclosed, specifying whether it is a local, regional, national or international institution.

4. Information on compliance, or otherwise, with the conditions attached to the grants, donations and bequests.

12. Related-party transactions

1. Disclosures on related-party transactions shall be made separately for each of the following categories:
 - a) Parent.
 - b) Other group companies.
 - c) Joint ventures in which the company is a venturer.
 - d) Associates.
 - e) Companies with joint control or significant influence over the company.
 - f) Key management personnel of the company or its parent.
 - g) Other related parties.
2. The company shall disclose the information necessary to ensure that related-party transactions and the effects of these transactions on its financial statements are readily understandable, including the following aspects:
 - a) Identification of the individuals or companies with which the related-party transactions have been carried out, specifying the nature of the relationship with each party involved.
 - b) Details and amount of the transaction, specifying the pricing policy applied and comparing this with the company's usual pricing policies for similar transactions with unrelated parties. When no similar transactions have been carried out with unrelated parties, the criteria and basis for determining the amount of the transaction shall be disclosed.
 - c) The gain generated or loss incurred by the company on the transaction and a description of the functions and risks assumed in the transaction by each related party.
 - d) The amount of outstanding balances receivable and payable, their terms and conditions and the nature of the consideration to be provided in settlement. Assets and liabilities shall be grouped in accordance with line items in the company's balance sheet and by guarantees extended or received.
 - e) Provisions for doubtful debts related with the aforementioned outstanding balances.
 - f) Expenses recognised during the reporting period in respect of irrecoverable or doubtful debts due from related parties.

3. The above information may be disclosed in aggregate for items of a similar nature. Disclosures shall be made separately for each related-party transaction of a significant amount or which is relevant for an understanding of the annual accounts.
4. The company need not disclose transactions forming part of its ordinary activities when these are carried out at arm's length, are for an insignificant amount and are not material to the fair presentation of the equity, financial position and results of the company.
5. However, the company shall disclose the amount of salaries, allowances and any other remuneration accrued during the reporting period by senior management personnel and the members of the governing body in respect of all items, as well as pension and life insurance obligations assumed on behalf of former and current members of the governing body and senior management personnel. The company shall also include information on termination benefits and share-based payments. When the members of the governing body are companies, the above requirements shall apply to their representatives. This information may be disclosed by remuneration item, presenting remuneration for senior management personnel separately from that attributable to the members of the governing body.

The company shall also disclose the amount of loans and advances to senior management personnel and members of the governing body, stating the interest rate applied, the main terms and conditions and any amounts repaid; and details of any guarantees extended on their behalf. When the members of the governing body are companies, the above requirements shall apply to their representatives. This information may be disclosed by category, presenting items relating to senior management personnel separately from those attributable to the members of the governing body.

6. Corporations shall specify interests held by their directors in the capital of other companies with an identical, similar or complementary statutory activity to that of the company and disclose positions held and functions and activities performed in these companies, as well as activities performed by these directors, on a proprietary or third-party basis, that are identical, similar or complementary to the statutory activity of the company.

13. Other information

The company shall disclose the following:

1. The average number of employees during the reporting period, by category.
2. The nature and business purpose of the company's agreements that are not presented in the balance sheet or disclosed in any other note to the annual accounts, as well as the possible financial impact, provided that this information is significant and helps in determining the financial position of the company.

PART FOUR

CHART OF ACCOUNTS

GROUP 1

BASIC FINANCING

- 10. CAPITAL
 - 100. Share capital
 - 101. Assigned capital
 - 102. Capital
 - 103. Uncalled capital
 - 1030. Uncalled capital
 - 1034. Uncalled capital pending registration
 - 104. Uncalled non-monetary contributions
 - 1040. Uncalled non-monetary contributions, capital
 - 1044. Uncalled non-monetary contributions, capital pending registration
 - 108. Own shares or equity holdings in special situations
 - 109. Own shares or equity holdings for reduction of capital

- 11. RESERVES AND OTHER EQUITY INSTRUMENTS
 - 110. Share premium or additional paid-in capital
 - 111. Other equity instruments
 - 1110. Equity from issue of compound financial instruments
 - 1111. Other equity instruments
 - 112. Legal reserve
 - 113. Voluntary reserves
 - 114. Special reserves
 - 1140. Reserves for parent company shares or equity holdings
 - 1141. Statutory reserves
 - 1142. Redeemed capital reserve
 - 1143. Goodwill reserve
 - 1144. Reserves for own shares accepted as collateral
 - 115. Reserves for actuarial gains and losses and other adjustments
 - 118. Contributions from equity holders or owners
 - 119. Differences on translation of capital to euros

- 12. PROFIT/LOSS PENDING DISTRIBUTION OR APPLICATION
 - 120. Retained earnings
 - 121. Prior periods' losses
 - 129. Profit/loss for the period

- 13. GRANTS, DONATIONS AND VALUATION ADJUSTMENTS
 - 130. Government capital grants
 - 131. Capital donations and bequests
 - 132. Other grants, donations and bequests
 - 133. Valuation adjustments to available-for-sale financial assets

- 134. Hedging transactions
 - 1340. Cash flow hedges
 - 1341. Hedges of a net investment in a foreign operation
- 135. Translation differences
- 136. Valuation adjustments to non-current assets and disposal groups held for sale
- 137. Deferred tax income
 - 1370. Deferred tax income on permanent differences
 - 1371. Deferred tax income for tax deductions and tax credits

- 14. PROVISIONS
 - 140. Provisions for long-term employee benefits
 - 141. Provisions for taxes
 - 142. Provisions for other liabilities
 - 143. Provisions for dismantlement, removal or restoration of fixed assets
 - 145. Provisions for environmental actions
 - 146. Provisions for restructuring costs
 - 147. Provisions for share-based payment transactions

- 15. NON-CURRENT PAYABLES OF A SPECIAL NATURE
 - 150. Non-current liability-classified shares or equity holdings
 - 153. Liability-classified uncalled share capital or equity holdings
 - 1533. Uncalled share capital or equity holdings, group companies
 - 1534. Uncalled share capital or equity holdings, associates
 - 1535. Uncalled share capital or equity holdings, other related parties
 - 1536. Other uncalled share capital or equity holdings
 - 154. Liability-classified uncalled non-monetary contributions of shares or equity holdings
 - 1543. Uncalled non-monetary contributions, group companies
 - 1544. Uncalled non-monetary contributions, associates
 - 1545. Uncalled non-monetary contributions, other related parties
 - 1546. Other uncalled non-monetary contributions

- 16. NON-CURRENT PAYABLES TO RELATED PARTIES
 - 160. Non-current debt with related financial institutions
 - 1603. Non-current debt with financial institutions, group companies
 - 1604. Non-current debt with financial institutions, associates
 - 1605. Non-current debt with other related financial institutions
 - 161. Non-current payables to suppliers of fixed assets, related parties
 - 1613. Non-current payables to suppliers of fixed assets, group companies
 - 1614. Non-current payables to suppliers of fixed assets, associates
 - 1615. Non-current payables to suppliers of fixed assets, other related parties

 - 162. Non-current finance lease payables, related parties
 - 1623. Non-current finance lease payables, group companies
 - 1624. Non-current finance lease payables, associates
 - 1625. Non-current finance lease payables, other related parties

 - 163. Other non-current payables to related parties
 - 1633. Other non-current payables, group companies

- 1634. Other non-current payables, associates
- 1635. Other non-current payables, other related parties

17. NON-CURRENT PAYABLES FOR LOANS, DEBENTURES AND OTHER

- 170. Non-current debt with financial institutions
- 171. Non-current payables
- 172. Non-current payables convertible into grants, donations and bequests
- 173. Non-current payables to suppliers of fixed assets
- 174. Non-current finance lease payables
- 175. Non-current bills payable
- 176. Non-current liabilities arising from derivative financial instruments
 - 1765. Non-current liabilities arising from derivative financial instruments, trading portfolio
 - 1768. Non-current liabilities arising from derivative financial instruments, hedging instruments
- 177. Bonds and obligations
- 178. Convertible bonds and obligations
- 179. Other marketable securities

18. NON-CURRENT GUARANTEES, DEPOSITS AND OTHER LIABILITIES

- 180. Non-current guarantees received
- 181. Advances of long-term sales
- 185. Non-current deposits received
- 189. Non-current financial guarantees

19. TEMPORARY FINANCING

- 190. Shares or equity holdings issued
- 192. Subscribed shares
- 194. Issued capital pending registration
- 195. Liability-classified shares or equity holdings issued
- 197. Liability-classified subscribed shares
- 199. Liability-classified shares or equity holdings issued pending registration

GROUP 2

NON-CURRENT ASSETS

- 20. INTANGIBLE ASSETS
 - 200. Research
 - 201. Development
 - 202. Administrative concessions
 - 203. Industrial property
 - 204. Goodwill
 - 205. Leaseholds
 - 206. Computer software
 - 209. Advances for intangible assets

- 21. PROPERTY, PLANT AND EQUIPMENT
 - 210. Land and natural resources
 - 211. Buildings
 - 212. Technical installations
 - 213. Machinery
 - 214. Equipment
 - 215. Other installations
 - 216. Furniture
 - 217. Information technology equipment
 - 218. Motor vehicles
 - 219. Other property, plant and equipment

- 22. INVESTMENT PROPERTY
 - 220. Investments in land and natural resources
 - 221. Investments in buildings

- 23. PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION
 - 230. Preparation of land and natural resources
 - 231. Buildings under construction
 - 232. Technical installations under assembly
 - 233. Machinery under assembly
 - 237. Information technology equipment under assembly
 - 239. Advances for property, plant and equipment

- 24. NON-CURRENT INVESTMENTS IN RELATED PARTIES
 - 240. Non-current investments in related parties
 - 2403. Non-current investments in group companies
 - 2404. Non-current investments in associates
 - 2405. Non-current investments in other related parties
 - 241. Non-current debt securities of related parties

- 2413. Non-current debt securities of group companies
 - 2414. Non-current debt securities of associates
 - 2415. Non-current debt securities of other related parties
 - 242. Non-current loans to related parties
 - 2423. Non-current loans to group companies
 - 2424. Non-current loans to associates
 - 2425. Non-current loans to other related parties
 - 249. Non-current uncalled equity holdings in related parties
 - 2493. Non-current uncalled equity holdings in group companies
 - 2494. Non-current uncalled equity holdings in associates
 - 2495. Non-current uncalled equity holdings in other related parties
25. OTHER NON-CURRENT INVESTMENTS
- 250. Non-current investments in equity instruments
 - 251. Non-current debt securities
 - 252. Non-current loans
 - 253. Non-current loans for disposal of fixed assets
 - 254. Non-current loans to personnel
 - 255. Non-current assets arising from derivative financial instruments
 - 2550. Non-current assets arising from derivative financial instruments, trading portfolio
 - 2553. Non-current assets arising from derivative financial instruments, hedging instruments
 - 257. Reimbursement rights of insurance contracts for long-term employee benefits
 - 258. Non-current deposits
 - 259. Non-current uncalled equity holdings
26. NON-CURRENT GUARANTEES AND DEPOSITS EXTENDED
- 260. Non-current guarantees extended
 - 265. Non-current deposits extended
28. ACCUMULATED AMORTISATION AND DEPRECIATION
- 280. Accumulated amortisation of intangible assets
 - 2800. Accumulated amortisation of research
 - 2801. Accumulated amortisation of development
 - 2802. Accumulated amortisation of administrative concessions
 - 2803. Accumulated amortisation of industrial property
 - 2805. Accumulated amortisation of leaseholds
 - 2806. Accumulated amortisation of computer software
 - 281. Accumulated depreciation of property, plant and equipment
 - 2811. Accumulated depreciation of buildings
 - 2812. Accumulated depreciation of technical installations
 - 2813. Accumulated depreciation of machinery
 - 2814. Accumulated depreciation of equipment
 - 2815. Accumulated depreciation of other installations
 - 2816. Accumulated depreciation of furniture
 - 2817. Accumulated depreciation of information technology equipment
 - 2818. Accumulated depreciation of motor vehicles
 - 2819. Accumulated depreciation of other property, plant and equipment

- 282. Accumulated depreciation of investment property
- 29. IMPAIRMENT OF NON-CURRENT ASSETS
 - 290. Impairment of intangible assets
 - 2900. Impairment of research
 - 2901. Impairment of development
 - 2902. Impairment of administrative concessions
 - 2903. Impairment of industrial property
 - 2905. Impairment of leaseholds
 - 2906. Impairment of computer software
 - 291. Impairment of property, plant and equipment
 - 2910. Impairment of land and natural resources
 - 2911. Impairment of buildings
 - 2912. Impairment of technical installations
 - 2913. Impairment of machinery
 - 2914. Impairment of equipment
 - 2915. Impairment of other installations
 - 2916. Impairment of furniture
 - 2917. Impairment of information technology equipment
 - 2918. Impairment of motor vehicles
 - 2919. Impairment of other property, plant and equipment
 - 292. Impairment of investment property
 - 2920. Impairment of land and natural resources
 - 2921. Impairment of buildings
 - 293. Impairment of non-current investments in related parties
 - 2933. Impairment of non-current investments in group companies
 - 2934. Impairment of non-current investments in associates
 - 294. Impairment of non-current debt securities of related parties
 - 2943. Impairment of non-current debt securities of group companies
 - 2944. Impairment of non-current debt securities of associates
 - 2945. Impairment of non-current debt securities of other related parties
 - 295. Impairment of non-current loans to related parties
 - 2953. Impairment of non-current loans to group companies
 - 2954. Impairment of non-current loans to associates
 - 2955. Impairment of non-current loans to other related parties
 - 297. Impairment of non-current debt securities
 - 298. Impairment of non-current loans

GROUP 3

INVENTORIES

- 30. GOODS FOR RESALE
 - 300. Merchandise A
 - 301. Merchandise B
- 31. RAW MATERIALS
 - 310. Raw materials A
 - 311. Raw materials B
- 32. OTHER SUPPLIES
 - 320. Components
 - 321. Fuel
 - 322. Spare parts
 - 325. Sundry materials
 - 326. Packaging
 - 327. Containers
 - 328. Office supplies
- 33. WORK IN PROGRESS
 - 330. Work in progress A
 - 331. Work in progress B
- 34. SEMI-FINISHED GOODS
 - 340. Semi-finished goods A
 - 341. Semi-finished goods B
- 35. FINISHED GOODS
 - 350. Finished goods A
 - 351. Finished goods B
- 36. BY-PRODUCTS, WASTE AND RECOVERED MATERIALS
 - 360. By-products A
 - 361. By-products B
 - 365. Waste A
 - 366. Waste B
 - 368. Recovered materials A
 - 369. Recovered materials B
- 39. IMPAIRMENT OF INVENTORIES

- 390. Impairment of merchandise
- 391. Impairment of raw materials
- 392. Impairment of other supplies
- 393. Impairment of work in progress
- 394. Impairment of semi-finished goods
- 395. Impairment of finished goods
- 396. Impairment of by-products, waste and recovered materials

GROUP 4

TRADE PAYABLES AND TRADE RECEIVABLES

- 40. SUPPLIERS
 - 400. Suppliers
 - 4000. Suppliers (euros)
 - 4004. Suppliers (foreign currency)
 - 4009. Suppliers, pending invoices
 - 401. Suppliers, trade bills payable
 - 403. Suppliers, group companies
 - 4030. Suppliers, group companies (euros)
 - 4031. Trade bills payable, group companies
 - 4034. Suppliers, group companies (foreign currency)
 - 4036. Containers and packaging returnable to suppliers, group companies
 - 4039. Suppliers, group companies, pending invoices
 - 404. Suppliers, associates
 - 405. Suppliers, other related parties
 - 406. Containers and packaging returnable to suppliers
 - 407. Advances to suppliers

- 41. OTHER PAYABLES
 - 410. Payables for the rendering of services
 - 4100. Payables for the rendering of services (euros)
 - 4104. Payables for the rendering of services (foreign currency)
 - 4109. Payables for the rendering of services, pending invoices
 - 411. Trade bills payable
 - 419. Payables for profit-sharing agreements

- 43. TRADE RECEIVABLES
 - 430. Trade receivables
 - 4300. Trade receivables (euros)
 - 4304. Trade receivables (foreign currency)
 - 4309. Trade receivables, pending invoices
 - 431. Trade receivables, trade bills receivable
 - 4310. Trade bills in portfolio
 - 4311. Discounted trade bills
 - 4312. Trade bills in debt collection management
 - 4315. Past due trade bills
 - 432. Trade receivables, factoring
 - 433. Trade receivables, group companies
 - 4330. Trade receivables, group companies (euros)
 - 4331. Trade bills receivable, group companies
 - 4332. Trade receivables, group companies, factoring
 - 4334. Trade receivables, group companies (foreign currency)
 - 4336. Doubtful trade receivables, group companies
 - 4337. Containers and packaging returnable to customers, group companies

- 4339. Trade receivables, group companies, pending invoices
- 434. Trade receivables, associates
- 435. Trade receivables, other related parties
- 436. Doubtful trade receivables
- 437. Containers and packaging returnable by customers
- 438. Advances from customers

- 44. OTHER RECEIVABLES
 - 440. Receivables
 - 4400. Receivables (euros)
 - 4404. Receivables (foreign currency)
 - 4409. Receivables, pending invoices
 - 441. Receivables, trade bills
 - 4410. Receivables, trade bills in portfolio
 - 4411. Receivables, discounted trade bills
 - 4412. Receivables, trade bills in debt collection management
 - 4415. Receivables, past due trade bills
 - 446. Doubtful receivables
 - 449. Receivables for profit-sharing agreements

- 46. PERSONNEL
 - 460. Salary advances
 - 465. Salaries payable
 - 466. Employee benefits payable through defined contribution schemes

- 47. PUBLIC ENTITIES
 - 470. Taxation authorities, receivables
 - 4700. VAT recoverable
 - 4708. Grants receivable
 - 4709. Recoverable taxes
 - 471. Social Security, receivables
 - 472. Input VAT
 - 473. Withholdings and payments on account
 - 474. Deferred tax assets
 - 4740. Assets arising from deductible temporary differences
 - 4742. Rights to tax deductions and credits pending application
 - 4745. Tax loss carryforwards
 - 475. Taxation authorities, taxes payable
 - 4750. VAT payable
 - 4751. Taxation authorities, withholding tax
 - 4752. Income tax payable
 - 4758. Repayable grants
 - 476. Social Security, payables
 - 477. Output VAT
 - 479. Liabilities arising from taxable temporary differences

- 48. PREPAID EXPENSES AND DEFERRED INCOME
 - 480. Prepaid expenses

- 485. Deferred income

- 49. IMPAIRMENT OF TRADE RECEIVABLES AND CURRENT PROVISIONS
 - 490. Impairment of trade receivables
 - 493. Impairment of trade receivables from related parties
 - 4933. Impairment of trade receivables from group companies
 - 4934. Impairment of trade receivables from associates
 - 4935. Impairment of trade receivables from other related parties
 - 499. Trade provisions
 - 4994. Provisions for onerous contracts
 - 4999. Provisions for other trade operations

GROUP 5

FINANCIAL ACCOUNTS

50. CURRENT DEBENTURES, PAYABLES OF A SPECIAL NATURE AND SIMILAR ISSUANCES

- 500. Current bonds and obligations
- 501. Current convertible bonds and obligations
- 502. Current liability-classified shares or equity holdings
- 505. Other current marketable securities
- 506. Current interest on debentures and similar issues
- 507. Dividends payable on liability-classified instruments
- 509. Redeemed marketable securities
 - 5090. Redeemed bonds and obligations
 - 5091. Redeemed convertible bonds and obligations
 - 5095. Other redeemed marketable securities

51. CURRENT PAYABLES TO RELATED PARTIES

- 510. Current debt with related financial institutions
 - 5103. Current debt with financial institutions, group companies
 - 5104. Current debt with financial institutions, associates
 - 5105. Current debt with other related financial institutions
- 511. Current payables to suppliers of fixed assets, related parties
 - 5113. Current payables to suppliers of fixed assets, group companies
 - 5114. Current payables to suppliers of fixed assets, associates
 - 5115. Current payables to suppliers of fixed assets, other related parties
- 512. Current finance lease payables, related parties
 - 5123. Current finance lease payables, group companies
 - 5124. Current finance lease payables, associates
 - 5125. Current finance lease payables, other related parties
- 513. Other current payables to related parties
 - 5133. Other current payables, group companies
 - 5134. Other current payables, associates
 - 5135. Other current payables, other related parties
- 514. Current interest on payables to related parties
 - 5143. Current interest on payables, group companies
 - 5144. Current interest on payables, associates
 - 5145. Current interest on payables, other related parties

52. CURRENT PAYABLES FOR LOANS AND OTHER

- 520. Current debt with financial institutions
 - 5200. Current loans from financial institutions
 - 5201. Current payables for drawdowns on credit facilities
 - 5208. Payables, discounted trade bills
 - 5209. Payables, factoring
- 521. Current payables
- 522. Current payables convertible into grants, donations and bequests

- 523. Current payables to suppliers of fixed assets
 - 524. Current finance lease payables
 - 525. Current bills payable
 - 526. Dividend payable
 - 527. Current interest on debt with financial institutions
 - 528. Current interest on payables
 - 529. Current provisions
 - 5290. Current provisions for employee benefits
 - 5291. Current provisions for taxes
 - 5292. Current provisions for other liabilities
 - 5293. Current provisions for dismantlement, removal or restoration of fixed assets
 - 5295. Current provisions for environmental actions
 - 5296. Current provisions for restructuring costs
 - 5297. Current provisions for share-based payment transactions
53. CURRENT INVESTMENTS IN RELATED PARTIES
- 530. Current investments in related parties
 - 5303. Current investments in group companies
 - 5304. Current investments in associates
 - 5305. Current investments in other related parties
 - 531. Current debt securities of related parties
 - 5313. Current debt securities of group companies
 - 5314. Current debt securities of associates
 - 5315. Current debt securities of other related parties
 - 532. Current loans to related parties
 - 5323. Current loans to group companies
 - 5324. Current loans to associates
 - 5325. Current loans to other related parties
 - 533. Current interest on debt securities of related parties
 - 5333. Current interest on debt securities of group companies
 - 5334. Current interest on debt securities of associates
 - 5335. Current interest on debt securities of other related parties
 - 534. Current interest on loans to related parties
 - 5343. Current interest on loans to group companies
 - 5344. Current interest on loans to associates
 - 5345. Current interest on loans to other related parties
 - 535. Dividend receivable on investments in related parties
 - 5353. Dividend receivable from group companies
 - 5354. Dividend receivable from associates
 - 5355. Dividend receivable from other related parties
 - 539. Current uncalled equity holdings in related parties
 - 5393. Current uncalled equity holdings in group companies
 - 5394. Current uncalled equity holdings in associates
 - 5395. Current uncalled equity holdings in other related parties
54. OTHER CURRENT INVESTMENTS
- 540. Current investments in equity instruments
 - 541. Current debt securities
 - 542. Current loans

- 543. Current loans for disposal of fixed assets
 - 544. Current loans to personnel
 - 545. Dividend receivable
 - 546. Current interest on debt securities
 - 547. Current interest on loans
 - 548. Current deposits
 - 549. Current uncalled equity holdings
55. ACCOUNTS OTHER THAN BANK ACCOUNTS
- 550. Current account with owner
 - 551. Current account with equity holders and directors
 - 552. Current account with other individuals and related entities
 - 5523. Current account with group companies
 - 5524. Current account with associates
 - 5525. Current account with other related parties
 - 553. Current accounts in mergers and spin-offs
 - 5530. Equity holders of the dissolved company
 - 5531. Equity holders, merger account
 - 5532. Equity holders of the spin-off
 - 5533. Equity holders, spin-off account
 - 554. Current account with temporary joint ventures and co-ownerships
 - 555. Items pending application
 - 556. Called-up equity holdings
 - 5563. Called-up equity holdings, group companies
 - 5564. Called-up equity holdings, associates
 - 5565. Called-up equity holdings, other related parties
 - 5566. Called-up equity holdings of other companies
 - 557. Interim dividend
 - 558. Receivable on called-up capital
 - 5580. Receivable on called-up ordinary shares or equity holdings
 - 5585. Receivable on called-up liability-classified shares or equity holdings
 - 559. Current derivative financial instruments
 - 5590. Current assets arising from derivative financial instruments, trading portfolio
 - 5593. Current assets arising from derivative financial instruments, hedging instruments
 - 5595. Current liabilities arising from derivative financial instruments, trading portfolio
 - 5598. Current liabilities arising from derivative financial instruments, hedging instruments
56. CURRENT GUARANTEES, DEPOSITS, PREPAID EXPENSES AND DEFERRED INCOME
- 560. Current guarantees received
 - 561. Current deposits received
 - 565. Current guarantees extended
 - 566. Current deposits extended
 - 567. Prepaid interest
 - 568. Unearned interest received
 - 569. Current financial guarantees

- 57. CASH
 - 570. Cash, euros
 - 571. Cash, foreign currency
 - 572. Banks and financial institutions, demand current accounts, euros
 - 573. Banks and financial institutions, demand current accounts, foreign currency
 - 574. Banks and financial institutions, savings accounts, euros
 - 575. Banks and financial institutions, savings accounts, foreign currency
 - 576. Short-term highly-liquid investments

- 58. NON-CURRENT ASSETS HELD FOR SALE AND ASSOCIATED ASSETS AND LIABILITIES
 - 580. Fixed assets
 - 581. Investments with individuals and related entities
 - 582. Investments
 - 583. Inventories and trade and other receivables
 - 584. Other assets
 - 585. Provisions
 - 586. Payables of a special nature
 - 587. Payables to individuals and related entities
 - 588. Trade and other payables
 - 589. Other liabilities

- 59. IMPAIRMENT OF CURRENT INVESTMENTS AND NON-CURRENT ASSETS HELD FOR SALE
 - 593. Impairment of current investments in related parties
 - 5933. Impairment of current investments in group companies
 - 5934. Impairment of current investments in associates
 - 594. Impairment of current debt securities of related parties
 - 5943. Impairment of current debt securities of group companies
 - 5944. Impairment of current debt securities of associates
 - 5945. Impairment of current debt securities of other related parties
 - 595. Impairment of current loans to related parties
 - 5953. Impairment of current loans to group companies
 - 5954. Impairment of current loans to associates
 - 5955. Impairment of current loans to other related parties
 - 597. Impairment of current debt securities
 - 598. Impairment of current loans
 - 599. Impairment of non-current assets held for sale
 - 5990. Impairment of non-current intangible assets and property, plant and equipment held for sale
 - 5991. Impairment of non-current investments with individuals and related entities held for sale
 - 5992. Impairment of non-current investments held for sale
 - 5993. Impairment of inventories and trade and other receivables forming part of a disposal group held for sale
 - 5994. Impairment of other assets held for sale

GROUP 6

PURCHASES AND EXPENSES

60. PURCHASES

- 600. Merchandise purchased
- 601. Raw materials purchased
- 602. Other supplies purchased
- 606. Prompt payment discounts on purchases
 - 6060. Prompt payment discounts on merchandise purchased
 - 6061. Prompt payment discounts on raw materials purchased
 - 6062. Prompt payment discounts on other supplies purchased
- 607. Subcontracted work
- 608. Purchase returns and similar transactions
 - 6080. Returns of merchandise purchased
 - 6081. Returns of raw materials purchased
 - 6082. Returns of other supplies purchased
- 609. Volume discounts
 - 6090. Volume discounts on merchandise purchased
 - 6091. Volume discounts on raw materials purchased
 - 6092. Volume discounts on other supplies purchased

61. CHANGES IN INVENTORIES

- 610. Changes in inventories of merchandise
- 611. Changes in inventories of raw materials
- 612. Changes in inventories of other supplies

62. EXTERNAL SERVICES

- 620. Research and development expenses for the period
- 621. Leases and royalties
- 622. Repairs and maintenance
- 623. Independent professional services
- 624. Transport
- 625. Insurance premiums
- 626. Banking and similar services
- 627. Advertising, publicity and public relations
- 628. Utilities
- 629. Other services

63. TAXES

- 630. Income tax
 - 6300. Current tax
 - 6301. Deferred tax
- 631. Other taxes
- 633. Negative adjustments to income tax
- 634. Negative adjustments to indirect taxes

- 6341. Negative adjustments to VAT on current assets
- 6342. Negative adjustments to VAT on investments
- 636. Tax refunds
- 638. Positive adjustments to income tax
- 639. Positive adjustments to indirect taxes
 - 6391. Positive adjustments to VAT on current assets
 - 6392. Positive adjustments to VAT on investments
- 64. PERSONNEL EXPENSES
 - 640. Salaries and wages
 - 641. Termination benefits
 - 642. Social Security payable by the company
 - 643. Long-term employee benefits payable through defined contribution schemes
 - 644. Long-term employee benefits payable through defined benefit schemes
 - 6440. Annual contributions
 - 6442. Other costs
 - 645. Equity-based employee benefits
 - 6450. Equity-settled employee benefits
 - 6457. Cash-settled share-based employee benefits
 - 649. Employee benefits expense
- 65. OTHER EXPENSES
 - 650. Losses on irrecoverable trade receivables
 - 651. Results on profit-sharing agreements
 - 6510. Profit transferred (trustee)
 - 6511. Losses incurred (non-trustee venturer or associate)
 - 659. Other operating losses
- 66. FINANCE EXPENSES
 - 660. Finance expenses arising from provision adjustments
 - 661. Interest on bonds and obligations
 - 6610. Interest on non-current bonds and obligations, group companies
 - 6611. Interest on non-current bonds and obligations, associates
 - 6612. Interest on non-current bonds and obligations, other related parties
 - 6613. Interest on non-current bonds and obligations, other companies
 - 6615. Interest on current bonds and obligations, group companies
 - 6616. Interest on current bonds and obligations, associates
 - 6617. Interest on current bonds and obligations, other related parties
 - 6618. Interest on current bonds and obligations, other companies
 - 662. Interest on payables
 - 6620. Interest on payables, group companies
 - 6621. Interest on payables, associates
 - 6622. Interest on payables, other related parties
 - 6623. Interest on debt with financial institutions
 - 6624. Interest on payables, other companies
 - 663. Losses on fair value measurement of financial instruments
 - 6630. Losses on trading portfolio
 - 6631. Losses on financial instruments designated by the company
 - 6632. Losses on available-for-sale financial instruments

- 6633. Losses on hedging instruments
 - 664. Expenses arising on dividends payable on liability-classified instruments
 - 6640. Dividends on liability-classified instruments, group companies
 - 6641. Dividends on liability-classified instruments, associates
 - 6642. Dividends on liability-classified instruments, other related parties
 - 6643. Dividends on liability-classified instruments, other companies
 - 665. Interest on discounted bills and factoring transactions
 - 6650. Interest on bills discounted by group financial institutions
 - 6651. Interest on bills discounted by associate financial institutions
 - 6652. Interest on bills discounted by other related financial institutions
 - 6653. Interest on bills discounted by other financial institutions
 - 6654. Interest on factoring transactions with group financial institutions
 - 6655. Interest on factoring transactions with associate financial institutions
 - 6656. Interest on factoring transactions with other related financial institutions
 - 6657. Interest on factoring transactions with other financial institutions
 - 666. Losses on investments and debt securities
 - 6660. Losses on non-current debt securities, group companies
 - 6661. Losses on non-current debt securities, associates
 - 6662. Losses on non-current debt securities, other related parties
 - 6663. Losses on non-current investments and debt securities, other companies
 - 6665. Losses on current investments and debt securities, group companies
 - 6666. Losses on current investments and debt securities, associates
 - 6667. Losses on current debt securities, other related parties
 - 6668. Losses on current debt securities, other companies
 - 667. Losses on non-trade receivables
 - 6670. Losses on non-current non-trade receivables, group companies
 - 6671. Losses on non-current non-trade receivables, associates
 - 6672. Losses on non-current non-trade receivables, other related parties
 - 6673. Losses on non-current non-trade receivables, other companies
 - 6675. Losses on current non-trade receivables, group companies
 - 6676. Losses on current non-trade receivables, associates
 - 6677. Losses on current non-trade receivables, other related parties
 - 6678. Losses on current non-trade receivables, other companies
 - 668. Exchange losses
 - 669. Other finance expenses
67. LOSSES ON NON-CURRENT ASSETS AND EXCEPTIONAL EXPENSES
- 670. Losses on intangible assets
 - 671. Losses on property, plant and equipment
 - 672. Losses on investment property
 - 673. Losses on non-current investments in related parties
 - 6733. Losses on non-current investments, group companies
 - 6734. Losses on non-current investments, associates
 - 6735. Losses on non-current investments, other related parties
 - 675. Losses on transactions with own bonds
 - 678. Exceptional expenses
68. AMORTISATION AND DEPRECIATION
- 680. Amortisation of intangible assets
 - 681. Depreciation of property, plant and equipment

- 682. Depreciation of investment property
- 69. IMPAIRMENT LOSSES AND OTHER CHARGES
 - 690. Impairment losses on intangible assets
 - 691. Impairment losses on property, plant and equipment
 - 692. Impairment losses on investment property
 - 693. Impairment losses on inventories
 - 6930. Impairment losses on finished goods and work in progress
 - 6931. Impairment losses on merchandise
 - 6932. Impairment losses on raw materials
 - 6933. Impairment losses on other supplies
 - 694. Impairment losses on trade receivables
 - 695. Trade provisions
 - 6954. Provisions for onerous contracts
 - 6959. Provisions for other trade operations
 - 696. Impairment losses on non-current investments and debt securities
 - 6960. Impairment losses on non-current investments, group companies
 - 6961. Impairment losses on non-current investments, associates
 - 6962. Impairment losses on non-current investments, other related parties
 - 6963. Impairment losses on non-current investments, other companies
 - 6965. Impairment losses on non-current debt securities, group companies
 - 6966. Impairment losses on non-current debt securities, associates
 - 6967. Impairment losses on non-current debt securities, other related parties
 - 6968. Impairment losses on non-current debt securities, other companies
 - 697. Impairment losses on non-current loans
 - 6970. Impairment losses on non-current loans, group companies
 - 6971. Impairment losses on non-current loans, associates
 - 6972. Impairment losses on non-current loans, other related parties
 - 6973. Impairment losses on non-current loans, other companies
 - 698. Impairment losses on current investments and debt securities
 - 6980. Impairment losses on current investments, group companies
 - 6981. Impairment losses on current investments, associates
 - 6985. Impairment losses on current debt securities, group companies
 - 6986. Impairment losses on current debt securities, associates
 - 6987. Impairment losses on current debt securities, other related parties
 - 6988. Impairment losses on current debt securities, other companies
 - 699. Impairment losses on current loans
 - 6990. Impairment losses on current loans, group companies
 - 6991. Impairment losses on current loans, associates
 - 6992. Impairment losses on current loans, other related parties
 - 6993. Impairment losses on current loans, other companies

GROUP 7

SALES AND INCOME

70. SALES OF MERCHANDISE, WORK CARRIED OUT BY THE COMPANY FOR ASSETS, SERVICES, ETC.

- 700. Merchandise sold
- 701. Finished goods sold
- 702. Semi-finished goods sold
- 703. By-products and waste sold
- 704. Containers and packaging sold
- 705. Services rendered
- 706. Prompt payment discounts
 - 7060. Prompt payment discounts on merchandise sold
 - 7061. Prompt payment discounts on finished goods sold
 - 7062. Prompt payment discounts on semi-finished goods sold
 - 7063. Prompt payment discounts on by-products and waste sold
- 708. Sales returns and similar transactions
 - 7080. Returns of merchandise sold
 - 7081. Returns of finished goods sold
 - 7082. Returns of semi-finished goods sold
 - 7083. Returns of by-products and waste sold
 - 7084. Returns of containers and packaging sold
- 709. Volume discounts
 - 7090. Volume discounts on merchandise sold
 - 7091. Volume discounts on finished goods sold
 - 7092. Volume discounts on semi-finished goods sold
 - 7093. Volume discounts on by-products and waste sold
 - 7094. Volume discounts on containers and packaging sold

71. CHANGES IN INVENTORIES

- 710. Changes in inventories of work in progress
- 711. Changes in inventories of semi-finished goods
- 712. Changes in inventories of finished goods
- 713. Changes in inventories of by-products, waste and recovered materials

73. WORK CARRIED OUT BY THE COMPANY FOR ASSETS

- 730. Work carried out by the company for intangible assets
- 731. Work carried out by the company for property, plant and equipment
- 732. Work carried out by the company for investment property
- 733. Work carried out by the company for property, plant and equipment in progress

74. GRANTS, DONATIONS AND BEQUESTS

- 740. Operating grants, donations and bequests
- 746. Capital grants, donations and bequests taken to income

- 747. Other grants, donations and bequests taken to income
- 75. OTHER INCOME
 - 751. Results on profit-sharing agreements
 - 7510. Losses transferred (trustee)
 - 7511. Attributable profit (non-trustee venturer or associate)
 - 752. Income from lease agreements
 - 753. Income from transfer of industrial property rights
 - 754. Commission income
 - 755. Income from services to personnel
 - 759. Income from other services
- 76. FINANCE INCOME
 - 760. Dividends
 - 7600. Dividends, group companies
 - 7601. Dividends, associates
 - 7602. Dividends, other related parties
 - 7603. Dividends, other companies
 - 761. Income from debt securities
 - 7610. Income from debt securities, group companies
 - 7611. Income from debt securities, associates
 - 7612. Income from debt securities, other related parties
 - 7613. Income from debt securities, other companies
 - 762. Income from loans
 - 7620. Income from non-current loans
 - 76200. Income from non-current loans, group companies
 - 76201. Income from non-current loans, associates
 - 76202. Income from non-current loans, other related parties
 - 76203. Income from non-current loans, other companies
 - 7621. Income from current loans
 - 76210. Income from current loans, group companies
 - 76211. Income from current loans, associates
 - 76212. Income from current loans, other related parties
 - 76213. Income from current loans, other companies
 - 763. Gains on fair value measurement of financial instruments
 - 7630. Gains on trading portfolio
 - 7631. Gains on financial instruments designated by the company
 - 7632. Gains on available-for-sale financial instruments
 - 7633. Gains on hedging instruments
 - 766. Gains on investments and debt securities
 - 7660. Gains on non-current debt securities, group companies
 - 7661. Gains on non-current debt securities, associates
 - 7662. Gains on non-current debt securities, other related parties
 - 7663. Gains on non-current investments and debt securities, other companies
 - 7665. Gains on current investments and debt securities, group companies
 - 7666. Gains on current investments and debt securities, associates
 - 7667. Gains on current debt securities, other related parties
 - 7668. Gains on current debt securities, other companies
 - 767. Income from related assets and reimbursement rights from long-term employee benefits

- 768. Exchange gains
 - 769. Other finance income
77. GAINS ON NON-CURRENT ASSETS AND EXCEPTIONAL INCOME
- 770. Gains on intangible assets
 - 771. Gains on property, plant and equipment
 - 772. Gains on investment property
 - 773. Gains on non-current investments in related parties
 - 7733. Gains on non-current investments, group companies
 - 7734. Gains on non-current investments, associates
 - 7735. Gains on non-current investments, other related parties
 - 774. Negative goodwill on business combinations
 - 775. Gains on transactions with own bonds
 - 778. Exceptional income
79. SURPLUS AND USE OF PROVISIONS AND IMPAIRMENT LOSSES
- 790. Reversal of impairment of intangible assets
 - 791. Reversal of impairment of property, plant and equipment
 - 792. Reversal of impairment of investment property
 - 793. Reversal of impairment of inventories
 - 7930. Reversal of impairment of finished goods and work in progress
 - 7931. Reversal of impairment of merchandise
 - 7932. Reversal of impairment of raw materials
 - 7933. Reversal of impairment of other supplies
 - 794. Reversal of impairment of trade receivables
 - 795. Provision surpluses
 - 7950. Surplus provisions for employee benefits
 - 7951. Surplus provisions for taxes
 - 7952. Surplus provisions for other liabilities
 - 7954. Surplus trade provisions
 - 79544. Surplus provisions for onerous contracts
 - 79549. Surplus provisions for other trade operations
 - 7955. Surplus provisions for environmental actions
 - 7956. Surplus provisions for restructuring costs
 - 7957. Surplus provisions for share-based payment transactions
 - 796. Reversal of impairment of non-current investments and debt securities
 - 7960. Reversal of impairment of non-current investments, group companies
 - 7961. Reversal of impairment of non-current investments, associates
 - 7965. Reversal of impairment of non-current debt securities, group companies
 - 7966. Reversal of impairment of non-current debt securities, associates
 - 7967. Reversal of impairment of non-current debt securities, other related parties
 - 7968. Reversal of impairment of non-current debt securities, other companies
 - 797. Reversal of impairment of non-current loans
 - 7970. Reversal of impairment of non-current loans, group companies
 - 7971. Reversal of impairment of non-current loans, associates
 - 7972. Reversal of impairment of non-current loans, other related parties
 - 7973. Reversal of impairment of non-current loans, other companies
 - 798. Reversal of impairment of current investments and debt securities
 - 7980. Reversal of impairment of current investments, group companies

- 7981. Reversal of impairment of current investments, associates
- 7985. Reversal of impairment of current debt securities, group companies
- 7986. Reversal of impairment of current debt securities, associates
- 7987. Reversal of impairment of current debt securities, other related parties
- 7988. Reversal of impairment of current debt securities, other companies
- 799. Reversal of impairment of current loans
 - 7990. Reversal of impairment of current loans, group companies
 - 7991. Reversal of impairment of current loans, associates
 - 7992. Reversal of impairment of current loans, other related parties
 - 7993. Reversal of impairment of current loans, other companies

GROUP 8

EXPENSES RECOGNISED IN EQUITY

- 80. FINANCE EXPENSES ARISING ON MEASUREMENT OF ASSETS AND LIABILITIES
 - 800. Losses on available-for-sale financial assets
 - 802. Transfer of gains on available-for-sale financial assets
- 81. EXPENSES ARISING ON HEDGING TRANSACTIONS
 - 810. Losses on cash flow hedges
 - 811. Losses on hedges of a net investment in a foreign operation
 - 812. Transfer of gains on cash flow hedges
 - 813. Transfer of gains on hedges of a net investment in a foreign operation
- 82. EXPENSES ARISING ON TRANSLATION DIFFERENCES
 - 820. Negative translation differences
 - 821. Transfer of positive translation differences
- 83. INCOME TAX
 - 830. Income tax
 - 8300. Current tax
 - 8301. Deferred tax
 - 833. Negative adjustments to income tax
 - 834. Tax income on permanent differences
 - 835. Tax income for tax deductions and credits
 - 836. Transfer of permanent differences
 - 837. Transfer of tax deductions and credits
 - 838. Positive adjustments to income tax
- 84. TRANSFERS OF GRANTS, DONATIONS AND BEQUESTS
 - 840. Transfer of government capital grants
 - 841. Transfer of capital donations and bequests
 - 842. Transfer of other grants, donations and bequests
- 85. ACTUARIAL LOSSES AND ADJUSTMENTS TO LONG-TERM DEFINED BENEFIT ASSETS
 - 850. Actuarial losses
 - 851. Negative adjustments to long-term defined benefit assets
- 86. EXPENSES ARISING ON NON-CURRENT ASSETS HELD FOR SALE
 - 860. Losses on non-current assets and disposal groups held for sale
 - 862. Transfer of gains on non-current assets and disposal groups held for sale

89. EXPENSES ARISING ON INVESTMENTS IN GROUP COMPANIES OR ASSOCIATES WITH PRIOR POSITIVE VALUATION ADJUSTMENTS

891. Impairment of investments, group companies

892. Impairment of investments, associates

GROUP 9

INCOME RECOGNISED IN EQUITY

- 90. FINANCE INCOME FROM MEASUREMENT OF ASSETS AND LIABILITIES
 - 900. Gains on available-for-sale financial assets
 - 902. Transfer of losses on available-for-sale financial assets
- 91. INCOME FROM HEDGING TRANSACTIONS
 - 910. Gains on cash flow hedges
 - 911. Gains on hedges of a net investment in a foreign operation
 - 912. Transfer of losses on cash flow hedges
 - 913. Transfer of losses on hedges of a net investment in a foreign operation
- 92. INCOME FROM TRANSLATION DIFFERENCES
 - 920. Positive translation differences
 - 921. Transfer of negative translation differences
- 94. INCOME FROM GRANTS, DONATIONS AND BEQUESTS
 - 940. Income from government capital grants
 - 941. Income from capital donations and bequests
 - 942. Income from other grants, donations and bequests
- 95. ACTUARIAL GAINS AND ADJUSTMENTS TO LONG-TERM DEFINED BENEFIT ASSETS
 - 950. Actuarial gains
 - 951. Positive adjustments to long-term defined benefit assets
- 96. INCOME FROM NON-CURRENT ASSETS HELD FOR SALE
 - 960. Gains on non-current assets and disposal groups held for sale
 - 962. Transfer of losses on non-current assets and disposal groups held for sale
- 99. INCOME FROM INVESTMENTS IN GROUP COMPANIES OR ASSOCIATES WITH PRIOR NEGATIVE VALUATION ADJUSTMENTS
 - 991. Reversal of prior negative valuation adjustments, group companies
 - 992. Reversal of prior negative valuation adjustments, associates
 - 993. Transfer for impairment of prior negative valuation adjustments, group companies
 - 994. Transfer for impairment of prior negative valuation adjustments, associates

PART FIVE

DEFINITIONS AND ACCOUNTING ENTRIES

GROUP 1 BASIC FINANCING

Basic financing comprises the company's equity and its long-term third-party financing, generally used to fund non-current assets and to cover a reasonable margin of current assets. This also includes transitory financing situations.

In particular, the following rules shall apply:

- a) Financial liabilities included in this group shall be classified, for measurement purposes, as "Debts and payables". However, they may also be classified as "Other financial liabilities at fair value through profit or loss" in the terms established in the recognition and measurement standards. Both hedging derivatives and trading derivatives are included in this group when they are to be settled in over one year.
- b) In accordance with the standards on the preparation of the annual accounts, this group may not include non-current financial liabilities that meet the requirements set out in the recognition and measurement standards to be classified upon initial recognition as "Financial liabilities held for trading", except for financial derivatives to be settled in over one year.
- c) When for measurement purposes financial liabilities are classified in more than one category, the necessary accounts of four or more digits shall be created to identify the specific category in which they have been included.
- d) In the case of hybrid financial liabilities for which the entire hybrid is designated at fair value in accordance with the recognition and measurement standards, the item shall be recorded in an account corresponding to the nature of the host contract. Accounts of four or more digits shall be created with an appropriate breakdown to distinguish the item as a non-current hybrid financial liability measured as a whole. When the host contract and the embedded derivative are recognised separately, the embedded derivative shall be treated as if it had been contracted independently and included in the corresponding account in group 1, 2 or 5, while the host contract shall be included in the account corresponding to its nature. Accounts of four or more digits shall be created, with an appropriate breakdown, to distinguish the item as the host contract of a non-current hybrid financial instrument.
- e) Changes in the fair value of financial liabilities classified as "Other financial liabilities at fair value through profit and loss" shall be credited or debited to the account in which these liabilities are recognised with a debit or credit to accounts 663 and 763.
- f) An account comprising financial liabilities which, in accordance with the recognition and measurement standards, form part of a disposal group held for sale shall be debited when the conditions for such classification are met, with a credit to the corresponding account in subgroup 58.

- g) The difference between the carrying amount of financial liabilities on initial recognition and their redemption value shall be credited or debited to the account in which the financial liability is recorded, with a debit or credit to the account in subgroup 66 corresponding to the nature of the instrument.

10. CAPITAL

- 100. Share capital
- 101. Assigned capital
- 102. Capital
- 103. Uncalled capital
 - 1030. Uncalled capital
 - 1034. Uncalled capital pending registration
- 104. Uncalled non-monetary contributions
 - 1040. Uncalled non-monetary contributions, capital
 - 1044. Uncalled non-monetary contributions, capital pending registration
- 108. Own shares or equity holdings in special situations
- 109. Own shares or equity holdings for reduction of capital

The accounts in this subgroup shall be classified under equity in the balance sheet, as part of capital and reserves without valuation adjustments, except for those cases foreseen in accounts 103 and 104.

100. Share capital

Registered capital of commercial companies, except where the capital should be treated as a financial liability due to the economic characteristics of the issue.

The issue and subscription of shares or equity holdings of corporations, limited liability companies and partnerships limited by shares shall be recorded in accordance with the rules governing subgroup 19 until the public deed is filed at the Business Registry .

Movements in this account are as follows:

- a) Initial capital and subsequent capital increases shall be credited to this account with a debit to account 194 when the public deed is filed at the Business Registry.
- b) Reductions in capital and the dissolution of the company shall be debited to this account.

101. Assigned capital

Capital of non-commercial entities.

Movements in this account are in line with those indicated for account 100.

102. Capital

Capital relates to individual companies.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For initial capital.
 - a₂) For profits capitalised, with a debit to account 129.
- b) The account shall be debited:
 - b₁) For sale or termination of a line of business.
 - b₂) For losses not recorded in account 121, with a credit to account 129.
- c) The balance of account 550 shall be credited or debited to this account at the balance sheet date, with a debit or credit to that account.

103. Uncalled capital

Registered capital on which the company has not requested payment from the equity holders or shareholders, except for uncalled payments relating to financial instruments classified as financial liabilities for accounting purposes.

Uncalled capital shall be classified under equity, as a reduction in capital, except for amounts that relate to issued capital for which the public deed has yet to be filed at the Business Registry , which shall be recognised as a reduction in current liabilities.

1030. Uncalled capital

Movements in this account are as follows:

- a) The par value of uncalled subscribed shares or equity holdings shall be debited to this account when the public deed is filed at the Business Registry with a credit to account 1034.
- b) The account shall be credited as payments are called, with a debit to account 5580.

1034. Uncalled capital pending registration

Movements in this account are as follows:

- a) The par value of uncalled subscribed shares or equity holdings shall be debited to this account, generally with a credit to account 190 or 192.
- b) The account shall be credited when the public deed is filed at the Business Registry , with a debit to account 1030.

104. Uncalled non-monetary contributions

Uncalled registered capital corresponding to non-monetary contributions, except for pending contributions relating to liability-classified financial instruments.

Uncalled non-monetary contributions shall be presented under equity, as a reduction in capital, except for amounts that relate to issued capital for which the public deed has yet to be filed at the Business Registry, which shall be recognised as a reduction in current liabilities.

1040. Uncalled non-monetary contributions, capital

Movements in this account are as follows:

- a) The par value of uncalled subscribed shares or equity holdings shall be debited to this account with a credit to account 1044 when the public deed is filed at the Business Registry.
- b) The account shall be credited as payments are made, with a debit to the accounts representing contribution in kind.

1044. Uncalled non-monetary contributions, capital pending registration

Movements in this account are as follows:

- a) The par value of uncalled subscribed shares or equity holdings shall be debited to this account with a credit to account 190 or 192.
- b) The account shall be credited, with a debit to account 1040, when the public deed is filed at the Business Registry.

108. Own shares or equity holdings in special situations

Own shares or equity holdings acquired by the company (chapter IV, section 4 of the revised Companies Act or the Limited Liability Companies Act).

This account shall be presented as a reduction in equity.

Movements in this account are as follows:

- a) The acquisition amount of shares or equity holdings shall be debited to this account, generally with a credit to accounts in subgroup 57.
- b) The account shall be credited:
 - b₁) For disposal of shares or equity holdings, generally with a debit to accounts in subgroup 57. The difference between the amount obtained on the disposal of own shares or equity holdings and their carrying amount shall be debited or credited, as appropriate, to accounts in subgroup 11.
 - b₂) For capital reductions, with a debit to account 100 for the par value of the shares or equity holdings. The difference between the acquisition amount of

the shares or equity holdings and their par value shall be debited or credited, as appropriate, to accounts in subgroup 11.

109. Own shares or equity holdings for reduction of capital

Own shares or equity holdings acquired by the company by virtue of a capital reduction resolution adopted at the company's general meeting (article 170 of the revised Companies Act and article 40 of the Limited Liability Companies Act).

This account shall be presented as a reduction in equity.

Movements in this account are as follows:

- a) The acquisition amount of the shares shall be debited to this account, generally with a credit to accounts in subgroup 57.
- b) A capital reduction shall be credited to this account with a debit to account 100 for the par value of the shares or equity holdings. The difference between the acquisition amount of the shares or equity holdings and their par value shall be debited or credited, as appropriate, to accounts in subgroup 11.

11. RESERVES AND OTHER EQUITY INSTRUMENTS

110. Share premium or additional paid-in capital
111. Other equity instruments
 1110. Equity from issue of compound financial instruments
 1111. Other equity instruments
112. Legal reserve
113. Voluntary reserves
114. Special reserves
 1140. Reserves for parent company shares or equity holdings
 1141. Statutory reserves
 1142. Redeemed capital reserve
 1143. Goodwill reserve
 1144. Reserve for own shares accepted as collateral
115. Reserves for actuarial gains and losses and other adjustments
118. Contributions from equity holders or owners
119. Differences on translation of capital to euros

The accounts in this subgroup shall be classified under equity in the balance sheet, as part of capital and reserves without valuation adjustments.

110. Share premium or additional paid-in capital

Contribution made by shareholders or equity holders in the case of issue and placement of shares or equity holdings at a price above the par value. In particular, this account includes any differences that may arise between the values at which the shares or equity holdings are included in the public deed filed at the Business Registry and the values at which the assets received as non-monetary contributions should be recognised in accordance with the recognition and measurement standards.

Movements in this account are as follows:

- a) The account shall be credited, generally with a debit to account 111 or 194.
- b) Any amounts drawn against this premium shall be debited to this account.

In the case of a reverse acquisition, in accordance with the recognition and measurement standard on business combinations, at the date on which the merger or spin-off is filed at the Business Registry the income and expenses of the acquired business (that is, the legal acquirer) accrued up to the acquisition date shall be cancelled, with a debit or credit, as appropriate, to this account.

111. Other equity instruments

1110. Equity from issue of compound financial instruments

Equity component that arises from the issue of a compound financial instrument, particularly bonds that can be converted into shares.

Movements in this account are as follows:

- a) The equity component of the compound financial instrument shall be credited to this account, generally with a debit to accounts in subgroup 57.
- b) The account shall be debited with a credit to account 100 or 110, upon conversion.

1111. Other equity instruments

This account comprises the equity instruments that do not qualify for classification under other accounts, such as options on own shares.

Movements in this account are as follows:

- a) The part of the instrument qualifying as equity shall be credited to this account, generally with a debit to accounts in group 6 or in subgroup 57.
- b) The account shall be debited when the other equity instruments are conveyed, with a credit to the corresponding equity account.

112. Legal reserve

This account shall reflect the reserve established in article 214 of the revised Companies Act.

Movements in this account are as follows:

- a) The account shall be credited, generally, with a debit to account 129.
- b) Amounts drawn down on this reserve shall be debited to this account.

113. Voluntary reserves

The reserves made by the company at its own discretion. Movements in this account are in line with those indicated for account 112, without prejudice to the following paragraphs:

When there is a change in an accounting policy or when an error is corrected, the adjustment calculated at the beginning of the reporting period for the accumulated effect of the variations in the assets, liabilities and equity items affected by the retrospective application of the new policy or the correction of the error shall be charged to unrestricted reserves. In general, this adjustment shall be charged to voluntary reserves, as follows:

- a) The net creditor balance of the changes arising on application of the new accounting criteria compared with the former criteria or on the correction of the error shall be credited to this account, with a debit or credit, as appropriate, to the respective accounts representing the assets, liabilities and equity items affected, including those used to account for the tax effect of the adjustment.
- b) The net debtor balance of the changes arising on application of the new accounting criteria compared with the former criteria or on the correction of the error shall be debited to this account with a credit or debit, as appropriate, to the respective accounts representing the assets, liabilities and equity items affected, including those used to account for the tax effect of the adjustment.

Transaction costs on own equity instruments shall be charged to unrestricted reserves. In general, these costs shall be charged to voluntary reserves, as follows:

- a) The amount of the costs shall be debited to this account, with a credit to accounts in subgroup 57.

The income tax expense related with the transaction costs shall be credited to this account with a debit to account 6301.

114. Special reserves

Reserves appropriated to comply with any mandatory legal requirement, other than the reserves recognised in other accounts in this subgroup.

In particular, this account includes the reserve for cross holdings required by article 84 of the revised Companies Act.

In general, the content and movements of these four-digit accounts are as follows:

1140. Reserves for parent company shares or equity holdings

Reserves required by law in the case of acquisition of shares or equity holdings in the parent company. These reserves must be held for as long as the company retains ownership of the equity instruments (article 79.3 of the revised Companies Act and article 40 bis of the

Limited Liability Companies Act). Reserves that must be created in the event shares of the parent company are lodged as collateral (article 80.1 of the revised Companies Act) shall be classified in this account with the appropriate breakdown into five-digit accounts. These reserves shall be restricted for as long as these situations prevail.

Movements in this account are as follows:

- a) The acquisition amount of the shares or equity holdings in the parent company or for the amount secured through the shares shall be credited to this account, with a debit to any of the available reserves accounts or to account 129.
- b) The same amount shall be debited to this account when the shares or equity holdings are sold or when the guarantee expires, with a credit to account 113.

1141. Statutory reserves

Reserves established in the company's articles of association.

Movements in this account are in line with those indicated for account 112.

1142. Redeemed capital reserve

Par value of the own shares or equity holdings acquired by the company and redeemed against the company's profits or available reserves. This account shall also include the par value of own shares or equity holdings redeemed, if they were acquired by the company at no charge. Allowances to this account and restrictions to the reserve shall be governed by article 167.3 of the revised Companies Act and by article 80.4 of the Limited Liability Companies Act, respectively.

Movements in this account are as follows:

- a) The account shall be credited with a debit to any of the available reserve accounts or to account 129.
- b) Any reductions made to this reserve shall be debited to this account.

1143. Goodwill reserve

The reserve required by law in the event goodwill has been recognised under assets in the balance sheet (article 213.4 of the revised Companies Act). The reserve shall be restricted for as long as goodwill remains on the balance sheet.

Movements in this account are as follows:

- a) The account shall be credited with a debit to any of the available reserve accounts or to account 129.
- b) The account shall be debited for any amounts drawn against this reserve.

1144. Reserves for own shares accepted as collateral

Reserves that must be made in the event own shares are accepted as collateral (article 80.1 of the revised Companies Act). The reserve shall be restricted for as long as this situation prevails.

Movements in this account are as follows:

- a) The amount secured by the own shares shall be credited to this account with a debit to any of the available reserve accounts or to account 129.
- b) The same amount shall be debited to this account when the guarantee expires, with a credit to account 113.

115. Reserves for actuarial gains and losses and other adjustments

Equity component that arises on recognition of actuarial gains, actuarial losses and adjustments to the value of assets for defined post-employment benefits in accordance with the recognition and measurement standards.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) At the balance sheet date, for the amount of the gain recognised, with a debit to accounts in subgroup 95.
 - a₂) For the related income tax expense, with a debit to accounts in subgroup 83.
- b) The account shall be debited:
 - b₁) At the balance sheet date, for the amount of loss recognised, with a credit to accounts in subgroup 85.
 - b₂) For the related income tax expense, with a credit to accounts in subgroup 83.

118. Contributions from equity holders or owners

Assets, liabilities and equity items received from equity holders or owners in their capacity as such and for transactions not recorded in other accounts, provided that these items do not constitute compensation for goods delivered or services rendered by the company and that they do not have the nature of a liability. In particular, this account includes the amounts received from equity holders or owners in order to offset losses.

Movements in this account are as follows:

- a) The account shall be credited, generally, with a debit to accounts in subgroup 57 or to the accounts representing contribution in kind.
- b) The account shall be debited:

b₁) With a credit, generally, to account 121.

b₂) For any amounts drawn against or for any use made of the contribution received.

119. Differences on translation of capital to euros

Differences arising on the translation of capital to euros in accordance with Law 46/1998 of 17 December 1998 governing the introduction of the euro.

12. PROFIT/LOSS PENDING DISTRIBUTION OR APPLICATION

120. Retained earnings

121. Prior periods' losses

129. Profit/loss for the period

The accounts in this subgroup shall be classified under equity in the balance sheet, as part of capital and reserves without valuation adjustments, either as a negative or a positive amount, as appropriate.

120. Retained earnings

Profits not specifically distributed or applied to any other account following approval of the annual accounts and the distribution of profit for the reporting period.

Movements in this account are as follows:

a) The account shall be credited with a debit to account 129.

b) The account shall be debited:

b₁) For application or use of funds in the account, generally with a credit to accounts in subgroup 57.

b₂) For transfer of funds in the account, with a credit to accounts in subgroup 11.

121. Prior periods' losses

Losses incurred in prior reporting periods.

Movements in this account are as follows:

a) The account shall be debited with a credit to account 129.

b) The account shall be credited with a debit to the account or accounts against which the balance is cancelled.

Losses for each reporting period shall be disclosed in the appropriate four-digit accounts.

129. Profit/loss for the period

Profit or loss at the last balance sheet date, pending distribution or application.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) To determine the profit or loss for the reporting period, with a debit to the accounts in groups 6 and 7 that have a creditor balance at the balance sheet date.
 - a₂) For the transfer of losses, with a debit to account 121.
- b) The account shall be debited:
 - b₁) To determine the profit or loss for the reporting period, with a credit to the accounts in groups 6 and 7 that have a debtor balance at the balance sheet date.
 - b₂) When profit is distributed in accordance with the distribution agreement, with a credit to the corresponding accounts.

13. GRANTS, DONATIONS AND VALUATION ADJUSTMENTS

- 130. Government capital grants
- 131. Capital donations and bequests
- 132. Other grants, donations and bequests
- 133. Valuation adjustments to available-for-sale financial assets
- 134. Hedging transactions
 - 1340. Cash flow hedges
 - 1341. Hedges of a net investment in a foreign operation
- 135. Translation differences
- 136. Valuation adjustments to non-current assets and disposal groups held for sale
- 137. Deferred tax income
 - 1370. Deferred tax income on permanent differences
 - 1371. Deferred tax income for tax deductions and tax credits

Non-repayable grants, donations and bequests awarded to the company by third parties other than equity holders or owners as well as other income and expenses recognised directly in equity until they are taken to the income statement in accordance with the recognition and measurement standards.

The accounts in this subgroup shall be classified under equity.

130. Government capital grants

Non-repayable grants awarded by Spanish or international public entities for the establishment or acquisition of non-current assets, in accordance with the recognition and measurement standards.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) At the balance sheet date, for the grant awarded, with a debit to the corresponding account in subgroup 94.
 - a₂) For the related income tax expense taken to the income statement, with a debit to accounts in subgroup 83.
- b) The account shall be debited:
 - b₁) At the balance sheet date, for transfer to the income statement of the grant received, with a credit to the corresponding account in subgroup 84.
 - b₂) For the related income tax expense recognised directly in equity, with a credit to accounts in subgroup 83.

131. Capital donations and bequests

Non-repayable donations and bequests awarded by companies or individuals for the establishment or acquisition of non-current assets, in accordance with the recognition and measurement standards.

Movements in this account are in line with those indicated for account 130.

132. Other grants, donations and bequests

Non-repayable grants, donations and bequests awarded that are not included in the preceding accounts and that are pending transfer to the income statement in accordance with the recognition and measurement standards. This account includes grants received to finance programmes that will generate future expenses.

Movements in this account are in line with those indicated for account 130.

133. *Valuation adjustments to available-for-sale financial assets*

Adjustments arising on the measurement at fair value of available-for-sale financial assets, in accordance with the recognition and measurement standard on financial instruments.

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) At the balance sheet date, for the gains in the fair value of available-for-sale financial assets, with a debit to account 900.

a₂) At the balance sheet date, for the transfers of losses on available-for-sale financial assets, with a debit to account 902.

a₃) At the balance sheet date when investments had been made before the companies were considered to be group companies, jointly-controlled entities or associates, for the recovery or the transfer to the income statement of valuation adjustments made to reflect reductions in value and recognised directly in equity, with a debit to the corresponding accounts in subgroup 99.

a₄) For the income tax expense arising from these adjustments, with a debit to accounts in subgroup 83.

b) The account shall be debited:

b₁) At the balance sheet date, for losses in the fair value of available-for-sale financial assets, with a credit to account 800.

b₂) At the balance sheet date, for the transfer of gains on available-for-sale financial assets, with a credit to account 802.

b₃) At the balance sheet date, for impairment of equity investments in group companies, jointly-controlled entities and associates that had previously given rise to valuation adjustments due to an increase in value, with a credit to the corresponding account in subgroup 89.

b₄) For the income tax expense arising from these adjustments, with a credit to accounts in subgroup 83.

134. Hedging transactions

Amount of the loss or gain on the part of the hedging instrument designated to be an effective hedge, in the case of cash flow hedges or hedges of a net investment in a foreign operation.

1340. Cash flow hedges

In general, movements in this account are as follows:

a) The account shall be credited:

a₁) At the balance sheet date, for gains in cash flow hedges, with a debit to account 910.

a₂) At the balance sheet date, for losses transferred in cash flow hedges, with a debit to 912.

a₃) For the income tax expense arising from these transactions, with a debit to accounts in subgroup 83.

- b) The account shall be debited:
 - b₁) At the balance sheet date, for losses on cash flow hedges, with a credit to account 810.
 - b₂) At the balance sheet date, for gains transferred in cash flow hedges, with a credit to account 812.
 - b₃) For the income tax expense arising from these transactions, with a credit to accounts in subgroup 83.

1341. Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation include hedges of monetary items considered part of the net investment because settlement of the items is neither envisaged nor likely in the foreseeable future in the terms set out in the recognition and measurement standard.

Movements in this account are in line with account 1340.

135. Translation differences

Difference arising on the translation of balance sheet and income statement items to the presentation currency (the euro), in the event the functional currency differs from the presentation currency.

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) At the balance sheet date, for income arising on translation differences, with a debit to account 920.
 - a₂) At the balance sheet date, for the transfer of negative translation differences, with a debit to account 921.
 - a₃) For the income tax expense related to the translation differences, with a debit to accounts in subgroup 83.
- b) The account shall be debited:
 - b₁) At the balance sheet date, for expenses arising on translation differences, with a credit to account 820.
 - b₂) At the balance sheet date, for the transfer of positive translation differences, with a credit to account 821.
 - b₃) For the income tax expense related to translation differences, with a credit to accounts in subgroup 83.

136. Valuation adjustments to non-current assets and disposal groups held for sale

Fair value adjustments to non-current assets held for sale and to directly-related assets and liabilities classified as disposal groups held for sale, for which changes in value, prior to classification as held-for-sale, were charged to another account in subgroup 13.

In general, movements in this account are as follows:

- a) Upon classification as held-for-sale, the change in value recognised directly in equity until that moment shall be credited or debited to this account, with a debit or credit to the corresponding accounts in subgroup 13.
- b) Subsequently, the change in value of the non-current assets held for sale and directly-related assets and liabilities classified as disposal groups held for sale shall be credited or debited to this account, with a debit or credit, respectively, to accounts in groups 96 and 86.
- c) Tax shall be debited or credited to this account in line with the criteria indicated for account 133.

137. Deferred tax income

Tax incentives in the form of permanent differences and tax deductions and credits which, due to their economic nature, are considered similar to grants and therefore taken to the income statement over several reporting periods.

Permanent differences generally take the form of income that is not included in taxable income used for calculating income tax and does not reverse in subsequent periods.

Movements in these four-digit accounts are as follows:

1370. Deferred tax income on permanent differences

- a) The tax effect of permanent differences to be charged over several reporting periods shall be credited to this account at the balance sheet date, with a debit to account 834.
- b) The tax effect of the permanent difference charged during the reporting period shall be debited to this account at the balance sheet date with a credit to account 836.

1371. Deferred tax income for deductions and tax credits

Movements in this account are in line with those indicated for account 1370.

14. PROVISIONS

140. Provisions for long-term employee benefits
141. Provisions for taxes
142. Provisions for other liabilities
143. Provisions for dismantlement, removal or restoration of fixed assets

- 145. Provisions for environmental actions
- 146. Provisions for restructuring costs
- 147. Provisions for share-based payment transactions

Explicit or implicit non-current obligations for which the nature is clearly specified but the exact amount or the date on which they will materialise is not certain at the balance sheet date.

The accounts in this subgroup shall be classified as non-current liabilities in the balance sheet.

The part of provisions that is expected to be used in the short term shall be recognised in “Current provisions” under current liabilities in the balance sheet. The current portion of provisions shall be transferred to the corresponding four-digit accounts in account 529.

140. Provisions for long-term employee benefits

Legal, contractual or implicit obligations to company employees, other than those included in accounts 146 and 147, where the amount or settlement date is uncertain, such as defined post-employment benefits and disability benefits.

The provision for long-term defined benefits shall be quantified taking into account any assets assigned to these obligations, as set out in the recognition and measurement standard.

Any asset arising on application of this standard shall be recognised in “Other investments” in non-current assets in group 2.

The rationale for debiting and crediting this asset is in line with that indicated for account 140.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For estimates of the annual amounts accrued, with a debit to accounts in subgroup 64.
 - a₂) For recognition of actuarial losses, with a debit to account 850 in the case of post-employment benefits, and with a debit to an account in subgroup 64 for the remaining long-term employee benefits.
 - a₃) For the amount of adjustments related to the unwinding of the discount with a debit to account 660.
 - a₄) For the amount taken to the income statement for past service costs, with a debit to account 6442.
- b) The account shall be debited:

- b₁) For amounts drawn against the provision, generally with a credit to accounts in subgroup 57.
- b₂) For recognition of actuarial gains, with a credit to account 950 in the case of post-employment benefits, and with a credit to an account in subgroup 64 for the remaining long-term employee benefits.
- b₃) For the expected returns on assets assigned to the obligations, with a credit to account 767.
- b₄) For any provision surplus, with a credit to account 7950.

141. Provisions for taxes

Estimated amount of tax payable, the exact amount or payment date of which is uncertain as this is subject to compliance with certain conditions.

Movements in this account are as follows:

- a) The estimated amounts accrued each year shall be credited to this account, with a debit to the expense accounts to which the different components have been charged. In particular:
 - a₁) To accounts in subgroup 63, for the part of the provision corresponding to tax for the reporting period.
 - a₂) To accounts in subgroup 66, for overdue interest corresponding to the reporting period.
 - a₃) To account 678, where appropriate, for any associated penalties.
 - a₄) To account 113, for tax and interest payable corresponding to prior reporting periods.
- b) The account shall be debited:
 - b₁) When the provision is applied, with a credit to accounts in subgroup 47.
 - b₂) For any provision surplus, with a credit to account 7951.

142. Provisions for other liabilities

Non-financial liabilities arising on obligations for which the amount is uncertain and which are not recognised under any other account in this subgroup, including obligations relating to litigations underway, indemnities or obligations deriving from bank or other similar guarantees for which the company is responsible.

Movements in this account are as follows:

- a) The account shall be credited:

- a₁) Upon inception of the obligation giving rise to the indemnity or payment, or for subsequent changes in these amounts that result in an increase in the provision, with a debit to the corresponding accounts in group 6.
- a₂) For the amount of adjustments related to the unwinding of the discount, with a credit to account 660.
- b) The account shall be debited:
 - b₁) When a final ruling is issued on litigation or when the definitive amount of the indemnity or payment becomes known, generally with a credit to accounts in subgroup 57.
 - b₂) For any provision surplus, with a credit to account 7952.

143. Provisions for dismantlement, removal or restoration of fixed assets

Estimated cost of dismantling or removing fixed assets and/or of restoring the site on which the assets were located. The company may incur this type of obligation upon acquiring assets or in order to use them during a specific period of time.

When this obligation is incurred upon acquisition of assets or when it arises as a consequence of using assets for a purpose other than the production of inventory, movements in the account are as follows:

- a) The account shall be credited:
 - a₁) Upon inception of the obligation or for subsequent changes in these amounts which result in an increase in the provision, generally with a debit to accounts in subgroup 21.
 - a₂) For the amount of adjustments related to the unwinding of the discount, with a debit to account 660.
- b) The account shall be debited:
 - b₁) At the balance sheet date, for decreases in the amount of the provision resulting from a re-estimate of the provision, generally with a credit to accounts in subgroup 21.
 - b₂) When the provision is applied, generally with a credit to accounts in subgroup 57.

When the obligation is incurred as a result of having used the assets to produce inventories, the movements are in line with those indicated for account 142.

145. Provisions for environmental actions

Unquantified legal, contractual or implicit obligations or commitments assumed by the company in order to prevent or repair damage to the environment, except for those obligations arising from dismantlement, removal or restoration of fixed assets, which are recognised as set out in account 143.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) When the obligation arises or for subsequent changes in the amount that result in an increase in the provision, with a debit to account 622 or account 623.
 - a₂) For the amount of adjustments related to the unwinding of the discount, with a debit to account 660.
- b) The account shall be debited:
 - b₁) When the provision is applied, generally with a credit to accounts in subgroup 57.
 - b₂) For any provision surplus, with a credit to account 7955.

146. Provisions for restructuring costs

Estimated amount of costs directly arising from restructuring, providing the following two conditions are met:

- The costs are necessary expenditures for the restructuring
- They are not associated with the ongoing activities of the company

For these purposes, restructuring is understood to be actions planned and controlled by the company that result in a significant change in:

- The scope of the activity carried out by the company, or
- The way in which the company's activity is managed

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) When the obligation arises or for subsequent changes in these amounts which result in an increase in the provision, generally with a debit to accounts in subgroups 62 and 64.
 - a₂) For the amount of adjustments related to the unwinding of the discount, with a debit to account 660.
- b) The account shall be debited:

- b₁) When the provision is applied, generally with a credit to accounts in subgroup 57.
- b₂) For any provision surplus, with a credit to account 7956.

147. Provisions for share-based payment transactions

Estimated amount of the obligation assumed by the company as a result of a transaction based on equity instruments, where payments are made with a cash amount referenced to the value of these instruments.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) When the obligation arises or for subsequent changes in these amounts which result in an increase in the provision, generally with a debit to accounts in subgroup 62 or 64.
 - a₂) For the amount of adjustments related to the unwinding of the discount, with a debit to account 660.
- b) The account shall be debited:
 - b₁) When the provision is applied, generally with a credit to accounts in subgroup 57.
 - b₂) For any provision surplus, with a credit to account 7957.

15. NON-CURRENT PAYABLES OF A SPECIAL NATURE

- 150. Non-current liability-classified shares or equity holdings
- 153. Liability-classified uncalled share capital or equity holdings
 - 1533. Uncalled share capital or equity holdings, group companies
 - 1534. Uncalled share capital or equity holdings, associates
 - 1535. Uncalled share capital or equity holdings, other related parties
 - 1536. Other uncalled share capital or equity holdings
- 154. Liability-classified uncalled non-monetary contributions of shares or equity holdings
 - 1543. Uncalled non-monetary contributions, group companies
 - 1544. Uncalled non-monetary contributions, associates
 - 1545. Uncalled non-monetary contributions, other related parties
 - 1546. Other uncalled non-monetary contributions

Shares or other equity holdings in the capital of the company which, based on the economic characteristics of the issue, should be considered financial liabilities.

The part of non-current payables of a special nature maturing in the short term shall be recognised in “Current payables of a special nature” under current liabilities in the balance

sheet. The current portion of non-current payables of a special nature shall be transferred to account 502.

150. Non-current liability-classified shares or equity holdings

Registered capital and, where applicable, any share premium or additional paid-in capital in commercial companies which, based on the characteristics of the issue, should be accounted for as a financial liability. In particular, this includes certain redeemable shares and non-voting shares and equity holdings.

The account shall be classified in “Non-current payables of a special nature” under non-current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The initial capital and subsequent capital increases shall be credited to this account, with a debit to account 199 when the public deed is filed at the Business Registry.
- b) The account will be charged for cancellations or reductions and at the dissolution of the company, once the winding-up period has elapsed.

153. Liability-classified uncalled share capital or equity holdings

Uncalled registered capital corresponding to financial instruments accounted for as financial liabilities.

The account shall be classified under non-current liabilities in the balance sheet as a reduction in “Non-current payables of a special nature”.

Movements in these four-digit accounts are as follows:

1533/1534/1535/1536

- a) The par value of the uncalled shares or equity holdings subscribed shall be debited to these accounts, generally with a credit to account 195 or 197.
- b) Payments called shall be credited to these accounts, with a debit to account 5585.

154. Liability-classified non-monetary contributions of shares or equity holdings

Registered capital to be paid up through non-monetary contributions, corresponding to financial instruments accounted for as financial liabilities.

Liability-classified non-monetary contributions of shares or equity holdings shall be classified under non-current liabilities in the balance sheet as a reduction in “Non-current payables of a special nature”.

Movements in these four-digit accounts are as follows:

1543/1544/1545/1546

- a) The par value of the unpaid shares or equity holdings subscribed shall be debited to these accounts, generally with a credit to account 195 or 197.
- b) The accounts shall be credited when payments are made, with a debit to the accounts representing contribution in kind.

16. NON-CURRENT PAYABLES TO RELATED PARTIES

- 160. Non-current debt with related financial institutions
 - 1603. Non-current debt with financial institutions, group companies
 - 1604. Non-current debt with financial institutions, associates
 - 1605. Non-current debt with other related financial institutions
- 161. Non-current payables to suppliers of fixed assets, related parties
 - 1613. Non-current payables to suppliers of fixed assets, group companies
 - 1614. Non-current payables to suppliers of fixed assets, associates
 - 1615. Non-current payables to suppliers of fixed assets, other related parties
- 162. Non-current finance lease payables, related parties
 - 1623. Non-current finance lease payables, group companies
 - 1624. Non-current finance lease payables, associates
 - 1625. Non-current finance lease payables, other related parties
- 163. Other non-current payables to related parties
 - 1633. Other non-current payables, group companies
 - 1634. Other non-current payables, associates
 - 1635. Other non-current payables, other related parties

Payables to group companies, jointly-controlled entities, associates and other related parties, maturing in over one year, including interest accrued thereon also maturing in over one year. Payables which, due to their nature, should be recognised in subgroup 17 or 18 shall also be disclosed in this subgroup in accounts of three or more digits.

In the event the payables accrue explicit interest maturing in over one year, the necessary accounts to identify the interest shall be set up, classified under the same line item as the liability generating the interest.

The accounts in this subgroup shall be classified under non-current liabilities in the balance sheet.

The part of non-current payables that matures in the short term shall be recognised in “Group companies and associates, current” under current liabilities in the balance sheet. The current portion of non-current payables shall be transferred to the corresponding accounts in subgroup 51.

160. Non-current debt with related financial institutions

Payables to related-party financial institutions for loans and borrowings, maturing in over one year.

Movements in these four-digit accounts are as follows:

1603/1604/1605

- a) The accounts shall be credited:
 - a₁) Upon arrangement of the debt or loan, for the amount received less any transaction costs, generally with a debit to accounts in subgroup 57.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) Early full or partial repayments shall be debited to these accounts, with a credit to accounts in subgroup 57.

Non-current payables for discounted bills shall be included in accounts of five or more digits, with an appropriate breakdown.

161. Non-current payables to suppliers of fixed assets, related parties

Payables to related parties which are suppliers of assets defined in group 2, including trade bills payable, maturing in over one year.

Movements in these four-digit accounts are as follows:

1613/1614/1615

- a) The accounts shall be credited:
 - a₁) For the receipt and acceptance of the assets supplied, with a debit to accounts in group 2.
 - a₂) For accrued finance expenses, up to the redemption value, with a debit, generally to account 662.
- b) Early full or partial settlements shall be debited to these accounts, generally with a credit to accounts in subgroup 57.

162. Non-current finance lease payables, related parties

Payables to related parties which are lessors of assets under finance lease agreements as defined in the recognition and measurement standards, maturing in over one year.

Movements in these four-digit accounts are as follows:

1623/1624/1625

- a) The accounts shall be credited:
 - a₁) For the receipt and acceptance of the right to use the assets supplied, with a debit to accounts in group 2.

- a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) Early full or partial settlements shall be debited to these accounts, generally with a credit to accounts in subgroup 57.

163. Other non-current payables to related parties

Payables to related parties for loans received and other debts not included in other accounts in this subgroup, maturing in over one year.

1633/1634/1635

Movements in these four-digit accounts are in line with those indicated for account 160.

17. NON-CURRENT PAYABLES FOR LOANS, DEBENTURES AND OTHER

- 170. Non-current debt with financial institutions
- 171. Non-current payables
- 172. Non-current payables convertible into grants, donations and bequests
- 173. Non-current payables to suppliers of fixed assets
- 174. Non-current finance lease payables
- 175. Non-current bills payable
- 176. Non-current liabilities arising from derivative financial instruments
 - 1765. Non-current liabilities arising from derivative financial instruments, trading portfolio
 - 1768. Non-current liabilities arising from derivative financial instruments, hedging instruments
- 177. Bonds and obligations
- 178. Convertible bonds and obligations
- 179. Other marketable securities

Long-term financing from non-related third parties, including accrued interest, maturing in over one year. Companies may recognise the issue and subscription of marketable securities as they deem most appropriate during the subscription period.

When the payables accrue explicit interest maturing in over one year, the necessary accounts to identify this interest shall be set up, classified under the same line item as the liability generating the interest.

Accounts in this subgroup shall be classified under non-current liabilities in the balance sheet.

The part of non-current payables that matures in the short term shall be recognised in “Current payables” under current liabilities in the balance sheet. The current portion of non-current payables shall be transferred to the corresponding accounts in subgroups 50 and 52.

170. Non-current debt with financial institutions

Payables to financial institutions for loans and borrowings, maturing in over one year.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) Upon arrangement of the debt or loan, for the amount received less any transaction costs, generally with a debit to accounts in subgroup 57.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) Early full or partial repayments shall be debited to this account, generally with a credit to accounts in subgroup 57.

Payables for discounted bills shall be disclosed in accounts with four or more digits, with an appropriate breakdown.

171. Non-current payables

Payables to third parties for loans received and other debts not included in other accounts in this subgroup, maturing in over one year.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) Upon arrangement of the debt or loan, for the amount received less any transaction costs, generally with a debit to accounts in subgroup 57.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) The account shall be debited:
 - b₁) For acceptance of bills payable, with a credit to account 175.
 - b₂) For early full or partial settlement, generally with a credit to accounts in subgroup 57.

172. Non-current payables convertible into grants, donations and bequests

Amounts extended by Spanish or international public entities, companies or individuals, where these amounts are considered repayable grants, donations or bequests, maturing in over one year.

Movements in this account are as follows:

- a) Amounts granted to the company shall be credited to this account, generally with a debit to accounts in subgroup 47 or 57.

- b) The account shall be debited:
 - b₁) For any circumstance which results in full or partial reduction of amounts granted, in accordance with the terms governing the award, generally with a credit to account 4758.
 - b₂) In the event repayment of these amounts is no longer required, with a credit to account 940, 941 or 942 or to accounts in subgroup 74.

173. Non-current payables to suppliers of fixed assets

Payables to suppliers of assets defined in group 2, maturing in over one year.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the receipt and acceptance of the assets supplied, with a debit to accounts in group 2.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) The account shall be debited:
 - b₁) For acceptance of bills payable, with a credit to account 175.
 - b₂) For early full or partial settlement, generally with a credit to accounts in subgroup 57.

174. Non-current finance lease payables

Payables to other entities which are lessors of assets under finance lease agreements as defined in the recognition and measurement standards, maturing in over one year.

- a) The account shall be credited:
 - a₁) For the receipt and acceptance of the right to use the assets supplied, with a debit to accounts in group 2.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) Early full or partial settlements shall be debited to this account, generally with a credit to accounts in subgroup 57.

175. Non-current bills payable

Bills payable for loans received and other debts, maturing in over one year, including those arising from the supply of fixed assets.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) When the company accepts the bills, generally with a debit to accounts in this subgroup.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) Early payment of the bills shall be debited to the accounts, generally with a credit to accounts in subgroup 57.

176. Non-current liabilities arising from derivative financial instruments

Amount corresponding to transactions with derivatives that are out of the money for the company, to be settled in over one year. Embedded derivatives in hybrid financial instruments acquired, issued or assumed that meet the criteria for recognition in this account shall be disclosed in accounts of four or more digits to identify the embedded derivative.

In particular, this account shall include premiums collected on transactions involving options, as well as changes in the fair value of liabilities for financial derivatives with which the company operates, such as options, futures, swaps, currency forwards, etc.

1765. Non-current liabilities arising from derivative financial instruments, trading portfolio

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the amount received when the instrument is contracted, generally with a debit to accounts in subgroup 57.
 - a₂) For the losses incurred during the reporting period, with a debit to account 6630.
- b) The account shall be debited:
 - b₁) For gains generated during the reporting period, up to the amount at which the derivative was carried under liabilities in the prior reporting period, with a credit to account 7630.
 - b₂) For the amounts paid at settlement, generally with a credit to accounts in subgroup 57.

1768. Non-current liabilities arising from derivative financial instruments, hedging instruments

Movements in this account are as follows:

- a) The amount received when the instrument is contracted shall be credited to this account, generally with a debit to accounts in subgroup 57.
- b) When the derivative is used as a hedging instrument in a fair value hedge:
 - b₁) The account shall be debited:
 - i) For the gains generated during the reporting period from application of hedge accounting, up to the amount at which the derivative was carried under liabilities in the prior reporting period, with a credit to the income statement item in which the losses incurred on the hedged items are recognised upon measuring the hedged risk at fair value.
 - ii) Upon acquisition of the hedged asset or assumption of the hedged liability, with a credit to the accounts in which these items are recorded.
 - b₂) Losses incurred in the reporting period from application of hedge accounting shall be credited to this account, with a debit to the income statement item in which the gains generated on the hedged items are recognised upon measuring the hedged risk at fair value.
- c) When the derivative is used as a hedging instrument in other hedging transactions, the gain generated or loss incurred on the effective portion during the reporting period from application of hedge accounting shall be credited or debited to this account, with a credit or debit to accounts in subgroups 91 and 81, respectively, and to accounts 7633 and 6633 for the ineffective portion.
- d) The amounts paid at settlement shall be debited to this account, generally with a credit to accounts in subgroup 57.

177. Bonds and obligations

Bonds and obligations in circulation which are not convertible into shares.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) Upon issue, for the amount received less transaction costs, with a debit to accounts in subgroup 57.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 661.
- b) The account shall be debited for the amount to be paid upon early redemption, in part or in full, of the bonds, generally with a credit to account 509 and, where applicable, to account 775.

178. Convertible bonds and obligations

Financial liability component of bonds and obligations that are convertible into shares and that are classified as compound financial instruments.

Movements in this account are in line with those indicated for account 177.

179. Other marketable securities

Other financial liabilities represented by marketable securities, offered as a savings investment for the public, other than those indicated above.

The contents and movements of this account are in line with those indicated for account 178 or 177, depending on whether or not the liability is a compound financial instrument.

18. NON-CURRENT GUARANTEES, DEPOSITS AND OTHER LIABILITIES

180. Non-current guarantees received

181. Advances of long-term sales

185. Non-current deposits received

189. Non-current financial guarantees

The accounts in this subgroup shall be classified under non-current liabilities in the balance sheet.

The part of non-current guarantees, advances and deposits received and of non-current financial guarantees extended that is expected to mature or expire in the short term shall be recognised in “Current payables” or “Current accruals” under current liabilities in the balance sheet. The current portion of non-current guarantees, advances and deposits received and of non-current financial guarantees extended shall be transferred to the corresponding accounts in subgroup 48 or 56.

180. Non-current guarantees received

Cash amounts received to guarantee compliance with an obligation, with a term of over one year.

In general, movements in this account are as follows:

a) The account shall be credited:

a₁) Upon creation of the guarantee, for the fair value of the financial liability, with a debit to accounts in subgroup 57.

a₂) For accrued finance expenses, up to the redemption value of the guarantee, generally with a debit to account 662.

b) The account shall be debited:

b₁) For early cancellation, with a credit to accounts in subgroup 57.

- b₂) For failure to comply with the obligation guaranteed, where this results in the loss of part or all of the guarantee, with a credit to account 759.

181. Advances of long-term sales

Amounts received “on account” of future sales or services to be rendered.

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the amount received, with a debit to accounts in subgroup 57.
 - a₂) For the amount of revaluation adjustments, generally with a debit to account 662.
- b) The account shall be debited when the income is accrued, with a credit to accounts in subgroup 70.

185. Non-current deposits received

Cash amounts received as an irregular deposit, with a term of over one year.

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) Upon creation of the deposit, for the fair value of the financial liability, with a debit to accounts in subgroup 57.
 - a₂) For accrued finance expenses, up to the redemption value of the deposit, generally with a debit to account 662.
- b) The account shall be debited upon early cancellation, with a credit to accounts in subgroup 57.

189. Non-current financial guarantees

Financial guarantees extended by the company, with a term of over one year. In particular, bank guarantees extended, providing they should not be recorded in subgroup 14.

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) Upon creation of the financial guarantee, for the fair value of the financial liability, with a debit to accounts in subgroup 57.
 - a₂) For accrued finance expenses, generally with a debit to account 662.

- a₃) For an increase in the obligation, with a debit to account 669.
- b) The account shall be debited:
 - b₁) For a decrease in the obligation and for accrued income, with a credit to account 769.
 - b₂) Upon early cancellation, with a credit to accounts in subgroup 57.

19. TEMPORARY FINANCING

- 190. Shares or equity holdings issued
- 192. Subscribed shares
- 194. Issued capital pending registration
- 195. Liability-classified shares or equity holdings issued
- 197. Liability-classified subscribed shares
- 199. Liability-classified shares or equity holdings issued pending registration

190. Shares or equity holdings issued

Capital and, where applicable, share premium or additional paid-in capital for shares or equity holdings with the nature of equity, issued and pending subscription.

This account shall be classified as a reduction in “Current payables” under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The par value and, where applicable, the share premium or additional paid-in capital of shares and equity holdings issued and pending subscription shall be debited to this account with a credit to account 194.
- b) The account shall be credited as the shares or the equity holdings are subscribed:
 - b₁) When the company is incorporated under the simultaneous procedure (deed of incorporation executed and capital subscribed simultaneously), generally with a debit to accounts in subgroup 57 or to accounts 1034 and 1044.
 - b₂) When the company is incorporated under the successive procedure (shares offered to the public prior to execution of the deed of incorporation), with a debit to account 192.
 - b₃) Where the shares or equity holdings issued are not subscribed, with a debit to account 194.

192. Subscribed shares

The company’s right to require subscribers to pay the amount of shares subscribed that have the nature of equity.

This account shall be classified as a reduction in “Current payables” under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The par value and, where applicable, the share premium of the shares subscribed, shall be debited to this account with a credit to account 190.
- b) When the subscription of the shares is approved, a credit shall be made to this account, generally with a debit to accounts in subgroup 57 or to accounts 1034 and 1044.

194. Issued capital pending registration

Capital and, where applicable, the share premium or additional paid-in capital of shares and equity holdings issued for which the public deed has yet to be filed at the Business Registry .

The account shall be classified under current liabilities in the balance sheet if the public deed has yet to be filed at the Business Registry at the date of preparation of the annual accounts.

Movements in this account are as follows:

- a) The par value and, where applicable, the share premium or additional paid-in capital of shares and equity holdings issued for which the public deed has yet to be filed at the Business Registry shall be credited to this account, with a debit to account 190.
- b) The account shall be debited:
 - b₁) When the public deed is filed at the Business Registry, with a credit to accounts 100 and 110.
 - b₂) Where the shares or equity holdings issued are not subscribed, with a credit to account 190.

195. Liability-classified shares or equity holdings issued

Capital and, where applicable, the share premium or additional paid-in capital of shares and equity holdings considered financial liabilities, issued and pending subscription.

This account shall be classified as a reduction in “Current payables of a special nature” under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The par value and, where applicable, the share premium or additional paid-in capital of shares and equity holdings issued and pending subscription shall be debited to this account with a credit to account 199.

- b) The account shall be credited as the shares or the equity holdings are subscribed:
 - b₁) When the company is incorporated under the simultaneous procedure, generally with a debit to accounts in subgroup 57 or to accounts 153 and 154.
 - b₂) When the company is incorporated under the successive procedure, with a debit to account 197.
 - b₃) Where the shares or equity holdings issued are not subscribed, with a debit to account 199.

197. Liability-classified subscribed shares

The company's right to require subscribers to pay up the amount of shares subscribed that are considered financial liabilities.

This account shall be classified as a reduction in "Current payables of a special nature" under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The par value and, where applicable, the share premium of the shares subscribed shall be debited to this account with a credit to account 195.
- b) When the subscription of the shares is approved, this account shall be credited, generally with a debit to accounts in subgroup 57 or to accounts 153 and 154.

199. Liability-classified shares or equity holdings issued pending registration

Capital and, where applicable, the share premium or additional paid-in capital of shares and equity holdings issued considered as financial liabilities, for which the public deed has yet to be filed at the Business Registry.

This account shall be classified in "Current payables of a special nature" under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The par value and, where applicable, the share premium or additional paid-in capital of shares and equity holdings issued for which the public deed has yet to be filed at the Business Registry shall be credited to this account with a debit to account 195.
- b) The account shall be debited:
 - b₁) When the public deed is filed at the Business Registry, with a credit to accounts 150 and 502.

- b₂) Where the shares or equity holdings issued are not subscribed, with a credit to account 195.

GROUP 2

NON-CURRENT ASSETS

Group 2 comprises assets to be used over time in the company's activity, including investments that will mature, be disposed of or sold in over one year.

In particular, the following rules shall apply:

- a) This group also includes both hedging derivatives and trading derivatives that are in the money for the company, when they are to be settled in over one year.
- b) In accordance with the standards on the preparation of the annual accounts, this group may not include non-current financial assets that meet the requirements set out in the recognition and measurement standards to be classified upon initial recognition as "Financial assets held for trading", except for financial derivatives to be settled in over one year.
- c) The necessary accounts of four or more digits shall be created to identify the specific category in which the financial assets have been included in accordance with the recognition and measurement standards.
- d) In the case of acquisition of hybrid financial assets for which the entire hybrid is designated at fair value in accordance with recognition and measurement standards, these assets shall be recorded in an account corresponding to the nature of the host contract. Accounts of four or more digits shall be created with an appropriate breakdown to distinguish the item as a non-current hybrid financial asset measured as a whole. When the host contract and the embedded derivative are recognised separately, the embedded derivative shall be treated as if it had been contracted independently and included in the corresponding account in group 1, 2 or 5, while the host contract shall be included in the account that corresponds to its nature. Accounts of four or more digits shall be created with an appropriate breakdown, to distinguish the item as the host contract of a non-current hybrid financial instrument.
- e) Changes in the fair value of financial assets classified as "Other financial assets at fair value through profit and loss" shall be debited or credited to the account in which these assets are recognised with a credit or debit to accounts 763 and 663.
- f) An account comprising a non-current asset which, in accordance with the recognition and measurement standards, must be classified as held-for-sale or forms part of a disposal group held for sale shall be credited when the conditions for such classification are met, with a debit to the respective account in subgroup 58.
- g) The difference between the initial recognition value of financial assets and their redemption value shall be debited or credited to the account in which the financial

asset is recorded, with a credit or debit to the account in subgroup 76 that corresponds to the nature of the instrument.

20. INTANGIBLE ASSETS

- 200. Research
- 201. Development
- 202. Administrative concessions
- 203. Industrial property
- 204. Goodwill
- 205. Leaseholds
- 206. Computer software
- 209. Advances for intangible assets

Intangible assets are identifiable non-monetary assets without physical substance that can be assigned an economic value, as well as advances paid to suppliers on account of these intangible assets.

Other items of this nature shall also be recorded as intangible assets in the balance sheet, providing they meet the conditions set out in the Accounting Framework and the requirements specified in the recognition and measurement standards. These items include commercial rights, intellectual property and licences. An account shall be created in this subgroup to recognise these assets with similar movements to those described below for the remaining intangible asset accounts.

The accounts in this subgroup shall be classified under non-current assets in the balance sheet.

200. Research

Original and planned investigation attempting to discover new knowledge and to extend existing knowledge in scientific and/or technical areas. This account includes research expenses capitalised by the company in accordance with the recognition and measurement standards set out herein.

Movements in this account are as follows:

- a) Applicable expenses shall be debited to this account, with a credit to account 730.
- b) Derecognition of assets shall be credited to this account, where applicable, with a debit to account 670.

In the case of research work outsourced to other companies or to universities or other scientific or technological research institutes, movements in account 200 shall remain as indicated above.

201. Development

Specific application of achievements in research, or of any other type of scientific knowledge, to a particular plan or design for the production of new or substantially

improved materials, products, methods, processes or systems, until commercial production is commenced.

This account also includes development expenditure capitalised by the company in accordance with the recognition and measurement standards set out herein.

Movements in this account are as follows:

- a) Applicable expenses shall be debited to this account, with a credit to account 730.
- b) The account shall be credited:
 - b₁) On derecognition, where applicable, with a debit to account 670.
 - b₂) For positive results filed, where applicable, at the corresponding public registry, with a debit to account 203 or 206, as appropriate.

In the case of development work outsourced to other companies or to universities or other scientific or technological research institutes, movements in account 201 shall remain as indicated above.

202. Administrative concessions

Expenditure made to obtain research or operating rights extended by the Spanish government or by other public entities, or the price of acquiring transferrable concessions.

Movements in this account are as follows:

- a) Expenses incurred on obtaining the concession or the price of acquisition shall be debited to this account, generally with a credit to accounts in subgroup 57.
- b) Disposals and, in general, derecognitions shall be credited to this account, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 670.

203. Industrial property

Amount paid for ownership or the right to use or the concession to use different types of industrial property, in cases where, on the basis of the contract conditions, they are to be included in assets of the acquiring company. This includes, among others, invention patents, certificates protecting public utility models and patents of importation.

This account shall also include expenditure on development when the projects undertaken by the company have yielded positive results and, in compliance with the pertinent legal provisions, these results have been filed at the corresponding registry.

Movements in this account are as follows:

- a) The account shall be debited:

- a₁) For acquisitions from other companies, generally with a credit to accounts in subgroup 57.
- a₂) For the positive results of development activities, when these results are filed at the corresponding public registry, with a credit to account 201.
- a₃) For payments required for filing at the corresponding registry, generally with a credit to accounts in subgroup 57.
- b) Disposals and, in general, derecognitions shall be credited to this account, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 670.

204. Goodwill

The excess, at the acquisition date, of the cost of a business combination over the value of the identifiable assets acquired less the value of the identifiable liabilities assumed. Consequently, goodwill shall only be recognised when it has been acquired onerously and when it represents future economic benefits that will flow from assets that cannot be identified individually and recognised separately.

Movements in this account are as follows:

- a) Amounts resulting from application of the purchase method shall be debited to this account, generally with a credit to accounts in subgroup 57 or to account 553.
- b) The account shall be credited:
 - b₁) For the estimated impairment, with a debit to account 690.
 - b₂) For disposals and derecognitions, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 670.

205. Leaseholds

Amount paid for rights to lease premises, whereby the acquiree/new lessee assumes the rights and obligations of the transferor/former lessee that are set out in an earlier contract.

Movements in this account are as follows:

- a) The acquisition amount shall be debited to this account, generally with a credit to accounts in subgroup 57.
- b) Disposals and derecognitions shall be credited to this account, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 670.

206. Computer software

Amount paid for ownership or for rights to use computer programmes, including both those acquired from third parties and those developed internally by the company. This account

also includes the cost of creating websites, providing the sites are expected to be used over several years.

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For acquisitions from other companies, generally with a credit to accounts in subgroup 57.
 - a₂) For internal development, with a credit to account 730 and, where applicable, to account 201.
- b) Disposals and derecognitions shall be credited to this account, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 670.

209. Advances for intangible assets

Payments, normally in cash, to suppliers of intangible assets “on account” of future supplies or work.

In general, movements in this account are as follows:

- a) Cash paid to suppliers shall be debited to this account, with a credit to accounts in subgroup 57.
- b) Assets received and accepted shall be credited to this account, generally with a debit to accounts in this subgroup.

21. PROPERTY, PLANT AND EQUIPMENT

- 210. Land and natural resources
- 211. Buildings
- 212. Technical installations
- 213. Machinery
- 214. Equipment
- 215. Other installations
- 216. Furniture
- 217. Information technology equipment
- 218. Motor vehicles
- 219. Other property, plant and equipment

Items of property, plant and equipment comprising moveable property and immovable property, except those that should be classified in other subgroups, particularly in subgroup 22.

The accounts in this subgroup shall be classified under non-current assets in the balance sheet.

Movements in these accounts are as follows:

- a) The purchase price or cost of production or for a change in use, shall be debited to these accounts, generally with a credit to accounts in subgroup 22 or 57, to account 731 or, where applicable, to accounts in subgroup 23.
- b) Disposals, changes in use and, in general, derecognitions shall be credited to these accounts, generally with a debit to accounts in subgroup 22 or 57 and, in the case of losses, to account 671.

210. Land and natural resources

Development plots, rural land, other non-development land, mines and quarries.

211. Buildings

Building structures in general, irrespective of how they are used within the company's production activity.

212. Technical installations

Complex units for specialised use in the production process, comprising buildings, machinery, materials, parts or components, including information systems which, even if they can be separated by nature, are clearly interrelated in terms of use and are subject to the same rate of depreciation. Technical installations also include spare parts exclusively for use in this type of installation.

213. Machinery

Set of machines or capital goods with which products are extracted or prepared.

This account shall also comprise company vehicles used for transporting people, animals, materials and merchandise exclusively within the confines of the company's factories, workshops, premises, etc.

214. Equipment

Tools and other instruments that can be used alone or in conjunction with machinery, including moulds and templates.

Adjustments arising from the annual inventory count required by recognition and measurement standards shall be credited to this account, with a debit to account 659.

215. Other installations

Items which, based on their use, are clearly interrelated and are subject to the same rate of depreciation, other than those indicated in account 212. This account also includes spare parts exclusively for use in this type of installation.

216. Furniture

Office equipment, material and furniture, except for items included in account 217.

217. Information technology equipment

Computers and other electronic devices.

218. Vehicles

All types of vehicles that can be used for land, sea or air transport of persons, animals, materials or merchandise, except for items recorded in account 213.

219. Other property, plant and equipment

Any other items of property, plant and equipment not included in other accounts in subgroup 21. This account includes containers and packaging which, based on their characteristics, should be considered fixed assets, as well as spare parts for fixed assets that are stored for over one year.

22. INVESTMENT PROPERTY

220. Investments in land and natural resources

221. Investments in buildings

Non-current real estate assets held to earn rental income or for capital appreciation, or both, and that are not held:

- For use in the production or supply of goods and services, or for administration purposes; or
- For sale in the ordinary course of business

The accounts in this subgroup shall be classified under non-current assets in the balance sheet.

Movements in these accounts are as follows:

- a) The purchase price or cost of production or a change in use shall be debited to this account, generally with a credit to accounts in subgroup 21 or 57 or to account 732.
- b) Disposals, changes in use and derecognitions shall be credited to these accounts, generally with a debit to accounts in subgroup 21 or 57 and, in the case of losses, to account 672.

23. PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION

230. Preparation of land and natural resources

231. Buildings under construction

232. Technical installations under assembly

233. Machinery under assembly

- 237. Information technology equipment under assembly
- 239. Advances for property, plant and equipment

The accounts in this subgroup shall be classified under non-current assets in the balance sheet.

230/237

Adaptation, construction or assembly work underway at the balance sheet date and carried out in order to bring different items of property, plant and equipment to operating conditions, including works carried out on buildings.

Movements in these accounts are as follows:

- a) The accounts shall be debited:
 - a₁) For the receipt of works corresponding to the assets under construction.
 - a₂) For works carried out by the company itself, with a credit to account 733.
- b) The accounts shall be credited upon completion of the works, with a debit to accounts in subgroup 21.

239. Advances for property, plant and equipment

Payments, normally in cash, to suppliers of items of property, plant and equipment “on account” of future supplies or work.

In general, movements in this account are as follows:

- a) Cash paid to suppliers shall be debited to this account, generally with a credit to accounts in subgroup 57.
- b) Assets received and accepted shall be credited to this account, generally with a debit to accounts in this subgroup and in subgroup 21.

24. NON-CURRENT INVESTMENTS IN RELATED PARTIES

- 240. Non-current investments in related parties
 - 2403. Non-current investments in group companies
 - 2404. Non-current investments in associates
 - 2405. Non-current investments in other related parties
- 241. Non-current debt securities of related parties
 - 2413. Non-current debt securities of group companies
 - 2414. Non-current debt securities of associates
 - 2415. Non-current debt securities of other related parties
- 242. Non-current loans to related parties
 - 2423. Non-current loans to group companies
 - 2424. Non-current loans to associates

- 2425. Non-current loans to other related parties
- 249. Non-current uncalled equity holdings in related parties
 - 2493. Non-current uncalled equity holdings in group companies
 - 2494. Non-current uncalled equity holdings in associates
 - 2495. Non-current uncalled equity holdings in other related parties

Non-current investments in group companies, jointly-controlled entities, associates and other related parties, irrespective of how these investments are instrumented, maturing in over one year or with no set maturity (such as equity instruments) that the company does not intend to sell in the short term, including accrued interest. This subgroup shall also comprise non-current guarantees and deposits made and other types of non-current investments and financial assets with these individuals or entities. These investments shall be included in accounts of three or more digits.

Where debt securities or loans generate explicit interest maturing in over one year, the necessary accounts shall be created to identify this interest. The interest shall be recognised in the same balance sheet line item as the asset generating the interest.

The part of non-current investments in related individuals or entities that matures in the short term shall be disclosed in “Current investments in group companies and associates” under current assets in the balance sheet. The current portion of non-current investments, including any accrued interest, shall be transferred to the corresponding accounts in subgroup 53.

240. Non-current investments in related parties

Non-current investments in the equity rights of either listed or non-listed related parties, generally shares issued by corporations or equity holdings in limited liability companies.

This account shall be classified under non-current assets in the balance sheet.

2403/2404 Non-current investments in group companies / associates

Movements in these four-digit accounts are as follows:

- a) The accounts shall be debited:
 - a₁) Upon subscription or purchase, generally with a credit to accounts in subgroup 57 and, where applicable, to account 249.
 - a₂) Where applicable, when the recoverable amount of an investment exceeds its carrying amount, up to the limit of the prior negative valuation adjustments recognised directly in equity, with a credit to account 991 or 992.
- b) The accounts shall be credited:
 - b₁) Where applicable, for estimated impairment, up to the limit of the prior positive valuation adjustment recognised directly in equity, with a debit to account 891 or 892.

- b₂) For disposal and derecognitions, generally with a debit to accounts in subgroup 57 or, in the event of pending payments, to account 249 or, where applicable, to account 539 and, in the case of losses, to account 673.

2405. Non-current investments in other related parties

Movements in this account are as follows:

- a) The account shall be debited upon subscription or purchase, generally with a credit to accounts in subgroup 57 and, where applicable, to account 249.
- b) The account shall be credited:
 - b₁) For estimated impairment, with a debit to account 696.
 - b₂) For disposal and derecognitions, generally with a debit to accounts in subgroup 57 or, in the event of pending payments, to account 249 or, where applicable, to account 539 and, in the case of losses, to account 673.
- c) If the investments are classified as available-for-sale financial assets, changes in the fair value of investments shall be debited or credited to this account, with a credit or debit, respectively, to accounts 900 and 800.

241. Non-current debt securities of related parties

Non-current investments in obligations, bonds or other debt securities, including those for which returns are pegged to indices or similar systems, issued by related parties and maturing in over one year.

This account shall be classified under non-current assets in the balance sheet.

2413/2414/2415

In general, movements in these four-digit accounts are as follows:

- a) The accounts shall be debited:
 - a₁) Upon subscription or purchase, for the purchase price, excluding explicit accrued interest not yet due, with a credit to accounts in subgroup 57.
 - a₂) For accrued finance income, up to the redemption value of the security, generally with a credit to account 761.
- b) The accounts shall be credited for disposal, early redemption or derecognition of the securities, with a debit to accounts in subgroup 57 and, in the case of losses, to account 666.
- c) If the securities are classified as “Available-for-sale financial assets”, changes in the fair value of the securities shall be debited or credited to these accounts, with a balancing entry in accounts 900 and 800, except for the portion relating to exchange

gains or losses, which shall be recorded with a credit or debit to accounts 768 and 668. Impairment of the securities shall be debited to these accounts for the negative balance accumulated in equity, with a credit to account 902.

242. Non-current loans to related parties

Non-current investments in loans and other non-trade credit to related parties, including those arising from disposals of fixed assets, finance lease transactions and non-current deposits maturing in over one year irrespective of whether they are trade bills. Such receivables shall be recognised in five-digit accounts.

This account shall be classified under non-current assets in the balance sheet.

2423/2424/2425

Movements in these four-digit accounts are as follows:

- a) The accounts shall be debited
 - a₁) Upon arrangement, for the amount of the loan, generally with a credit to accounts in subgroup 57.
 - a₂) For accrued finance income, up to the redemption value, generally with a credit to account 762.
- b) Early full or partial repayments or derecognitions shall be credited to these accounts, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 667.

249. Non-current uncalled equity holdings in related parties

Uncalled payments on equity holdings in related parties.

This account shall be classified under non-current assets in the balance sheet, as a reduction in the item in which the corresponding investments are recorded.

2493/2494/2495

Movements in these four-digit accounts are as follows:

- a) The unpaid amount upon acquisition or subscription of the equity instruments shall be credited to these accounts, with a debit to account 240.
- b) As payments are called these accounts are debited, with a credit to account 556 or to account 240 for any balances pending upon the sale of equity instruments that are not fully paid in.

25. OTHER NON-CURRENT INVESTMENTS

250. Non-current investments in equity instruments

- 251. Non-current debt securities
- 252. Non-current loans
- 253. Non-current loans for disposal of fixed assets
- 254. Non-current loans to personnel
- 255. Non-current assets arising from derivative financial instruments
 - 2550. Non-current assets arising from derivative financial instruments, trading portfolio
 - 2553. Non-current assets arising from derivative financial instruments, hedging instruments
- 257. Reimbursement rights of insurance contracts for long-term employee benefits
- 258. Non-current deposits
- 259. Non-current uncalled equity holdings

Non-current investments in non-related parties, irrespective of how these investments are instrumented, maturing in over one year or with no set maturity (such as equity instruments) that the company does not intend to sell in the short term, including accrued interest.

Where debt securities or loans generate explicit interest maturing in over one year, the necessary accounts shall be created to identify this interest. These accounts shall be classified in the same balance sheet line item as the asset generating the interest.

The part of non-current investments that matures in the short term shall be recognised in “Current investments” under current assets in the balance sheet. The current portion of non-current investments, including any accrued interest, shall be transferred to the corresponding accounts in subgroup 54.

250. Non-current investments in equity instruments

Non-current investments in the equity rights of entities not considered related parties, namely shares listed or not listed on a regulated market and other securities, such as holdings in collective investment undertakings and equity holdings in limited liability companies.

This account shall be classified under non-current assets in the balance sheet.

Movements in this account are as follows:

- a) The account shall be debited upon subscription or purchase, generally with a credit to accounts in subgroup 57 and, where applicable, to account 259.
- b) The account shall be credited:
 - b₁) For the estimated impairment, with a debit to account 696.
 - b₂) For disposal and derecognitions, generally with a debit to accounts in subgroup 57 or, in the event of pending payments, to account 259 or, where applicable, to account 549 and, in the case of losses, to account 666.

- c) If the investment is classified as an available-for-sale financial asset, changes in the fair value of the asset shall be debited or credited to this account, with a credit or debit, respectively, to accounts 900 and 800.

251. Non-current debt securities

Non-current investments in obligations, bonds or other debt securities, including those for which returns are pegged to indices or similar systems.

When the securities subscribed or acquired have been issued by related parties, the investment shall be recognised in account 241.

This account shall be classified under non-current assets in the balance sheet.

In general, movements in this account are as follows:

- a) The account shall be debited:
 - a₁) Upon subscription or purchase, for the purchase price, excluding explicit accrued interest not yet due, with a credit to accounts in subgroup 57.
 - a₂) For accrued finance income, up to the redemption value of the security, generally with a credit to account 761.
- b) Disposal, early redemption or derecognition of the securities shall be credited to this account with a debit to accounts in subgroup 57 and, in the case of losses, to account 666.
- c) If the securities are classified as “Available-for-sale financial assets”, changes in the fair value of the securities shall be debited or credited to this account, with a balancing entry in accounts 900 and 800, except for the portion relating to exchange gains or losses, which shall be recorded with a credit or debit to accounts 768 and 668. The account shall also be debited upon impairment of the security, for the negative balance accumulated in equity, with a credit to account 902.

252. Non-current loans

Loans and other non-trade credit to third parties, including trade bills, maturing in over one year.

When the loans have been arranged with related parties, the investment shall be recognised in account 242.

This account shall be classified under non-current assets in the balance sheet.

Movements in this account are as follows:

- a) The account shall be debited:

- a₁) Upon arrangement, for the amount of the loan, generally with a credit to accounts in subgroup 57.
- a₂) For accrued finance income, up to the redemption value, generally with a credit to account 762.
- b) Early full or partial repayment or derecognition shall be credited to the account, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 667.

253. Non-current loans for disposal of fixed assets

Loans to third parties that mature in over one year, arising on the disposal of fixed assets.

When the loans for disposal of fixed assets have been extended to related parties, the investment shall be recognised in account 242.

This account shall be classified under non-current assets in the balance sheet.

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For the amount of the loans, excluding any interest agreed, with a credit to accounts in group 2.
 - a₂) For accrued finance income, up to the redemption value, generally with a credit to account 762.
- b) Early full or partial repayment or derecognition shall be credited to this account, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 667.

254. Non-current loans to personnel

Loans extended to company employees that are not considered related parties, when the loans mature in over one year.

This account shall be classified under non-current assets in the balance sheet.

Movements are in line with those indicated for account 252.

255. Non-current assets arising from derivative financial instruments

Amounts corresponding to transactions with financial derivatives that are in the money for the company, to be settled in over one year. This account also includes embedded derivatives in hybrid financial instruments acquired, issued or assumed that meet the criteria to be included in this account. Accounts of four or more digits shall be created to identify the embedded derivative.

In particular, this account shall comprise premiums paid on transactions involving options, as well as changes in the fair value of financial derivative assets with which the company operates, such as options, futures, swaps, currency forwards, etc.

This account shall be classified under non-current assets in the balance sheet.

2550. Non-current assets arising from derivative financial instruments, trading portfolio

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For the amounts paid when the instrument is contracted, generally with a credit to accounts in subgroup 57.
 - a₂) For gains generated during the reporting period, with a credit to account 7630.
- b) The account shall be credited:
 - b₁) For losses incurred during the reporting period, up to the amount at which the derivative was carried under assets in the prior reporting period, with a debit to account 6630.
 - b₂) For the amount received at settlement, generally with a debit to accounts in subgroup 57.

2553. Non-current assets arising from derivative financial instruments, hedging instruments

Movements in this account are as follows:

- a) The amount paid when the instrument is contracted shall be debited to this account with a credit, generally to accounts in subgroup 57.
- b) When the derivative is used as a hedging instrument in a fair value hedge:
 - b₁) Gains generated during the reporting period upon application of hedge accounting shall be debited to this account, with a credit to the income statement item that includes the losses incurred on the hedged items upon measuring the hedged risk at fair value.
 - b₂) The account shall be credited:
 - i) For the losses incurred during the reporting period from application of hedge accounting, up to the amount at which the derivative was carried under assets in the prior reporting period, with a debit to the income statement item that includes the gains generated on the hedged items upon measuring the hedged risk at fair value.

- ii) Upon acquisition of the hedged asset or assumption of the hedged liability, with a debit to the accounts in which these items are recorded.
- c) When the derivative is used as a hedging instrument in other hedging transactions the gain generated or loss incurred on the effective portion during the reporting period from application of hedge accounting shall be credited or debited to this account, with a credit or debit to accounts in subgroups 91 and 81, respectively, and to accounts 7633 and 6633 for the ineffective portion.
- d) The amount received at settlement shall be credited to this account, generally with a debit to accounts in subgroup 57.

257. Reimbursement rights of insurance contracts for long-term employee benefits

Reimbursement rights callable from an insurance company that should be recognised as assets in the balance sheet but do not meet the criteria to be classified as assets associated with insurance policies in accordance with the recognition and measurement standards.

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For the amounts paid as premiums, generally with a credit to accounts in subgroup 57.
 - a₂) For recognition of actuarial gains, with a credit to account 950 in the case of post-employment benefits, or with a credit to an account in subgroup 64 for other long-term employee benefits.
 - a₃) For the expected income on reimbursement rights, with a credit to account 767.
- b) The account shall be credited:
 - b₁) For any amounts drawn against the reimbursement rights, with a debit to account 140 or with a debit to accounts in subgroup 57.
 - b₂) For recognition of actuarial losses, with a debit to account 850 in the case of post-employment benefits, or with a debit to an account in subgroup 64 for other long-term employee benefits.
 - b₃) For any excess in the value of the reimbursement right that results in a direct reimbursement, with a debit to accounts in subgroup 57.

258. Non-current deposits

Time deposits or similar deposits at banks and financial institutions maturing in over one year, contracted in accordance with market conditions.

When time deposits have been made in related financial institutions, the investment shall be recognised in account 242.

This account shall be classified under non-current assets in the balance sheet.

Movements in this account are as follows:

- a) Upon arrangement of the deposit, the amount placed shall be debited to this account.
- b) The account shall be credited upon recovery or early transfer of the funds.

259. Non-current uncalled equity holdings

Uncalled payments on equity holdings in entities not considered related parties.

This account shall be classified under non-current assets in the balance sheet, as a reduction in the item in which the corresponding equity instruments are recognised.

Movements in this account are as follows:

- a) Upon acquisition or subscription of the equity instruments the amount pending payment shall be credited to this account, with a debit to account 250.
- b) The account shall be debited as payments are called, with a credit to account 556 or, for any balances pending upon the sale of equity instruments that are not fully paid in, to account 250.

26. NON-CURRENT GUARANTEES AND DEPOSITS EXTENDED

260. Non-current guarantees extended

265. Non-current deposits extended

The accounts in this subgroup shall be classified under non-current assets in the balance sheet.

The part of non-current guarantees and non-current deposits that matures in the short term shall be recognised in “Current investments” under current assets in the balance sheet. The current portion of non-current guarantees and non-current deposits shall be transferred to the corresponding accounts in subgroup 56.

260. Non-current guarantees extended

Cash amounts conveyed to guarantee compliance with an obligation, with a term of over one year.

In general, movements in this account are as follows:

- a) The account shall be debited:

- a₁) Upon arrangement of the guarantee, for the fair value of the financial asset, with a credit to accounts in subgroup 57.
- a₂) For accrued finance income, up to the redemption value of the guarantee, generally with a credit to account 762.
- b) The account shall be credited:
 - b₁) For early cancellation, with a debit to accounts in subgroup 57.
 - b₂) For failure to comply with the obligation guaranteed, where this results in the loss of part or all of the guarantee, with a debit to account 659.

265. Non-current deposits extended

Cash amounts conveyed as an irregular deposit, with a term of over one year.

In general, movements in this account are as follows:

- a) The account shall be debited:
 - a₁) Upon arrangement of the deposit, for the cash amount conveyed, with a credit to accounts in subgroup 57.
 - a₂) For accrued finance income, up to the redemption value of the deposit, generally with a credit to account 762.
- b) The account shall be credited upon early cancellation, with a debit to accounts in subgroup 57.

28. ACCUMULATED AMORTISATION AND DEPRECIATION

- 280. Accumulated amortisation of intangible assets
- 281. Accumulated depreciation of property, plant and equipment
- 282. Accumulated depreciation of investment property

Accounting expression of the distribution of the cost of an investment in a fixed asset over the time it is expected to be used in the production process, or that distributes the cost of investment property over time.

Accumulated amortisation and depreciation recorded in this subgroup shall be classified under assets in the balance sheet, as a reduction in the item in which the corresponding asset is recorded.

280. Accumulated amortisation of intangible assets

Systematic valuation adjustment to reflect the decline in value of intangible assets.

Movements in this account are as follows:

- a) The annual allowance shall be credited to this account, with a debit to account 680.
- b) The account shall be debited when the intangible asset is disposed of or derecognised for any other reason, with a credit to accounts in subgroup 20.

281. Accumulated depreciation of property, plant and equipment

Systematic valuation adjustment to reflect the decline in value of items of property, plant and equipment.

Movements in this account are as follows:

- a) The annual allowance shall be credited to this account, with a debit to account 681.
- b) The account shall be debited when the item of property, plant and equipment is disposed of or derecognised for any other reason, with a credit to accounts in subgroup 21.

282. Accumulated depreciation of investment property

Systematic valuation adjustment to reflect the decline in value of investment property.

Movements in this account are as follows:

- a) The annual allowance shall be credited to this account, with a debit to account 682.
- b) The account shall be debited when the investment property is disposed of or derecognised for any other reason, with a credit to accounts in subgroup 22.

29. IMPAIRMENT OF NON-CURRENT ASSETS

- 290. Impairment of intangible assets
- 291. Impairment of property, plant and equipment
- 292. Impairment of investment property
- 293. Impairment of non-current investments in related parties
 - 2933. Impairment of non-current investments in group companies
 - 2934. Impairment of non-current investments in associates
- 294. Impairment of non-current debt securities of related parties
 - 2943. Impairment of non-current debt securities of group companies
 - 2944. Impairment of non-current debt securities of associates
 - 2945. Impairment of non-current debt securities of other related parties
- 295. Impairment of non-current loans to related parties
 - 2953. Impairment of non-current loans to group companies
 - 2954. Impairment of non-current loans to associates
 - 2955. Impairment of non-current loans to other related parties
- 297. Impairment of non-current debt securities
- 298. Impairment of non-current loans

Accounting expression of valuation adjustments to reflect losses arising on impairment of non-current assets.

These losses shall be estimated on a systematic basis over time. In the event of subsequent recoveries in value as defined in the applicable recognition and measurement standards, valuation adjustments previously made for impairment shall be reduced to the limit of the total amount recovered, where permitted by the provisions of those standards.

The accounts in this subgroup shall be classified under non-current assets in the balance sheet, as a reduction in the value of the item in which the corresponding asset is recorded.

290/291/292. Impairment of intangible assets / property, plant and equipment / investment property

Amount of valuation adjustments to reflect impairment of intangible assets, items of property, plant and equipment and investment property.

Movements in these accounts are as follows:

- a) The estimated impairment shall be credited to the accounts, with a debit to account 690, 691 or 692.
- b) The accounts shall be debited:
 - b₁) When the causes that led to recognition of impairment cease to exist, with a credit to account 790, 791 or 792.
 - b₂) When the asset is disposed of or derecognised for any other reason, with a credit to accounts in subgroup 20, 21 or 22.

293. Impairment of non-current investments in related parties

Amount of valuation adjustments to reflect impairment of non-current investments in group companies and associates.

2933/2934

Movements in these four-digit accounts are as follows:

- a) The estimated impairment taken to the income statement in accordance with the recognition and measurement standards shall be credited to these accounts with a debit to account 696.
- b) The accounts shall be debited:
 - b₁) When the causes that led to recognition of impairment cease to exist, with a credit to account 796.

- b₂) When the equity instruments are disposed of or derecognised for any other reason, with a credit to accounts in subgroup 24.

294. Impairment of non-current debt securities of related parties

Amount of valuation adjustments to reflect impairment of non-current investments in debt securities issued by individuals or entities considered related parties.

2943/2944/2945

Movements in these four-digit accounts are as follows:

- a) The estimated impairment shall be credited to these accounts, with a debit to account 696.
- b) The accounts shall be debited:
 - b₁) When the causes that led to recognition of impairment cease to exist, with a credit to account 796.
 - b₂) When the debt securities are disposed of or derecognised for any other reason, with a credit to accounts in subgroup 24.

295. Impairment of non-current loans to related parties

Amount of valuation adjustments to reflect impairment of non-current loans extended to related parties.

2953/2954/2955

Movements in these four-digit accounts are as follows:

- a) The estimated impairment shall be credited to this account, with a debit to account 697.
- b) The accounts shall be debited:
 - b₁) When the causes that led to recognition of impairment cease to exist, with a credit to account 797.
 - b₂) For the irrecoverable part of the loan, with a credit to account 242.

297. Impairment of non-current debt securities

Amount of valuation adjustments to reflect impairment of non-current investments in debt securities issued by individuals or entities not considered related parties.

Movements are in line with those indicated for account 294.

298. Impairment of non-current loans

Amount of valuation adjustments to reflect impairment of loans in subgroup 25.

Movements are in line with those indicated for account 295.

GROUP 3

INVENTORIES

Inventories are assets held to be sold in the ordinary course of business, those under production, and materials or supplies to be used in the production process or in the rendering of services.

Inventories comprise merchandise, raw materials, other supplies, work in progress, semi-finished goods, finished goods and by-products, waste and recovered materials.

An account including inventories which, in accordance with the recognition and measurement standards, form part of a disposal group held for sale shall be credited when the conditions for this classification are met, with a debit to the respective account in subgroup 58.

30. GOODS FOR RESALE

300. Merchandise A

301. Merchandise B

Goods acquired by the company and intended for sale without any further transformation.

Accounts 300/309 shall be classified under current assets in the balance sheet. These accounts shall only be credited or debited at the balance sheet date.

Movements in these accounts are as follows:

- a) The amount of inventory held at the beginning of the reporting period shall be credited to these accounts at the balance sheet date, with a debit to account 610.
- b) The amount of inventory held at the balance sheet date shall be debited to these accounts with a credit to account 610.

If, at the balance sheet date, merchandise in transit in accordance with the corresponding contract conditions is owned by the company, this merchandise shall be recorded as inventory in the respective accounts in subgroup 30. This rule shall also apply when products, materials, etc. included in the following groups are in transit.

31. RAW MATERIALS

310. Raw materials A

311. Raw materials B

Materials that will form part of manufactured goods after appropriate preparation or transformation.

Accounts 310/319 shall be classified under current assets in the balance sheet. Movements in these accounts are in line with those indicated for accounts 300/309.

32. OTHER SUPPLIES

- 320. Components
- 321. Fuel
- 322. Spare parts
- 325. Sundry materials
- 326. Packaging
- 327. Containers
- 328. Office supplies

320. Components

Components normally manufactured outside the company and acquired by the company for incorporation in production, with no further transformation.

321. Fuel

Storable materials for providing energy.

322. Spare parts

Parts to be assembled as part of installations, equipment or machines in substitution of other similar parts including spare parts that are stored for less than one year.

325. Sundry materials

Other consumable materials that will not be incorporated into the finished product.

326. Packaging

Covers, casings and wrappings, generally not recoverable, used to protect products or merchandise during transit.

327. Containers

Receptacles or vessels normally sold along with the product contained therein.

328. Office supplies

Supplies used in offices, except where the company opts to consider that office materials acquired during the reporting period are used within that same period.

Accounts 320/329 shall be recognised under current assets in the balance sheet. Movements in these accounts are in line with those indicated for accounts 300/309.

33. WORK IN PROGRESS

- 330. Work in progress A
- 331. Work in progress B

Goods or services being formed or transformed in an activity centre at the balance sheet date, which should not be recorded in accounts in subgroup 34 or 36.

Accounts 330/339 shall be classified under current assets in the balance sheet. These accounts shall only be debited or credited at the balance sheet date.

Movements in these accounts are as follows:

- a) The amount of inventory held at the beginning of the reporting period shall be credited to these accounts at the balance sheet date, with a debit to account 710.
- b) The amount of inventory held at the balance sheet date shall be debited to these accounts with a credit to account 710.

34. SEMI-FINISHED GOODS

- 340. Semi-finished goods A
- 341. Semi-finished goods B

Products manufactured by the company and not normally sold until they are subject to further preparation, incorporation or transformation.

Accounts 340/349 shall be classified under current assets in the balance sheet. Movements in these accounts are in line with those indicated for accounts 330/339.

35. FINISHED GOODS

- 350. Finished goods A
- 351. Finished goods B

Goods manufactured by the company for use by end consumers or by other companies.

Accounts 350/359 shall be classified under current assets in the balance sheet. Movements in these accounts are in line with those indicated for accounts 330/339.

36. BY-PRODUCTS, WASTE AND RECOVERED MATERIALS

- 360. By-products A
- 361. By-products B
- 365. Waste A
- 366. Waste B
- 368. Recovered materials A
- 369. Recovered materials B

By-products: secondary or incidental products resulting from primary manufacturing.

Waste: materials inevitably obtained in conjunction with products and by-products, providing they have intrinsic value and can be used or sold.

Recovered materials: materials which, on the basis of their intrinsic value, are returned to storage after having been used in the production process.

Accounts 360/369 shall be classified under current assets in the balance sheet. Movements in these accounts are in line with those indicated for accounts 330/339.

39. IMPAIRMENT OF INVENTORIES

- 390. Impairment of merchandise
- 391. Impairment of raw materials
- 392. Impairment of other supplies
- 393. Impairment of work in progress
- 394. Impairment of semi-finished goods
- 395. Impairment of finished goods
- 396. Impairment of by-products, waste and recovered materials

Accounting expression of reversible losses revealed during the inventory count performed at the balance sheet date.

Accounts in this subgroup shall be classified under current assets in the balance sheet, as a reduction in the value of the line item in which the corresponding asset is recorded.

Movements in these accounts are as follows:

- a) The impairment estimated for the reporting period shall be credited to these accounts with a debit to account 693.
- b) The impairment estimated at the balance sheet date of the prior reporting period shall be debited to these accounts, with a credit to account 793.

GROUP 4

TRADE PAYABLES AND TRADE RECEIVABLES

Financial instruments and accounts originating in the company's ordinary business, as well as balances with public entities, including balances maturing in over one year. Companies may classify the latter balances in subgroups 42 or 45, or reclassify them within the same accounts.

In particular, the following rules shall apply:

- a) In general, financial assets and financial liabilities included in this group shall be classified for measurement purposes as loans and receivables and as debts and payables, respectively.
- b) If the financial assets and financial liabilities are classified for measurement purposes in more than one category, accounts of four or more digits shall be created as necessary to differentiate the category in which they have been included.
- c) An account including financial assets classified as financial assets held for trading or as other financial assets at fair value through profit or loss, or financial liabilities classified as financial liabilities held for trading or as other financial liabilities at fair value through profit or loss, shall be credited or debited for changes in the fair value of the financial assets or financial liabilities, with a debit or credit, respectively, to accounts 663 and 763.
- d) An account including trade payables or trade receivables which, in accordance with the recognition and measurement standards, form part of a disposal group held for sale shall be debited or credited, respectively, when the conditions for this classification are met, with a credit or debit to the respective account in subgroup 58.

40. SUPPLIERS

400. Suppliers
401. Suppliers, trade bills payable
403. Suppliers, group companies
404. Suppliers, associates
405. Suppliers, other related parties
406. Containers and packaging returnable to suppliers
407. Advances to suppliers

400. Suppliers

Payables to suppliers of merchandise and other goods defined in group 3.

This account shall include payables to suppliers of services used in the production process.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the receipt and acceptance of shipments from suppliers, with a debit to accounts in subgroup 60.
 - a₂) For returnable containers and packaging charged in supplier invoices, with a debit to account 406.
 - a₃) Where applicable, for the accrued finance expenses, generally with a debit to account 662.
- b) The account shall be debited:
 - b₁) For arrangement of accepted trade bills, with a credit to account 401.
 - b₂) For the full or partial cancellation of the company's payables to suppliers, with a credit to accounts in subgroup 57.
 - b₃) For volume discounts extended to the company by suppliers, with a credit to account 609.
 - b₄) For prompt payment discounts extended to the company by suppliers and not included in the invoice, with a credit to account 606.
 - b₅) For returns of items purchased, with a credit to account 608.
 - b₆) For returnable containers and packaging charged in supplier invoices and sent back to suppliers, with a credit to account 406.

401. Suppliers, trade bills payable

Payables to suppliers in the form of accepted trade bills.

This account shall be classified under current liabilities in the balance sheet.

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the receipt and acceptance of shipments from suppliers, through acceptance of trade bills, with a debit to accounts in subgroup 60.
 - a₂) When the company formalises the obligation to suppliers by accepting trade bills, generally with a debit to account 400.
- b) Payment of the trade bills on maturity shall be debited to this account, with a credit to the corresponding accounts in subgroup 57.

403. Suppliers, group companies

Payables to group companies which are suppliers, including trade bills payable.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are in line with those indicated for account 400.

404. Suppliers, associates

Payables, including trade bills payable, to jointly-controlled entities or associates that are suppliers.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are in line with those indicated for account 400.

405. Suppliers, other related parties

Payables, including trade bills payable, to other related individuals or entities which are suppliers.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are in line with those indicated for account 400.

406. Containers and packaging returnable to suppliers

Amount of returnable containers and packaging charged in supplier invoices.

This account shall be classified under current liabilities in the balance sheet, as a reduction in account 400.

Movements in this account are as follows:

- a) The amount of the containers and packaging shall be debited to this account upon receipt of the merchandise contained therein, with a credit to account 400.
- b) The account shall be credited:
 - b₁) For the amount of the containers and packaging returned, with a debit to account 400.
 - b₂) For the amount of the containers and packaging that the company decides to retain for its own use and of any misplaced or damaged containers and packaging, with a debit to account 602.

407. Advances to suppliers

Payments, normally in cash, to suppliers on account of future supplies.

When these payments are made to group companies, jointly-controlled entities, associates or other related parties they shall be recognised in the corresponding three-digit accounts.

This account shall be classified in the line item “Inventories” under current assets in the balance sheet.

In general, movements in this account are as follows:

- a) Cash paid to suppliers shall be debited to these accounts, with a credit to accounts in subgroup 57.
- b) Merchandise or other goods received and accepted from suppliers shall be credited to this account, generally with a debit to accounts in subgroup 60.

41. OTHER PAYABLES

- 410. Payables for the rendering of services
- 411. Trade bills payable
- 419. Payables for profit-sharing agreements

When the amounts are payable to group companies, jointly-controlled entities, associates or other related parties, three-digit accounts shall be created to specifically disclose the payables to these parties, including trade bills payable.

410. Payables for the rendering of services

Payables to parties providing services that are not strictly considered suppliers.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the receipt and acceptance of services, generally with a debit to accounts in subgroup 62.
 - a₂) Where applicable, to recognise accrued finance expenses, generally with a debit to account 662.
- b) The account shall be debited:
 - b₁) For arrangement of accepted trade bills payable, with a credit to account 411.
 - b₂) For the full or partial cancellation of the company’s payables, with a credit to the corresponding accounts in subgroup 57.

411. Trade bills payable

Payables in the form of accepted trade bills to parties providing services that are not strictly considered suppliers.

This account shall be classified under current liabilities in the balance sheet.

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the receipt and acceptance of the services through acceptance of trade bills, generally with a debit to accounts in subgroup 62.
 - a₂) When the company formalises the obligation by accepting trade bills payable, generally with a debit to account 410.
- b) Payment of the trade bills on maturity shall be debited to this account, with a credit to the corresponding accounts in subgroup 57.

419. Payables for profit-sharing agreements

Payables to venturers in the operations governed by articles 239 to 243 of the Commercial Code and in other similar profit-sharing agreements.

This account shall be classified under liabilities in the balance sheet.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For contributions received by the company as trustee venturer, generally with a debit to accounts in subgroup 57.
 - a₂) Where the company is the trustee venturer, for the gain to be attributed to non-trustee venturers, with a debit to account 6510.
 - a₃) For the loss corresponding to the company as a non-trustee venturer, when its balance in the profit-sharing agreement becomes a credit balance, with a debit to account 6511.
- b) The account shall be debited:
 - b₁) For settlement of the payables, with a credit to accounts in subgroup 57.
 - b₂) Where the company is the trustee venturer, for the loss to be attributed to non-trustee venturers, while its balance in the profit-sharing agreement remains a credit balance, with a credit to account 7510.
 - b₃) For gains corresponding to the company as a non-trustee venturer, with a credit to account 7511.

43. TRADE RECEIVABLES

- 430. Trade receivables
- 431. Trade receivables, trade bills receivable
- 432. Trade receivables, factoring
- 433. Trade receivables, group companies
- 434. Trade receivables, associates
- 435. Trade receivables, other related parties
- 436. Doubtful trade receivables
- 437. Containers and packaging returnable by customers
- 438. Advances from customers

430. Trade receivables

Receivables from purchasers of merchandise and other goods defined in group 3, as well as recipients of services rendered by the company, providing they relate to a principal activity of the company.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For sales made, with a credit to accounts in subgroup 70.
 - a₂) For returnable containers and packaging charged in customer invoices, with a credit to account 437.
 - a₃) Where applicable, to recognise accrued finance income, generally with a credit to account 762.
- b) The account shall be credited:
 - b₁) For arrangement of trade bills accepted by the customer, with a debit to account 431.
 - b₂) For full or partial settlement of the receivable by the customer or the final transfer of collection rights to third parties, generally with a debit to accounts in subgroup 57.
 - b₃) For classification as a doubtful trade receivable, with a debit to account 436.
 - b₄) For the irrecoverable part of a receivable, with a debit to account 650.
 - b₅) For volume discounts extended to customers, with a debit to account 709.
 - b₆) For prompt payment discounts not included in the customer invoice, with a debit to account 706.

- b₇) For returns of items sold, with a debit to account 708.
- b₈) For returned containers and packaging which were charged in customer invoices as returnable containers and packaging, with a debit to account 437.
- b₉) For the transfer of collection rights in factoring operations in which the company substantially retains the risks and rewards, with a debit to account 432.

431. Trade receivables, trade bills receivable

Trade receivables in the form of accepted trade bills.

This account shall comprise trade bills held, trade bills discounted, trade bills submitted for collection and defaulted trade bills. Defaulted trade bills shall only be recognised in this account when they should not be included in account 436.

This account shall be classified under current assets in the balance sheet.

In general, movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For sales or services rendered in the course of the company's principal activity, where customers have accepted the related trade bills, with a credit to accounts in subgroup 70.
 - a₂) For arrangement of trade bills accepted by the customer, generally with a credit to account 430.
- b) The account shall be credited:
 - b₁) For collection of the trade bills on maturity, with a debit to accounts in subgroup 57.
 - b₂) For classification as a doubtful trade receivable, with a debit to account 436.
 - b₃) For any irrecoverable part of the receivable, with a debit to account 650.

Financing obtained on discounting trade bills constitutes a payable that must generally be included in the corresponding accounts in subgroup 52. Consequently, upon maturity of the trade bills honoured account 4311 shall be credited, with a debit to account 5208.

432. Trade receivables, factoring

Trade receivables transferred in factoring operations in which the company substantially retains the risks and rewards of the collection rights.

This account shall comprise the collection rights on trade receivables transferred in factoring operations, except when they should be disclosed in account 436.

This account shall be classified under current assets in the balance sheet.

In general, movements in this account are as follows:

- a) The account shall be debited when the collection rights are transferred, generally with a credit to account 430.
- b) The account shall be credited:
 - b₁) For classification as a doubtful trade receivable, with a debit to account 436.
 - b₂) For the irrecoverable part of the receivable, with a debit to account 650.

Financing obtained on these operations constitutes a payable that should generally be included in the corresponding accounts in subgroup 52. Consequently, upon maturity of the collection rights honoured this account shall be credited, with a debit to account 5209.

433. Trade receivables, group companies

Receivables from group company customers, including trade bills or balances transferred as part of factoring operations in which the company substantially retains the risks and rewards of the collection rights.

This account shall be classified under current assets in the balance sheet.

Movements in this account are in line with those indicated for account 430.

434. Trade receivables, associates

Receivables from jointly-controlled entities and associates which are customers, including trade bills or balances transferred as part of factoring operations in which the company substantially retains the risks and rewards of the collection rights.

This account shall be classified under current assets in the balance sheet.

Movements are in line with those indicated for account 430.

435. Trade receivables, other related parties

Receivables from other related party customers, including trade bills or balances transferred as part of factoring operations in which the company substantially retains the risks and rewards of the collection rights.

This account shall be classified under current assets in the balance sheet.

Movements are in line with those indicated for account 430.

436. Doubtful trade receivables

Balances receivable from customers, including trade bills or balances transferred as part of factoring operations in which the company substantially retains the risks and rewards of the collection rights, where circumstances reasonably indicate doubtful collection.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) The balance considered doubtful shall be debited to this account, with a credit to account 430, 431 or 432.
- b) The account shall be credited:
 - b₁) For write-off of trade receivables with a debit to account 650.
 - b₂) For collection in full of balances, with a debit to accounts in subgroup 57.
 - b₃) Upon partial collection, with a debit to accounts in subgroup 57 for the portion collected and to account 650 for any irrecoverable amounts.

437. Containers and packaging returnable by customers

Amount of the returnable containers and packaging included in customer invoices.

This account shall be classified under current assets in the balance sheet, as a reduction in account 430.

Movements in this account are as follows:

- a) The amount of the containers and packaging upon shipment of the merchandise contained therein shall be credited to this account, with a debit to account 430.
- b) The account shall be debited:
 - b₁) Upon receipt of the containers and packaging returned, with a credit to account 430.
 - b₂) Upon expiry of the return period, if no returns have been made, with a credit to account 704.

438. Advances from customers

Payments received from customers, normally in cash, on account of future supplies.

When these payments are received from group companies, jointly-controlled entities, associates or other related parties, the corresponding three-digit accounts shall be created.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) Cash received shall be credited to this account, with a debit to the corresponding account in subgroup 57.
- b) Shipments of merchandise and other goods to customers shall be debited to this account, generally with a credit to accounts in subgroup 70.

44. OTHER RECEIVABLES

- 440. Receivables
- 441. Receivables, trade bills
- 446. Doubtful receivables
- 449. Receivables for profit-sharing agreements

When the amounts are receivable from group companies, jointly-controlled entities, associates or other related parties, three-digit accounts shall be created to specifically disclose the receivables from these parties, including trade bills.

440. Receivables

Receivables from purchasers of services that are not strictly considered customers and from other trade debtors not included in other accounts in this group.

This account shall also include the amount of donations and bequests granted to the company for its operations, to be settled through cash or other financial assets, excluding grants that should be recorded in accounts in subgroup 47.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For the rendering of services, with a credit to accounts in subgroup 75.
 - a₂) For the donation or bequest awarded for operations, with a credit to accounts in subgroup 74.
 - a₃) Where applicable, to recognise accrued finance income, generally with a credit to account 762.
- b) The account shall be credited:
 - b₁) For arrangement of trade bills accepted by the debtor, with a debit to account 441.
 - b₂) For the full or partial settlement of receivables, generally with a debit to accounts in subgroup 57.

- b₃) For classification as a doubtful receivable, with a debit to account 446.
- b₄) For the irrecoverable part of the receivable, with a debit to account 650.

441. Receivables, trade bills

Receivables in the form of accepted trade bills.

This account shall comprise trade bills held, trade bills discounted, trade bills submitted for collection and defaulted trade bills. Defaulted trade bills shall only be disclosed in this account when they should not be included in account 446.

This account shall be classified under current assets in the balance sheet.

In general, movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For the rendering of services, when the recipient has accepted the related trade bills, with a credit to accounts in subgroup 75.
 - a₂) For arrangement of the collection right through trade bills accepted by the recipient of the service or the debtor, generally with a credit to account 440.
- b) The account shall be credited:
 - b₁) For collection of the trade bills on maturity, with a debit to accounts in subgroup 57.
 - b₂) For classification as a doubtful receivable, with a debit to account 446.
 - b₃) For the irrecoverable part of the receivable, with a debit to account 650.

Financing obtained on discounting trade bills constitutes a payable that should generally be included in the corresponding accounts in subgroup 52. Consequently, upon maturity of the trade bills honoured, account 4411 shall be credited, with a debit to account 5208.

446. Doubtful receivables

Receivables included in this subgroup, including trade bills, where circumstances reasonably indicate doubtful collection.

This account shall be classified under current assets in the balance sheet.

Movements are in line with those indicated for account 436.

449. Receivables for profit-sharing agreements

Receivables from venturers in operations governed by articles 239 to 243 of the Commercial Code and in other similar profit-sharing agreements.

This account shall be classified under assets in the balance sheet.

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For contributions made by the company as a non-trustee venturer, generally with a credit to accounts in subgroup 57.
 - a₂) Where the company is the trustee venturer, for the loss to be attributed to non-trustee venturers, when the balance in the profit-sharing agreement becomes a debtor balance, with a credit to account 7510.
 - a₃) For gains corresponding to the company as a non-trustee venturer, with a credit to account 7511.
- b) The account shall be credited:
 - b₁) For collection of the receivables, with a debit to accounts in subgroup 57.
 - b₂) Where the company is the trustee venturer, for the gains to be attributed to non-trustee venturers, while the balance in the profit-sharing agreement remains a debtor balance, with a debit to account 6510.
 - b₃) For losses corresponding to the company as a non-trustee venturer, with a debit to account 6511.

46. PERSONNEL

- 460. Salary advances
- 465. Salaries payable
- 466. Employee benefits payable through defined contribution schemes

Balances with individuals that render services to the company, or with companies with which post-employment benefit commitments are instrumented, and whose remuneration is accounted for in subgroup 64.

460. Salary advances

Amounts paid on account of remuneration of company personnel.

Any other advances considered loans to personnel shall be included in account 544 or in account 254, depending on the maturity date.

This account shall be classified under current assets in the balance sheet.

In general, movements in this account are as follows:

- a) The account shall be debited when the above-mentioned amounts are paid, with a credit to accounts in subgroup 57.
- b) The account shall be credited when the advances are offset against accrued remuneration, with a debit to accounts in subgroup 64.

465. Salaries payable

Payables to company employees for the items specified in accounts 640 and 641.

This account shall be classified under current liabilities in the balance sheet.

In general, movements in this account are as follows:

- a) The account shall be credited for accrued salaries payable, with a debit to accounts 640 and 641.
- b) The account shall be debited when salaries are paid, with a credit to accounts in subgroup 57.

466. Employee benefits payable through defined contribution schemes

Amounts payable to a separate entity for long-term employee benefits, such as pensions and other retirement benefits, which are considered defined contributions in accordance with the recognition and measurement standards.

This account shall be classified under current liabilities in the balance sheet.

In general, movements in this account are as follows:

- a) Accrued amounts payable shall be credited to this account, with a debit to account 643.
- b) The account shall be debited when pending contributions are paid, with a credit to accounts in subgroup 57.

47. PUBLIC ENTITIES

470. Taxation authorities, receivables

4700. VAT recoverable

4708. Grants receivable

4709. Recoverable taxes

471. Social Security, receivables

472. Input VAT

473. Withholdings and payments on account

474. Deferred tax assets

4740. Assets arising from deductible temporary differences

4742. Rights to tax deductions and credits pending application

4745. Tax loss carryforwards

- 475. Taxation authorities, taxes payable
 - 4750. VAT payable
 - 4751. Taxation authorities, withholding tax
 - 4752. Income tax payable
 - 4758. Repayable grants
- 476. Social Security, payables
- 477. Output VAT
- 479. Liabilities arising from taxable temporary differences

470. Taxation authorities, receivables

Subsidies, compensation, tax relief, tax refunds and, in general, any amounts receivable in connection with taxation or support for development promoted by public entities, excluding Social Security authorities.

This account shall be classified under assets in the balance sheet.

Content and movements in these four-digit accounts are as follows:

4700. VAT recoverable

The excess, in each tax period, of deductible input VAT over output VAT.

- a) At the end of each tax period, the excess shall be debited to this account, with a credit to account 472.
- b) The account shall be credited:
 - b₁) In the case of offsetting in subsequent tax returns, with a debit to account 477.
 - b₂) In the case of VAT recovered from the taxation authorities, with a debit to accounts in subgroup 57.

4708. Grants receivable

Receivables from the taxation authorities for grants awarded.

- a) The account shall be debited when the grants are awarded, generally with a credit to account 172 or 740 or to accounts in subgroup 94.
- b) The account shall be credited upon collection, generally with a debit to accounts in subgroup 57.

4709. Recoverable taxes

Receivables from the taxation authorities for recoverable tax

- a) The account shall be debited:

- a₁) For withholdings and payments on account to be recovered by the company, with a credit to account 473.
 - a₂) For tax paid in prior reporting periods that the company recovers as a result of income or other tax settlements, with a credit to account 6300 or, where applicable, to account 8300.
 - a₃) In the case of other taxes recoverable that had been taken to expense, with a credit to account 636. In the event these amounts were debited to accounts in group 2, the recoverable amount shall be credited to those same group 2 accounts.
- b) The account shall be credited upon collection, with a debit to accounts in subgroup 57.

471. Social Security, receivables

Receivables from the various Social Security agencies in connection with the social benefits the Company provides.

This account shall be classified under assets in the balance sheet.

Movements in this account are as follows:

- a) Benefits to be provided by the Social Security authorities shall be debited to the account, generally with a credit to accounts in subgroup 57.
- b) The account shall be credited upon cancellation of the receivable.

472. Input VAT

Deductible VAT accrued on the acquisition of goods and services and on other transactions subject to applicable tax legislation.

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For the amount of deductible VAT when the tax is accrued, with a credit to payable or supplier accounts in group 1, 4 or 5 or to accounts in subgroup 57. In the case of changes in the use of assets that entail a transfer between line items, with a credit to account 477.
 - a₂) For any positive differences in deductible VAT corresponding to goods or services transactions involving current assets or capital goods upon performing the restatements set out in the Pro Rata Rule, with a credit to account 639.
- b) The account shall be credited:

- b₁) For the amount of deductible VAT offset in the tax return for the tax period, with a debit to account 477. In the event a balance remains in account 472 after making this entry, this amount shall be debited to account 4700.
- b₂) For any negative differences in deductible VAT corresponding to goods or services transactions involving current assets or capital goods upon performing the restatements set out in the Pro Rata Rule, with a credit to account 634.
- c) The account shall be debited or credited, with a credit or debit to accounts in group 1, 2, 4 or 5, for the amount of corresponding deductible VAT in the event of price changes after the taxable transactions were carried out, or when these transactions are rendered fully or partially ineffective, or when the tax base should be reduced due to discounts and credits granted after the tax was accrued.

473. Withholdings and payments on account

Amounts withheld by the company and payments made by the company on account of taxes.

In general, movements in this account are as follows:

- a) The account shall be debited for the amount of the withholding or payment on account, generally with a credit to accounts in group 5 and to accounts in subgroup 76.
- b) The account shall be credited:
 - b₁) For the amount of withholdings and payments on account of income tax, up to the amount of the tax payable for the period, with a debit to account 6300 or, where applicable, to account 8300.
 - b₂) For the amount of withholdings and payments on account of income tax that should be returned to the company, with a debit to account 4709.

474. Deferred tax assets

Assets arising from deductible temporary differences, tax loss carryforwards pending offset in subsequent reporting periods and unused deductions and other tax benefits that are pending application in future income tax returns.

This account shall comprise the full amount of deferred tax assets corresponding to income tax. Deferred tax assets may not be offset against deferred tax liabilities, even within the same period. The foregoing is without prejudice to the provisions of part three of this General Accounting Plan, for the purpose of presentation in a company's annual accounts.

This account shall be classified under non-current assets in the balance sheet.

The content and movements of these four-digit accounts are as follows:

4740. Assets arising from deductible temporary differences

Tax assets for differences that will result in lower tax payments or higher recoverable tax in future years when the carrying amount of the assets or liabilities from which they arise is recovered or settled.

- a) The account shall be debited:
 - a₁) For the amount of assets arising from deductible temporary differences originated in the period, generally with a credit to account 6301.
 - a₂) For the amount of assets arising from deductible temporary differences generated on a transaction or event previously recognised directly in equity, with a credit to account 8301.
 - a₃) For the increase in assets arising from deductible temporary differences, generally with a credit to account 638.
 - a₄) For the increase in assets arising from deductible temporary differences generated on a transaction or event previously recognised directly in equity, with a credit to account 838.

- b) The account shall be credited:
 - b₁) For the reductions in assets arising from deductible temporary differences, generally with a debit to account 633.
 - b₂) For the reductions in assets arising from deductible temporary differences generated on a transaction or event previously recognised directly in equity, with a debit to account 833.
 - b₃) When the assets arising from deductible temporary differences are recognised, generally with a debit to account 6301.
 - b₄) When the assets arising from deductible temporary differences generated on a transaction or event previously recognised directly in equity are recognised, with a debit to account 8301.

4742. Rights to tax deductions and credits pending application

Amount of the decrease in future income tax payable derived from income tax deductions or credits pending application.

- a) The account shall be debited:
 - a₁) For the tax credit derived from the income tax deduction obtained in the period, generally with a credit to account 6301.
 - a₂) For the increase in the tax credit, generally with a credit to account 638.

b) The account shall be credited:

- b₁) For the decrease in the tax credit, generally with a debit to account 633.
- b₂) For the application of tax deductions from prior reporting periods, generally with a debit to account 6301.

4745. Tax loss carryforwards

Amount of the reduction in future income tax payable derived from the existence of income tax loss carryforwards pending offset.

a) The account shall be debited:

- a₁) For the tax credit derived from the income tax loss carryforwards generated in the period, generally with a credit to account 6301.
- a₂) For the increase in the tax credit, generally with a credit to account 638.

b) The account shall be credited:

- b₁) For reductions in the tax credit, generally with a debit to account 633.
- b₂) When tax loss carryforwards from prior reporting periods are offset, generally with a debit to account 6301.

475. Taxation authorities, taxes payable

Taxes payable to public entities, where the company is either the taxpayer, acting in substitution of the taxpayer or is the withholder.

This account shall be classified under liabilities in the balance sheet.

The content and movements of these four-digit accounts are as follows:

4750. VAT payable

The excess, in each tax period, of output VAT over deductible input VAT.

- a) The amount of the excess shall be credited to this account at the end of each tax period, with a debit to account 477.
- b) The amount of the excess shall be debited to this account when payment is made, with a credit to accounts in subgroup 57.

4751. Taxation authorities, withholding tax

Amount of tax withholdings payable to the taxation authorities.

- a) The account shall be credited upon accrual of the tax, when the company is substituting the taxpayer or is the withholder, with a debit to accounts in group 4, 5 or 6.
- b) The account shall be debited when payment is made, with a credit to accounts in subgroup 57.

4752. Income tax payable

Amount of income tax payable.

- a) The amount of tax payable shall be credited to this account, generally with a debit to account 6300 and, where applicable, to account 8300.
- b) The account shall be debited when payment is made, with a credit to accounts in subgroup 57.

4758. Repayable grants

Payables to the taxation authorities for repayable grants.

- a) The account shall be credited for the amount of the grant to be repaid, generally with a debit to account 172 or 522.
- b) The account shall be debited upon repayment, with a credit to accounts in subgroup 57.

476. Social Security, payable

Payables to Social Security agencies in connection with the social benefits they provide.

This account shall be classified under liabilities in the balance sheet.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the contributions corresponding to the company, with a debit to account 642.
 - a₂) For withholdings of contributions corresponding to company employees, with a debit to account 465 or 640.
- b) The account shall be debited when the payable is settled, with a credit to accounts in subgroup 57.

477. Output VAT

VAT accrued on the delivery of goods or the rendering of services and on other transactions subject to applicable tax legislation.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the amount of output VAT, when the tax is accrued, with a debit to receivables or trade receivables accounts in group 2, 4 or 5 or to accounts in subgroup 57. In the case of changes in the use of assets that entail a transfer between line items, with a debit to account 472 and to the pertinent asset account.
 - a₂) For the amount of output VAT, when the tax is accrued, in the case of retirement of capital goods or current assets and transfer of these amounts to the personal property of the owner of the operation or for end use by the owner, with a debit to account 550.
- b) The amount of deductible input VAT offset in the tax return for the tax period shall be debited to this account, with a credit to account 472. In the event a balance remains in account 477 after making this entry, this amount shall be credited to account 4750.
- c) The account shall be credited or debited, with a debit or credit to accounts in group 2, 4 or 5, for the amount of corresponding output VAT in the event of price changes after the taxable transactions were carried out, or when these transactions are rendered fully or partially ineffective, or when the tax base should be reduced due to discounts and credits granted after the tax was accrued.

479. Liabilities arising from taxable temporary differences

Differences that will result in higher tax payments or lower recoverable tax in future reporting periods when the carrying amount of the assets or liabilities from which they arise is recovered or settled.

This account shall include the full amount of deferred tax liabilities. Deferred tax liabilities may not be offset against deferred tax assets. The foregoing is without prejudice to the provisions of part three of this General Accounting Plan, for the purpose of presentation in a company's annual accounts.

This account shall be classified under non-current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the amount of liabilities arising from taxable temporary differences originated in the period, generally with a debit to account 6301.
 - a₂) For the amount of liabilities arising from taxable temporary differences generated on a transaction or event previously recognised directly in equity, with a debit to account 8301.

- a₃) For the increase in liabilities arising from taxable temporary differences, generally with a debit to account 633.
- a₄) For the increase in liabilities arising from taxable temporary differences generated on a transaction or event previously recognised directly in equity, with a debit to account 833.
- b) The account shall be debited:
 - b₁) For the reductions in liabilities arising from taxable temporary differences, generally with a credit to account 638.
 - b₂) For the reductions in liabilities arising from taxable temporary differences generated on a transaction or event previously recognised directly in equity, with a credit to account 838.
 - b₃) When the liabilities arising from taxable temporary differences are cancelled, generally with a credit to account 6301.
 - b₄) When the liabilities arising from taxable temporary differences generated on a transaction or event previously recognised directly in equity are cancelled, with a credit to account 8301.

48. PREPAID EXPENSES AND DEFERRED INCOME

- 480. Prepaid expenses
- 485. Deferred income

480. Prepaid expenses

Expenses accounted for during the reporting period for which the related expense corresponds to subsequent reporting periods.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) The account shall be debited at the balance sheet date, with a credit to the accounts in group 6 in which the expenses to be charged to subsequent reporting periods were recognised.
- b) The account shall be credited, at the beginning of the subsequent reporting period, with a debit to accounts in group 6.

485. Deferred income

Income accounted for during the reporting period which corresponds to subsequent reporting periods.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The account shall be credited at the balance sheet date, with a debit to the accounts in group 7 in which the income corresponding to subsequent reporting periods was recognised.
- b) The account shall be debited at the beginning of the subsequent reporting period, with a credit to accounts in group 7.

49. IMPAIRMENT OF TRADE RECEIVABLES AND CURRENT PROVISIONS

- 490. Impairment of trade receivables
- 493. Impairment of trade receivables from related parties
 - 4933. Impairment of trade receivables from group companies
 - 4934. Impairment of trade receivables from associates
 - 4935. Impairment of trade receivables from other related parties
- 499. Trade provisions
 - 4994. Provisions for onerous contracts
 - 4999. Provisions for other trade operations

Adjustments to reflect impairment of financial assets arising on trade operations due to underlying situations of insolvency of trade and other debtors included in subgroups 43 and 44, as well as current obligations, at the balance sheet date, for expenses to be incurred subsequent to delivery of goods or rendering of services, such as expenses for returns of items sold, warranties on products sold and other similar items.

The accounts in this subgroup, except for account 499 “Trade provisions”, shall be classified under assets in the balance sheet, as a reduction in the item in which the corresponding asset is recognised.

490. Impairment of trade receivables

Amount of valuation adjustments to reflect impairment of irrecoverable receivables originating on trade operations.

Movements in this account are as follows, as per the option selected by the company:

1. When, at the balance sheet date, the company calculates the amount of impairment using a global estimate of the risk of default existing for the balances of trade and other debtors, provided that these amounts are not significant when considered individually:
 - a) The estimate made shall be credited to this account at the balance sheet date, with a debit to account 694.
 - b) The adjustment made at the balance sheet date of the prior reporting period shall be debited to this account with a credit to account 794.

2. When the company determines the amount of impairment by individually monitoring the balances of trade and other debtors:

- a) The amount of losses estimated shall be credited to this account over the course of the reporting period, with a debit to account 694.
- b) The account shall be debited as the trade and other receivables for which the adjustment was made individually are derecognised, or when the estimated loss decreases as a result of a subsequent event, with a credit to account 794.

493. Impairment of trade receivables from related parties

Amount of valuation adjustments to reflect impairment of irrecoverable receivables originating on trade operations performed with related parties.

4933/4934/4935

Movements in these four-digit accounts are in line with those indicated for account 490.

499. Trade provisions

Provisions made to reflect current obligations arising in the course of the company's trade activities.

These accounts shall be classified under liabilities in the balance sheet.

Trade provisions that are expected to be used in the long term shall be recognised in "Non-current provisions" under non-current liabilities in the balance sheet.

4994. Provisions for onerous contracts

Provision made when the costs involved in fulfilling the terms and conditions of a contract are higher than the economic benefits expected to flow from the contract.

Movements in this account are as follows:

- a) The amount of the estimate made shall be credited to this account at the balance sheet date, with a debit to account 6954.
- b) The account shall be debited:
 - b₁) At the balance sheet date, if the company opts to fulfil the terms of the contract, for the surplus in the provision recorded, with a credit to account 79544.
 - b₂) If the company opts to terminate the contract, generally with a credit to accounts in subgroup 57.

4999. Provisions for other trade operations

Provision to cover the expenses arising on returns of items sold, repair warranties, servicing and other similar items.

Movements in this account are as follows:

- a) The estimate made shall be credited to this account at the balance sheet date, with a debit to account 6959.
- b) The provision made in the prior period shall be debited to this account at the balance sheet date, with a credit to account 79549.

GROUP 5

FINANCIAL ACCOUNTS

Financial instruments for non-trade operations, namely transactions outside the normal course of business which are expected to mature or to be sold or realised within one year, and available liquid resources.

In particular, the following rules shall apply:

- a) This group shall include both hedging and trading financial derivatives that are to be settled within one year.
- b) In general, this group comprises financial assets and financial liabilities which, in accordance with the recognition and measurement standards applicable to annual accounts, are classified as financial assets held for trading and financial liabilities held for trading, respectively. In particular, the group includes investments in equity instruments of companies not considered group companies, jointly-controlled entities or associates, which have been acquired with the intention of selling them in the short term.
- c) Accounts of four or more digits shall be created to differentiate between the categories in which the financial assets and financial liabilities have been included in accordance with the recognition and measurement standards.
- d) In the case of acquisition of hybrid financial assets or issue or assumption of hybrid financial liabilities for which the entire hybrid is designated at fair value in accordance with recognition and measurement standards, the item shall be recorded in an account corresponding to the nature of the host contract. Accounts of four or more digits shall be created, with an appropriate breakdown, to distinguish the item as a current hybrid financial asset or a current hybrid financial liability measured as a whole. When the host contract and the embedded derivative are recognised separately, the embedded derivative shall be treated as if it had been contracted independently and included in the corresponding account in group 5, while the host contract shall be included in the account corresponding to its nature. Accounts of four or more digits shall be created, with an appropriate breakdown, to disclose the item as the host contract of a current hybrid financial instrument.
- e) Changes in the fair value of financial assets classified as financial assets held for trading or as other financial assets at fair value through profit or loss, or financial liabilities classified as financial liabilities held for trading or as other financial liabilities at fair value through profit or loss, shall be credited or debited to the account in which these assets and liabilities are recognised, with a debit or credit, respectively, to accounts 663 and 763.

- f) An account comprising assets or liabilities included in this group which, in accordance with the recognition and measurement standards, form part of a disposal group held for sale shall be debited or credited, respectively, when the conditions for such classification are met, with a credit or debit to the respective account in subgroup 58.
- g) The difference between the initial recognition value of financial assets or financial liabilities and their redemption value shall be debited or credited to the account in which the financial asset or financial liability is recorded, with a balancing entry in the account in subgroup 76 or 66, depending on the nature of the instrument.

50. CURRENT DEBENTURES, PAYABLES OF A SPECIAL NATURE AND SIMILAR ISSUANCES

- 500. Current bonds and obligations
- 501. Current convertible bonds and obligations
- 502. Current liability-classified shares or equity holdings
- 505. Other current marketable securities
- 506. Current interest on debentures and similar issues
- 507. Dividends payable on liability-classified instruments
- 509. Redeemed marketable securities

Third-party financing through marketable securities and shares or other holdings in the capital of the company which, in accordance with the economic characteristics of the issue, should be considered a financial liability, where these instruments mature within one year.

The accounts in this subgroup shall be classified under current liabilities in the balance sheet.

The part of non-current payables that matures in the short term shall be recognised under current liabilities in the balance sheet. The current portion of non-current payables shall be transferred to this subgroup from the corresponding accounts in subgroups 15 and 17.

500. Current bonds and obligations

Bonds and obligations in circulation that are not convertible into shares and that will mature within one year.

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) Upon issue, for the amount received less any transaction costs, with a debit to accounts in subgroup 57.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 661.
- b) The account shall be debited for the amount to be paid upon redemption of the bonds, with a credit to account 509.

501. Current convertible bonds and obligations

Financial liability component of bonds and obligations that are convertible into shares that will mature within one year and are classified as compound financial instruments.

Movements in this account are in line with those indicated for account 500.

502. Current liability-classified shares or equity holdings

Registered capital and, where applicable, the share premium or additional paid-in capital in commercial companies which, based on the characteristics of the issue, should be accounted for as a financial liability and are to be redeemed in the short term. In particular, this includes certain redeemable shares and non-voting shares and equity holdings.

Movements in this account are as follows:

- a) The account shall be credited for the initial capital and subsequent capital increases, when the public deed is filed at the Business Registry, with a debit to account 199.
- b) The account will be charged for cancellations or reductions and at the dissolution of the company, once the winding-up period has elapsed.

505. Other current marketable securities

Other financial liabilities maturing within one year, represented by marketable securities, offered as a savings investment for the public, other than those stated above.

The content and movements of this account are in line with those indicated for account 501 or 500, depending on whether or not the liability is a compound financial instrument.

506. Current interest on debentures and similar issues

Interest payable in the short term on debentures and other similar issues.

Movements in this account are as follows:

- a) Explicit interest accrued during the reporting period, including interest not yet due, shall be credited to this account, with a debit to account 661.
- b) The account shall be debited:
 - b₁) For withholdings on account of taxes, where applicable, with a credit to account 475.
 - b₂) Upon payment, with a credit to accounts in subgroup 57.

507. Dividends payable on liability-classified instruments

Dividends payable in the short term on shares or equity holdings classified as liabilities.

Movements in this account are as follows:

- a) The account shall be credited for the amount of dividends accrued during the reporting period, with a debit to account 664.
- b) The account shall be debited:
 - b₁) For withholdings on account of taxes, where applicable, with a credit to account 475.
 - b₂) Upon payment, with a credit to accounts in subgroup 57.

509. Redeemed marketable securities

Payables for redeemed marketable securities.

In general, movements in this account are as follows:

- a) The account shall be credited for the redemption value of the redeemed securities, with a debit to accounts in this subgroup or in subgroup 17.
- b) The account shall be debited for the redemption value of the redeemed securities, with a credit to accounts in subgroup 57.

51. CURRENT PAYABLES TO RELATED PARTIES

- 510. Current debt with related financial institutions
 - 5103. Current debt with financial institutions, group companies
 - 5104. Current debt with financial institutions, associates
 - 5105. Current debt with other related financial institutions
- 511. Current payables to suppliers of fixed assets, related parties
 - 5113. Current payables to suppliers of fixed assets, group companies
 - 5114. Current payables to suppliers of fixed assets, associates
 - 5115. Current payables to suppliers of fixed assets, other related parties
- 512. Current finance lease payables, related parties
 - 5123. Current finance lease payables, group companies
 - 5124. Current finance lease payables, associates
 - 5125. Current finance lease payables, other related parties
- 513. Other current payables to related parties
 - 5133. Other current payables, group companies
 - 5134. Other current payables, associates
 - 5135. Other current payables, other related parties
- 514. Current interest on payables to related parties
 - 5143. Current interest on payables, group companies
 - 5144. Current interest on payables, associates
 - 5145. Current interest on payables, other related parties

Payables to group companies, jointly-controlled entities, associates and other related parties, maturing within one year. Payables which, due to their nature, should be recognised in

subgroup 50 or 52, current guarantees and deposits received in subgroup 56 and financial derivatives that should be recognised in account 559 shall also be disclosed in this subgroup in accounts of three or more digits.

The accounts in this subgroup shall be classified under current liabilities in the balance sheet.

The part of non-current payables to related parties that matures in the short term shall be recognised in “Group companies and associates, current”, under current liabilities in the balance sheet. The current portion of non-current payables shall be transferred to this subgroup from the corresponding accounts in subgroup 16.

510. Current debt with related financial institutions

Payables to related-party financial institutions for loans and borrowings, maturing within one year.

5103/5104/5105

Movements in these four-digit accounts are as follows:

- a) The accounts shall be credited:
 - a₁) Upon arrangement of the debt or loan, for the amount received less any transaction costs, generally with a debit to accounts in subgroup 57.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) Full or partial repayments, on maturity, with a credit to accounts in subgroup 57.

Current payables for discounted bills shall be included in accounts of five or more digits, with an appropriate breakdown.

511. Current payables to suppliers of fixed assets, related parties

Payables to related parties which are suppliers of assets defined in group 2, including trade bills payable, maturing within one year.

5113/5114/5115

Movements in these four-digit accounts are as follows:

- a) The accounts shall be credited:
 - a₁) For the receipt and acceptance of the assets supplied, with a debit to accounts in group 2.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.

- b) Full or partial settlements shall be debited to these accounts, generally with a credit to accounts in subgroup 57.

512. Current finance lease payables, related parties

Payables to related parties which are lessors of assets under finance lease agreements as defined in the recognition and measurement standards, maturing within one year.

Movements in these four-digit accounts are as follows:

5123/5124/5125

- a) The accounts shall be credited:
 - a₁) For the receipt and acceptance of the right to use the assets supplied, with a debit to accounts in group 2.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) Full or partial settlements shall be debited to these accounts, generally with a credit to accounts in subgroup 57.

513. Other current payables to related parties

Payables to related parties for loans received and other debts not included in other accounts in this subgroup, maturing within one year.

5133/5134/5135

Movements in these four-digit accounts are in line with those indicated for account 510.

514. Current interest on payables to related parties

Interest payable in the short term on payables to related parties.

5143/5144/5145

Movements in these four-digit accounts are as follows:

- a) Explicit interest accrued during the reporting period, including interest not yet due, shall be credited to these accounts, with a debit to account 662.
- b) The accounts shall be debited:
 - b₁) For withholdings on account of taxes, where applicable, with a credit to account 475.
 - b₂) Upon payment, with a credit to accounts in subgroup 57.

52. CURRENT PAYABLES FOR LOANS AND OTHER

- 520. Current debt with financial institutions
 - 5200. Current loans from financial institutions
 - 5201. Current payables for drawdowns on credit facilities
 - 5208. Payables, discounted trade bills
 - 5209. Payables, factoring
- 521. Current payables
- 522. Current payables convertible into grants, donations and bequests
- 523. Current payables to suppliers of fixed assets
- 524. Current finance lease payables
- 525. Current bills payable
- 526. Dividend payable
- 527. Current interest on debt with financial institutions
- 528. Current interest on payables
- 529. Current provisions
 - 5290. Current provisions for employee benefits
 - 5291. Current provisions for taxes
 - 5292. Current provisions for other liabilities
 - 5293. Current provisions for dismantlement, removal or restoration of fixed assets
 - 5295. Current provisions for environmental actions
 - 5296. Current provisions for restructuring costs
 - 5297. Current provisions for share-based payment transactions

Short-term third-party financing not instrumented through marketable securities or contracted with individuals or entities considered related parties, including dividends payable. This subgroup also includes provisions that are expected to be used in the short term.

Accounts in this subgroup shall be classified under current liabilities in the balance sheet.

The part of non-current payables that matures in the short term shall be disclosed under current liabilities in the balance sheet. The current portion of non-current payables and non-current provisions shall be transferred to this subgroup from the corresponding accounts in subgroups 14 and 17.

520. Current debt with financial institutions

Payables to financial institutions for loans and borrowings, maturing within one year.

The content and movements of these four-digit accounts are as follows:

5200. Current loans from financial institutions

Amount of current loans from financial institutions, in accordance with the contract stipulations.

- a) The account shall be credited:

- a₁) Upon arrangement of the loan, for the amount received less any transaction costs, generally with a debit to accounts in subgroup 57.
- a₂) For accrued borrowing costs, up to the redemption value, generally with a debit to account 662.
- b) Full or partial repayments shall be debited to this account, with a credit to accounts in subgroup 57.

5201. Current payables for drawdowns on credit facilities

Payables for amounts drawn down on credit facilities.

- a) The account shall be credited:
 - a₁) For the amounts drawn down, generally with a debit to accounts in subgroup 57.
 - a₂) For the accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) The account shall be debited for full or partial repayment, with a credit to accounts in subgroup 57.

5208. Payables, discounted trade bills

Current payables to financial institutions as a result of discounting of bills.

- a) The account shall be credited:
 - a₁) When bills are discounted, for the amount received, generally with a debit to accounts in subgroup 57 and, for interest and expenses borne, with a debit to account 665.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) The account shall be debited:
 - b₁) Upon maturity of the bills honoured, generally with a credit to accounts 431 and 441.
 - b₂) For the amount of bills not honoured at maturity, with a credit to accounts in subgroup 57.

5209. Payables, factoring

Current payables to financial institutions as a result of factoring operations in which the company substantially retains the risks and rewards of the collection rights.

- a) The account shall be credited:
 - a₁) For the financing obtained, generally with a debit to accounts in subgroup 57 and, for the interest and expenses borne, with a debit to account 665.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) The account shall be debited:
 - b₁) Upon maturity of the collection rights honoured, generally with a credit to account 432.
 - b₂) For the amount of the collection rights not honoured at maturity, with a credit to accounts in subgroup 57.

521. Current payables

Payables to third parties for loans received and other debts not included in other accounts in this subgroup, maturing within one year.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) Upon arrangement of the debt or loan, for the amount received less any transaction costs, generally with a debit to accounts in subgroup 57.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) Full or partial repayments shall be debited to this account, with a credit to accounts in subgroup 57.

522. Current payables convertible into grants, donations and bequests

Amounts extended by Spanish or international public entities, companies or individuals, where these amounts are considered repayable grants, donations or bequests, maturing within one year.

Movements in this account are as follows:

- a) Amounts awarded to the company shall be credited to this account, generally with a debit to accounts in subgroup 47 or 57.
- b) The account shall be debited:

- b₁) For any circumstance which results in full or partial reduction of amounts granted, in accordance with the terms governing the award, generally with a credit to account 4758.
- b₂) In the event repayment of these amounts is no longer required, the balance shall be debited to this account, with a credit to account 940, 941 or 942 or to accounts in subgroup 74.

523. Current payables to suppliers of fixed assets

Payables to suppliers of assets defined in group 2, maturing within one year.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For receipt and acceptance of goods supplied, with a debit to accounts in group 2.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) The account shall be debited:
 - b₁) For arrangement of bills payable, with a credit to account 525.
 - b₂) For full or partial settlement, with a credit to accounts in subgroup 57.

524. Current finance lease payables

Payables to other entities which are lessors of assets under finance lease agreements as defined in the recognition and measurement standards, maturing within one year.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the receipt and acceptance of the right to use the assets supplied, with a debit to accounts in group 2.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) Full or partial settlements shall be debited to this account, generally with a credit to accounts in subgroup 57.

525. Current bills payable

Bills payable for loans received and other debts, maturing within one year, including those arising from the supply of fixed assets.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) When the company accepts the bills, generally with a debit to accounts in this subgroup.
 - a₂) For accrued finance expenses, up to the redemption value, generally with a debit to account 662.
- b) Payments of the bills on maturity shall be debited to this account, with a credit to accounts in subgroup 57.

526. Dividend payable

Dividends payable to shareholders, either as final dividends or interim dividends on account of profits for the reporting period.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the interim dividend approved, with a debit to account 557.
 - a₂) For the final dividend, excluding any interim dividends, upon approval of the distribution of profits, with a debit to account 129.
 - a₃) In the event of approval of the distribution of amounts from unrestricted reserves, with a debit to accounts in subgroup 11.
- b) The account shall be debited:
 - b₁) For withholdings on account of taxes, with a credit to account 475.
 - b₂) Upon payment, with a credit to accounts in subgroup 57.

527. Current interest on debt with financial institutions

Interest due on debt with financial institutions.

Movements in this account are as follows:

- a) Explicit interest accrued during the reporting period, including interest not yet due, shall be credited to this account, with a debit to account 662.
- b) The account shall be debited when payment is made, with a credit to accounts in subgroup 57.

528. Current interest on payables

Interest payable in the short term on debts, excluding balances that should be recorded in account 527.

Movements in this account are as follows:

- a) Explicit interest accrued during the reporting period, including interest not yet due, shall be credited to this account, with a debit to account 662.
- b) The account shall be debited:
 - b₁) For withholdings on account of taxes, where applicable, with a credit to account 475.
 - b₂) Upon payment, with a credit to accounts in subgroup 57.

529. Current provisions

Provisions included in subgroup 14 that are expected to be used in the short term shall be classified in “Current provisions” under current liabilities in the balance sheet. The current portion of the non-current obligation shall be transferred to this subgroup from the corresponding accounts in subgroup 14.

Movements in these four-digit accounts are in line with those indicated for the corresponding accounts in subgroup 14.

53. CURRENT INVESTMENTS IN RELATED PARTIES

- 530. Current investments in related parties
 - 5303. Current investments in group companies
 - 5304. Current investments in associates
 - 5305. Current investments in other related parties
- 531. Current debt securities of related parties
 - 5313. Current debt securities of group companies
 - 5314. Current debt securities of associates
 - 5315. Current debt securities of other related parties
- 532. Current loans to related parties
 - 5323. Current loans to group companies
 - 5324. Current loans to associates
 - 5325. Current loans to other related parties
- 533. Current interest on debt securities of related parties
 - 5333. Current interest on debt securities of group companies
 - 5334. Current interest on debt securities of associates
 - 5335. Current interest on debt securities of other related parties
- 534. Current interest on loans to related parties
 - 5343. Current interest on loans to group companies
 - 5344. Current interest on loans to associates
 - 5345. Current interest on loans to other related parties
- 535. Dividend receivable on investments in related parties
 - 5353. Dividend receivable from group companies

- 5354. Dividend receivable from associates
- 5355. Dividend receivable from other related parties
- 539. Current uncalled equity holdings in related parties
 - 5393. Current uncalled equity holdings in group companies
 - 5394. Current uncalled equity holdings in associates
 - 5395. Current uncalled equity holdings in other related parties

Current investments in group companies, jointly-controlled entities, associates and other related parties, irrespective of how these investments are instrumented, including dividends and interest accrued, maturing within one year or with no set maturity (such as equity instruments) that the company intends to sell in the short term. This subgroup shall also comprise current guarantees and deposits extended and other types of non-current investments and financial assets with these individuals or entities. These investments shall be included in the appropriate accounts of three or more digits.

The part of non-current investments with related individuals or entities that matures in the short term shall be disclosed in “Current investments in group companies and associates” under current assets in the balance sheet. The current portion of non-current investments shall be transferred to this subgroup from the corresponding accounts in subgroup 24.

530. Current investments in related parties

Current investments in the equity rights of either listed or non-listed related parties, generally shares issued by corporations or equity holdings in limited liability companies.

This account shall be classified under current assets in the balance sheet.

5303/5304 Current investments in group companies / associates

Movements in these four-digit accounts are as follows:

- a) The accounts shall be debited:
 - a₁) Upon subscription or purchase, generally with a credit to accounts in subgroup 57 and, where applicable, to account 539.
 - a₂) Where applicable, when the recoverable amount of an investment exceeds its carrying amount, up to the limit of the prior negative valuation adjustments recognised directly in equity, with a credit to account 991 or 992.
- b) The accounts shall be credited:
 - b₁) Where applicable, for estimated impairment, up to the limit of the prior positive valuation adjustments recognised directly in equity, with a debit to account 891 or 892.
 - b₂) For disposal and derecognition, generally with a debit to accounts in subgroup 57 or, in the event of pending payments, to account 539 and, in the case of losses, to account 666.

5305 Current investments in other related parties

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) Upon subscription or purchase, generally with a credit to accounts in subgroup 57 and, where applicable, to account 539.
 - a₂) For changes in fair value, with a credit to account 763.
- b) The account shall be credited:
 - b₁) For changes in fair value, with a debit to account 663.
 - b₂) For disposal and derecognitions, generally with a debit to accounts in subgroup 57 and, in the event of pending payments, to account 539.

531. Current debt securities of related parties

Current investments in obligations, bonds or other debt securities, including those for which returns are pegged to indices or similar systems, issued by related parties and maturing within one year.

This account shall be classified under current assets in the balance sheet.

5313/5314/5315

In general, movements in these four-digit accounts are as follows:

- a) The accounts shall be debited:
 - a₁) Upon subscription or purchase, for the purchase price, excluding explicit accrued interest not yet due, with a credit to accounts in subgroup 57.
 - a₂) For accrued finance income, up to the redemption value of the security, generally with a credit to account 761.
- b) The accounts shall be credited for disposal, redemption or derecognition of the securities, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 666.
- c) If the securities are classified as available-for-sale financial assets, changes in the fair value of the securities shall be debited or credited to these accounts with a credit or debit, respectively, to accounts 900 and 800, except for the portion relating to exchange gains or losses, which shall be recorded with a credit or debit to accounts 768 and 668. Impairment of the securities shall be debited to these accounts, for the negative balance accumulated in equity, with a credit to account 902.

532. Current loans to related parties

Current investments in loans and other non-trade credit to related parties, including balances arising from disposals of fixed assets, finance lease transactions and current deposits maturing within one year, irrespective of whether they are trade bills. These receivables shall be recognised in five-digit accounts.

This account shall be classified under current assets in the balance sheet.

5323/5324/5325

Movements in these four-digit accounts are as follows:

- a) The accounts shall be debited:
 - a₁) Upon arrangement, for the amount of the loan, with a credit to accounts in subgroup 57.
 - a₂) For accrued finance income, up to the redemption value, generally with a credit to account 762.
- b) Full or partial repayments or derecognitions shall be credited to these accounts, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 667.

533. Current interest on debt securities of related parties

Interest receivable, maturing within one year, on debt securities from related parties.

This account shall be classified under current assets in the balance sheet.

5333/5334/5335

Movements in these four-digit accounts are as follows:

- a) The accounts shall be debited:
 - a₁) Upon subscription or purchase of the securities, for the amount of the explicit accrued interest not yet due, maturing within one year, generally with a credit to accounts in subgroup 57.
 - a₂) For explicit accrued interest, maturing within one year, with a credit to account 761.
- b) The accounts shall be credited:
 - b₁) For the amount of interest collected, with a debit to accounts in subgroup 57.
 - b₂) Upon disposal, redemption or derecognition of the securities, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 666.

534. Current interest on loans to related parties

Interest receivable, maturing within one year, on loans to related parties.

This account shall be classified under current assets in the balance sheet.

5343/5344/5345

Movements in these four-digit accounts are as follows:

- a) Explicit accrued interest, maturing within one year, shall be debited to this account, with a credit to account 762.
- b) The accounts shall be credited:
 - b₁) For the amount of interest collected, with a debit to accounts in subgroup 57.
 - b₂) For full or partial repayment or derecognition, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 667.

535. Dividend receivable on investments in related parties

Receivables for final and/or interim dividends pending collection on investments in related parties.

This account shall be classified under current assets in the balance sheet.

5353/5354/5355

Movements in these four-digit accounts are as follows:

- a) The amount accrued shall be debited to these accounts, with a credit to account 760.
- b) The amount received shall be credited to these accounts, generally with a debit to accounts in subgroup 57 and, for withholdings made, to account 473.

539. Current uncalled equity holdings in related parties

Uncalled payments on equity holdings in related parties, when these are considered current investments.

This account shall be classified under current assets in the balance sheet, as a reduction in the item in which the corresponding investments are recorded.

5393/5394/5395

Movements in these four-digit accounts are as follows:

- a) Upon acquisition or subscription of the shares the amount pending payment shall be credited to this account, with a debit to account 530.

- b) The accounts shall be debited as payments are called, with a credit to account 556 or, for any balances pending upon the sale of equity instruments that are not fully paid in, to account 530.

54. OTHER CURRENT INVESTMENTS

- 540. Current investments in equity instruments
- 541. Current debt securities
- 542. Current loans
- 543. Current loans for disposal of fixed assets
- 544. Current loans to personnel
- 545. Dividend receivable
- 546. Current interest on debt securities
- 547. Current interest on loans
- 548. Current deposits
- 549. Current uncalled equity holdings

Current investments in non-related parties, irrespective of how these investments are instrumented, maturing within one year or with no set maturity (such as equity instruments) that the company intends to sell in the short term, including accrued interest.

The part of non-current investments that matures in the short term shall be recognised in “Current investments” under current assets in the balance sheet. The current portion of non-current investments shall be transferred to this subgroup from the corresponding accounts in subgroup 25.

540. Current investments in equity instruments

Current investments in the equity rights of entities not considered related parties, namely shares listed or not listed on a regulated market and other securities, such as holdings in collective investment undertakings and equity holdings in limited liability companies.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) Upon subscription or purchase, with a credit to accounts in subgroup 57 and, where applicable, to account 549.
 - a₂) For changes in fair value, with a credit to account 763.
- b) The account shall be credited:
 - b₁) For changes in fair value, with a debit to account 663.
 - b₂) For disposal and derecognition, generally with a debit to accounts in subgroup 57 and, in the event of amounts not paid in, to account 549.

541. Current debt securities

Current investments through subscription or acquisition of obligations, bonds or other fixed-income securities, including those for which returns are pegged to indices or similar systems.

When the securities subscribed or acquired have been issued by related parties, the investment shall be recognised in account 531.

This account shall be classified under current assets in the balance sheet.

In general, movements in this account are as follows:

- a) The account shall be debited:
 - a₁) Upon subscription or purchase, for the purchase price, excluding explicit accrued interest not yet due, with a credit to accounts in subgroup 57.
 - a₂) For accrued finance income, up to the redemption value of the security, generally with a credit to account 761.
- b) Disposal, redemption or derecognition of the securities shall be credited to this account, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 666.
- c) If the securities are classified as “Available-for-sale financial assets”, changes in the fair value of the securities shall be debited or credited to this account, with a balancing entry in accounts 900 and 800, except for the portion relating to exchange gains or losses, which shall be recorded with a credit or debit to accounts 768 and 668. The account shall also be debited upon impairment of the security, for the negative balance accumulated in equity, with a credit to account 902.

542. Current loans

Loans and other non-trade credits to third parties, including trade bills, maturing within one year.

When loans have been arranged with related parties, the investment shall be disclosed in account 532.

This account shall also include both repayable and non-repayable capital donations and bequests awarded to the company and receivable in the short term where these amounts are settled in cash or other financial instruments, and excluding grants that should be recorded in accounts in subgroup 44 or 47.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) Upon arrangement, for the amount of the loan, generally with a credit to accounts in subgroup 57.
 - a₂) For accrued finance income, up to the redemption value, generally with a credit to account 762.
- b) Full or partial repayment or derecognitions shall be credited to this account, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 667.

543. Current loans for disposal of fixed assets

Loans to third parties that mature within one year, arising on the disposal of fixed assets.

When the loans for disposal of fixed assets have been extended to related parties, the investment shall be disclosed in account 532.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For the amount of the loans, excluding any interest agreed, with a credit to accounts in group 2.
 - a₂) For accrued finance income, up to the redemption value, generally with a credit to account 762.
- b) Full or partial repayment or derecognitions shall be credited to this account, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 667.

544. Current loans to personnel

Loans extended to company employees that are not considered related parties, maturing within one year.

This account shall be classified under current assets in the balance sheet.

Movements in this account are in line with those indicated for account 542.

545. Dividend receivable

Final or interim dividends receivable on account of profits for the reporting period.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) The amount accrued shall be debited to this account with a credit to account 760.
- b) The amount collected shall be credited to this account, generally with a debit to accounts in subgroup 57 and, for withholdings made, to account 473.

546. Current interest on debt securities

Interest receivable, maturing within one year, on debt securities.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) Upon subscription or purchase of securities, for the amount of the explicit accrued interest not yet due, maturing within one year, generally with a credit to accounts in subgroup 57.
 - a₂) For explicit accrued interest, maturing within one year, with a credit to account 761.
- b) The account shall be credited:
 - b₁) For the amount of interest collected, with a debit to accounts in subgroup 57.
 - b₂) Upon disposal, redemption or derecognition of the securities, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 666.

547. Current interest on loans

Interest receivable on loans, maturing within one year.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) Explicit accrued interest maturing within one year shall be debited to this account, with a credit to account 762.
- b) The account shall be credited:
 - b₁) For the amount of interest collected, with a debit to accounts in subgroup 57.
 - b₂) For full or partial repayment or derecognition, generally with a debit to accounts in subgroup 57 and, in the case of losses, to account 667.

548. Current deposits

Time deposits or similar deposits at banks and financial institutions maturing within one year contracted under market conditions. This account shall also include interest receivable in the next twelve months on time deposits, disclosed in four-digit accounts.

When the time deposits have been made in related financial institutions the investment shall be recognised in account 532.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) Upon arrangement the amount of the deposit shall be debited to this account.
- b) The account shall be credited upon recovery or transfer of the funds.

549. Current uncalled equity holdings

Uncalled payments on equity holdings in entities not considered related parties, when these are current investments.

This account shall be classified under current assets in the balance sheet, as a reduction in the item in which the corresponding equity instruments are recognised.

Movements in this account are as follows:

- a) Upon acquisition or subscription of the equity instruments, the amount pending payment shall be credited to this account, with a debit to account 540.
- b) The account shall be debited as payments are called, with a credit to account 556 or, for any balances pending upon the sale of equity instruments that are not fully paid in, to account 540.

55. ACCOUNTS OTHER THAN BANK ACCOUNTS

550. Current account with owner
551. Current account with equity holders and directors
552. Current account with other individuals and related entities
 5523. Current account with group companies
 5524. Current account with associates
 5525. Current account with other related parties
553. Current accounts in mergers and spin-offs
 5530. Equity holders of the dissolved company
 5531. Equity holders, merger account
 5532. Equity holders of the spin-off
 5533. Equity holders, spin-off account
554. Current account with temporary joint ventures and co-ownerships
555. Items pending application
556. Called-up equity holdings
557. Interim dividend

- 558. Receivable on called-up capital
 - 5580. Receivable on called-up ordinary shares or equity holdings
 - 5585. Receivable on called-up liability-classified shares or equity holdings
- 559. Current derivative financial instruments
 - 5590. Current assets arising from derivative financial instruments, trading portfolio
 - 5593. Current assets arising from derivative financial instruments, hedging instruments
 - 5595. Current liabilities arising from derivative financial instruments, trading portfolio
 - 5598. Current liabilities arising from derivative financial instruments, hedging instruments

550. Current account with owner

Current account held with the owner of the operation, where this account expresses the flows between the personal property of the owner and the company over the course of the reporting period.

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the assets and rights transferred from the owner's personal property to the company.
 - a₂) For gains which have not been capitalised, with a debit to account 129.
- b) The account shall be debited for the assets and rights withdrawn from the company and transferred to the owner for use or for inclusion in the owner's personal property.
- c) At the balance sheet date the account shall be credited or debited, depending on the balance, with a debit or credit to account 102.

551/552. Current account with

Current cash accounts with equity holders, directors or any individual or company other than a bank, banker or credit institution or a trade debtor or supplier of the company, and which are not joint accounts.

The sum of the balances receivable shall be classified under current assets in the balance sheet and the sum of the balances payable shall be classified under current liabilities.

In general, movements in these accounts are as follows:

Outflows from the company are debited to these accounts and inflows to the company are credited to the accounts, with a credit and debit, respectively, to accounts in subgroup 57.

553. Current accounts in mergers and spin-offs

Current accounts used to record the transfer of assets, liabilities and equity items, the payment of consideration and the corresponding changes in equity of companies undergoing mergers and spin-offs.

This account shall be classified under assets or liabilities in the balance sheet, as appropriate.

In general, the content and movements of these four-digit accounts are as follows:

5530. Equity holders of the dissolved company

Current account of the absorbing company or the newly-created company with the equity holders of the company dissolved in a merger.

- a) The account shall be credited upon receipt of the transfer of assets acquired and liabilities assumed.
- b) The account shall be debited when equity holders receive the shares or equity holdings issued, with a credit to accounts 100 and 110 and, where applicable, to the corresponding accounts in subgroup 57.

5531. Equity holders, merger account

Current account of companies dissolved in a merger.

- a) The account shall be debited upon transfer of the assets acquired and the liabilities assumed to the absorbing company or the newly-created company.
- b) The account shall be credited when equity holders receive the shares or equity holdings issued, with a debit to the corresponding equity accounts of the dissolved company.

5532. Equity holders of the spin-off

Current account of the beneficiary or the absorbing or newly-created company to record the transfer from the spun-off company of the assets acquired and liabilities assumed.

Movements in this account are similar to those indicated for account 5530.

5533. Equity holders, spin-off account

Current account of the spun-off company, created in order to transfer the assets, liabilities and equity items spun off to the beneficiary or the absorbing or newly-created company, and to cancel the corresponding equity accounts of the spun-off company, upon the reduction in capital in the case of a partial spin off or, in the case of total spin off, the dissolution of the company.

Movements in this account are similar to those indicated for account 5531.

554. Current account with temporary joint ventures and co-ownerships

Movements with the temporary joint ventures and co-ownerships in which the company participates derived from monetary contributions, including contributions made on creation, monetary returns from joint ventures, reciprocal use of resources, services and other supplies and allocations of results obtained in these arrangements.

Movements in this account are as follows:

- a) Outflows from the company shall be debited to this account, with a credit to the corresponding accounts in groups 2, 5 and 7.
- b) Inflows to the company shall be credited to this account, with a debit to the corresponding accounts in groups 2, 5 and 6.

555. Items pending application

Funds received by the company for reasons that, a priori, are not identifiable, providing that the funds do not relate to transactions which, due to their nature, should be included in other subgroups. Such funds shall remain in this account only for as long as strictly necessary to clarify the reason they were received.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) Funds received shall be credited to this account, with a debit to accounts in subgroup 57.
- b) The account shall be debited upon application, with a credit to the account in which the amount should actually be recorded.

556. Called-up equity holdings

Equity holdings called up and pending payment.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The account shall be credited when the payment is called, with a debit to accounts in subgroup 24, 25, 53 or 54.
- b) The payments made shall be debited to this account, with a credit to accounts in subgroup 57.

557. Interim dividend

Amounts on account of profits that the pertinent governing body agrees to distribute.

This account shall be classified in equity, as a reduction in capital and reserves without valuation adjustments.

Movements in this account are as follows:

- a) The account shall be debited when the distribution is approved, with a credit to account 526.
- b) The balance shall be credited to this account when the decision to distribute and apply profits is made, with a debit to account 129.

558. Receivable on called-up capital

5580. Receivable on called-up ordinary shares or equity holdings

Registered capital receivable, as the amount has been called from shareholders or equity holders.

Details of unpaid calls on capital shall be provided in the appropriate five-digit accounts.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) Payments called shall be debited to this account, with a credit to account 1030.
- b) The account shall be credited as these payments are made, with a debit to accounts in subgroup 57.

5585. Receivable on called-up liability-classified shares or equity holdings

Amount called and pending collection from subscribers on issued and subscribed shares or equity holdings considered financial liabilities.

Details of unpaid calls on capital shall be provided in the appropriate five-digit accounts.

This account shall be classified under non-current liabilities in the balance sheet as a reduction in “Non-current payables of a special nature”.

Movements in this account are as follows:

- a) Payments called shall be debited to this account, with a credit to account 153.
- b) The account shall be credited as these payments are made, with a debit to accounts in subgroup 57.

559. Current derivative financial instruments

Amount relating to transactions with financial derivatives that will be settled within one year. In particular, this account shall include premiums paid or collected on transactions

involving options, as well as changes in the fair value of financial derivatives with which the company operates, such as options, futures, swaps, currency forwards, etc. Embedded derivatives of hybrid financial instruments acquired, issued or assumed that meet the criteria for recognition in this account shall be disclosed in accounts of four or more digits to identify the embedded derivatives.

Movements in these four-digit accounts are as follows:

5590. Current assets arising from derivative financial instruments, trading portfolio

This account shall be classified under current assets in the balance sheet.

- a) The account shall be debited:
 - a₁) For the amounts paid when the instrument is contracted, generally with a credit to accounts in subgroup 57.
 - a₂) For the gains generated during the reporting period, with a credit to account 7630.
- b) The account shall be credited:
 - b₁) For the losses incurred during the reporting period, up to the amount at which the derivative was carried under assets in the prior reporting period, with a debit to account 6630.
 - b₂) For the amount received at settlement, generally with a debit to accounts in subgroup 57.

5593. Current assets arising from derivative financial instruments, hedging instruments

This account shall be classified under current assets in the balance sheet.

- a) The amounts paid when the instrument is contracted shall be debited to this account, generally with a credit to accounts in subgroup 57.
- b) When the derivative is used as a hedging instrument in a fair value hedge:
 - b₁) The gains generated during the reporting period from application of hedge accounting shall be debited to this account, with a credit to the income statement item in which the losses incurred on the hedged items are recognised upon measuring the hedged risk at fair value.
 - b₂) The account shall be credited:
 - i) For the losses incurred in the reporting period from application of hedge accounting, up to the amount at which the derivative was carried under assets in the prior reporting period, with a debit to the income statement item in which the gains generated on the hedged items are recognised upon measuring the hedged risk at fair value.

- ii) Upon acquisition of the hedged asset or assumption of the hedged liability, with a debit to the accounts in which these items are recorded.
- c) When the derivative is used as a hedging instrument in other hedging transactions the gain generated or loss incurred on the effective portion during the reporting period from application of hedge accounting shall be debited or credited to this account, with a credit or debit to accounts in subgroups 91 and 81, respectively, and to accounts 7633 and 6633 for the ineffective portion.
- d) The amount received at settlement shall be credited to this account, generally with a debit to accounts in subgroup 57.

5595. Current liabilities arising from derivative financial instruments, trading portfolio

This account shall be classified under current liabilities in the balance sheet.

- a) The account shall be credited:
 - a₁) For the amount received when the instrument is contracted, generally with a debit to accounts in subgroup 57.
 - a₂) For the losses incurred during the reporting period, with a debit to account 6630.
- b) The account shall be debited:
 - b₁) For the gains generated during the reporting period, up to the amount at which the derivative was carried under liabilities in the prior reporting period, with a credit to account 7630.
 - b₂) For the amounts paid at settlement, generally with a credit to accounts in subgroup 57.

5598. Current liabilities arising from derivative financial instruments, hedging instruments

This account shall be classified under current liabilities in the balance sheet.

- a) The amount received when the instrument is contracted shall be credited to this account, generally with a debit to accounts in subgroup 57.
- b) When the derivative is used as a hedging instrument in a fair value hedge:
 - b₁) The account shall be debited:
 - i) For the gains generated during the reporting period from application of hedge accounting, up to the amount at which the derivative was carried under liabilities in the prior reporting period, with a credit to the income statement item in which the losses incurred on the hedged items are recognised upon measuring the hedged risk at fair value.

- ii) Upon acquisition of the hedged asset or assumption of the hedged liability, with a credit to the accounts in which these items are recorded.
- b₂) Losses incurred during the reporting period from application of hedge accounting shall be credited to this account, with a debit to the income statement item in which the gains generated on the hedged items are recognised upon measuring the hedged risk at fair value.
- c) When the derivative is used as a hedging instrument in other hedging transactions the gain generated or loss incurred on the effective portion during the reporting period from application of hedge accounting shall be debited or credited to this account, with a credit or debit to accounts in subgroups 91 and 81, respectively, and to accounts 7633 and 6633 for the ineffective portion
- d) The amounts paid at settlement shall be debited to this account, generally with a credit to accounts in subgroup 57.

56. CURRENT GUARANTEES, DEPOSITS, PREPAID EXPENSES AND DEFERRED INCOME

- 560. Current guarantees received
- 561. Current deposits received
- 565. Current guarantees extended
- 566. Current deposits extended
- 567. Prepaid interest
- 568. Unearned interest received
- 569. Current financial guarantees

The part of non-current guarantees and deposits received or extended and of non-current financial guarantees extended that matures in the short term shall be recognised under current liabilities or current assets in the balance sheet. The current portion of non-current deposits, guarantees and financial guarantees shall be transferred to this subgroup from the corresponding accounts in subgroups 18 and 26.

560. Current guarantees received

Cash amounts received to guarantee compliance with an obligation, with a term of no longer than one year.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The amount received shall be credited to this account when the guarantee is created, with a debit to accounts in subgroup 57.
- b) The account shall be debited:

- b₁) Upon cancellation, with a credit to accounts in subgroup 57.
- b₂) For failure to comply with the obligation guaranteed, where this results in the loss of part or all of the guarantee, with a credit to account 759.

561. Current deposits received

Cash amounts received as an irregular deposit, with a term of up to one year.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The cash received shall be credited to this account when the deposit is made, with a debit to accounts in subgroup 57.
- b) The account shall be debited upon cancellation, with a credit to accounts in subgroup 57.

565. Current guarantees extended

Cash amounts conveyed to guarantee compliance with an obligation, with a term of up to one year.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) The cash amount conveyed when the guarantee is created shall be debited to this account, with a credit to accounts in subgroup 57.
- b) The account shall be credited:
 - b₁) Upon cancellation, with a debit to accounts in subgroup 57.
 - b₂) For failure to comply with the obligation guaranteed, where this results in the loss of part or all of the guarantee, with a debit to account 659.

566. Current deposits extended

Cash amounts conveyed as an irregular deposit, with a term of up to one year.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

- a) The cash amount conveyed shall be debited to this account when the deposit is made, with a credit to accounts in subgroup 57.

- b) The account shall be credited upon cancellation, with a debit to accounts in subgroup 57.

567. Prepaid interest

Interest paid by the company that corresponds to subsequent periods.

This account shall be classified under current assets in the balance sheet

Movements in this account are as follows:

- a) The account shall be debited at the balance sheet date, with a credit to the accounts in subgroup 66 in which the interest has been recorded.
- b) The account shall be credited at the beginning of the subsequent period, with a debit to accounts in subgroup 66.

568. Unearned interest received

Interest collected by the company that corresponds to subsequent periods.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The account shall be credited at the balance sheet date, with a debit to the accounts in subgroup 76 in which the interest has been recorded.
- b) The account shall be debited at the beginning of the subsequent period, with a credit to accounts in subgroup 76.

569. Current financial guarantees

Financial guarantees extended by the company, with a term of up to one year. In particular, bank guarantees extended, providing they should not be recognised in account 529.

This account shall be classified under current liabilities in the balance sheet.

Movements in this account are as follows:

- a) The account shall be credited:
 - a1) When the financial guarantee is made, for the amount received, with a debit to accounts in subgroup 57.
 - a2) For an increase in the obligation, with a debit to account 669.
- b) The account shall be debited:

b₁) For a decrease in the obligation and for interest accrued, with a credit to account 769.

b₂) Upon cancellation, with a credit to accounts in subgroup 57.

57. CASH

570. Cash, euros

571. Cash, foreign currency

572. Banks and financial institutions, demand current accounts, euros

573. Banks and financial institutions, demand current accounts, foreign currency

574. Banks and financial institutions, savings accounts, euros

575. Banks and financial institutions, savings accounts, foreign currency

576. Short-term highly-liquid investments

570/571. Cash, . . .

Liquid amounts available on hand.

These accounts shall be classified under current assets in the balance sheet.

Movements in these accounts are as follows:

The accounts shall be debited for inflows of liquid resources and credited for outflows, with a credit and debit to the accounts in which balancing entries should be made, depending on the nature of the transaction giving rise to the collection or payment.

572/573/574/575. Banks and financial institutions

Current demand accounts and current savings accounts immediately available to the company in banks and financial institutions, understood to include savings banks, rural savings banks and credit cooperatives for balances held in Spain and similar entities in the case of balances held abroad.

This account shall not include balances in the aforementioned banks and financial institutions that are not immediately available, or balances that are immediately available but that are not held by the aforementioned banks or institutions. The account shall also exclude bank overdrafts, which shall be classified under current liabilities in the balance sheet.

The accounts shall be classified under current assets in the balance sheet.

Movements in these accounts are as follows:

a) Cash deposited in the accounts and transfers shall be debited to these accounts, with a credit to the account serving as a balancing entry, in accordance with the nature of the transaction giving rise to the collection.

- b) Balances partially or fully drawn down shall be credited to these accounts, with a debit to the account in which the balancing entry should be made, in accordance with the nature of the transaction giving rise to the payment.

576. Short-term highly-liquid investments

Financial investments convertible into cash, maturing within three months from the date of acquisition, that do not entail significant risks of fluctuation in value and that fall within the company's normal cash management policy.

This account shall be classified under current assets in the balance sheet.

Movements in this account are as follows:

Inflows and outflows of financial investments shall be debited and credited to this account with a credit and debit to the accounts in which balancing entries should be made.

58. NON-CURRENT ASSETS HELD FOR SALE AND ASSOCIATED ASSETS AND LIABILITIES

- 580. Fixed assets
- 581. Investments with individuals and related entities
- 582. Investments
- 583. Inventories and trade and other receivables
- 584. Other assets
- 585. Provisions
- 586. Payables of special nature
- 587. Payables to individuals and related entities
- 588. Trade and other payables
- 589. Other liabilities

Individual non-current assets, as well as other non-current or current assets and liabilities included in a disposal group, that are expected to be recovered primarily through sale instead of through ongoing use, including items that form part of a discontinued operation classified as held-for-sale.

580/584

These accounts shall be classified under current assets in the balance sheet.

In general, movements in these accounts are as follows:

- a) The accounts shall be debited:
 - a₁) When conditions for this classification are met, in accordance with the recognition and measurement standards set out in part two of this General Accounting Plan, with a credit to the respective current asset and non-current asset accounts.

- a₂) For changes in fair value in the case of financial assets which, for measurement purposes, were classified as financial assets held for trading or as other financial assets at fair value through profit or loss, with a credit to account 763.
 - a₃) For changes in fair value in the case of financial assets which, for measurement purposes, were classified as available-for-sale financial assets, with a credit to account 960, except for the part relating to exchange gains or losses on monetary items, which shall be recorded with a credit to account 768.
 - a₄) Where applicable, for accrued finance income, with a credit to the corresponding account in subgroup 76.
- b) The accounts shall be credited:
- b₁) When the non-current asset or disposal group is sold or disposed of in any other way, generally with a debit to accounts in subgroup 57 and, in the case of losses, to the account in subgroup 67 corresponding to the nature of the asset.
 - b₂) For changes in fair value in the case of financial assets which, for measurement purposes, were classified as financial assets held for trading or as other financial assets at fair value through profit or loss, with a debit to account 663.
 - b₃) For changes in fair value in the case of financial assets which, for measurement purposes, were classified as available-for-sale financial assets, with a debit to account 860, except for the part relating to exchange gains or losses on monetary items, which shall be recorded with a debit to account 668.
 - b₄) If the non-current asset or the disposal group ceases to meet the requirements to be classified as held-for-sale in accordance with the recognition and measurement standards set out in part two of this General Accounting Plan, with a debit to the respective current assets and non-current asset accounts.

585/589

These accounts shall be classified under current liabilities in the balance sheet.

In general, movements in these accounts are as follows:

- a) The accounts shall be credited:
 - a₁) When conditions for this classification are met, in accordance with the recognition and measurement standards set out in part two of this General Accounting Plan, with a debit to the respective current liabilities and non-current liabilities accounts.

- a₂) For changes in fair value in the case of financial liabilities which, for measurement purposes, were classified as financial liabilities held for trading or as other financial liabilities at fair value through profit or loss, with a debit to account 663.
- a₃) Where applicable, for accrued finance expenses, with a debit to the corresponding account in subgroup 66.
- b) The accounts shall be debited:
 - b₁) When the disposal group is sold or disposed of in any other way.
 - b₂) For changes in fair value in the case of financial liabilities which, for measurement purposes, were classified as financial liabilities held for trading or as other financial liabilities at fair value through profit or loss, with a credit to account 763.
 - b₃) If the disposal group ceases to meet the requirements to be classified as held-for-sale in accordance with the recognition and measurement standards set out in part two of this General Accounting Plan, with a credit to the respective current liabilities and non-current liabilities accounts.

59. IMPAIRMENT OF CURRENT INVESTMENTS AND NON-CURRENT ASSETS HELD FOR SALE

- 593. Impairment of current investments in related parties
 - 5933. Impairment of current investments in group companies
 - 5934. Impairment of current investments in associates
- 594. Impairment of current debt securities of related parties
 - 5943. Impairment of current debt securities of group companies
 - 5944. Impairment of current debt securities of associates
 - 5945. Impairment of current debt securities of other related parties
- 595. Impairment of current loans to related parties
 - 5953. Impairment of current loans to group companies
 - 5954. Impairment of current loans to associates
 - 5955. Impairment of current loans to other related parties
- 597. Impairment of current debt securities
- 598. Impairment of current loans
- 599. Impairment of non-current assets held for sale

Accounting expression of valuation adjustments to reflect losses arising on impairment of assets included in group 5.

In the event of subsequent recoveries in value, as set out in the applicable recognition and measurement standards, valuation adjustments previously made for impairment shall be reduced to the limit of the total amount recovered, where permitted by the provisions of those standards.

The accounts in this subgroup shall be classified under current assets in the balance sheet, as a reduction in the value of the item in which the corresponding asset is recorded.

593. Impairment of current investments in related parties

Amount of valuation adjustments to reflect impairment of current investments in related parties.

5933/5934

Movements in these four-digit accounts are as follows:

- a) The amount of estimated impairment that should be taken to the income statement in accordance with the recognition and measurement standards shall be credited to these accounts, with a debit to account 698.
- b) The accounts shall be debited:
 - b₁) When the causes that led to recognition of impairment cease to exist, with a credit to account 798.
 - b₂) When the equity instruments are disposed of or derecognised for any other reason, with a credit to accounts in subgroup 53.

594. Impairment of current debt securities of related parties

Amount of valuation adjustments for impairment of current investments in debt securities issued by individuals or entities considered related parties.

5943/5944/5945

Movements in these four-digit accounts are as follows:

- a) The amount of estimated impairment shall be credited to these accounts, with a debit to account 698.
- b) The accounts shall be debited:
 - b₁) When the causes that led to recognition of impairment cease to exist, with a credit to account 798.
 - b₂) When the debt securities are disposed of or derecognised for any other reason, with a credit to accounts in subgroup 53.

595. Impairment of current loans to related parties

Amount of valuation adjustments to reflect impairment of current loans extended to related parties.

5953/5954/5955

Movements in these four-digit accounts are as follows:

- a) The amount of estimated impairment shall be credited to these accounts, with a debit to account 699.
- b) The accounts shall be debited:
 - b₁) When the causes that led to recognition of impairment cease to exist, with a credit to account 799.
 - b₂) For the irrecoverable part of the loan, with a credit to accounts in subgroup 53.

597. Impairment of current debt securities

Amount of valuation adjustments to reflect impairment of current investments in debt securities issued by individuals or entities not considered related parties.

Movements are in line with those indicated for account 594.

598. Impairment of current loans

Amount of valuation adjustments to reflect impairment of loans in subgroup 54.

Movements are in line with those indicated for account 595.

599. Impairment of non-current assets held for sale

Amount of valuation adjustments to reflect impairment of non-current assets held for sale or in assets that form part of a disposal group held for sale.

Movements in this account are as follows:

- a) The amount of estimated impairment shall be credited to this account, with a debit to the corresponding account in subgroup 69.
- b) The account shall be debited:
 - b₁) When the causes that led to recognition of impairment cease to exist, with a credit to the corresponding account in subgroup 79.
 - b₂) When the asset is disposed of or derecognised for any other reason, with a credit to accounts in subgroup 58.

GROUP 6

PURCHASES AND EXPENSES

Supplies of merchandise and other goods acquired by the company for subsequent resale, either making no changes to the form and substance of the goods or submitting them to industrial adaptation, transformation or construction processes prior to resale. This group also comprises all expenses incurred during the reporting period, including acquisitions of services and consumable materials, the change in inventories acquired and other expenses and losses over the period.

In general, all accounts in group 6 shall be credited at the balance sheet date, with a debit to account 129. Consequently, the movements described for these accounts, set out below, refer only to how the accounts shall be debited. In the case of any exceptions, the reasons for the credit and the balancing entry accounts shall also be specified.

60. PURCHASES

- 600. Merchandise purchased
- 601. Raw materials purchased
- 602. Other supplies purchased
- 606. Prompt payment discounts on purchases
- 607. Subcontracted work
- 608. Purchase returns and similar transactions
- 609. Volume discounts

Companies shall adapt the accounts in subgroup 60 and the names of these accounts to reflect the characteristics of the transactions they carry out.

600/601/602/607. purchased / Subcontracted work

Procurement by the company of goods included in subgroups 30, 31 and 32.

This also includes works that form part of the company's own production process but are outsourced to other companies.

The amount of the purchases shall be debited to these accounts, either upon receipt of goods from suppliers or upon shipment if the merchandise and goods are shipped on behalf of the company, with a credit to accounts in subgroup 40 or 57.

In particular, account 607 shall be debited upon receipt of the works outsourced to other companies.

606. Prompt payment discounts on purchases

Discounts and similar reductions for prompt payment granted to the company by its suppliers and not included in the invoice.

Movements in this account are as follows:

- a) Discounts and similar reductions granted to the company shall be credited to this account, generally with a debit to accounts in subgroup 40.
- b) The balance at the balance sheet date shall be debited to this account, with a credit to account 129.

608. Purchase returns and similar transactions

Shipments of merchandise and goods returned to suppliers, normally because they do not meet the conditions of the order. This account shall also include discounts and similar reductions for returns, subsequent to receipt of the invoice.

Movements in this account are as follows:

- a) The amount of purchases returned and discounts and similar reductions for returns shall be credited to this account, with a debit to accounts in subgroup 40 or 57.
- b) The balance at the balance sheet date shall be debited to this account, with a credit to account 129.

609. Volume discounts

Discounts and similar reductions granted to the company for having reached a certain volume of orders.

In general, movements in this account are as follows:

- a) Volume discounts granted to the company by suppliers shall be credited to this account, with a debit to accounts in subgroup 40 or 57.
- b) The balance at the balance sheet date shall be debited to this account, with a credit to account 129.

61. CHANGES IN INVENTORIES

610. Changes in inventories of merchandise
611. Changes in inventories of raw materials
612. Changes in inventories of other supplies

610/611/612. Change in inventories of . . .

Changes between the closing and opening balances of subgroups 30, 31 and 32 (merchandise, raw materials and other supplies) are recorded in these accounts at the balance sheet date.

Movements in these accounts are as follows:

The accounts shall be debited for the amount of the inventories held at the beginning of the reporting period and credited for the amount of inventories held at the balance sheet date, with a credit and debit, respectively, to accounts in subgroups 30, 31 and 32. The balance resulting in these accounts shall be debited or credited, as applicable, to account 129.

62. EXTERNAL SERVICES

- 620. Research and development expenses for the period
- 621. Leases and royalties
- 622. Repairs and maintenance
- 623. Independent professional services
- 624. Transport
- 625. Insurance premiums
- 626. Banking and similar services
- 627. Advertising, publicity and public relations
- 628. Utilities
- 629. Other services

Sundry services contracted by the company, not included in subgroup 60 or that do not form part of the purchase price of fixed assets or of current financial investments.

Debits to accounts 620/629 shall normally be made with a credit to account 410, to accounts in subgroup 57, to provisions in subgroup 14 or account 529 or, where applicable, to account 475.

620. Research and development expenses for the period

Expenditure on research and development services outsourced to other companies.

621. Leases and royalties

Leases

Amounts accrued on rental agreements or operating leases relating to moveable property and immovable property used by or available to the company.

Royalties

Fixed or variable amounts paid for the right to use or the concession to use different types of industrial property.

622. Repairs and maintenance

Amounts relating to the upkeep of assets included in group 2.

623. Independent professional services

Amount paid to professionals for services rendered to the company, including fees charged by economists, lawyers, auditors, notaries, etc., as well as commissions charged by independent intermediaries.

624. Transport

Transport services rendered by third parties on behalf of the company, when these amounts may not be included in the purchase price of the assets or inventories. This account shall also include the transport of items sold.

625. Insurance premiums

Amounts paid for insurance premiums, except those relating to company personnel and those of a financial nature.

626. Banking and similar services

Amounts paid for banking and similar services that are not considered finance expenses.

627. Advertising, publicity and public relations

Amount of expenses paid for advertising, publicity and public relations.

628. Utilities

Amounts paid for electricity and any other supplies that cannot be stored.

629. Other services

Services not included in the foregoing accounts.

This account shall reflect, among other items, travel expenses incurred by company employees, including transportation, and office expenses not recognised in other accounts.

63. TAXES

630. Income tax

6300. Current tax

6301. Deferred tax

631. Other taxes

633. Negative adjustments to income tax

634. Negative adjustments to indirect taxes

6341. Negative adjustments to VAT on current assets

6342. Negative adjustments to VAT on investments

636. Tax refunds

638. Positive adjustments to income tax

639. Positive adjustments to indirect taxes

6391. Positive adjustments to VAT on current assets

6392. Positive adjustments to VAT on investments

630. Income tax

Amount of income tax accrued during the reporting period, except tax on transactions or events recognised directly in equity or in connection with a business combination.

In general, the content and movements of these four-digit accounts are as follows:

6300. Current tax

- a) The account shall be debited:
 - a₁) For the amount of tax payable, with a credit to account 4752.
 - a₂) For withholdings and payments on account of tax, up to the amount of tax payable for the period, with a credit to account 473.
- b) Tax paid in prior periods that the company recovers through its current tax or income tax returns shall be credited to this account, with a debit to account 4709.
- c) The account shall be credited or debited, with a debit or credit to account 129.

6301. Deferred tax

- a) The account shall be debited:
 - a₁) For the amount of liabilities arising from taxable temporary differences originated during the reporting period, with a credit to account 479.
 - a₂) For the application of assets arising from deductible temporary differences from prior reporting periods, with a credit to account 4740.
 - a₃) For the application of tax credits resulting from the offset of tax loss carryforwards from prior reporting periods in the reporting period, with a credit to account 4745.
 - a₄) For the tax effect on permanent differences to be charged over several reporting periods, with a credit to account 834.
 - a₅) For the tax effect of deductions and credits to be charged over several reporting periods, with a credit to account 835.
 - a₆) For the tax application of deductions or credits from prior reporting periods, with a credit to account 4742.
 - a₇) For the tax effect of the transfer to the income statement of income recognised directly in equity which gave rise to the corresponding current tax in prior periods, with a credit to account 8301.
- b) The account shall be credited:
 - b₁) For the amount of assets arising from deductible temporary differences originated during the reporting period, with a debit to account 4740.

- b₂) For the tax credits generated during the reporting period as a result of the existence of tax loss carryforwards pending offset, with a debit to account 4745.
 - b₃) For the cancellation of liabilities arising from taxable temporary differences in prior reporting periods, with a debit to account 479.
 - b₄) For deferred permanent differences applied during the period, with a debit to account 836.
 - b₅) For deferred tax deductions and credits charged to the period, with a debit to account 837.
 - b₆) For unused assets for deductions and other tax benefits pending application, with a debit to account 4742.
 - b₇) For the tax effect of the transfer to the income statement of expenses recognised directly in equity which gave rise to the corresponding current tax in prior periods, with a debit to account 8301.
- c) The account shall be credited or debited, with a debit or credit to account 129.

631. Other taxes

Taxes applicable to the company which are not specifically recognised in other accounts in this subgroup or in account 477.

This account excludes taxes that should be recognised in other accounts in accordance with the account definitions, such as the taxes recorded in accounts 600/602 and in subgroup 62.

This account shall be debited when the taxes are due, with a credit to accounts in subgroups 47 and 57. The account shall also be debited for the amount of the provision made during the reporting period, with a credit to accounts 141 and 5291.

633. Negative adjustments to income tax

Decreases in deferred tax assets or increases in deferred tax liabilities for the reporting period compared to the deferred tax assets and deferred tax liabilities previously generated, except where these balances result from transactions or events recognised directly in equity.

The account shall be debited:

- a₁) For the reduction in assets arising from deductible temporary differences, with a credit to account 4740.
- a₂) For the reduction in the tax credit for loss carryforwards, with a credit to account 4745.

- a₃) For the reduction in assets arising from tax deductions and credits pending application, with a credit to account 4742.
- a₄) For the increase in liabilities arising from taxable temporary differences, with a credit to account 479.

634. Negative adjustments to indirect taxes

Increase in indirect tax expense resulting from restatements and changes in the company's tax situation.

6341/6342. Negative adjustments to VAT on. . . .

Amount of the negative differences coming from deductible input VAT corresponding to transactions for goods and services involving current or investment assets which is shown on the annual statements as a result of the Pro Rata Rule.

The amount of the annual statement shall be debited to these accounts, with a credit to account 472.

636. Tax refunds

Amount of tax that may be claimed back by the company as a result of payments unduly made, including those debited to accounts in group 2.

Movements in this account are as follows:

- a) The account shall be credited when the tax refunds are claimed, with a debit to account 4709.
- b) This account shall be debited for the balance at the balance sheet date, with a credit to account 129.

638. Positive adjustments to income tax

Increases in deferred tax assets or decreases in deferred tax liabilities for the reporting period compared to the deferred tax assets and deferred tax liabilities previously generated, except where these balances result from transactions or events recognised directly in equity.

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the increase in assets arising from deductible temporary differences, with a debit to account 4740.
 - a₂) For the increase in the tax credits or loss carryforwards, with a debit to account 4745.

- a₃) For the increase in assets arising from tax deductions and credits pending application, with a debit to account 4742.
- a₄) For the decrease in liabilities arising from taxable temporary differences, with a debit to account 479.
- b) This account shall be debited for the balance at the reporting date, with a credit to account 129.

639. Positive adjustments to indirect taxes

Decrease in indirect tax expense resulting from restatements and changes in the company's tax situation.

6391/6392. Positive adjustments to VAT on...

Amount of the positive differences coming from deductible input VAT corresponding to transactions for goods and services involving current or investment assets which is shown on the annual statements as a result of the Pro Rata Rule.

Movements in these accounts are as follows:

- a) The amount of the annual restatement shall be credited to these accounts, with a debit to account 472.
- b) This account shall be debited for the balance at the reporting date, with a credit to account 129.

64. PERSONNEL EXPENSES

- 640. Salaries and wages
- 641. Termination benefits
- 642. Social Security payable by the company
- 643. Long-term employee benefits payable through defined contribution schemes
- 644. Long-term employee benefits payable through defined benefit schemes
 - 6440. Annual contributions
 - 6442. Other costs
- 645. Equity-based employee benefits
 - 6450. Equity-settled employee benefits
 - 6457. Cash-settled share-based employee benefits
- 649. Employee benefits expense

All types of employee remuneration, Social Security contributions payable by the company and other employee benefits expenses.

640. Salaries and wages

Fixed and variable remuneration of company employees.

The full amount of remuneration accrued shall be debited to this account:

- a₁) For cash payment, with a credit to accounts in subgroup 57.
- a₂) For accrued remuneration payable, with a credit to account 465.
- a₃) For compensation of pending debt, with a credit to accounts 254, 460 and 544, as appropriate.
- a₄) For personnel tax withholdings and Social Security contributions, with a credit to accounts in subgroup 47.

641. Termination benefits

Amounts paid to company employees for damages or detrimental situations. This account specifically includes indemnity payments for dismissal and early retirement.

The amount of the indemnity payments shall be debited to this account, generally with a credit to accounts in subgroup 14, 46, 47 or 57.

642. Social Security payable by the company

The company's contributions to Social Security agencies in connection with the social benefits they provide.

Accrued contributions shall be debited to this account, with a credit to account 476.

643. Long-term employee benefits payable through defined contribution schemes

Amount of contributions accrued for long-term remunerations to company employees, such as pensions or other retirement benefits, instrumented through a defined contribution scheme.

- a) The account shall be debited:
 - a₁) For the amount of the annual cash contributions to pension plans or other similar institutions outside the company, with a credit to accounts in subgroup 57.
 - a₂) For the amount of accrued premiums payable, with a credit to account 466.

644. Long-term employee benefits payable through defined benefit schemes

Amount of contributions accrued for long-term remunerations to company employees, such as pensions or other retirement benefits, instrumented through a defined benefit scheme.

6440. Annual contributions

Amount of the annual contribution to the defined benefit scheme.

The service cost for the current reporting period in respect of pension plans or other similar institutions outside the company, paid in cash, shall be debited to this account, generally with a credit to accounts in subgroup 57 or to account 140.

6442. Other costs

Past service costs recognised in the income statement in connection with the establishment of a long-term defined benefit plan or for an improvement to an existing plan.

The amount required in accordance with the recognition and measurement standard applicable to long-term benefit plans shall be debited to this account, with a credit to account 140.

645. Equity-based employee benefits

Amounts settled by the company through equity instruments or through cash amounts based on the value of equity instruments in exchange for services rendered by employees.

Movements in these four-digit accounts are as follows:

6450/6457

a) The accounts shall be debited:

- a₁) For the amount of accrued employee remuneration settled with the company's own equity instruments, with a credit to accounts in subgroups 10 and 11.
- a₂) For the amount of accrued employee remuneration, to be settled in cash, with a credit to account 147.

649. Employee benefits expense

Employee benefits expenses incurred by the company either voluntarily or through compliance with a legal provision.

This includes subsidies for company stores and canteen, support for schools and professional training institutions, scholarships, and premiums for life insurance, accident insurance and health insurance policies, etc. Social Security contributions are not included in this account.

Expenses shall be debited to this account, with a credit to accounts in group 5 or 7, depending on whether they are paid in cash or in merchandise or other products.

65. OTHER EXPENSES

- 650. Losses on irrecoverable trade receivables
- 651. Results on profit-sharing agreements
 - 6510. Profit transferred (trustee)
 - 6511. Losses incurred (non-trustee venturer or associate)

659. Other operating losses

Expenses not included in other subgroups.

650. Losses on irrecoverable trade receivables

Impairment losses related to write-off of trade receivables and debtor balances in group 4.

The amount of write-offs of trade receivables and debtor balances shall be debited to this account, with a credit to accounts in subgroups 43 and 44.

651. Results on profit-sharing agreements

6510. Profit transferred

Profits attributable to non-trustee venturers in operations governed by articles 239 to 243 of the Commercial Code and in other similar profit-sharing agreements.

Profit determined by the trustee company in accordance with article 243 of the Commercial Code or applicable legislation governing other profit-sharing agreements shall be recognised in this account.

Profits attributable to non-trustee venturers shall be debited to this account, with a credit to account 419, 449 or to accounts in subgroup 57.

6511. Losses incurred

Loss attributable to the company as a non-trustee venturer in the aforementioned operations.

The loss shall be debited to this account, with a credit to account 419, 449 or to accounts in subgroup 57.

659. Other operating losses

Operating expenses that are not included in the above accounts. In particular, the adjustment to equipment and tools each year shall be disclosed in this account.

66. FINANCE EXPENSES

660. Finance expenses arising from provision adjustments

661. Interest on bonds and obligations

662. Interest on payables

663. Losses on fair value measurement of financial instruments

6630. Losses on trading portfolio

6631. Losses on financial instruments designated by the company

6632. Losses on available-for-sale financial instruments

6633. Losses on hedging instruments

664. Expenses arising on dividends payable on liability-classified instruments

665. Interest on discounted bills and factoring transactions

666. Losses on investments and debt securities

- 667. Losses on non-trade receivables
- 668. Exchange losses
- 669. Other finance expenses

660. Finance expenses arising from provision adjustments

Finance expense arising on financial valuation adjustments to provisions.

Valuation adjustments of a financial nature shall be debited to this account, with a credit to the corresponding provision accounts included in subgroups 14 and 52.

661. Interest on bonds and obligations

Amount of interest accrued during the reporting period on third-party financing through debt securities, irrespective of the maturity term and of how the interest is instrumented. The implicit interest corresponding to deferral of the difference between the redemption value and the issue price of the securities, less any transaction costs, shall be included in accounts of four or more digits.

The full amount of interest accrued shall be debited to this account, generally with a credit to accounts in subgroup 17, 50 or 51 and, where applicable, to account 475.

662. Interest on payables

Interest on loans received and other pending payables, irrespective of how the interest is instrumented, with the appropriate breakdown into accounts of four or more digits, as necessary, and, in particular, to record the implicit interest associated with the transaction.

The full amount of interest accrued shall be debited to this account, generally with a credit to accounts in subgroup 16, 17, 40, 51 or 52 and, where applicable, to account 475.

663. Losses on fair value measurement of financial instruments

Losses arising on measuring certain financial instruments at fair value, including those arising on reclassification.

In general, the content and movements of these four-digit accounts are as follows:

6630. Losses on trading portfolio

Losses arising on measurement at fair value of financial instruments classified as financial assets held for trading or financial liabilities held for trading.

The decrease in the fair value of financial assets or the increase in the fair value of financial liabilities classified in this category shall be debited to this account, with a credit to the corresponding asset or liability account.

6631. Losses on financial instruments designated by the company

Losses arising on measurement at fair value of financial instruments classified as other financial assets at fair value through profit or loss or as other financial liabilities at fair value through profit or loss.

Movements are in line with those indicated for account 6630.

6632. Losses on available-for-sale financial instruments

Losses arising on derecognition, disposal or cancellation of financial instruments classified as available-for-sale financial assets.

Upon derecognition, disposal or cancellation of the financial instrument, the negative balance accumulated in equity shall be debited to this account, with a credit to account 902.

6633. Losses on hedging instruments

Losses arising on hedging instruments in cash flow hedges where the company does not expect the forecast transaction to take place.

The negative amount accumulated in equity that is transferred to the income statement shall be debited to this account, with a credit to account 912.

664. Expenses arising on dividends payable on liability-classified instruments

Amount of dividends accrued during the reporting period corresponding to third-party financing instrumented through shares or equity holdings in the capital of the company which, in accordance with the characteristics of the issue, should be treated as liabilities, irrespective of the maturity term.

Accrued dividends shall be debited to this account, generally with a credit to accounts in subgroup 50 or 51 and, where applicable, to account 475.

665. Interest on discounted bills and factoring transactions

Interest on discounted notes and other bills, as well as on factoring transactions in which the company substantially retains the risks and rewards of the collection rights.

Interest shall be debited to this account, generally with a credit to account 5208 or 5209.

666. Losses on investments and debt securities

Losses incurred on derecognition, disposal or cancellation of debt securities and equity instruments, excluding those which should be recorded in accounts 663 and 673.

The loss incurred shall be debited to this account, with a credit to accounts in subgroups 24, 25, 53 and 54.

667. Losses on non-trade receivables

Losses on write-offs of non-trade receivables.

The loss on irrecoverable balances shall be debited to this account, with a credit to accounts in subgroups 24, 25, 53 and 54.

668. Exchange losses

Losses incurred on fluctuations in the exchange rate applicable to monetary items denominated in a currency other than the functional currency.

The account shall be debited:

- a₁) At each balance sheet date, for the loss in value of outstanding monetary items at that date, with a credit to the accounts representing these items denominated in a currency other than the functional currency.
- a₂) Upon derecognition, disposal or cancellation of the asset or liability associated with an exchange loss, with a credit to account 921.
- a₃) For the transfer to the income statement of a negative amount recognised directly in equity in hedges of a net investment in a foreign operation, with a credit to account 913.
- a₄) Upon maturity or early cancellation of monetary items, through cash paid in a currency other than the functional currency, generally with a credit to accounts in subgroup 57.

669. Other finance expenses

Finance expenses not included in other accounts in this subgroup. The account shall also include insurance premiums that cover risks of a financial nature, including premiums that cover the risk of default on non-trade receivables and the currency risk.

Accrued expenses shall be debited to this account, generally with a credit to accounts in subgroup 57 or to an account representing payables.

67. LOSSES ON NON-CURRENT ASSETS AND EXCEPTIONAL EXPENSES

- 670. Losses on intangible assets
- 671. Losses on property, plant and equipment
- 672. Losses on investment property
- 673. Losses on non-current investments in related parties
 - 6733. Losses on non-current investments, group companies
 - 6734. Losses on non-current investments, associates
 - 6735. Losses on non-current investments, other related parties
- 675. Losses on transactions with own bonds
- 678. Exceptional expenses

670/671/672. Losses on

Losses incurred on the disposal of intangible assets, items of property, plant and equipment or investment property, or on derecognition of these assets due to irreversible losses thereon.

The loss incurred on disposal or derecognition shall be debited to these accounts, with a credit to the corresponding accounts in group 2 or to account 580.

673. Losses on non-current investments in related parties

Losses incurred on the disposal or derecognition of non-current investments in related parties.

6733/6734/6735

The loss incurred on disposal or derecognition shall be debited to these four-digit accounts, with a credit to accounts in subgroup 24 or to account 581.

675. Losses on transactions with own bonds

Losses incurred on the redemption of bonds.

The loss incurred on redeeming the bonds shall be debited to this account, generally with a credit to accounts in subgroup 57.

678. Exceptional expenses

Exceptional and significant losses and expenses which, given their nature, should not be recognised in other accounts in group 6 or 8.

These include losses on floods, fines and penalties, fires, etc.

68. AMORTISATION AND DEPRECIATION

- 680. Amortisation of intangible assets
- 681. Depreciation of property, plant and equipment
- 682. Depreciation of investment property

680/681/682. Amortisation of... / Depreciation of...

Expression of the systematic annual decrease in the value of intangible assets and items of property, plant and equipment upon use in the production process, and in the value of investment property.

The allowance made during the reporting period shall be debited to these accounts, with a credit to accounts 280, 281 and 282.

69. IMPAIRMENT LOSSES AND OTHER CHARGES

- 690. Impairment losses on intangible assets
- 691. Impairment losses on property, plant and equipment
- 692. Impairment losses on investment property

- 693. Impairment losses on inventories
- 694. Impairment losses on trade receivables
- 695. Trade provisions
 - 6954. Provisions for onerous contracts
 - 6959. Provisions for other trade operations
- 696. Impairment losses on non-current investments and debt securities
- 697. Impairment losses on non-current loans
- 698. Impairment losses on current investments and debt securities
- 699. Impairment losses on current loans

690/691/692. Impairment losses on....

Valuation adjustments to reflect reversible impairment of intangible assets, items of property, plant and equipment and investment property. Valuation adjustments for impairment of goodwill may not be reversed.

The amount of estimated impairment shall be debited to these accounts, with a credit to account 204 or to accounts 290, 291 and 292, respectively, or to account 599.

693. Impairment losses on inventories

Valuation adjustment made at the balance sheet date to reflect reversible impairment of inventories.

The amount of estimated impairment shall be debited to this account, with a credit to accounts in subgroup 39 or to account 599.

694. Impairment losses on trade receivables

Valuation adjustment made at the balance sheet date to reflect reversible impairment of trade receivables and other receivables.

The amount of estimated impairment shall be debited to this account, with a credit to account 490, 493 or 599.

When the second alternative foreseen in account 490 is used, the definition and movements in this account shall be adapted to the requirements of that account.

695. Trade provisions

Allowance made by the company to recognise present obligations derived from its trade operations, providing that they are not recognised in other accounts in group 6. In particular, this account shall include the losses associated with onerous contracts and commitments assumed as a result of the delivery of goods or rendering of services.

In general, the content and movements of these four-digit accounts are as follows:

6954. Provisions for onerous contracts

The estimated loss shall be debited to this account, with a credit to account 4994.

6959. Provisions for other trade operations

Allowance made at the balance sheet date for risks derived from returns of items sold, repair warranties, servicing and other trade operations.

The amount of the estimated obligation shall be debited to this account, with a credit to account 4999.

696. Impairment losses on non-current investments and debt securities

Valuation adjustments to reflect impairment of investments in subgroups 24 and 25 or, where applicable, in subgroup 58.

The amount of estimated impairment shall be debited to this account, with a credit to accounts 2405, 250, 293, 294, 297, 599 or to accounts in group 9.

697. Impairment losses on non-current loans

Valuation adjustments to reflect impairment of loans in subgroups 24 and 25 or, where applicable, in subgroup 58.

The amount of estimated impairment shall be debited to this account, with a credit to account 295, 298 or 599.

698. Impairment losses on current investments and debt securities

Valuation adjustments to reflect impairment of investments in subgroups 53 and 54 or, where applicable, in subgroup 58.

The amount of estimated impairment shall be debited to this account, with a credit to accounts 593, 594, 597, 599 or to accounts in group 9.

699. Impairment losses on current loans

Valuation adjustments to reflect impairment of loans in subgroups 53 and 54 or, where applicable, in subgroup 58.

The amount of estimated impairment shall be debited to this account, with a credit to account 595, 598 or 599.

GROUP 7

SALES AND INCOME

The sale of goods and rendering of services as part of the company's trade operations, including other revenue, changes in inventories and gains during the reporting period.

In general, all accounts in group 7 shall be debited at the balance sheet date, with a credit to account 129. Consequently, the movements described for these accounts, set out below, refer only to how the accounts shall be credited. In the case of any exceptions, the reasons for the debit and the balancing entry accounts shall also be specified.

70. SALES OF MERCHANDISE, WORK CARRIED OUT BY THE COMPANY FOR ASSETS, SERVICES, ETC

- 700. Merchandise sold
- 701. Finished goods sold
- 702. Semi-finished goods sold
- 703. By-products and waste sold
- 704. Containers and packaging sold
- 705. Services rendered
- 706. Prompt payment discounts on sales
- 708. Sales returns and similar transactions
- 709. Volume discounts

Companies shall adapt the accounts in subgroup 70 and the names thereof to reflect the characteristics of the transactions they carry out.

700/705.sold / rendered

Transactions involving the outflow or delivery of goods and services forming part of the company's trade operations, where a price is attached to those goods or services.

These accounts shall be credited for the amount of the sales, with a debit to accounts in subgroup 43 or 57.

706. Prompt payment discounts on sales

Discounts and similar reductions for prompt payment granted by the company to its customers and not included in the invoice.

Movements in this account are as follows:

- a) Discounts and similar reductions shall be debited to this account, generally with a credit to accounts in subgroup 43.
- b) This account shall be debited for the balance at the balance sheet date, with a credit to account 129

708. Sales returns and similar transactions

Shipments of merchandise and goods returned to the company by customers, normally because they do not meet the conditions of the order. This account shall also comprise the discounts and similar reductions granted on the basis of such returns, subsequent to issue of the invoice.

Movements in this account are as follows:

- a) The amount of the items returned by customers and, where applicable, discounts and similar reductions granted shall be debited to this account, with a credit to the corresponding accounts in subgroup 43 or 57.
- b) This account shall be debited for the balance at the balance sheet date, with a credit to account 129

709. Volume discounts

Discounts and similar reductions granted to customers for having reached a certain volume of orders.

Movements in this account are as follows:

- a) The volume discounts granted to customers shall be debited to this account, with a credit to the corresponding accounts in subgroups 43 or 57.
- b) The account shall be debited for the balance at the balance sheet date, with a credit to account 129.

71. CHANGES IN INVENTORIES

710. Changes in inventories of work in progress
711. Changes in inventories of semi-finished goods
712. Changes in inventories of finished goods
713. Changes in inventories of by-products, waste and recovered materials

710/713. Changes in inventories of

Changes between the closing and opening balances of subgroups 33, 34, 35 and 36 (work in progress, semi-finished goods, finished goods and by-products, waste and recovered materials) are recorded in these accounts at the balance sheet date.

Movements in these accounts are as follows:

The accounts shall be debited for the amount of the inventories held at the beginning of the reporting period and credited for the amount of inventories held at the balance sheet date, with a credit and debit, respectively, to accounts in subgroups 33, 34, 35 and 36. The balance resulting in these accounts shall be debited or credited, as applicable, to account 129.

73. WORK CARRIED OUT BY THE COMPANY FOR ASSETS

- 730. Work carried out by the company for intangible assets
- 731. Work carried out by the company for property, plant and equipment
- 732. Work carried out by the company for investment property
- 733. Work carried out by the company for property, plant and equipment in progress

progress

Balancing entry for expenses incurred by the company in constructing its own fixed assets, using its own equipment and personnel, where these expenses are capitalised. This subgroup also includes expenses incurred on research and development works outsourced to other companies.

730. Work carried out by the company for intangible assets

Research and development expenses and other expenses incurred on the creation of assets included in subgroup 20.

The account shall be credited for the amount of expenses that may be recognised as intangible assets, with a debit to account 200, 201 or 206.

731. Work carried out by the company for property, plant and equipment

Construction or enlargement of assets and items included in subgroup 21.

Expenses incurred during the reporting period shall be credited to this account, with a debit to accounts in subgroup 21.

732. Work carried out by the company for investment property

Extension of buildings included in subgroup 22.

Expenses incurred during the reporting period shall be credited to this account, with a debit to accounts in subgroup 22.

733. Work carried out by the company for property, plant and equipment in progress

Work performed during the reporting period and not completed at the balance sheet date, including works carried out on buildings.

Expenses incurred during the reporting period shall be credited to this account, with a debit to accounts in subgroup 23.

74. GRANTS, DONATIONS AND BEQUESTS

- 740. Operating grants, donations and bequests
- 746. Capital grants, donations and bequests taken to income
- 747. Other grants, donations and bequests taken to income

Amounts to be recognised in the income statement in connection with grants, donations and bequests. The three-digit accounts necessary to record these items shall be created.

740. Operating grants, donations and bequests

Amounts received from public entities, companies or individuals in order to ensure a minimum profitability or to offset an operating “deficit” for the reporting period or for prior periods.

The amount awarded shall be credited to this account, with a debit to accounts in subgroup 44, 47 or 57.

746. Capital grants, donations and bequests taken to income

Amount taken to the income statement in connection with capital grants, donations and bequests.

Movements in this account are as set out for account 840.

747. Other grants, donations and bequests taken to income

Amount taken to the income statement in connection with other grants, donations and bequests.

Movements in this account are as set out for account 842.

75. OTHER INCOME

751. Results on profit-sharing agreements

7510. Losses transferred (trustee)

7511. Attributable profit (non-trustee venturer or associate)

752. Income from lease agreements

753. Income from transfer of industrial property rights

754. Commission income

755. Income from services to personnel

759. Income from other services

Income not included in other subgroups.

751. Results on profit-sharing agreements

7510. Losses transferred

Losses attributable to non-trustee venturers in operations governed by articles 239 to 243 of the Commercial Code and in other similar profit-sharing agreements.

Losses determined by the trustee company in accordance with article 243 of the Commercial Code or applicable legislation governing other profit-sharing agreements shall be recognised in this account.

Losses attributable to non-trustee venturers, shall be credited to this account with a debit to account 419 or 449 or to accounts in subgroup 57.

7511. Attributable profit

Profit attributable to the company as a non-trustee venturer in the aforementioned operations.

The profit shall be credited to this account, with a debit to account 419 or 449 or to accounts in subgroup 57.

752. Income from lease agreements

Income accrued on rental agreements or operating leases relating to moveable property and immovable property used by or made available to third parties.

Income shall be credited to this account, with a debit to accounts in subgroup 44 or 57.

753. Income from transfer of industrial property rights

Fixed and variable amounts received for having transferred the right to use or the concession to use different types of industrial property.

Movements are in line with those indicated for account 752.

754. Commission income

Fixed or variable amounts received as consideration for intermediary services performed circumstantially. If the intermediary services form part of the principal activity of the company, income for this item shall be recorded in account 705.

Movements are in line with those indicated for account 752.

755. Income from services to personnel

Income for various services, such as company stores, canteen, transportation, accommodation, etc., provided by the company to its employees.

Income shall be credited to this account, generally with a debit to accounts in subgroup 57 or to account 649.

759. Income from other services

Income generated on the occasional rendering of certain services to other companies or individuals, including transportation, repairs, advisory services and reports.

Movements are in line with those indicated for account 752.

76. FINANCE INCOME

- 760. Dividends
- 761. Income from debt securities
- 762. Income from loans
 - 7620. Income from non-current loans
 - 7621. Income from current loans
- 763. Gains on fair value measurement of financial instruments
 - 7630. Gains on trading portfolio
 - 7631. Gains on financial instruments designated by the company
 - 7632. Gains on available-for-sale financial instruments
 - 7633. Gains on hedging instruments
- 766. Gains on investments and debt securities
- 767. Income from related assets and reimbursement rights from long-term employee benefits
- 768. Exchange gains
- 769. Other finance income

760. Dividends

Returns on investments in equity instruments accrued during the reporting period.

The full amount of the dividend shall be credited to this account when the right to receive the dividend is generated, with a debit to accounts in subgroup 53 or 54 and, where applicable, to account 473.

761. Income from debt securities

Interest receivable on fixed-income securities, accrued during the reporting period.

The account shall be credited:

- a) Upon accrual for the full amount of both implicit and explicit interest, with a debit to accounts in subgroup 24, 25, 53 or 54 and, where applicable, to account 473.
- b) For recognition in the income statement of the positive balance accumulated in equity of an available-for-sale financial asset that has been reclassified as a held-to-maturity investment as per the recognition and measurement standards. This amount shall be taken to income over the residual life of the asset, with a debit to account 802.

762. Income from loans

Amount of interest on loans and other credits, accrued during the reporting period.

The full amount of both implicit and explicit interest shall be credited to this account upon accrual, with a debit to accounts in subgroup 24, 25, 26, 43, 44, 53 or 54 and, where applicable, to account 473.

763. Gains on fair value measurement of financial instruments

Gains arising on measuring certain financial instruments at fair value, including remeasurements performed on reclassification.

In general, the content and movements of these four-digit accounts are as follows:

7630. Gains on trading portfolio

Gains arising on measurement at fair value of financial instruments classified as financial assets held for trading or financial liabilities held for trading.

The increase in the fair value of financial assets or the decrease in the fair value of financial liabilities classified in this category shall be credited to this account, with a debit to the corresponding asset or liability account.

7631. Gains on financial instruments designated by the company

Gains arising on measurement at fair value of financial instruments classified as other financial assets at fair value through profit or loss or as other financial liabilities at fair value through profit or loss.

Movements are in line with those indicated for account 7630.

7632. Gains on available-for-sale financial instruments

Gains arising on derecognition or disposal of financial instruments classified as available-for-sale financial assets.

Upon derecognition or disposal of the financial instrument the positive balance accumulated in equity shall be credited to this account, with a debit to account 802.

7633. Gains on hedging instruments

Gains arising on hedging instruments in cash flow hedges where the company does not expect the forecast transaction to take place.

The positive amount recognised in equity that is transferred to the income statement shall be credited to this account, with a debit to account 812.

766. Gains on investments and debt securities

Gains generated on the disposal of debt securities and equity instruments, excluding those that should be recorded in accounts 763 and 773.

The gain generated on disposal shall be credited to this account, generally with a debit to accounts in subgroup 57.

767. Income from related assets and reimbursement rights from long-term employee benefits

Amount of expected returns on assets tied to commitments with which the company will settle its long-term defined employee benefits obligations or the reimbursements rights used to cancel these obligations.

Positive returns expected shall be credited to this account, with a debit to account 140 or 257.

768. Exchange gains

Gains generated on fluctuations in the exchange rate applicable to monetary items denominated in a currency other than the functional currency.

The account shall be credited:

- a₁) At each balance sheet date for the gain in value of outstanding monetary items at that date, with a debit to accounts representing these items denominated in a currency other than the functional currency.
- a₂) Upon derecognition, disposal or cancellation of an asset or liability associated with an exchange gain, with a debit to account 821.
- a₃) For the transfer to the income statement of the positive amount recognised in equity in hedges of a net investment of a foreign operation, with a debit to account 813.
- a₄) Upon maturity or early cancellation of monetary items, through cash paid in a currency other than the functional currency, generally with a debit to accounts in subgroup 57.

769. Other finance income

Finance income not included in other accounts in this subgroup.

Accrued income shall be credited to this account.

77. GAINS ON NON-CURRENT ASSETS AND EXCEPTIONAL INCOME

- 770. Gains on intangible assets
- 771. Gains on property, plant and equipment
- 772. Gains on investment property
- 773. Gains on non-current investments in related parties
 - 7733. Gains on non-current investments, group companies
 - 7734. Gains on non-current investments, associates
 - 7735. Gains on non-current investments, other related parties
- 774. Negative goodwill on business combinations
- 775. Gains on transactions with own bonds
- 778. Exceptional income

770/771/772. Gains on...

Gains generated on the disposal of intangible assets, items of property, plant and equipment or investment property.

The gains obtained on disposal shall be credited to these accounts, generally with a debit to the corresponding accounts in group 5.

773. Gains on non-current investments in related parties

Gains generated on the disposal of non-current investments in related parties.

7733/7734/7735

The gains generated on disposal shall be credited to these four-digit accounts, generally with a debit to the corresponding accounts in group 5.

774. Negative goodwill on business combinations

The excess at the acquisition date of the fair value of the identifiable assets acquired less the fair value of the identifiable liabilities assumed over the cost of the business combination.

That amount shall be credited to this account, with a debit to the corresponding accounts in groups 2, 3, 4 and 5.

775. Gains on transactions with own bonds

Gains generated on the redemption of bonds.

The gains generated on redeeming the bonds shall be credited to this account, with a debit to accounts in subgroup 17.

778. Exceptional income

Exceptional and significant gains and income which, given their nature, should not be recognised in other accounts in group 7 or 9.

This includes income generated on balances previously written off as they were considered irrecoverable.

79. SURPLUS AND USE OF PROVISIONS AND IMPAIRMENT LOSSES

- 790. Reversal of impairment of intangible assets
- 791. Reversal of impairment of property, plant and equipment
- 792. Reversal of impairment of investment property
- 793. Reversal of impairment of inventories
- 794. Reversal of impairment of trade receivables
- 795. Provision surpluses
 - 7950. Surplus provisions for long-term employee benefits
 - 7951. Surplus provisions for taxes
 - 7952. Surplus provisions for other liabilities
 - 7954. Surplus trade provisions

- 79544. Surplus provisions for onerous contracts
- 79549. Surplus provisions for other trade operations
- 7955. Surplus provisions for environmental actions
- 7956. Surplus provisions for restructuring costs
- 7957. Surplus provisions for share-based payment transactions
- 796. Reversal of impairment of non-current investments and debt securities
- 797. Reversal of impairment of non-current loans
- 798. Reversal of impairment of current investments and debt securities
- 799. Reversal of impairment of current loans

790/791/792. Reversal of impairment of ...

Valuation adjustments to reflect the recovery in value of intangible assets, items of property, plant and equipment and investment property, to the limit of the impairment losses previously recorded.

The amount of the valuation adjustment shall be credited to these accounts, with a debit to accounts 290, 291, 292 or to account 599.

793. Reversal of impairment of inventories

Amount of the valuation adjustment to impairment existing at the balance sheet date for the prior reporting period.

The amount of impairment recorded in the prior reporting period shall be credited to this account at the balance sheet date, with a debit to accounts in subgroup 39 or to account 599.

794. Reversal of impairment of trade receivables

Amount of the valuation adjustment to impairment existing at the balance sheet date for the prior reporting period.

The amount of impairment recorded in the prior reporting period shall be credited to this account, with a debit to account 490, 493 or 599.

When the second alternative foreseen in account 490 is used, the definition and movements in this account shall be adapted to the requirements of that account.

795. Provision surpluses

7950/7951/7952/7954/7955/7956/7957

Positive difference between the amount of the existing provision and the appropriate amount calculated at the balance sheet date or when the corresponding obligation is met.

The provision surplus shall be credited to these four-digit accounts, with a debit to the corresponding accounts in subgroup 14 or to account 499 or 529.

796. Reversal of impairment of non-current investments and debt securities

Valuation adjustments to reflect the recovery in value of investments in subgroups 24 and 25 or, where applicable, in subgroup 58, to the limit of the impairment losses previously recorded.

The amount of the valuation adjustment shall be credited to this account, with a debit to account 293, 294, 297 or 599.

797. Reversal of impairment of non-current loans

Valuation adjustments to reflect the recovery in value of loans in subgroups 24 and 25 or, where applicable, in subgroup 58.

The account shall be credited for the amount of the valuation adjustment, with a debit to account 295, 298 or 599.

798. Reversal of impairment of current investments and debt securities

Valuation adjustments to reflect the recovery in value of investments in subgroups 53 and 54 or, where applicable, in subgroup 58, to the limit of the impairment losses previously recorded.

The amount of the valuation adjustment shall be credited to this account with a debit to account 593, 594, 597 or 599.

799. Reversal of impairment of current loans

Valuation adjustments to reflect the recovery in value of loans in subgroups 53 and 54 or, where applicable, in subgroup 58.

The amount of the valuation adjustment shall be credited to this account, with a debit to account 595, 598 or 599.

GROUP 8

EXPENSES RECOGNISED IN EQUITY

80. FINANCE EXPENSES ARISING ON MEASUREMENT OF FINANCIAL ASSETS

- 800. Losses on available-for-sale financial assets
- 802. Transfer of gains on available-for-sale financial assets

800. Losses on available-for-sale financial assets

Movements in this account are as follows:

- a) Decreases in the fair value of financial assets classified as available-for-sale, including those arising on reclassification, shall be debited to this account, with a credit to the corresponding asset or liability.
- b) The account shall be credited at the balance sheet date, with a debit to account 133.

802. *Transfer of gains on available-for-sale financial assets*

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) Upon disposal or derecognition of the available-for-sale financial asset, including those that have been reclassified, for the positive amount accumulated in equity, with a credit to account 7632.
 - a₂) In the event the financial asset has been reclassified as a held-to-maturity investment, for the positive balance accumulated in equity that is taken to the income statement over the residual life, as an increase in finance income in accordance with the recognition and measurement standards, with a credit to account 761.
 - a₃) In the case of a business combination achieved in stages in accordance with the recognition and measurement standards, for gains in value, recognised directly in equity, of any previously held investment in the acquiree classified as an available-for-sale financial asset, with a credit to account 7632.
- b) The account shall be credited at the balance sheet date, with a debit to account 133.

81. EXPENSES ARISING ON HEDGING TRANSACTIONS

- 810. Losses on cash flow hedges

- 811. Losses on hedges of a net investment in a foreign operation
- 812. Transfer of gains on cash flow hedges
- 813. Transfer of gains on hedges of a net investment in a foreign operation

810. Losses on cash flow hedges

Movements in this account are as follows:

- a) The account shall be debited for the amount derived from considering the lower of the following amounts: the accumulated losses on the hedging instrument since the inception of the hedge or the accumulated change in the fair value of the future cash flows expected from the hedged item since the inception of the hedge, generally with a credit to account 176, 255 or 559.
- b) The account shall be credited at the balance sheet date, with a debit to account 1340.

811. Losses on hedges of a net investment in a foreign operation

Movements in this account are as follows:

- a) Losses incurred on the amount of the hedge considered effective shall be debited to this account, generally with a credit to account 176, 255 or 559.
- b) The account shall be credited at the balance sheet date, with a debit to account 1341.

812. Transfer of gains on cash flow hedges

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) When the hedge of a forecast transaction or the hedge of a currency risk on a firm commitment gives rise to subsequent recognition of a financial asset or a financial liability, for the positive amount recognised directly in equity, to the extent that this asset or liability affects profit or loss for the reporting period, with a credit to an account that will be taken to the income statement item that includes the loss incurred on the hedged item.
 - a₂) When the hedge of a forecast transaction or the hedge of a currency risk on a firm commitment gives rise to recognition of a non-financial asset or a non-financial liability, for the positive amount recognised directly in equity, with a credit to the corresponding asset or liability account.
 - a₃) When a hedged non-financial asset or non-financial liability is derecognised in the hedge of a forecast transaction or the hedge of a currency risk on a firm commitment, for the positive amount recognised directly in equity, with a credit to an account that will be taken to the income statement item that includes the loss incurred on the hedged item.

- a₄) When the hedged item in the hedge of a recognised asset or a recognised liability affects profit or loss, with a credit to an account that will be taken to the income statement item that includes the loss incurred on the hedged item.
- a₅) For the amount of the gain directly recognised in equity, if the company does not expect the forecast transaction to take place, with a credit to account 7633.
- b) The account shall be credited at the balance sheet date, with a debit to account 1340.

813. Transfer of gains on hedges of a net investment in a foreign operation

Movements in this account are as follows:

- a) Upon the sale or disposal by any other means of the net investment in a foreign operation, the amount of the gain on the hedging instrument charged directly to equity shall be debited to this account, with a credit to account 768.
- b) The account shall be credited at the balance sheet date, with a debit to account 1341.

82. EXPENSES ARISING ON TRANSLATION DIFFERENCES

- 820. Negative translation differences
- 821. Transfer of positive translation differences

820. Negative translation differences

Movements in this account are as follows:

- a) The net debtor balance derived from the difference in value of assets and liabilities measured in a functional currency other than the presentation currency, as a result of translation to the presentation currency, shall be debited to this account, with a debit and/or credit to the respective accounts representing these assets and liabilities.
- b) The account shall be credited at the balance sheet date, with a debit to account 135.

821. Transfer of positive translation differences

Movements in this account are as follows:

- a) The account shall be debited upon derecognition, disposal or cancellation of the related asset or liability, with a credit to account 768.
- b) The account shall be credited at the balance sheet date, with a debit to account 135.

83. INCOME TAX

- 830. Income tax
- 8300. Current tax

- 8301. Deferred tax
- 833. Negative adjustments to income tax
- 834. Tax income on permanent differences
- 835. Tax income for tax deductions and credits
- 836. Transfer of permanent differences
- 837. Transfer of tax deductions and credits
- 838. Positive adjustments to income tax

830. Income tax

8300. Current tax

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For the tax payable in relation to income recognised in equity, with a credit to account 4752.
 - a₂) For withholdings and payments on account of tax relating to income recognised in equity, to the amount of tax payable for the period, with a credit to account 473.
- b) The account shall be credited for the amount of tax the company recovers from income or other taxes paid in prior reporting periods, with a debit to account 4709.
- c) The account shall be debited or credited at the balance sheet date, with a credit or debit to the corresponding accounts in subgroup 13.

8301. Deferred tax

Movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For the deferred tax associated with income recognised directly in equity, with a credit to account 479.
 - a₂) Upon transfer to the income statement of the negative amount accumulated in equity, with a credit to account 4740.
 - a₃) For the amount of the tax effect derived from the transfer to the income statement of expenses recognised directly in equity that had given rise to the corresponding current tax in prior reporting periods, with a credit to account 6301.
- b) The account shall be credited:
 - b₁) For the deferred tax associated with expenses recognised directly in equity, with a debit to account 4740.

- b₂) Upon transfer to the income statement of the positive amount accumulated in equity, with a debit to account 479.
- b₃) For the amount of the tax effect derived from the transfer to the income statement of income recognised directly in equity that had given rise to the corresponding current tax in prior reporting periods, with a debit to account 6301.
- c) The account shall be debited or credited at the balance sheet date, with a credit or debit to the corresponding accounts in subgroup 13.

833. Negative adjustments to income tax

Decreases in deferred tax assets or increases in deferred tax liabilities that come to light during the reporting period compared to the deferred tax assets and deferred tax liabilities previously generated, provided that these balances result from transactions or events recognised directly in equity.

In general, movements in this account are as follows:

- a) The account shall be debited:
 - a₁) For the reduction in assets arising from deductible temporary differences, with a credit to account 4740.
 - a₂) For the increase in liabilities arising from taxable temporary differences, with a credit to account 479.
- b) The account shall be credited at the balance sheet date, with a debit to the corresponding accounts in subgroup 13.

834. Tax income on permanent differences

Movements in this account are as follows:

- a) The tax effect of the permanent differences to be charged over several reporting periods shall be credited to this account, with a debit to account 6301.
- b) The account shall be debited at the balance sheet date, with a credit to account 137.

835. Tax income for tax deductions and credits

Movements in this account are in line with those indicated for account 834.

836. Transfer of permanent differences

In general, movements in this account are as follows:

- a) The part of the permanent difference to be taken to the income statement during the reporting period, in line with the depreciation of the asset that gives rise to the permanent difference, shall be debited to this account, generally with a credit to account 6301.
- b) The account shall be credited at the balance sheet date, with a debit to account 137.

837. Transfer of tax deductions and credits

Movements in this account are in line with those indicated for account 836.

838. Positive adjustments to income tax

Increases in deferred tax assets or decreases in deferred tax liabilities that come to light during the reporting period compared to the deferred tax assets and deferred tax liabilities previously generated, provided that these balances result from transactions or events recognised directly in equity

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) For the increase in assets arising from deductible temporary differences, with a debit to account 4740.
 - a₂) For the decrease in liabilities arising from taxable temporary differences, with a debit to account 479.
- b) The account shall be credited at the balance sheet date, with a debit to the corresponding accounts in subgroup 13.

84. TRANSFERS OF GRANTS, DONATIONS AND BEQUESTS

- 840. Transfer of government capital grants
- 841. Transfer of capital donations and bequests
- 842. Transfer of other grants, donations and bequests

840/841. Transfer of ...

Movements in these accounts are as follows:

- a) The accounts shall be debited when the grant, donation or bequest received is charged to the income statement, with a credit to account 746.
- b) The accounts shall be credited at the balance sheet date, with a debit to account 130 or 131, as appropriate.

842. Transfer of other grants, donations and bequests

Movements in this account are as follows:

- a) The account shall be debited when the grant, donation or bequest received is charged to the income statement, with a credit to account 747.
- b) The account shall be credited at the balance sheet date, with a debit to account 132.

85. ACTUARIAL LOSSES AND ADJUSTMENTS TO LONG-TERM DEFINED BENEFIT ASSETS

850. Actuarial losses

851. Negative adjustments to long-term defined benefit assets

850. Actuarial losses

Movements in this account are as follows:

- a) The actuarial loss incurred on the increase in the present value of post-employment benefits committed through defined benefit schemes, or on the decrease in the fair value of the related assets, shall be debited to this account at the balance sheet date, with a credit to account 140 or 257.
- b) The account shall be credited at the balance sheet date, with a debit to account 115.

851. Negative adjustments to long-term defined benefit assets

Movements in this account are as follows:

- a) The negative adjustment to be made for the limitation established in the recognition and measurement standards for the assets related to long-term post-employment benefits through defined benefit schemes shall be debited to this account at the balance sheet date, with a credit to account 140 or 257.
- b) The account shall be credited at the balance sheet date, with a debit to account 115.

86. EXPENSES ARISING ON NON-CURRENT ASSETS HELD FOR SALE

860. Losses on non-current assets and disposal groups held for sale

862. Transfer of gains on non-current assets and disposal groups held for sale

860. Losses on non-current assets and disposal groups held for sale

In general, movements in this account are as follows:

- a) Decreases in the fair value of non-current assets held for sale and directly-associated assets and liabilities classified in a disposal group held for sale, which should be measured at fair value with changes in equity in accordance with the recognition and measurement standards, shall be debited to this account, with a credit to accounts in subgroup 58.
- b) The account shall be credited at the balance sheet date, with a debit to account 136.

862. Transfer of gains on non-current assets and disposal groups held for sale

In general, movements in this account are as follows:

- a) Upon derecognition or disposal of the non-current asset held for sale, or of the directly-associated asset or liability classified in a disposal group held for sale, which should be measured at fair value with changes in equity in accordance with the recognition and measurement standards, this account shall be debited, generally with a credit to account 7632.
- b) The account shall be credited at the balance sheet date, with a debit to account 136.

89. EXPENSES ARISING ON INVESTMENTS IN GROUP COMPANIES OR ASSOCIATES WITH PRIOR POSITIVE VALUATION ADJUSTMENTS

- 891. Impairment of investments, group companies
- 892. Impairment of investments, associates

The accounts in this subgroup shall include the impairment losses on investments in group companies, jointly-controlled entities and associates that should be directly charged to equity, where investments had been made before the companies were considered to be group companies, jointly-controlled entities or associates and these investments had given rise to valuation adjustments for increases in value, which were directly charged to equity. In accounting for this, the relevant recognition and measurement standards should be kept in mind.

891/892

Movements in these accounts are as follows:

- a) Upon impairment of the financial asset, these accounts shall be debited to the limit of the prior positive valuation adjustments, with a credit to account 240 or 530.
- b) The accounts shall be credited at the balance sheet date, with a debit to account 133.

GROUP 9

INCOME RECOGNISED IN EQUITY

90. FINANCE INCOME FROM MEASUREMENT OF ASSETS AND LIABILITIES

900. Gains on available-for-sale financial assets

902. Transfer of losses on available-for-sale financial assets

900. Gains on available-for-sale financial assets

Movements in this account are as follows:

- a) Increases in the fair value of financial assets classified as available-for-sale, including those arising on reclassification, shall be credited to this account, with a debit to the corresponding asset accounts.
- b) The account shall be debited at the balance sheet date, with a credit to account 133.

902. Transfer of losses on available-for-sale financial assets

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) Upon disposal or derecognition of the available-for-sale financial assets, including those that have been reclassified, for the negative balance accumulated in equity, with a debit to account 6632.
 - a₂) Upon impairment of the financial instrument, for the negative balance accumulated in equity, with a debit to the accounts of the corresponding debt instruments or to account 696 in the case of investments in equity instruments.
 - a₃) In the event the financial instrument has been reclassified as a held-to-maturity investment, for the negative balance accumulated in equity that is taken to the income statement over the residual life, as a reduction in finance income in accordance with the recognition and measurement standards, with a debit to account 761.
 - a₄) In the case of a business combination achieved in stages in accordance with the recognition and measurement standards, for losses in value, recognised directly in equity, of any previously held investment in the acquiree classified as an available-for-sale financial asset, with a debit to account 6632.
- b) The account shall be debited at the balance sheet date, with a credit to account 133.

91. INCOME FROM HEDGING TRANSACTIONS

- 910. Gains on cash flow hedges
- 911. Gains on hedges of a net investment in a foreign operation
- 912. Transfer of losses on cash flow hedges
- 913. Transfer of losses on hedges of a net investment in a foreign operation

910. Gains on cash flow hedges

Movements in this account are as follows:

- a) The account shall be credited for the amount derived from considering the lower of the following amounts: the accumulated gains on the hedging instrument since the inception of the hedge or the accumulated change in the fair value of the future cash flows expected from the hedged item since the inception of the hedge, generally with a debit to account 176, 255 or 559.
- b) The account shall be debited at the balance sheet date, with a credit to account 1340.

911. Gains on hedges of a net investment in a foreign operation

Movements in this account are as follows:

- a) Gains generated on the amount of the hedge considered effective shall be credited to this account, generally with a debit to account 176, 255 or 559.
- b) The account shall be debited at the balance sheet date, with a credit to account 1341.

912. Transfer of losses on cash flow hedges

Movements in this account are as follows:

- a) The account shall be credited:
 - a₁) When the hedge of a forecast transaction or the hedge of a currency risk on a firm commitment gives rise to subsequent recognition of a financial asset or a financial liability, for the negative amount recognised directly in equity, to the extent that this asset or liability affects profit or loss for the reporting period, with a debit to an account that will be taken to the income statement that includes the gain generated on the hedged item.
 - a₂) When the hedge of a forecast transaction or the hedge of a currency risk on a firm commitment gives rise to recognition of a non-financial asset or a non-financial liability, for the negative amount recognised directly in equity, with a debit to the corresponding asset or liability account.
 - a₃) When a hedged non-financial asset or non-financial liability is derecognised in the hedge of a forecast transaction or the hedge of a currency risk on a firm commitment, for the negative amount recognised directly in equity, with a debit to an account that will be taken to the income statement item that includes the gain generated on the hedged item.

- a₄) When the hedged item in the hedge of a recognised asset or a recognised liability affects profit or loss, with a debit to an account that will be taken to the income statement item that includes the gain generated on the hedged item.
 - a₅) For the amount of the loss directly recognised in equity that the company does not expect to recover, with a debit to account 6633.
 - b) The account shall be debited at the balance sheet date, with a credit to account 1340.
913. Transfer of losses on hedges of a net investment in a foreign operation

Movements in this account are as follows:

- a) The account shall be credited upon the sale or disposal by any other means of the net investment in a foreign operation, for the amount of the loss in the hedging instrument directly charged to equity, with a debit to account 668.
- b) The account shall be debited at the balance sheet date, with a credit to account 1341.

92. INCOME FROM TRANSLATION DIFFERENCES

- 920. Positive translation differences
- 921. Transfer of negative translation differences

920. Positive translation differences

Movements in this account are as follows:

- a) The net creditor balance derived from the difference in value of the assets and liabilities measured in a functional currency other than the presentation currency, as a result of translation to the presentation currency, shall be credited to this account, with a debit and/or credit to the respective balance sheet accounts representing these assets and liabilities.
- b) The account shall be debited at the balance sheet date, with a credit to account 135.

921. Transfer of negative translation differences

Movements in this account are as follows:

- a) The account shall be credited upon derecognition, disposal or cancellation of the related asset or liability, with a debit to account 668.
- b) The account shall be debited at the balance sheet date, with a credit to account 135.

94. INCOME FROM GRANTS, DONATIONS AND BEQUESTS

- 940. Income from government capital grants
- 941. Income from capital donations and bequests

942. Income from other grants, donations and bequests

940/941/942. Income from government capital grants / Capital donations and bequests / Other grants, donations and bequests

Movements in these accounts are as follows:

- a) The accounts shall be credited:
 - a₁) For the grants, donations or bequests awarded to the company, generally with a debit to accounts in subgroup 47 or 57.
 - a₂) For payables that are converted into grants, donations or bequests, with a debit to account 172 or 522.
- b) The accounts shall be debited at the balance sheet date, with a credit to accounts 130, 131 or 132, as appropriate.

95. ACTUARIAL GAINS AND ADJUSTMENTS TO LONG-TERM DEFINED BENEFIT ASSETS

950. Actuarial gains

951. Positive adjustments to long-term defined benefit assets

950. Actuarial gains

Movements in this account are as follows:

- a) The account shall be credited at the balance sheet date for the actuarial gain generated by the decrease in the present value of post-employment benefits committed through defined benefit schemes, or for the increase in the fair value of the assets related with these schemes, with a debit to account 140 or 257.
 - b) The account shall be debited at the balance sheet date, with a credit to account 115.
951. Positive adjustments to long-term defined benefit assets

Movements in this account are as follows:

- a) The positive adjustment to be made to assets for long-term post-employment benefits to personnel through defined benefit schemes, in accordance with the recognition and measurement standards, shall be credited to this account at the balance sheet date, with a debit to account 140 or 257.
- b) The account shall be debited at the balance sheet date, with a credit to account 115.

96. INCOME FROM NON-CURRENT ASSETS HELD FOR SALE

960. Gains on non-current assets and disposal groups held for sale

962. Transfer of losses on non-current assets and disposal groups held for sale

960. Gains on non-current assets and disposal groups held for sale

In general, movements in this account are as follows:

- a) Increases in the fair value of non-current assets held for sale and directly-associated assets and liabilities classified in a disposal group held for sale, which should be measured at fair value with changes in equity in accordance with the recognition and measurement standards, shall be credited to this account, with a debit to accounts in subgroup 58.
- b) The account shall be debited at the balance sheet date, with a credit to account 136.

962. Transfer of losses on non-current assets and disposal groups held for sale

In general, movements in this account are as follows:

- a) The account shall be credited:
 - a₁) Upon derecognition or disposal of the non-current asset held for sale, or of the directly-associated asset or liability classified in a disposal group held for sale, which should be measured at fair value with changes in equity in accordance with the recognition and measurement standards, generally with a debit to account 6632.
 - a₂) Upon impairment of the non-current asset held for sale or of the directly-associated asset classified in a disposal group held for sale, which should be measured at fair value with changes in equity in accordance with the recognition and measurement standards, for the negative balance accumulated in equity, with a debit to the corresponding accounts of the debt instruments or to account 698 in the case of investments in equity instruments.
- b) The account shall be debited at the balance sheet date, with a credit to account 136.

99. INCOME FROM INVESTMENTS IN GROUP COMPANIES OR ASSOCIATES WITH PRIOR NEGATIVE VALUATION ADJUSTMENTS

991. Reversal of prior negative valuation adjustments, group companies
992. Reversal of prior negative valuation adjustments, associates
993. Transfer for impairment of prior negative valuation adjustments, group companies
994. Transfer for impairment of prior negative valuation adjustments, associates

The accounts in this subgroup shall reflect the recovery of valuation adjustments for decreases in value recognised directly in equity, where investments had been made before the companies were considered to be group companies, jointly-controlled entities or associates. The accounts in this subgroup shall also comprise transfers to the income statement of these valuation adjustments, in the event of impairment. The foregoing must be in accordance with the prevailing recognition and measurement standards.

991/992.Reversal of prior negative valuation adjustments, group companies / associates

Movements in these accounts are as follows:

- a) The accounts shall be credited when the recoverable amount of the investment exceeds its carrying amount, up to the limit of the prior negative valuation adjustments, with a debit to account 240 or 530.
- b) The accounts shall be debited at the balance sheet date, with a credit to account 133.

993/994.Transfer for impairment of prior negative valuation adjustments, group companies / associates

Movements in these accounts are as follows:

- a) The accounts shall be credited upon impairment of the financial asset, for the prior negative valuation adjustments, with a debit to account 696 or 698.
- b) The accounts shall be debited at the balance sheet date, with a credit to account 133.