

Auriga Capital Investments, S.L. and Subsidiaries

Consolidated Annual Accounts

31 December 2016

Consolidated Directors' Report

2016

(With Independent Auditor's Report Thereon)

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



KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

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

To the Shareholders of
Auriga Capital Investments, S.L.

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Auriga Capital Investments, S.L. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2016 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

Directors' Responsibility for the Consolidated Annual Accounts

The Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of Auriga Capital Investments, S.L. and subsidiaries in accordance with the financial reporting framework applicable to the entity in Spain, specified in note 2 to the accompanying consolidated annual accounts, and for such internal control that they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

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

Opinion

In our opinion, the accompanying consolidated annual accounts for 2016 give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Auriga Capital Investments, S.L. and subsidiaries at 31 December 2016 and their financial performance and consolidated cash flows for the year then ended in accordance with the applicable financial reporting framework and, in particular, with the accounting principles and criteria set forth therein.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2016 contains such explanations as the Directors consider relevant to the situation of the Group, its business performance and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2016. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Group

KPMG Auditores, S.L.

(Signed on original in Spanish)

Fernando Renedo Avilés

28 April 2017

AURIGA CAPITAL INVESTMENTS, S.L.
AND SUBSIDIARIES

Consolidated Balance Sheets

31 December 2016 and 2015

(Expressed in Euros to two decimal places)

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

Assets	Note	31.12.16	31.12.15
Cash		5,072.39	9,311.64
Financial assets held for trading	5		
Debt securities		6,678,577.65	11,078,302.90
Equity instruments		1,906,970.50	4,891,181.60
Other financial assets		-	156,160.68
<i>Memorandum item: Loaned or pledged</i>		-	-
		8,585,548.15	16,125,645.18
Available-for-sale financial assets	6		
Debt securities		2,818,900.92	-
Equity instruments		32,784,104.09	15,958,043.77
<i>Memorandum item: Loaned or pledged</i>		1,274,735.24	1,736,227.74
		35,603,005.01	15,958,043.77
Loans and receivables	7		
Due from financial intermediaries		48,607,617.57	123,619,129.76
Due from customers		33,042,065.50	28,482,780.92
		81,649,683.07	152,101,910.68
Equity investments	8		
Jointly controlled entities		1,441,088.93	-
Associates		7,250,496.62	2,602,924.80
		8,691,585.55	2,602,924.80
Property, plant and equipment	9		
For own use		172,069.23	308,071.48
Investment property		-	59,244.97
		172,069.23	367,316.45
Intangible assets	10		
Goodwill		665,036.60	711,538.30
Other intangible assets		165,421.31	234,638.74
		830,457.91	946,177.04
Tax assets	12		
Current		134,376.25	72,382.06
Deferred		56,223.68	551,289.93
		190,599.93	623,671.99
Other assets	13	9,201,155.39	6,549,054.47
Total assets		<u>144,929,176.63</u>	<u>195,284,056.02</u>

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

AURIGA CAPITAL INVESTMENTS, S.L.
AND SUBSIDIARIES

Consolidated Balance Sheets

31 December 2016 and 2015

(Expressed in Euros to two decimal places)

Liabilities and Equity	Note	31.12.16	31.12.15
Financial liabilities held for trading	5		
Trading derivatives		-	62,232.02
Short positions		3,914,512.66	4,924,842.46
		<u>3,914,512.66</u>	<u>4,987,074.48</u>
Other financial liabilities at fair value through profit or loss	17	-	8,500,860.39
Financial liabilities at amortised cost	14		
Due to financial intermediaries		22,979,380.14	46,108,760.15
Due to customers		35,977,753.72	69,186,670.81
Other financial liabilities		7,290,449.01	9,521,127.57
		<u>66,247,582.87</u>	<u>124,816,558.53</u>
Provisions	22		
Other provisions		650,000.00	-
Tax liabilities	12		
Current		793,550.23	1,108,022.33
Deferred		5,969,176.44	1,343,144.10
		<u>6,762,726.67</u>	<u>2,451,166.43</u>
Other liabilities	13	8,265,773.27	7,460,110.52
		<u>8,265,773.27</u>	<u>7,460,110.52</u>
Total liabilities		<u>85,840,595.47</u>	<u>148,215,770.35</u>
Equity	15		
Capital			
Registered capital		3,000,000.00	3,000,000.00
Share premium		18,683,668.66	18,683,668.66
Reserves		12,811,892.38	11,465,654.82
Reserves of equity-accounted investees		(3,919.34)	291,255.47
Profit for the year		1,034,313.22	2,051,062.75
		<u>35,525,954.92</u>	<u>35,491,641.70</u>
Valuation adjustments	16		
Available-for-sale financial assets		7,462,421.68	1,317,466.97
Exchange gains		960,563.40	864,482.48
		<u>8,422,985.08</u>	<u>2,181,949.45</u>
Equity attributable to the Parent		<u>43,948,940.00</u>	<u>37,673,591.15</u>
Minority interests		<u>15,139,641.16</u>	<u>9,394,694.52</u>
Total liabilities and equity		<u>144,929,176.63</u>	<u>195,284,056.02</u>
MEMORANDUM ITEM	Note		
Risk and commitment accounts	17		
Bank and other guarantees extended		2,285,087.05	12,056,579.55
Forward securities sale-purchase commitments		3,129,465.38	22,956,317.79
Financial derivatives		1,545,034.00	80,968,964.07
		<u>6,959,586.43</u>	<u>115,981,861.41</u>
Other off-balance sheet items	17		
Securities held on deposit		-	160,981,206.93
Portfolios managed		618,173,435.87	441,000,382.60
Other off-balance sheet items		357,581,743.92	412,809,583.00
		<u>975,755,179.79</u>	<u>1,014,791,172.53</u>
Total off-balance sheet items		<u>982,714,766.22</u>	<u>1,130,773,033.94</u>

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

AURIGA CAPITAL INVESTMENTS, S.L.
AND SUBSIDIARIES

Consolidated Income Statements
for the years ended
31 December 2016 and 2015

(Expressed in Euros to two decimal places)

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

	Note	2016	2015
Interest and similar income	19	2,189,104.01	2,662,733.87
Interest expense and similar charges	20	(3,393,504.34)	(1,878,258.36)
Interest margin		(1,204,400.33)	784,475.51
Dividend income	19	1,341,484.05	530,186.88
Share of profit or loss of equity-accounted investees	8	1,049,635.73	(754,416.33)
Fee and commission income	21	31,839,564.42	22,491,919.60
Fee and commission expense	21	(6,762,591.17)	(2,752,536.88)
Gains/(losses) on financial assets and liabilities			
Held for trading	5	7,763,347.88	13,737,458.86
Other		(1,184,099.18)	445,079.71
Exchange gains		1,672,612.62	2,375,193.63
Other operating income		1,773,988.70	659,224.51
Other operating expenses	22	(1,613,437.50)	(1,352,326.09)
Gross margin		34,676,105.22	36,164,259.40
Personnel expenses	23	(18,777,056.58)	(22,065,204.62)
Overheads	24	(12,076,737.15)	(11,537,488.88)
Depreciation and amortisation	9 and 10	(298,612.02)	(454,458.84)
Impairment losses on financial assets (net)			
Loans and receivables	25	(1,771,307.31)	(340,891.41)
Results from operating activities		1,752,392.16	1,766,215.65
Gains/(losses) on disposal of assets not classified as non-current assets held for sale		-	(76,805.50)
Negative goodwill on business combinations	1 and 8	-	539,465.04
Profit before income tax		1,752,392.16	2,228,875.19
Income tax	27	(1,379,871.71)	(2,044,049.01)
Profit from continuing operations		372,520.46	184,826.18
Consolidated profit for the year		372,520.46	184,826.18
Profit attributable to the Parent		1,034,313.22	2,051,062.75
Profit attributable to minority interests		(661,792.78)	(1,866,236.57)
Earnings per share (Euros)			
Basic		1.24	0.62

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

AURIGA CAPITAL INVESTMENTS, S.L.
AND SUBSIDIARIES

Consolidated Statements of Changes in Equity for the years
ended 31 December 2016 and 2015

A) Consolidated Statements of Recognised Income and Expense
for the years ended
31 December 2016 and 2015

(Expressed in Euros to two decimal places)

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

	2016	2015
Profit for the year	372,520.46	184,826.18
Other recognised income/(expense)		
Available-for-sale financial assets		
Revaluation gains	17,854,446.53	2,073,765.53
Amounts transferred to the income statement	564,709.10	(539,462.42)
Exchange gains/(losses)		
Other reclassifications	128,107.89	742,262.92
Income tax	(4,636,815.88)	(569,141.51)
	13,910,447.64	1,707,424.52
Total recognised income and expense	14,282,968.10	1,892,250.70
Attributable to the Parent	7,275,348.85	2,096,379.08
Attributable to minority interests	7,007,619.25	(204,128.38)

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

AURIGA CAPITAL INVESTMENTS, S.L.
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Consolidated Statements of Changes in Equity for the years ended
31 December 2016 and 2015

B) Consolidated Statement of Total Changes in Equity for the year ended
31 December 2016

(Expressed in Euros to two decimal places)

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

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

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

AURIGA CAPITAL INVESTMENTS, S.L.
AND SUBSIDIARIES

Consolidated Statements of Changes in Equity for the years ended
31 December 2016 and 2015

B) Consolidated Statement of Total Changes in Equity for the year ended
31 December 2015

(Expressed in Euros to two decimal places)

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

	Registered capital	Share premium	Reserves	Reserves of equity- accounted investees	Profit for the year attributable to the Parent	Total capital and reserves	Valuation adjustments	Minority interests	Total equity
Balance at 31 December 2014	3,000,000.00	18,683,668.66	8,479,784.13	93,703.59	2,762,578.80	33,019,735.18	2,136,633.12	6,833,090.27	41,989,458.57
Other movements	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2015	3,000,000.00	18,683,668.66	8,479,784.13	93,703.59	2,762,578.80	33,019,735.18	2,136,633.12	6,833,090.27	41,989,458.57
Recognised income and expense	-	-	-	-	2,051,062.75	2,051,062.75	45,316.33	(204,128.38)	1,892,250.70
Transfers between equity line items	-	-	2,563,636.83	198,941.97	(2,762,578.80)	-	-	-	-
Other changes in equity									
Increase/(decrease) due to business combinations									
Other movements	-	-	422,233.86	(1,390.09)	-	420,843.77	-	2,765,732.63	3,186,576.40
Distribution of dividends	-	-	-	-	-	-	-	-	-
Balance at 31 December 2015	<u>3,000,000.00</u>	<u>18,683,668.66</u>	<u>11,465,654.82</u>	<u>291,255.47</u>	<u>2,051,062.75</u>	<u>35,491,641.70</u>	<u>2,181,949.45</u>	<u>9,394,694.52</u>	<u>47,068,285.67</u>

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

AURIGA CAPITAL INVESTMENTS, S.L.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows for the years
ended 31 December 2016 and 2015

(Expressed in Euros to two decimal places)

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

	2016	2015
1. Cash flows from (used in) operating activities	(67,745,740.40)	55,786,796.71
Profit for the year	1,752,392.16	2,228,875.20
Adjustments to obtain cash flows from operating activities		
Depreciation and amortisation (+)	298,612.02	454,458.84
Other items (+/-)	7,881,195.79	(1,121,924.77)
	8,179,807.81	(667,465.93)
Adjusted profit (+/-)	9,932,199.97	1,561,409.26
Net increase/(decrease) in operating assets		
Loans and receivables (+/-)	13,477,706.93	(1,057,133.61)
Financial assets held for trading (+/-)	7,540,097.03	1,215,811.32
Available-for-sale financial assets (+/-)	(19,644,961.24)	(6,574,240.94)
Other operating assets (+/-)	(5,564,170.47)	(553,962.73)
	(4,191,327.75)	(6,969,525.96)
Net increase/(decrease) in operating liabilities		
Financial liabilities at amortised cost (+/-)	(61,894,391.31)	54,393,948.55
Financial liabilities held for trading	(9,573,422.21)	1,987,684.85
Other financial liabilities at fair value through profit or loss	-	5,627,053.45
Other operating liabilities	(6,330,359.34)	(129,165.51)
	(77,798,172.86)	61,879,521.34
Income tax payments (+/-)	4,311,560.24	(684,607.93)
	(6,275,083.03)	2,202,838.22
2. Cash flows from (used in) investing activities		
Payments (-)		
Equity investments	(6,088,660.70)	-
Property, plant and equipment	(48,549.37)	(176,593.63)
Intangible assets	(137,872.96)	(154,509.54)
Investment property	-	-
	(6,275,083.03)	(331,103.17)
Receipts (+)		
Equity investments	-	2,078,147.77
Investment property	-	455,793.62
		2,533,941.39
3. Cash flows from (used in) financing activities	(1,000,000.00)	-
Dividends and interest on other equity instruments paid	(1,000,000.00)	-
4. Effect of exchange rate fluctuations on cash and cash equivalents	-	-
5. Net increase/decrease in cash and cash equivalents (1+2+3+4)	(75,020,823.43)	57,989,634.93
Cash and cash equivalents at beginning of year	123,628,441.00	65,638,806.47
Cash and cash equivalents at year end	48,607,617.57	123,628,441.40

The accompanying notes form an integral part of the consolidated annual accounts for 2016.

AURIGA CAPITAL INVESTMENTS, S.L.
AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

31 December 2016

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

(1) Nature and Principal Activities

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

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

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

- Auriga Global Investors, Sociedad de Valores, S.A., Sociedad Unipersonal
- Auriga Special Holdings LLC
- Xzerta Solar I Spain LLC
- Auriga Renovables, S.L.
- Xzerta Mesa Spain LLC
- Finalter, S.L.
- Auriga Sherpa I, S.L.
- General Universal Business, S.L.
- CA Metropolitan ATM 10, S.A.
- Quadriga Asset Managers S.G.I.I.C., S.A. (formerly Auriga Asset Management S.G.I.I.C., S.A.)
- Auriga Grapheno, S.L.
- Isleni Global S.A. (formerly A.I.G. Finanzas, S.A.)
- Alternative Financing, Estructuración y Originación, S.L.
- Einicia Crowdfunding, S.L.
- Carbono Puro, S.L.

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

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

AURIGA CAPITAL INVESTMENTS, S.L.
AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

In 2016 the main transactions carried out by the consolidable Group are as follows:

- On 1 July 2016, the Parent acquired all the share capital of Carbono Puro S.L., comprising 3,000 shares, for Euros 3,000.00. Subsequently, on 21 December 2016 this subsidiary increased capital by Euros 2,000,000.00 through the issue of 2,000,000 shares, giving a total capital of Euros 2,003,000.00. The Parent subscribed 1,085,400 shares in this capital increase at their par value of Euros 1,085,400.00, giving it an ownership interest of 54.34% at 31 December 2016. The Group therefore has control over this subsidiary.
- On 25 November 2015 the Group acquired all of the 3,000 shares of Alternative Financing, Estructuración y Originación, S.L. for a total of Euros 3,000.00. On 16 December 2016 the subsidiary increased capital by Euros 985.00 through the issue of 985 shares with a share premium of Euros 53.86 each. Capital stood at Euros 3,985.00 following the increase. This increase has been fully subscribed by minority interests, giving the Group an ownership interest of 75.28% at 31 December 2016.
- On 16 December 2016, the Parent sold all the shares of Finalter S.L. to the subsidiary Alternative Financing, Estructuración y Originación, S.L. The Group therefore has a 75.28% interest in Finalter S.L. at 31 December 2016 (100% at 31 December 2015).
- The subsidiary Alternative Financing, Estructuración y Originación, S.L. holds 85% of the capital of Eincia Crowdfunding, S.L., giving the Group an indirect ownership interest of 64.00% at 31 December 2016.

In 2015 the main transactions carried out by the consolidable Group were as follows:

- On 10 February 2015, the Group acquired an additional investment in Xzerta Solar I Spain, LLC for Euros 615,330.50 (US Dollars 700,000.00), bringing its interest to 63.00% at 31 December 2016 and 2015.
- On 13 May 2015 the Group incorporated Quadriga Asset Managers S.G.I.I.C, S.A. (formerly Auriga Asset Management, S.G.I.I.C., S.A.), subscribing all of this subsidiary's capital.
- On 15 July 2015, the Group sold 93,340 shares of Auriga Sherpa, S.L. for Euros 93,340.00. At 31 December 2016 and 2015, the Group holds a 21.70% interest in this subsidiary and has control thereof.
- On 21 September 2015, the Company acquired 3,568,600.00 shares in Auriga Grapheno, S.L. at a par value of Euros 1 each. At 31 December 2016 and 2015, the Group holds a 48.92% interest in this subsidiary and has control thereof.

AURIGA CAPITAL INVESTMENTS, S.L.
AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

- On 27 October 2015 the Group acquired 344,381 shares of Isleni Global S.A. (formerly A.I.G. Finanzas, S.A.) with a par value of Euros 7.50 each, for a total of Euros 1,425,000.00, representing 100% of this company's capital. The acquisition-date fair value of the net assets acquired was Euros 1,964,465.04 and the consideration paid was Euros 1,425,000.00. Consequently there was negative goodwill on consolidation of Euros 539,465.04, which was recognised under "Negative goodwill on business combinations" in the consolidated income statement for 2015. At 31 December 2016 this negative consolidation difference is recognised under "Reserves" in the consolidated balance sheet.
- In 2015 the Group acquired all of the share capital of CA Metropolitan ATM 1, comprising 320 shares, for Euros 32,000.00.

Appendix I attached hereto, which forms an integral part of this note, includes information on the fully consolidated companies and the percentage of interest held in each at 31 December 2016 and 2015.

Appendix II attached hereto, which forms an integral part of this note, includes information on the equity-accounted associates and the percentage of interest held in each at 31 December 2016 and 2015.

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

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

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

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

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

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

- The partial spin-off agreement was adopted under the provisions of article 42 of the LME, read in conjunction with article 73.1 of the LME, which regulates spin-offs by unanimous agreement of the shareholders. The employees of the spun-off company were notified of the spin-off.
- Given that the spin-off agreement was adopted by way of unanimous decision of the shareholders of the participating companies, as established in article 42 of the LME, read in conjunction with article 73 of the LME, it was not necessary to publish or file the common draft terms of partial spin-off at the Madrid Mercantile Registry. Also in accordance with these provisions, the directors of the participating companies were not required to draw up a report on the draft terms of partial spin-off. In addition, because the agreement was adopted by way of unanimous decision, in accordance with article 78.3 of the LME the spin-off did not require an independent expert report.
- The partial spin-off was conditional upon receiving the necessary administrative authorisation from the Spanish National Securities Market Commission (CNMV), which was granted on 24 November 2016.
- The exchange ratio of the shares of the beneficiary company received by the sole shareholder of the spun-off company, Auriga Capital Investments, S.L., was determined on the basis of the carrying amount of the beneficiary company, which is the same as its actual value, and on the basis of the actual value of the retail brokerage activity spun off.

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

- Assets and liabilities spun-off to the beneficiary company

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

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

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

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

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

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(2) Basis of Presentation of the Consolidated Annual Accounts

(a) True and fair view

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

The consolidated annual accounts for 2016 have been prepared in accordance with prevailing legislation and CNMV Circular 7/2008 of 26 November 2008, partly amended by CNMV Circular 5/2011 of 12 December 2011, to give a true and fair view of the consolidated equity and consolidated financial position at 31 December 2016 and consolidated results of operations, changes in consolidated equity and consolidated cash flows for the year then ended.

The annual accounts were authorised for issue by the Parent's board of directors on 31 March 2017.

The consolidated annual accounts include certain adjustments and reclassifications necessary to harmonise the accounting and presentation principles applied by the subsidiaries with those used by the Group. These consolidated annual accounts are pending approval by the shareholders. Nevertheless, the board of directors of the Group's Parent considers that the consolidated annual accounts for 2016 will be approved with no significant changes.

(b) Comparative information

As required by accounting legislation, the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for the year ended 31 December 2016 include comparative figures for the prior year, which formed part of the consolidated annual accounts approved at the annual general meeting held on 21 July 2016.

As a result of the spin-off in 2016 of the activity consisting of the online brokerage of variable income securities and derivatives for retail customers (see note 1), the figures at 31 December 2016 are not directly comparable with those at 31 December 2015.

(c) Functional and presentation currency

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

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

There have been no changes in the judgements and accounting estimates used by the Group in 2016 compared to the prior year.

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

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

- Estimates to calculate the fair value of the financial instruments held by the Group (see notes 5 and 6).
- Estimates to calculate the impairment of goodwill (see note 10).
- Estimates to calculate the bonus payable to Group employees (see note 13).
- Estimates to calculate the income tax expense and deferred tax assets and liabilities (see notes 12 and 26).

Although estimates are calculated by the Group's directors based on the best information available at 31 December 2016, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(3) Distribution of Profit

The board of directors will propose to the shareholders of the Parent at their annual general meeting that the profit for the year ended 31 December 2016 be transferred to voluntary reserves.

At their annual general meeting held on 21 July 2016, the shareholders of the Parent agreed that the profit for the year ended 31 December 2015 be taken to voluntary reserves.

Details of consolidated non-distributable reserves at 31 December 2016 and 2015 are as follows:

	Euros	
	31.12.16	31.12.15
Non-distributable reserves:		
Legal reserve	600,000.00	600,000.00
Capitalisation reserve	1,300,828.53	-
	1,900,828.53	600,000.00

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

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(4) Significant Accounting Policies

(a) Subsidiaries

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

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

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

Subsidiaries are fully consolidated.

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

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

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

(b) Business combinations

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

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

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

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

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

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

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

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

(c) Goodwill on consolidation

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

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

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

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

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(d) Minority interests

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

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

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

(e) Associates

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

- a) Representation on the board of directors or equivalent governing body of the investee;
- b) Participation in the policy-making processes, including those relating to dividends and other distributions.
- c) Material transactions between the investor and the investee.
- d) Interchange of senior management personnel.
- e) Provision of essential technical information.

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

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

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

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

- a) When positive, as goodwill on the acquisition of the investee, which, for presentation purposes, shall be included in the carrying amount of the investment. As this goodwill is not recognised separately, the analysis of its impairment shall form part of the analysis of the impairment of the whole investment.
- b) When negative, the techniques and methods used as a basis for estimating the fair values of the assets and liabilities of the investee, and the resulting amounts, shall be reviewed. After this review, any remaining negative difference shall be recognised as a gain in the investor's income statement.

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

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

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

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

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

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

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

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

(f) Foreign currency transactions, balances and cash flows

i. Foreign currency transactions, balances and cash flows

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

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

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

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

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

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

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

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iii. Translation of foreign operations

Foreign operations have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, are translated at the rate at the reporting date.
- Income and expenses are translated at the average exchange rate for the year.
- All resulting exchange differences are recognised as translation differences in consolidated equity.

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

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

(g) Recognition, classification and measurement of financial instruments

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

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

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

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

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

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

- * In the event of exceptional circumstances arising from a particular, isolated event not associated with the entity, in which case the assets are reclassified to available-for-sale financial assets.
- * The Group has the intention and financial ability to hold the assets until maturity and the assets met the definition of loans and receivables on initial recognition, in which case they are classified as loans and receivables.
- Other financial assets at fair value through profit or loss: hybrid financial assets, jointly-managed assets and hedging derivatives. These are measured at fair value and net differences with the acquisition price are recognised in the consolidated income statement.
- Held-to-maturity investments: debt securities with fixed maturity and fixed or determinable cash flows that the Group has decided to hold until maturity. Government debt, bonds and other fixed income securities in the held-to-maturity portfolio are initially recognised at the fair value of the consideration given and are subsequently carried at amortised cost using the effective interest rate.
- Loans and receivables: financial assets that are not derivatives, with fixed or determinable cash flows, on which the Group will recover all expenditure incurred. These assets are initially recognised at the fair value of the consideration given, and are subsequently carried at amortised cost using the effective interest rate. Assets purchased at a discount are recognised at the amount disbursed. The difference between the maturity amount and the cash disbursed is recognised as finance income in the consolidated income statement over the residual period until maturity.
- Available-for-sale financial assets: those securities not classified in any of the preceding portfolios. These assets are carried at fair value and net differences with the acquisition price are recognised in equity until the asset is derecognised, whereupon the gain or loss on disposal is taken to the income statement.
- Financial liabilities at fair value through profit or loss:
 - Financial liabilities held for trading: securities issued with an intention to repurchase them in the near term, short positions, or which form part of a portfolio of identified financial instruments that are jointly managed, for which there is evidence of a recent pattern of short-term profit-taking, and derivatives other than hedging instruments. These are measured at fair value and net differences with the acquisition price are recognised in the income statement.

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- Other financial liabilities at fair value through profit or loss: hybrid financial instruments that do not form part of the trading portfolio and must therefore be measured at fair value, when the associated financial assets are also measured at fair value through profit or loss. This category also includes jointly managed liabilities and liabilities that may be cancelled by the holder at fair value. These are measured at fair value and net differences with the acquisition price are recognised in the income statement.
- Financial liabilities at fair value through consolidated equity: all financial liabilities associated with available-for-sale financial assets that have been transferred but do not meet the conditions for derecognition. These liabilities are measured in the same way as assets at fair value through equity.
- Financial liabilities at amortised cost: those securities not classified in any of the preceding portfolios. They are initially recognised at the fair value of the consideration received, and subsequently carried at amortised cost, recognising net differences with the acquisition price in the income statement.

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

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

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

- The Group first applies the quoted market price in the most advantageous active market to which it has immediate access, adjusted to reflect any difference in the credit risk between instruments traded in that market and the one being valued. The bid price is used for assets purchased or liabilities to be issued and the asking price is used for assets to be purchased or liabilities issued. If the Group has assets and liabilities with offsetting market risks, it uses mid-market prices for the offsetting risk positions and applies the bid or asking price to the net position, as appropriate.
- Where market prices are not available, the Group uses recent transaction prices adjusted to market conditions.
- Otherwise, for most derivatives the Group applies generally accepted valuation techniques that make maximum use of market inputs and rely as little as possible on entity-specific inputs.

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(j) Impairment of financial assets

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

- Impairment of financial assets carried at cost or amortised cost

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

- Impairment of available-for-sale financial assets

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

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

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

(k) Transfers of financial assets

Financial asset transfers are measured as follows:

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

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

(l) Fees and commissions, interest and dividend income

- Fees and commissions

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

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

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

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

- Interest and dividend income

Interest is recognised using the effective interest method.

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

(m) Coverage of credit risk

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

(n) Financial futures and forward sale and purchase transactions

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

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(o) Options and warrants

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

(p) Swaps

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

(q) Hedging transactions to reduce risks: Hedge accounting

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

- Fair value hedges: hedges of the exposure to changes in fair value. The gains or losses attributable to both the hedging instrument and the hedged risk are recognised immediately in the income statement.
- Cash flow hedges: hedges of the exposure to variations in cash flows that is attributable to a particular risk associated with an asset or liability or a forecast transaction. The gain or loss attributable to the portion of the hedging instrument that qualifies as an effective hedge is recognised temporarily under valuation adjustments in equity at the lower of the cumulative gain or loss on the hedging instrument from the inception of the hedge and the cumulative change in the present value of expected future cash flows of the hedged item from the inception of the hedge.
- Hedges of a net investment in a foreign operation: hedges of currency risk of a subsidiary, associate or branch that operates in a different country or currency to that of the Group. The gain or loss attributable to a hedging instrument that qualifies as an effective hedge is recognised temporarily in equity, until the disposal or derecognition of the instruments, whereupon they are recognised in the income statement. The remaining gain or loss is immediately recognised in profit or loss.

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

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(r) Property, plant and equipment

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

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

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

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

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

(s) Investment property

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

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

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

(t) Intangible assets

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

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

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

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

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

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

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

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

(u) Leases

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

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

- Finance leases

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

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

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

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

- Operating leases

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

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

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

(v) Security deposits

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

(w) Termination benefits

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

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

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

(x) Provisions

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

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

(y) Income tax

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

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

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

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

Deferred tax assets and liabilities are recognised in the consolidated balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

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

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

(*) *Joined the tax group in 2016*

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(z) Contributions to the Investment Guarantee Fund

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

In 2016 and 2015, the Group accrued contributions to the fund of Euros 167,782.79 and Euros 133,970.65, respectively, recognised as other operating expenses in the consolidated income statement (see note 22).

(aa) Off-balance sheet customer funds

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

- Securities and other financial instruments held on deposit: own or third-party securities and other financial instruments, measured at market value at the reporting date or relevant consolidated statement date, for which the Group assumes the custody risk, except for the amount of assets entrusted to other entities for the purposes of custody, management or administration.
- Own or third-party securities and other instruments held by other entities: securities and other financial instruments held by the Group or received on deposit from third parties, measured at market value at the reporting date or relevant consolidated statement date, for which the Parent retains responsibility as custodian and which are entrusted to other entities for the purposes of custody, management or administration.
- Managed portfolios: third-party securities and other financial instruments managed by the Group under the terms of the contract signed with each customer, measured at market value at the reporting date or relevant consolidated statement date.

(bb) Related party transactions

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

(cc) Statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments subject to a low risk of changes in value.
- Operating activities: typical activities of credit institutions and other activities that cannot be classified as investing or financing.

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- Investing activities: the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and of liabilities that do not form part of operating activities.

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

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

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

(dd) Statement of total changes in equity

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

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

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

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

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(5) Financial Assets and Liabilities Held for Trading

Details of financial assets held for trading at 31 December 2016 and 2015 are as follows:

	Euros	
	31.12.16	31.12.15
Debt securities		
Internal portfolio		
Deposit institutions	342,140.90	742,836.82
Non-financial companies	729,245.57	2,083,547.56
Regional governments	909.67	-
Other financial intermediaries	-	98,908.22
External portfolio	5,568,466.63	7,804,176.21
Valuation adjustments		
Accrued interest receivable	37,814.88	348,834.09
	<u>6,678,577.65</u>	<u>11,078,302.90</u>
Shares and equity investments		
Internal portfolio		
Deposit institutions	572,083.10	873,846.00
Non-financial companies	61,991.45	481,609.77
Other intermediaries	-	485,003.75
External portfolio	1,272,895.95	3,050,722.08
	<u>1,906,970.50</u>	<u>4,891,181.60</u>
Other financial assets	<u>-</u>	<u>156,160.68</u>
	<u>8,585,548.15</u>	<u>16,125,645.18</u>
In Euros	2,807,483.59	5,265,207.25
In foreign currency	<u>5,778,064.56</u>	<u>10,860,437.93</u>
	<u>8,585,548.15</u>	<u>16,125,645.18</u>

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At 31 December 2016 and 2015 details of debt securities (excluding valuation adjustments) and equity instruments included in the Group's trading portfolio, classified as listed and unlisted financial instruments, are as follows:

	Euros	
	31.12.16	31.12.15
Debt securities		
Internal portfolio		
Unlisted	343,377.49	-
Listed	728,918.65	2,925,292.60
External portfolio		
Listed	5,556,133.83	7,792,235.36
Unlisted	12,332.80	11,940.85
	<u>6,640,762.77</u>	<u>10,729,468.81</u>
Shares and equity investments		
Internal portfolio		
Listed	619,822.00	1,798,967.76
Unlisted	14,252.55	41,491.76
External portfolio		
Listed	982,471.93	2,613,108.30
Unlisted	290,424.02	437,613.78
	<u>1,906,970.50</u>	<u>4,891,181.60</u>

The Group did not transfer any financial instruments between portfolios in 2016 or 2015.

Details of the effect on the 2016 and 2015 consolidated income statements of changes in the fair value of financial assets held for trading, depending on the valuation method used, are as follows:

Valuation method	Euros	
	31.12.16	31.12.15
Listed prices in active markets	<u>1,018,749.74</u>	<u>215,615.54</u>

Effective interest rates by type of financial asset held for trading at 31 December 2016 and 2015 are as follows:

	Percentage	
	2016	2015
Debt securities	<u>1.47%</u>	<u>1.32%</u>

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Details of interest, yield and net gains or losses on financial assets by type of instrument held for trading recognised in the consolidated income statements for 2016 and 2015 are as follows:

	Euros					
	2016			2015		
	Interest	Yield	Gains or losses on financial assets (net)	Interest	Yield	Gains or losses on financial assets (net)
Debt securities	132,797.01	-	4,804,019.17	134,514.36	-	6,752,368.90
Shares and equity investments	-	19,821.40	1,606,073.89	-	148,952.50	7,208,583.28
Trading derivatives	-	-	809,993.95	-	-	467,065.44
Other assets at fair value	-	-	543,260.87	-	-	(690,558.76)
	<u>132,797.01</u>	<u>19,821.40</u>	<u>7,763,347.88</u>	<u>134,514.36</u>	<u>148,952.50</u>	<u>13,737,458.86</u>
	(note 19)	(note 19)		(note 19)	(note 19)	

At 31 December 2016, financial liabilities held for trading comprise short positions totalling Euros 3,914,512.66 arranged by a US subsidiary (Euros 4,924,842.46 at 31 December 2015). At 31 December 2015, this item also included outstanding margins on futures transactions, which were settled in the first days of 2016.

(6) Available-for-sale Financial Assets

Details at 31 December 2016 and 2015 are as follows:

	Euros	
	31.12.16	31.12.15
Debt securities		
Internal portfolio		
Unlisted	<u>2,818,900.92</u>	<u>-</u>
Shares and equity investments		
Internal portfolio		
Unlisted	5,276,640.00	4,145,591.58
Listed	4,568,709.36	1,412,531.53
External portfolio		
Unlisted	<u>22,938,754.73</u>	<u>10,399,920.66</u>
	<u>32,784,104.09</u>	<u>15,958,043.77</u>
	<u>35,603,005.01</u>	<u>15,958,043.77</u>
In Euros	33,027,286.78	12,551,820.19
In foreign currency	<u>2,575,718.23</u>	<u>3,406,223.58</u>
	<u>35,603,005.01</u>	<u>15,958,043.77</u>

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Details of shares and equity investments at 31 December 2016 and 2015 and movement in the years then ended are as follows:

- At 31 December 2016:

		Euros				
		31.12.15	Additions	Disposals	Valuation adjustments	31.12.16
Debt securities		-	1,295,000.12	-	2,401,346.75	3,696,346.87
Collective investment undertakings		5,560,093.70	633,405.37	(2,385,467.84)	(714,813.00)	3,093,218.23
Equity instruments		10,393,750.07	3,151,495.26	(904,918.20)	16,167,912.78	28,808,239.91
Gestora del Fondo General de Garantía de Inversiones, S.A.		4,200.00	1,000.00	-	-	5,200.00
		<u>15,958,043.77</u>	<u>5,080,900.75</u>	<u>(3,290,386.04)</u>	<u>17,854,446.53</u>	<u>35,603,005.01</u>

- At 31 December 2015:

		Euros				
		31.12.14	Additions	Disposals	Valuation adjustments	31.12.15
Collective investment undertakings		7,529,028.10	4,001,111.82	(4,555,749.38)	(1,414,296.84)	5,560,093.70
Equity instruments		1,851,981.73	6,465,917.65	(1,439,251.88)	3,515,102.57	10,393,750.07
Gestora del Fondo General de Garantía de Inversiones, S.A.		2,793.00	1,407.00	-	-	4,200.00
		<u>9,383,802.83</u>	<u>10,468,436.47</u>	<u>(5,995,001.26)</u>	<u>2,100,805.73</u>	<u>15,958,043.77</u>

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

At 31 December 2016 and 2015, as a stock exchange broker, the subsidiary Auriga Global Investors, S.A., Sociedad Unipersonal held 26 and 21 shares, respectively, in Gestora del Fondo General de Garantía de Inversiones, S.A.

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The net change during 2016 in the fair value of assets held for sale on the Group's books at 31 December 2016 and the accumulated changes since designation of the financial assets at fair value through consolidated equity attributed to the Parent reflect increases of Euros 5,721,422.88 and Euros 7,462,421.68 (net of the tax effect), respectively (a decrease of Euros 122,944.16 and an increase of Euros 1,317,466.97 (net of the tax effect), respectively, at 31 December 2015). This amount is recognised in “Equity – valuation adjustments” at 31 December 2016 and 2015 (see note 16), while the related tax effect is accounted for under “Deferred tax liabilities” (see note 12).

In 2016 and 2015, the amount transferred to the income statement on the sale of these assets was a loss of Euros 564,709.10 and a gain of Euros 539,462.42, entailing a transfer from equity of Euros 423,531.83 of gains and Euros 388,436.70 of losses (net of the tax effect), respectively (see note 16).

All sales of financial assets classified under this category have been settled at the 2016 and 2015 reporting dates.

At 31 December 2016 and 2015 the Group has not recognised impairment for any of the assets recorded under this balance sheet item.

At 31 December 2016 the Group has pledged assets classified under this item to secure a Euros 1,274,735.24 credit facility (a Euros 1,736,227.74 credit facility at 31 December 2015).

At 31 December 2016 and 2015 the Group has no lent or borrowed assets in this line item.

In 2016, the Group received dividends of Euros 754,721.37 (see note 19).

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(7) Loans and Receivables

Details at 31 December 2016 and 2015 are as follows:

	Euros	
	31.12.16	31.12.15
Due from financial intermediaries		
Demand deposits	32,575,643.77	70,902,592.11
Receivables from transactions performed by the Group for its own account pending settlement		
With <i>Grupo de Sistemas</i> (Spanish Central Securities Depository)	3,909.44	204,615.93
With other financial intermediaries	62,299.21	251,796.25
Reverse repurchase agreements	-	32,500,000.00
Other receivables	15,965,765.15	19,371,125.47
Doubtful receivables	-	1,500,000.00
Valuation adjustments		
Impairment	-	(1,111,000.00)
	<u>48,607,617.57</u>	<u>123,619,129.76</u>
Due from customers		
Loans and advances for securities transactions	1,019,815.67	1,378,311.64
Other loans and advances	31,650,645.65	25,465,627.41
Doubtful assets	-	291,738.48
Valuation adjustments		
Accrued interest	371,604.18	1,542,972.63
Impairment (note 25)	-	(195,869.24)
	<u>33,042,065.50</u>	<u>28,482,780.92</u>
	<u>81,649,683.07</u>	<u>152,101,910.68</u>
In Euros	63,389,827.03	130,120,879.08
In foreign currency	18,259,856.04	21,981,031.60
	<u>81,649,683.07</u>	<u>152,101,910.68</u>

(a) Demand deposits

At 31 December 2016 and 2015 “Demand deposits” comprise current account balances held with credit institutions at year end, which yield interest at a rate of between 0.00% and 1.90%.

At 31 December 2016 and 2015 this item includes balances deposited by the Group with financial intermediaries on behalf of customers, totalling Euros 16,873,591.69 and Euros 42,559,249.69, respectively.

Income obtained on demand deposits during 2016 amounts to Euros 204,408.29 (Euros 291,423.73 at 31 December 2015) (see note 19).

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

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

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

(c) Reverse repurchase agreements

At 31 December 2016 and 2015 details of reverse repurchase agreements and movement are as follows:

	Euros	
	31.12.16	31.12.15
Opening balance	32,500,000.00	32,000,000.00
Additions	2,507,882,658.89	2,538,483,418.42
Disposals	(2,540,382,658.89)	(2,537,983,418.42)
Closing balance	-	32,500,000.00

At 31 December 2016 the Group does not hold any assets under reverse repurchase agreements. At 31 December 2015, assets held under reverse repurchase agreements did not accrue interest and matured between 4 and 7 January 2016. Income obtained on reverse repurchase agreements in 2016 amounted to Euros 279.31 (Euros 2,367.80 at 31 December 2015) (see note 19).

(d) Other receivables

Details at 31 December 2016 and 2015 are as follows:

	Euros	
	31.12.16	31.12.15
Barcelona Stock Exchange Clearing and Settlement Service	-	30,000.00
Latibex guarantee	-	30,000.00
Other	15,965,765.15	19,311,125.47
	15,965,765.15	19,371,125.47

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At 31 December 2016, “Other” includes Euros 12,670,510.00 (17,704,609.08 at 31 December 2015) of receivables acquired by the Group in 2015 from a third party. These receivables are due from a finance lease in which the counterparty is Banco Mare Nostrum, S.A.

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

Details of the maturities are as follows:

2017	Maturity 2018	2019	Euros Total
3,795,467.91	4,320,106.41	4,554,935.68	12,670,510.00

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

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

(e) Doubtful receivables

Details at 31 December 2015 were as follows:

	Euros Balance at 31.12.15
Cost	1,500,000.00
Provisions	(1,111,000.00)
	389,000.00

At 31 December 2015, this item reflected the Group's fair value estimate of the recoverability of a receivable from a financial intermediary in settlement of a financial instrument. In 2016 the Group recognised a collection of Euros 289,500.00 and a loss of Euros 99,500.00, which has been recognised with a charge to “Impairment losses on financial assets (net) – Loans and receivables” (see note 25) in the consolidated income statement. This asset has been derecognised. In 2015, the Group recognised a Euros 100,000.00 provision in this respect (see note 25).

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(f) Other loans and advances

Details at 31 December 2016 and 2015 are as follows:

	Euros	
	31.12.16	31.12.15
Other receivables		
Loans	16,051,790.20	15,261,976.50
Other	15,585,419.41	10,153,650.91
Advances		
Other advances	13,436.04	-
	31,650,645.65	25,415,627.41

Details and characteristics of these loans at 31 December 2016 and 2015 are as follows:

At 31 December 2016:

	Currency	Interest rate	Maturity	Euros		
				Loan	Interest	Total
Member of the board of directors (note 27(a))	Euros	5%	01.08.2017	192,956.91	33,384.86	226,341.77
Xzerta Tec LLC (note 27(a))	US Dollars	8%	31.03.2017	4,921,734.18	-	4,921,734.18
Sherpa Capital II (note 27(a))	US Dollars	9%	2017	1,565,322.62	-	1,565,322.62
Antesticeo, S.L.	Euros	8%	06.02.2020	2,100,000.00	322,000.00	2,422,000.00
Westfield Comunicación, S.L. (note 27(a))	Euros	2%	15.06.2025	1,952,500.00	-	1,952,500.00
Other	Euros	9%-10%	2017-2018	5,319,276.49	-	5,319,276.49
				16,051,790.20	355,384.86	16,407,175.06

At 31 December 2015:

	Currency	Interest rate	Maturity	Euros		
				Loan	Interest	Total
Member of the board of directors (note 27(a))	Euros	5%	01.08.2016	192,956.91	33,384.86	226,341.77
Xzerta Tec LLC (note 27(a))	US Dollars	8%	31.03.2016	4,949,021.77	1,338,291.54	6,287,313.31
Sherpa Capital II (note 27(a))	US Dollars	9%	2016	1,565,322.62	-	1,565,322.62
Antesticeo, S.L.	Euros	8%	06.02.2020	2,100,000.00	154,000.00	2,254,000.00
Westfield Comunicación, S.L. (note 27(a))	Euros	2%	03.06.2025	1,040,000.00	-	1,040,000.00
Westfield Comunicación, S.L. (note 27(a))	Euros	2%	15.06.2025	800,000.00	-	800,000.00
Other	Euros	9%-10%	2016-2017	4,614,675.20	-	4,614,675.20
				15,261,976.50	1,525,676.40	16,787,652.90

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In 2015 the Group extended a Euros 2,100,000.00 loan to Antesticeo, S.L. and two loans to Westfield Comunicación, S.L. for a total amount of Euros 1,840,000.00.

During 2014 the Group extended a Euros 3,963,152 loan to Sherpa Capital II. At 31 December 2016 and 2015 the balance receivable amounted to Euros 1,565,322.62.

During 2012, the Group extended a US Dollars 4,100,000.00 loan to Xzerta Tec LLC., which was increased by a further US Dollars 1,200,000.00 in 2013. These loans are secured by the solar panels acquired by Xzerta Tec LLC. During 2016, the Group recognised impairment of Euros 1,320,741.50 (US Dollars 1,456,998.00) on financial assets in view of accrued interest that was considered uncollectible (see note 25).

At 31 December 2016 and 2015 this item also includes a Euros 226,341.77 loan extended to a member of the board of directors (see note 27 (b)).

“Other” mainly reflects receivables associated with invoices acquired from transferor entities under a factoring agreement, which have been conveyed to the fund IM AURIGA PYMES 1 EUR, Fondo de Titulización de Activos (hereinafter the Fund), whose ultimate objective is the securitisation of these invoices for a bond issue. The Fund was set up on 26 September 2014 by Intermoney Titulización, Sociedad Gestora de Fondos de Titulización, S.A.

Debt collection is managed by the subsidiary Finalter S.L., which recognises the balances receivable as well as the associated liability vis-à-vis the Fund for the amounts payable once collected (see note 14 (e)). The credit risk associated with the invoice amounts settled in advance is assumed by the Fund, pursuant to the agreement signed between the Group and the Fund. The Group recognises fee and commission income from acting as the factoring intermediary between the transferor of the invoices and the Fund (see note 21).

“Other” includes balances receivable from related parties amounting to Euros 669,677.38 (see note 27 (a)).

Income obtained on loans and advances during 2016 and 2015 amounted to Euros 1,051,128.27 and Euros 1,683,646.05, respectively (see note 19).

During 2016 no income was accrued on loans and advances to related parties (Euros 408,438.08 at 31 December 2015) (see note 27 (a)).

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(8) Equity Investments

Details of this item at 31 December 2016 and 2015 are as follows:

	Euros	
	31.12.16	31.12.15
<u>Jointly controlled entities</u>		
Real Estate Gijón, S.L.	1,441,088.93	-
<u>Associates</u>		
Xzerta-Tec, LLC	2,059,168.93	-
AUSAF VII, LLC	1,586,553.76	2,026,868.04
Meet With Success, S.L.	161,467.80	247,106.73
Solar Credits Opportunities Fund, LLC	207,783.89	201,180.30
Simply Business, S.L.	237,791.98	127,769.73
Ibroker Global Markets SV, S.A.	2,997,730.26	-
	7,250,496.62	2,602,924.80
	8,691,585.55	2,602,924.80
	(note 27(a))	(note 27(a))

Transactions with jointly controlled entities during 2016 are as follows:

Real Estate Gijón, S.L.

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

Transactions with associates during 2016 and 2015 are as follows:

Xzerta-Tec, LLC

At 31 December 2016 and 2015 the Parent held an indirect interest in this associate through the subsidiary Auriga Special Holdings LLC.

In 2015, in light of the financial performance of this associate, the Group considered that the investment in this company would not be recovered in the future. However, the restructuring of the US subsidiaries in 2016 gave rise to additional investments of Euros 2,059,168.93.

At 31 December 2016 and 2015 the percentage ownership held in this US associate is 50%.

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AUSAF VII, LLC

At 31 December 2016 and 2015 the Parent held an indirect interest in this associate through the subsidiary Xzerta Mesa Spain LLC. The interest in this associate at 31 December 2016 and 2015 amounted to Euros 1,586,553.76 (US Dollars 2,261,827.69) and Euros 2,026,868.04 (US Dollars 2,206,651.23), respectively, equivalent to a percentage ownership of 25.16% at 31 December 2016 and 2015.

Meet With Success, S.L.

At 31 December 2016 the Parent held an indirect interest in this associate through the subsidiary Auriga Global Investors, Sociedad de Valores, S.A. The interest in this associate amounts to Euros 161,467.80 (Euros 247,106.73 at 31 December 2015), equivalent to a percentage ownership of 33.33% at 31 December 2016 and 2015.

Solar Credits Opportunities Fund, LLC

At 31 December 2016 and 2015 the Parent held an indirect interest amounting to Euros 207,783.89 (US Dollars 219,025.00) and Euros 201,180.30 (US Dollars 209,025.00), respectively, in this associate through the subsidiary Auriga Special Holdings LLC.

Simply Business, S.L.

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

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

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

The profit obtained from associates in 2016 recognised in the consolidated income statement under "Share of profit or loss of equity-accounted investees" against the value of the interest was Euros 1,049,635.73 (a loss of Euros 754,416.33 in 2015).

Appendix II attached hereto includes information on equity-accounted associates and joint ventures and the percentage of interest held by the Parent in each at 31 December 2016 and 2015.

In 2016 the Group received dividends of Euros 566,941.28 (Euros 381,234.38 in 2015) (see note 19).

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(9) Property, Plant and Equipment

(a) For own use

Details at 31 December 2016 and 2015 and movement in the years then ended are as follows:

2016	Euros				
	31.12.15	Additions	Disposals	Exchange gains/(losses)	31.12.16
Fixtures	598,828.47	-	(202,243.22)	10,877.06	407,462.31
IT equipment	577,867.43	48,549.37	(97,329.90)	10,159.13	539,246.03
Furniture	229,358.04	-	(93,722.04)	7,211.73	142,847.73
Motor vehicles	84,586.00	-	-	-	84,586.00
Other property, plant and equipment	17,163.37	-	(6,766.74)	-	10,396.63
Total property, plant and equipment	1,507,803.31	48,549.37	(400,061.90)	28,247.92	1,184,538.70
Fixtures	(499,574.70)	(49,377.83)	201,463.40	(10,877.06)	(358,366.19)
IT equipment	(436,047.66)	(79,976.22)	74,555.79	(10,159.13)	(451,627.22)
Furniture	(226,172.29)	(871.19)	93,721.86	(7,211.73)	(140,533.34)
Motor vehicles	(28,970.68)	(28,246.81)	-	-	(57,217.49)
Other property, plant and equipment	(8,966.50)	(2,525.46)	6,766.74	-	(4,725.23)
Total accumulated depreciation	(1,199,731.83)	(160,997.51)	376,507.79	(28,247.92)	(1,012,469.47)
Net property, plant and equipment	308,071.48	(112,448.14)	(23,554.11)	-	172,069.23

2015	Euros				
	31.12.14	Additions	Disposals	Exchange gains/(losses)	31.12.15
Fixtures	573,042.14	43,493.48	(51,933.48)	34,226.33	598,828.47
IT equipment	566,876.65	96,745.15	(117,721.62)	31,967.25	577,867.43
Furniture	319,825.10	1,519.01	(114,678.87)	22,692.80	229,358.04
Motor vehicles	56,900.00	27,686.00	-	-	84,586.00
Other property, plant and equipment	13,653.95	7,149.99	(3,640.57)	-	17,163.37
Total property, plant and equipment	1,530,297.84	176,593.63	(287,974.54)	88,886.38	1,507,803.31
Fixtures	(421,119.43)	(101,049.41)	51,933.48	(29,339.34)	(499,574.70)
IT equipment	(433,806.55)	(88,317.45)	117,721.62	(31,645.28)	(436,047.66)
Furniture	(268,976.84)	(54,074.89)	114,678.87	(17,799.43)	(226,172.29)
Motor vehicles	(1,609.40)	(27,361.28)	-	-	(28,970.68)
Other property, plant and equipment	(9,622.86)	(2,984.21)	3,640.57	-	(8,966.50)
Total accumulated depreciation	(1,135,135.08)	(273,787.24)	287,974.54	(78,784.05)	(1,199,731.83)
Net property, plant and equipment	395,162.76	(97,193.61)	-	10,102.33	308,071.48

At 31 December 2016 and 2015 disposals of property, plant and equipment include fully depreciated items derecognised during the year.

The Group did not recognise any gains or losses on disposals of property, plant and equipment in 2016 or 2015.

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At 31 December 2016 the Group has fully depreciated items of property, plant and equipment amounting to Euros 586,330.92, of which Euros 563,585.77 are located in the United States (Euros 860,581.82 at 31 December 2015, all of which were located in the United States).

At 31 December 2016 and 2015, the Group has no property, plant or equipment with ownership restrictions or which have been pledged as collateral.

At 31 December 2016 and 2015, the Group has no commitments to purchase property, plant and equipment from third parties.

In 2016 and 2015 no compensation or indemnities were received or are expected to be received from third parties for the impairment or decline in value of property, plant and equipment for own use.

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

(b) Investment property

Details of investment property at 31 December 2016 and 2015 and movement during the years then ended are as follows:

	Euros	
	2016	2015
Cost at beginning of year	163,530.64	670,870.27
Additions	-	25,259.48
Disposals	(163,530.64)	(532,599.12)
	-	163,530.64
Cost at end of year	-	163,530.64
Depreciation at beginning of year	(93,377.30)	(59,281.36)
Depreciation	(64,112.90)	(34,095.94)
Disposals	157,490.20	-
	-	(93,377.30)
Depreciation at end of year	-	(93,377.30)
Exchange gains/(losses)	-	(10,908.37)
Carrying amount	-	59,244.97

The Group had no fully depreciated investment property at 31 December 2015.

During 2016 and 2015 the Group sold investment property with a cost of Euros 163,530.64 and Euros 532,599.12, respectively, giving rise to a loss of Euros 6,040.44 and Euros 76,805.50, respectively.

In 2015, this investment property accrued income of Euros 63,184.74, which was recognised under other operating income in the consolidated income statement.

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(10) Intangible Assets

Details at 31 December 2016 and 2015 and movement in the years then ended are as follows:

2016	Euros				31.12.16
	31.12.15	Additions	Disposals	Exchange gains/(losses)	
Goodwill	711,538.30	-	-	(46,501.70)	665,036.60
Other intangible assets					
Computer software	480,355.69	128,948.12	(251,562.40)	30,563.83	388,305.24
Other intangible assets	610.00	8,924.84	(610.00)	-	8,924.84
Total intangible assets	1,192,503.99	137,872.96	(252,172.40)	(15,937.87)	1,062,266.68
Computer software	(245,716.95)	(136,485.38)	187,246.69	(35,724.00)	(230,679.64)
Other intangible assets	(610.00)	(1,129.13)	610.00	-	(1,129.13)
Total accumulated amortisation	(246,326.95)	(137,614.51)	187,856.69	(35,724.00)	(231,808.77)
Net intangible assets	946,177.04	258.45	(64,315.71)	(51,661.87)	830,457.91
2015	Euros				31.12.15
	31.12.14	Additions	Disposals	Exchange gains/(losses)	
Goodwill	585,762.68	-	-	125,775.62	711,538.30
Other intangible assets					
Computer software	628,502.32	154,509.54	(302,656.17)	-	480,355.69
Other intangible assets	610.00	-	-	-	610.00
Total intangible assets	1,214,875.00	154,509.54	(302,656.17)	125,775.62	1,192,503.99
Computer software	(400,388.11)	(147,985.01)	302,656.17	-	(245,716.95)
Other intangible assets	(610.00)	-	-	-	(610.00)
Total accumulated amortisation	(400,998.11)	(147,985.01)	302,656.17	-	(246,326.95)
Net intangible assets	813,876.89	6,524.53	-	125,775.62	946,177.04

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On 9 February 2010, Auriga Special Holdings, LLC and Xzerta Holdings, LLC entered into a contract for the former to acquire a 62.5% interest in the latter company (and its subsidiaries) in exchange for a 37.5% interest in Auriga Holdings, LLC. Aggregate details of the cost of the business combination (equivalent to the fair value of the net assets transferred), the fair value of the net assets acquired, and goodwill are as follows:

	US Dollars
Fair value of net assets transferred	997,488.68
Fair value of net assets acquired	(296,473.59)
Goodwill on consolidation	701,015.09
Euro equivalent	524,633.29

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

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

At 31 December 2016 the Group has fully amortised intangible assets amounting to Euros 3,600.00 (no items were fully amortised at 31 December 2015).

In 2016 and 2015 the Group incurred no computer software or program development costs that did not qualify for recognition and therefore could not be capitalised.

At 31 December 2016 and 2015 the Group has no intangible assets with ownership restrictions or which have been pledged as collateral.

At 31 December 2016 and 2015, the Group has no commitments to purchase intangible assets from third parties.

(11) Operating Leases - Lessee

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

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Details of the most relevant lease contracts at 31 December 2016 and 2015 are as follows:

Lease	Expiry/Renewal	Penalties
C/ Cuesta del Sagrado Corazón, 6-8, Madrid	31.12.2022	Payment of full amount due under the contract until expiry date (*)
C/ Gobelás, 19, La Florida, Madrid	1.11.2017	No penalty if one month's prior notice is given
546 5 th Avenue, 9 th Floor, New York (10036)	30.04.2017	-
2500 Broadway, Building F-125, Santa Monica, CA 90404	31.05.2017	-
30 S. Wacker Drive, Chicago, Illinois, 60606	31.05.2017	-

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

Operating lease instalments recognised as expenses amount to Euros 759,900.97 in 2016 (Euros 1,084,708.11 in 2015) (see note 24).

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

	Euros	
	2016	2015
Minimum lease payments (note 24)	<u>225,953.09</u>	<u>223,211.55</u>

At 31 December 2016 the Group has recognised Euros 110,193.73, reflecting lease security deposits, under "Other assets" (Euros 131,548.39 at 31 December 2015) (see note 13).

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(12) Tax Assets and Liabilities

Details at 31 December 2016 and 2015 are as follows:

	Euros			
	31.12.16		31.12.15	
	Current	Deferred	Current	Deferred
<u>Tax assets</u>				
Public entities				
Value added tax	129,296.41	-	72,382.06	-
Withholdings and payments on account	5,079.84	-		
Tax credits (note 26)	-	21,612.89	-	17,217.12
Temporary differences (note 26)	-	34,610.79	-	534,072.81
	<u>134,376.25</u>	<u>56,223.68</u>	<u>72,382.06</u>	<u>551,289.93</u>
<u>Tax liabilities</u>				
Public entities				
Income tax				
Current year	793,550.23	-	1,108,022.33	-
Prior year	-	-	-	-
Late payment interest	-	-	-	-
Temporary differences (note 26)	-	4,085.39	-	11,324.71
Revaluation of financial instruments (note 6)	-	5,644,903.39	-	1,043,658.56
Other	-	320,187.66	-	288,160.83
	<u>793,550.23</u>	<u>5,969,176.44</u>	<u>1,108,022.33</u>	<u>1,343,144.10</u>

These assets and liabilities are denominated in Euros at 31 December 2016 and 2015.

Movement in deferred tax assets and liabilities arising from the revaluation of financial instruments in 2016 and 2015 is as follows:

	Euros	
	Assets	Liabilities
Balance at 31/12/14	-	783,791.94
Additions	-	894,604.22
Derecognitions	-	(634,737.60)
Balance at 31/12/15	-	1,043,658.56
Additions	-	4,722,400.93
Derecognitions	-	(121,156.10)
Balance at 31/12/16	-	5,644,903.39

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

(13) Other Assets and Liabilities

Details at 31 December 2016 and 2015 are as follows:

Other assets	Euros	
	31.12.16	31.12.15
Fees and commissions and prepaid expenses	548,156.90	311,307.06
Other items		
Security deposits (note 11)	110,193.73	131,548.39
Shareholders and senior management personnel (notas 27 (a) and 27 (b))	301,978.95	148,788.19
Other	8,240,825.81	5,957,410.83
	9,201,155.39	6,549,054.47
In Euros	8,573,329.42	3,399,018.25
In foreign currency	627,825.97	3,150,036.22
	9,201,155.39	6,549,054.47
Other liabilities		
Accrued expenses	1,205,442.29	848,798.14
Public entities		
Taxation authorities, tax withholdings on salaries	698,291.57	762,328.29
Taxation authorities, VAT	2,461.34	1,571.87
Social Security contributions payable	131,589.81	155,898.64
Public entities, other	39,236.62	22,799.95
Balances payable on subscribed securities	6,000.00	-
Other payables unrelated to securities transactions	6,182,751.64	5,668,713.63
	8,265,773.27	7,460,110.52
In Euros	3,504,357.11	3,014,890.38
In foreign currency	4,761,416.16	4,445,220.14
	8,265,773.27	7,460,110.52

These assets and liabilities are on demand at 31 December 2016 and 2015.

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(b) Shareholders and senior management personnel

At 31 December 2016 and 2015, this item primarily comprises balances receivable from two shareholders of the Parent.

(c) Other

At 31 December 2016 and 2015 this item comprises receivables deriving from the activity of the subsidiary Auriga Special Holdings, LLC, as well as advances extended to the cash desk, which were collected shortly after year end.

At 31 December 2016 this item comprises balances receivable from related parties amounting to Euros 953,235.31 (see note 27 (a)).

(d) Accrued expenses

At 31 December 2016, a balance of Euros 101,250.00 is payable to a member of the Company's board of directors for services rendered in 2016 (Euros 100,625.00 at 31 December 2015) (see notes 27 (a) and 27 (b)).

At 31 December 2016 and 2015 this item also includes Euros 51,006.44 and Euros 368,607.99, respectively, reflecting monthly variable remuneration payable to employees, which was settled at the beginning of the subsequent year.

(e) Other payables unrelated to securities transactions

At 31 December 2016, this item primarily comprises balances payable to sales representatives and agents, as well as payables to US suppliers. At 31 December 2015, this item mainly comprised balances payable to US suppliers.

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(14) Financial Liabilities at Amortised Cost

Details at 31 December 2016 and 2015 are as follows:

	Euros	
	31.12.16	31.12.15
Due to financial intermediaries		
Loans and credits	21,194,814.68	19,060,548.99
Other intermediaries	163,715.87	22,236,207.18
Repurchase agreements	1,619,583.83	4,812,003.98
Other	1,265.76	-
	22,979,380.14	46,108,760.15
Due to customers		
Temporary balances arising from securities transactions	14,764,803.73	51,747,268.98
Other payables	21,212,949.99	13,882,599.65
Cash guarantees	-	3,556,802.18
	35,977,753.72	69,186,670.81
Other financial liabilities	7,290,449.01	9,521,127.57
	66,247,582.87	124,816,558.53

All balances in this item are denominated in Euros.

(a) Loans and credits

Loans and credits reflect drawdowns on credit facilities arranged in 2016 and 2015 and bank loans obtained in 2016 and 2015 with the following terms:

- Credit facilities

At 31 December 2016:

Bank	Maturity date	Interest rate	Euros	
			Limit	Amount drawn down
Banca March	16.12.2017	12-month Euribor + 1.90%	1,500,000.00	1,499,998.01
Bankia	29.04.2017	12-month Euribor + 1.90%	2,000,000.00	2,000,000.00
Bankia	16.11.2017	12-month Euribor + 1.90%	5,500,000.00	5,219,009.04
Banco Sabadell	12.09.2017	3-month Euribor + 2.75%	500,000.00	492,525.19
Banco Popular	10.06.2017	12-month Euribor + +1.85%	3,500,000.00	2,478,970.59
Banco Mare Nostrum	27.07.2017	1.75%	1,000,000.00	628,660.91
Abanca	31.03.2017	3-month Euribor + +1.75%	1,000,000.00	997,563.35
Banco Cooperativo Español	16.12.2017	12-month Euribor + +2.50%	1,000,000.00	993,554.15
Bankinter (*)	31.05.2017	12-month Euribor + +2.75%	2,000,000.00	798,184.92
				15,108,466.16

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At 31 December 2015:

Bank	Maturity date	Interest rate	Euros	
			Limit	Amount drawn down
Bankia	11.05.2016	12-month Euribor + +2.75%	2,000,000.00	1,310,402.69
Bankia	16.11.2016	12-month Euribor + +2.75%	5,000,000.00	4,130,299.65
Bankinter	30.06.2016	12-month Euribor + +2.75%	2,000,000.00	-
Bankinter Luxembourg (*)	31.12.2016	12-month Euribor + +1.85%	800,000.00	800,851.18
Banca March	19.12.2016	12-month Euribor + 1.90%	1,500,000.00	137,870.49
Sabadell	12.09.2016	3-month Euribor + 2.75%	500,000.00	7,584.23
La Caixa	05.10.2016	2.75%	500,000.00	398,991.21
Banco Popular	28.09.2016	2.90%	1,500,000.00	1,456,487.34
Banco Mare Nostrum	31.07.2016	3-month Euribor + +1.75%	1,000,000.00	897,339.93
Abanca	31.03.2016	3-month Euribor + 2.75%	1,000,000.00	953,154.47
Banco Cooperativo Español	15.12.2016	12-month Euribor + +1.75%	1,000,000.00	956,445.25
				11,049,426.44

(*) Facility automatically renewed annually

- Loans

At 31 December 2016:

Bank	Maturity	Interest rate	Balance at 31.12.16	Maturity			
				2017	2018	2019	2020
Sabadell	30.09.2017	2.75%	225,770.77	225,770.77	-	-	-
Banco Popular	10.03.2017	6.35%	20,253.39	20,253.39	-	-	-
Bankinter	03.12.2019	4.65%	5,840,324.36	1,856,867.47	1,945,075.99	2,038,380.90	-
			6,086,348.52	2,102,891.63	1,945,075.99	2,038,380.90	-

At 31 December 2015:

Bank	Maturity	Interest rate	Balance at 31/12/15	Maturity			
				2016	2017	2018	2019
Sabadell	31.12.2016	2.75%	300,000.00	300,000.00	-	-	-
Banco Popular	10.03.2017	6.35%	98,139.03	77,885.64	20,253.39	-	-
Bankinter	03.12.2019	4.65%	7,612,983.52	1,772,659.16	1,856,867.47	1,945,075.99	2,038,380.90
			8,011,122.55	2,150,544.80	1,877,120.86	1,945,075.99	2,038,380.90

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

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(b) Other intermediaries

At 31 December 2015 other intermediaries primarily comprised an account of Euros 20,838,084.58 with Saxo Bank for the sale and purchase of securities. This account was associated with a part of the business spun-off to Ibroker Global Markets S.V., S.A. (see note 1).

(c) Repurchase agreements

At 31 December 2016 and 2015 this item reflects a repurchase agreement vis-à-vis Auriga Special Holdings LLC for assets denominated in US Dollars.

(d) Temporary balances arising from securities transactions

The majority of temporary balances arising from securities transactions at 31 December 2016 were settled in early 2017. Moreover, in 2016 the corresponding portion of temporary balances were spun-off to Ibroker Global Markets S.V., S.A. (see note 1).

(e) Other payables

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

(f) Cash guarantees

At 31 December 2015 this item reflected cash balances deposited by customers in financial institutions to maintain the specified margins on financial transactions. The balance at 31 December 2015 included a portion corresponding to the business spun-off to Ibroker Global Markets S.V., S.A. (see note 1).

(g) Other financial liabilities

At 31 December 2016 other financial liabilities mainly comprise the fixed-income securities issued by the Group in 2015 to obtain part of the financing necessary to acquire the receivables referred to in section a) of this note. The securities issued amounted to Euros 11,200,000.00 and mature on 3 December 2019. The explicit interest rate for the issue is 4.34%.

Details of interest expense and similar charges recognised in the income statement at 31 December 2016 and 2015 by type of financial liability are provided in note 20 to these consolidated annual accounts.

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(15) Equity

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

(a) Registered capital

At 31 December 2016 and 2015 the share capital of the Parent is represented by 300,000 indivisible and cumulative shares of Euros 10.00 par value each, subscribed and fully paid (see note 1). These shares have the same voting and profit-sharing rights.

At 31 December 2016 and 2015 the Parent's shareholder structure is as follows:

Shareholder	31.12.16		31.12.15	
	Number of shares	Percentage ownership	Number of shares	Percentage ownership
Marfeco, S.L.	99,541	33.18%	111,930	37.31%
Iresco Inversiones, S.L.	99,541	33.18%	111,930	37.31%
Mr. Rodrigo Hernando Ortega	54,418	18.14%	29,640	9.88%
Mr. Amadeo Hernández Bueno	15,000	5.00%	15,000	5.00%
Mr. Ignacio Contreras González	13,530	4.51%	13,530	4.51%
Fresanela S.L.	-	-	6,000	2.00%
Francisco de Borja Torres Bruzón	12,000	4.00%	6,000	2.00%
Mr. Alfredo Jiménez Fernández	3,000	1.00%	3,000	1.00%
Mr. Vasco Manuel Ventura Machado	2,970	0.99%	2,970	0.99%
	300,000	100.00%	300,000	100.00%

At 31 December 2016 and 2015 neither the Company nor any third party operating on its behalf holds any own shares.

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

(b) Share premium

At 31 December 2016 and 2015 the share premium comprises the difference between the value of the assets contributed to the Company and the amount of these items at the date of their contribution.

This reserve is freely distributable.

(c) Reserves

(i) Legal reserve

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

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

At 31 December 2016 and 2015 the Parent has appropriated to the legal reserve the minimum amount required by law.

(ii) Capitalisation reserve

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

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

(iii) Voluntary reserves

These reserves are freely distributable.

(iii) Dividends

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

In 2015 no dividends were distributed.

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(d) Profit for the year attributable to the Parent

At 31 December 2016 and 2015, the contribution of each company to consolidated profit, after consolidation adjustments, is as follows:

	Euros	
	31.12.16	31.12.15
Auriga Capital Investments, S.L.	1,418,284.30	(521,097.12)
Auriga Global Investors, S.V., S.A.U.	(1,477,274.65)	3,650,440.74
Quadriga Asset Managers, S.G.I.I.C, S.A.	829,184.73	(103,047.63)
Auriga Special Holdings LLC	1,219,778.96	(2,668,875.31)
Xzerta Solar I Spain LLC	(808,961.12)	217,288.54
Auriga Renovables, S.L.	(4,647.52)	(3,027.83)
Xzerta Mesa Spain LLC	(135,195.53)	(108,014.52)
Finalter, S.L.	320,205.55	593,768.92
Auriga Sherpa I, S.L.	71,612.75	3,535.12
Auriga Grapheno, S.L.	(1,904.15)	(26,345.33)
Alternative Financing, Estructuración y Originación, S.L.	266,063.84	-
Einicia	(3,296.26)	-
Carbono Puro	(1,832.51)	-
Isleni Global, S.A.	(87,217.98)	486,408.91
CA Metropolitan ATM 10, S.A.	(569,836.36)	531,146.36
General Universal Business	(650.83)	(1,118.10)
	1,034,313.22	2,051,062.75

(e) Capital adequacy: Capital management

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

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

- Consistently comply with applicable legislation on minimum capital requirements, at both individual and consolidated level.
- Seek maximum capital management efficiency in order for capital consumption to be considered, alongside other return and risk variables, as a fundamental variable in analyses associated with the Company's decision-making.

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

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

- The Group carries out monitoring and controls that continuously analyse levels of compliance with capital regulations and are equipped with alerts to guarantee, at any given time, compliance with applicable legislation and the consistency of decisions made by the different areas and units of the Company with the objectives set, to ensure that minimum capital requirements are met. Contingency plans are also in place to ensure that limits stipulated in applicable legislation are respected. Details of these contingency plans are provided in the Capital Consumption Procedures Manual.
- The impact of the Group's decisions on its capital base and the consumption-return-risk ratio are considered a key decision-making factor in strategic and commercial planning and in the analysis and monitoring of Group transactions. The Group has parameters to serve as guidelines for its decision-making on minimum capital requirements or decisions affecting such requirements.

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

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

- a) a Common Equity Tier 1 capital ratio of 4.5%
- b) a Tier 1 capital ratio of 6%
- c) a total capital ratio of 8%

The Group must calculate its capital ratios as follows:

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

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

At 31 December 2016 and 2015 the Group's eligible capital exceeded the requirements of the aforementioned legislation.

(16) Valuation Adjustments

(a) Available-for-sale financial assets

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

Movement in 2016 and 2015 is as follows:

	Euros	
	<u>31.12.16</u>	<u>31.12.15</u>
Opening balance	1,317,466.97	1,828,847.83
Change in fair value of available-for-sale assets (note 6)	5,721,422.88	(122,944.16)
Transfers to the income statement due to disposals (note 6)	<u>423,531.83</u>	<u>(388,436.70)</u>
Closing balance	<u><u>7,462,421.68</u></u>	<u><u>1,317,466.97</u></u>

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(b) Translation differences in consolidated companies

Movement in valuation adjustments relating to translation differences in 2016 and 2015 is as follows:

	Euros	
	<u>31.12.16</u>	<u>31.12.15</u>
Opening balance	864,482.48	307,785.29
Additions (disposals)	<u>96,080.92</u>	<u>556,697.19</u>
Closing balance	<u><u>960,563.40</u></u>	<u><u>864,482.48</u></u>

Details of translation differences of Group subsidiaries at 31 December 2016 and 2015 are as follows:

	Euros	
	<u>31.12.16</u>	<u>31.12.15</u>
Auriga Special Holdings LLC subgroup	446,227.61	416,888.05
Xzerta Solar I Spain LLC subgroup	416,480.88	359,278.07
Xzerta Mesa Spain LLC subgroup	<u>97,854.91</u>	<u>88,316.36</u>
Closing balance	<u><u>960,563.40</u></u>	<u><u>864,482.48</u></u>

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(17) Risk and Commitment Accounts and Other Off-balance Sheet Items

Details at 31 December 2016 and 2015 are as follows:

	Euros	
	31.12.16	31.12.15
Risk and commitment accounts		
Bank and other guarantees extended	2,285,087.05	12,056,579.55
Forward securities purchase commitments	1,562,777.97	11,375,850.93
Forward securities sale commitments	1,566,687.41	11,580,466.86
Financial derivatives		
Interest rate and securities futures		
Purchased	1,024,474.00	8,388,492.33
Sold	520,560.00	7,667,067.14
Foreign currency futures		
Purchased	-	32,456,702.30
Sold	-	32,456,702.30
	6,959,586.43	115,981,861.41
Total risk and commitment accounts		
Other off-balance sheet items		
Credit facilities available for drawdown (note 14 (a))	9,892,563.41	5,497,720.74
Customer purchase orders pending settlement	514,953.17	854,825.95
Customer sale orders pending settlement	1,359,834.87	626,038.94
Deposit of financial instruments		
Own	-	1,023,476.76
Third-party (note 18 (b))	-	159,957,730.17
	-	160,981,206.93
Own and third-party financial instruments held by other entities		
Own	5,568,789.15	12,993,705.56
Third-party	340,245,603.32	384,376,617.30
	345,814,392.47	397,370,322.86
Securities borrowed		
Securities sold	-	8,460,674.51
Managed portfolios (note 18 (a))		
Investments in listed domestic shares and equity holdings	68,352,814.77	40,001,763.85
Investments in listed domestic fixed income securities	82,315,918.33	77,967,241.51
Investments in listed foreign securities	348,378,998.51	222,064,773.15
Cash with financial intermediaries	113,139,137.80	92,438,153.89
Investments in unlisted foreign securities	5,986,566.46	8,528,450.20
	618,173,435.87	441,000,382.60
Total other off-balance sheet items	975,755,179.79	1,014,791,172.53
TOTAL	982,714,766.22	1,130,773,033.94

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Details of the nominal amount of financial instruments included in trading derivatives at 31 December 2016 and 2015, by maturity, fair value and type of instrument, are as follows:

At 31 December 2016	Euros		
	1 year	Total	Fair value
<i>Share/index derivatives</i>			
Organised markets			
Futures purchased	1,020,274.20	1,020,274.20	1,024,474.00
Futures sold	526,336.67	526,336.67	520,560.00
	1,546,610.87	1,546,610.87	1,545,034.00
At 31 December 2015	Euros		
	1 year	Total	Fair value
<i>Share/index derivatives</i>			
Organised markets			
Futures purchased	8,560,167.85	8,560,167.85	8,388,492.33
Futures sold	7,650,903.97	7,650,903.97	7,667,067.14
	16,211,071.82	16,211,071.82	16,055,559.47
<i>Currency derivatives</i>			
Organised markets			
Purchased	32,456,702.30	32,456,702.30	32,456,702.30
Sold	32,456,702.30	32,456,702.30	32,456,702.30
	64,913,404.60	64,913,404.60	64,913,404.60
	81,124,476.42	81,124,476.42	80,968,964.07

At 31 December 2016 and 2015 the margins to be settled on futures positions have been recognised under liabilities held for trading (see note 5).

Financial instruments held on deposit and own and third-party financial instruments held by other entities reflect the Group's own securities and customer securities deposited in the Group or with other custodians at 31 December 2016 and 2015, which were recognised at market value at those dates.

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

	Euros	
	31.12.16	31.12.15
Derivatives	-	163,660,924.34
Variable income securities	296,131,299.97	349,246,413.07
Fixed income securities	49,683,092.50	45,444,192.38
	345,814,392.47	558,351,529.79

At 31 December 2015, “Other financial liabilities at fair value through profit or loss” reflected the fair value of borrowed securities sold, amounting to Euros 8,500,860.39. These operations were settled in the first few days of 2016.

(18) Off-Balance Sheet Customer Funds

(a) Portfolios managed

At 31 December 2016 and 2015 details of managed portfolios, by tranche, are as follows:

Tranche in thousands of Euros	Euros					
	31.12.16			31.12.15		
	Number of contracts	Equity	Fees and commissions December 2016	Number of contracts	Equity	Fees and commissions December 2015
60	63	73,201.27	-	94	725,402.15	-
61-300	1	66,746.66	-	2	153,505.82	-
301-600	-	-	-	-	-	-
601-1,500	-	-	-	-	-	-
1,501-6,000	4	17,041,444.29	8,308.73	5	18,659,836.76	16,797.59
More than 6,000	18	600,992,043.65	2,379,170.52	17	421,461,637.87	370,203.68
	86	618,173,435.87	2,387,479.25	118	441,000,382.60	387,001.27
		(note 17)			(note 17)	

At 31 December 2016 the Group primarily manages the portfolios of eight resident and eleven non-resident collective investment undertakings (eight resident and ten non-resident collective investment undertakings at 31 December 2015).

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(b) Custody of customer securities held on deposit

At 31 December 2015 details of customer assets in custody of the Group were as follows:

Tranche in thousands of Euros	Euros	
	31.12.15	
	Number of customers	Asset value
60	380	5,046,959.56
61-300	142	19,427,072.33
301-600	33	14,075,692.64
601-1,500	23	20,963,291.22
1,501-6,000	21	55,402,974.89
>6,000	2	45,041,739.53
	601	159,957,730.17
		(note 17)

(19) Interest and Similar Income – Dividend Income

Details at 31 December 2016 and 2015, based on the nature of operations, are as follows:

Interest and similar income	Euros	
	2016	2015
Financial intermediaries		
Demand deposits (note 7 (a))	204,408.29	291,423.73
Resident individuals. Other (note 7(f))	943,577.80	1,214,653.00
Non-resident individuals. Other (note 7(f))	107,550.47	468,993.05
Monetary assets and government debt (note 7 (c))	279.31	2,367.80
Other fixed income securities (note 5)	132,797.01	134,514.36
Other interest and similar income	800,491.13	550,781.93
	2,189,104.01	2,662,733.87

In 2016 and 2015 the Group's revenue was generated primarily in Spain.

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

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

	Euros	
	2016	2015
Dividend income		
Held for trading (note 5)	19,821.40	148,952.50
Available-for-sale financial assets (note 6)	754,721.37	-
Equity investments (notes 8 and 27 (a))	566,941.28	381,234.38
	<u>1,341,484.05</u>	<u>530,186.88</u>

(20) Interest Expense and Similar Charges

Details at 31 December 2016 and 2015, based on the nature of operations, are as follows:

	Euros	
	2016	2015
Due to financial intermediaries	679,408.35	937,450.23
Due to customers	1,834,802.44	618,572.24
Other financial liabilities	879,293.55	322,235.89
	<u>3,393,504.34</u>	<u>1,878,258.36</u>

(21) Fee and Commission Income and Expense

Details of fee and commission income and expense in 2016 and 2015, by nature, are as follows:

Fee and commission income	Euros	
	2016	2015
Processing and execution of customer orders for securities sales and purchases		
Variable income transactions	9,740,775.49	9,750,742.26
Fixed income transactions	1,087,829.01	179,691.33
Derivatives transactions	2,760,049.71	2,135,172.18
Derivatives intermediation	1,177,537.35	300,076.71
Underwriting and placement	336,829.11	115,000.00
Marketing of collective investment undertakings	252,670.12	-
Securities held on deposit and book entries	42,022.53	30,128.97
Portfolio management	13,150,739.69	8,034,255.34
Other fees and commissions	3,291,111.41	1,946,852.81
	<u>31,839,564.42</u>	<u>22,491,919.60</u>

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Fee and commission expense	Euros	
	2016	2015
Securities transactions	(1,144,178.03)	(254,303.16)
Derivatives transactions	(1,278,949.58)	(458,013.90)
Fees and commissions paid to markets and clearing and settlement systems	(648,172.88)	(844,192.44)
Guarantees for collective market guarantee fund	(57,422.07)	(90,914.43)
Fees and commissions paid to representatives and other entities	(848,285.67)	(319,318.85)
Other fees and commissions	(2,785,582.94)	(785,794.10)
	<u>(6,762,591.17)</u>	<u>(2,752,536.88)</u>

(22) Other Operating Expenses

At 31 December 2016 this income statement item is primarily composed of the Euros 167,782.79 contribution to the Investment Guarantee Fund and Euros 800,000.00 of penalties imposed by regulators (Euros 133,970.65 and Euros 661,316.64, respectively, at 31 December 2015), of which Euros 650,000.00 have been recognised under “Provisions” in the balance sheet at 31 December 2016.

(23) Personnel Expenses

Details of personnel expenses for 2016 and 2015 are as follows:

	Euros	
	2016	2015
Salaries and wages	16,075,481.08	19,256,130.81
Employee benefits expense		
Social Security payable by the Company	1,530,698.52	1,638,768.40
Termination benefits	408,910.31	51,565.13
Training expenses	8,637.34	7,367.00
Other personnel expenses	753,329.33	1,111,373.28
	<u>18,777,056.58</u>	<u>22,065,204.62</u>

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

	Annual average 2016	31.12.16			Annual average 2015	31.12.15		
		Male	Female	Total		Male	Female	Total
Management	4	2	2	4	8	7	1	8
Qualified personnel	129	78	24	102	156	120	37	157
Administrative staff	3	1	2	3	3	1	2	3
	<u>136</u>	<u>81</u>	<u>28</u>	<u>109</u>	<u>167</u>	<u>128</u>	<u>40</u>	<u>168</u>

The average number of Group employees with a disability rating of 33% or higher (or equivalent local rating) in 2016 and 2015, distributed by category, is as follows:

	Number	
	31.12.16	31.12.15
Management	-	-
Qualified personnel	2	2
	<u>2</u>	<u>2</u>

(24) Overheads

Details at 31 December 2016 and 2015 are as follows:

	Euros	
	2016	2015
Rental of buildings and facilities (note 11)	759,900.97	1,084,708.11
Communications	1,439,923.18	1,471,816.53
IT systems	1,888,555.98	1,633,663.69
Utilities	526,793.87	137,059.93
Repairs and maintenance	285,478.20	361,006.98
Advertising and publicity	381,645.60	558,264.43
Entertainment and travel expenses	445,538.57	637,435.60
Governing bodies (note 27 (b))	600,000.00	600,000.00
Outsourced administrative services	51,671.42	106,331.82
Other independent professional services	3,793,140.63	3,504,610.60
Contributions and taxes	575,205.84	728,551.15
Other expenses	1,328,882.89	714,040.04
	<u>12,076,737.15</u>	<u>11,537,488.88</u>

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Notes to the Consolidated Annual Accounts

At 31 December 2016 and 2015 this item includes Euros 600,000.00 payable to related parties (see note 27 (a) and (b)).

(25) Impairment Losses on Financial Assets

Details at 31 December 2016 and 2015 are as follows:

	Euros	
	31.12.16	31.12.15
Loans and receivables		
Due from financial intermediaries (note 7 (e))	99,500.00	100,000.00
Due from financial intermediaries (note 7 (f))	1,320,741.50	-
Due from customers (note 7)	324,382.60	195,869.24
Other	26,683.21	45,022.17
	<u>1,771,307.31</u>	<u>340,891.41</u>

(26) Taxation

The standard rate of tax is 25%, which may be reduced by certain credits.

A reconciliation of the consolidated accounting profit for 2016 and 2015 with the consolidated taxable income the Group expects to declare after approval of the consolidated annual accounts is as follows:

	Euros	
	2016	2015
Consolidated profit before income tax	1,752,392.16	2,228,875.19
Consolidation adjustments	<u>2,555,313.74</u>	<u>1,383,126.61</u>
Accounting profit before tax	<u>4,307,705.90</u>	<u>3,612,001.80</u>
Permanent differences	(2,267,880.02)	(3,189,243.04)
Taxable accounting income	2,039,825.88	422,758.76
Timing differences on profits		
Originating in current period	-	-
Reversal of prior periods	<u>96,806.24</u>	<u>26,294.49</u>
Offset of tax loss carryforwards	(372,547.64)	-
Gross taxable income	1,764,084.48	449,053.25

AURIGA CAPITAL INVESTMENTS, S.L.
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The consolidated income tax expense is calculated as follows:

	Euros	
	2016	2015
Taxable accounting income at tax rate	1,002,716.60	1,811,861.52
Offset of tax losses	(93,136.91)	-
Derecognition of deferred tax assets	493,883.36	231,833.03
Deductions	(529.78)	(10,158.90)
Other	(23,061.56)	10,513.36
	1,379,871.71	2,044,049.01

Temporary differences reflect the difference between amortisation and depreciation for accounting purposes and tax-deductible amortisation and depreciation, as well as non-tax-deductible impairment of financial assets. Movement in these deferred tax assets and liabilities arising from temporary differences in 2016 and 2015 is as follows:

	Euros							
	31.12.14	Additions	Derecognitions	31.12.15	Additions	Adjustment of prior periods	Derecognitions	31.12.16
<u>Assets</u>								
Impairment of financial assets	529,493.28	-	(35,609.92)	493,883.36	-	-	(493,883.36)	-
Monetisation amortisation/depreciati on limit	43,853.02	-	(3,663.57)	40,189.45	11,636.71	-	-	51,826.16
	573,346.30 (note 12)	-	(39,273.49)	534,072.81 (note 12)	20,837.64	-	(520,299.66)	34,610.79
<u>Liabilities</u>								
Accelerated amortisation/depreciati on	22,350.74	-	(11,026.03)	11,324.71 (note 12)	-	725.05	(7,964.37)	4,085.40 (note 12)

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2016 the Group has open to inspection by the taxation authorities all the main applicable taxes since 1 January 2013. The directors do not expect that any significant additional liabilities would arise in the event of an inspection.

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

AURIGA CAPITAL INVESTMENTS, S.L.
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Notes to the Consolidated Annual Accounts

At 31 December 2016 the tax resident subsidiaries in Spain have tax loss carryforwards of Euros 42,014.60 to be offset against any future taxable profit (Euros 41,344.35 at 31 December 2015).

At 31 December 2016 and 2015, the Parent has the following tax loss carryforwards to be offset against future profits:

Year of origin	Euros 31.12.16
2011	400,229.14

(27) Related Parties

(a) Related party transactions and balances

At 31 December 2016 and 2015, in addition to the amounts indicated in note 15 on equity, the Group has the following balances payable to and receivable from related parties:

	Euros	
	31.12.16	31.12.15
Assets		
Loans and receivables		
Other loans and advances (note 7 (f))	9,335,575.95	9,918,977.70
Equity investments (note 8)	8,691,585.55	2,602,924.80
Other assets (note 13)		
Shareholders and senior management personnel	301,978.95	148,788.19
Other	953,235.31	-
	19,282,375.76	12,670,690.69
Liabilities		
Other liabilities (note 13 (c))	101,250.00	100,625.00

AURIGA CAPITAL INVESTMENTS, S.L.
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Income and expenses deriving from the Group's transactions with related parties are as follows:

	Euros	
	2016	2015
Income		
Interest and similar income (note 7 (f))	-	408,438.08
Dividends (note 19)	566,941.28	381,234.38
	566,941.28	789,672.46
Expenses		
Overheads (note 24)	600,000.00	600,000.00

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

In 2016 the board of directors accrued remuneration of Euros 753,336.77 (Euros 836,371.20 in 2015), of which Euros 600,000.00 (Euros 600,000.00 in 2015) were accrued for duties performed as members of the board of directors (see note 24), and the remainder for duties performed as senior management personnel.

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

At 31 December 2016, a balance of Euros 101,250.00 is payable to a member of the Parent's board of directors for services rendered in 2016 (Euros 100,625.00 at 31 December 2015) (see note 13 (c)).

At 31 December 2016, Euros 301,978.95 are receivable from former shareholders and members of senior management (Euros 148,788.19 at 31 December 2015) (see note 13 (a)). These debts accrue interest at market rates.

At 31 December 2016 and 2015 this item also includes a Euros 226,341.77 loan extended to a member of the board of directors (see note 7 (f)). This loan earns interest at market rates.

At 31 December 2016 and 2015 the Group has no pension obligations with former or current board members.

In 2016 or 2015 the Group did not extend any guarantees on their behalf. In 2016 and 2015 the Parent's directors did not perform any transactions other than ordinary business with the Parent or Group companies applying terms that differed from market conditions.

During 2016, civil liability insurance premiums amounting to Euros 36,427.52 were paid in respect of possible damage or loss caused by actions or omissions of the directors while exercising their duties (Euros 41,759.39 in 2015).

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At 31 December 2016 and 2015 distribution of the board members by gender is as follows:

Male	Female	Total
4	1	5

(c) Conflicts of interest

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

(28) Environmental Information

The directors consider that the environmental risks deriving from the Group's activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Group did not incur any expenses or receive any environment-related grants during the years ended 31 December 2016 and 2015.

(29) Audit Fees

KPMG Auditores, S.L., the auditor of the Group's consolidated annual accounts, and other companies related to the auditor as defined in additional provision fourteen of legislation governing the reform of the financial system, invoiced the following fees for professional services during the years ended 31 December 2016 and 2015:

	Thousands of Euros	
	2016	2015
Audit services	127,950.00	79,070.00
Other services	27,900.00	22,500.00
	155,850.00	101,570.00

The amounts detailed in the above table include the total fees for the 2016 and 2015 audits, irrespective of the invoice date.

Other affiliates of KPMG International invoiced the Group the following fees for professional services during the years ended 31 December 2016 and 2015:

	Thousands of Euros	
	2016	2015
Audit services	149,569.42	58,843.94

AURIGA CAPITAL INVESTMENTS, S.L.
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Notes to the Consolidated Annual Accounts

(30) Customer Service Department

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

In 2016 five complaints were received, two of which were rejected, two were resolved in favour of the customer and one was resolved by the CNMV in February 2017. In 2015 three complaints were received, all of which were settled through agreements with the customers.

(31) Representatives

At 31 December 2016 the Group operates with nine representatives authorised to deal directly with customers in the name and on behalf of the Group, to carry out transactions pertaining to securities dealers (nine representatives at 31 December 2015). A list of these representatives has been deposited with the CNMV.

Details at 31 December 2016 and 2015 are as follows:

31.12.16	31.12.15
Arganzón, S.L.	Arganzón, S.L.
Gestión Fondo Educativo, S.L.	Gestión Fondo Educativo, S.L.
Ana María Gonzalez-Elipe Rosales	Ana María Gonzalez-Elipe Rosales
Mega Cuadro, S.A.	Mega Cuadro, S.A.
Breda Boys, S.L.	Sistema de Trading Futuros, S.L.
Pedro Urbina García-Caro	Breda Boys, S.L. (*)
Bolaños 2004, S.L. (**)	Pedro Urbina García-Caro (*)
Valor Absoluto Family Office, S.L. (**)	Valuga Capital (*)
Esteban Gridilla Ferrer (**)	Isaac Sánchez Alcalde (*)

(*) *Authorised representative since 2015.*

(**) *Authorised representative since 2016.*

(32) Risk Management Policy

In 2016 risk exposure of the Group's capital has performed as follows in comparison with the prior year:

- Sustained volume of fixed income with fewer transactions and similar risk exposure to that seen in 2015.
- Decrease in variable income operations on the Group's own behalf, with the associated drop in exposure to credit and counterparty risk, and exposure to position risk with respect to variable income instruments.

AURIGA CAPITAL INVESTMENTS, S.L.
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The measures adopted in 2015 to control the level of risks inherent in fixed income intermediation activity were maintained in 2016:

- Avoid accumulation of transactions pending settlement with a single counterparty.
- Avoid accumulation of transactions pending settlement, depending on the issuer.
- Avoid transactions in which the issuer and purchaser are the same institution.

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

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

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

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

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

The transaction log book is filed in the middle office.

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

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

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

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

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

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

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

Specific settlement instructions

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

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

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

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

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

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

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

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

(33) Late Payments to Suppliers. “Reporting Requirement” under Law 15/2010 of 5 July 2010

Pursuant to final provision two of Law 31/2014 of 3 December 2014, and in accordance with the Spanish Accounting and Auditing Institute (ICAC) Resolution of 29 January 2016, details of the average supplier payment period in 2016 and 2015 of Group subsidiaries located in Spain are as follows:

	Days	
	2016	2015
Average supplier payment period	28.75	42.00
Transactions paid ratio	92.69	84.68
Transactions payable ratio	7.31	15.32
	Amount (Euros)	
	2016	2015
Total payments made	7,949,214.41	8,932,218.22
Total payments outstanding	581,149.12	865,149.09

(34) Events after the Reporting Period

Besides the matter mentioned in these notes, no other significant events occurred between 31 December 2016 and 31 March 2017, the date on which the board of directors authorised the consolidated annual accounts for issue, that require disclosure in the accompanying consolidated annual accounts.

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Details of Investments in Fully-Consolidated Group Companies

31 December 2016

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

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

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

(**) Data obtained from the limited review of the financial statements of the company at 31 December 2016.

This Appendix forms an integral part of note 1 to the consolidated annual accounts at 31 December 2016, in conjunction with which it should be read.

AURIGA CAPITAL INVESTMENTS, S.L.
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Details of Investments in Fully-Consolidated Group Companies

31 December 2015

Company	Registered office	Activity	Listed	Percentage	Thousands of Euros			
					Assets	Liabilities	Profit/(loss)	Equity
Auriga Special Holdings LLC and subsidiaries (*)	546 5th Avenue, 9th Floor, New York	Holding company	No	100.00%	23,131	26,377	(4,418)	(3,246)
Auriga Global Investors S.V., S.A., Sociedad Unipersonal (*)	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	No	100.00%	142,314	111,296	3,720	31,018
Quadriga Asset Managers, S.G.I.I.C, S.A. (*)	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	CIU management company	No	100.00%	3,211	314	(103)	2,897
Xzerta Solar I Spain LLC (**)	546 5th Avenue, 9th Floor, New York	Holding company	No	63.00%	6,288	191	381	6,097
Auriga Renovables, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Holding company	No	50.00%	115	163	(12)	(48)
Xzerta Mesa Spain, LLC	546 5th Avenue, 9th Floor, New York	Investments in investment fund	No	24.95%	2,324	32	(433)	2,292
Finalter, S.L	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Other lending activities	No	100.00%	14,222	13,811	510	411
General Universal Business, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Investing activities	No	33.44%	5,380	900	(3)	4,480
Auriga Sherpa I, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Investing activities	No	21.70%	2,820	5	16	2,815
Auriga Grapheno, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Investing activities	No	48.92%	7,298	58	(54)	7,240
Alternative Financing, Estructuración y Originación, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	No	100.00%	3	-	-	3
Isleni Global S.A.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Accounting and tax advisory services	No	100.00%	1,928	17	(1,126)	1,911
CA Metropolitan ATM 10, S.A.	Route de Thionville, L-2611 Luxembourg	Acquisition of receivables	No	100.00%	17,705	17,141	531	564

(*) Data obtained from the audited annual accounts of the companies at 31 December 2015.

(**) Data obtained from the limited review of the financial statements of the company at 31 December 2015.

This Appendix forms an integral part of note 1 to the consolidated annual accounts at 31 December 2016, in conjunction with which it should be read.

AURIGA CAPITAL INVESTMENTS, S.L.
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Valuation of Investments in Equity-Accounted Associates and Joint Ventures

31 December 2016

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

Thousands of Euros

Name	Registered office	Activity	Percentage ownership	Share capital	Reserves	Net profit/(loss) for the year	Capital and reserves
Real Estate Gijón, S.L. and subsidiary	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Holding company					
	546 5th Avenue, 9 th Floor, New York	Investment in solar energy project	50.00%	3	-	2,877	2,880
Xzerta-Tec, LLC			59.67%	446	(480)	(370)	(404)
Ausaf VII, LLC	546 5th Avenue, 9 th Floor, New York	Holding company	25.16%	2,030	116	(567)	1,582
Solar Credits Opportunities Fund, LLC	546 5th Avenue, 9th Floor, New York	Financial intermediation	2.52%	201	-	-	-
Meet With Success, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	33.33%	753	(261)	(7)	485
Simply Business, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Retail textile trading	50.00%	407	-	68	475
Ibroker Global Markets SV, S.A.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	50.00%	4,000	(2)	(3)	3,995

31 December 2015

Thousands of Euros

Name	Registered office	Activity	Percentage ownership	Share capital	Reserves	Net profit/(loss) for the year	Capital and reserves
Xzerta-Tec, LLC	546 5th Avenue, 9 th Floor, New York	Investment in solar energy project	50.00%	864	(280)	(648)	(64)
Ausaf VII, LLC	546 5th Avenue, 9 th Floor, New York	Holding company	25.16%	7,811	2,194	(1,745)	8,260
Solar Credits Opportunities Fund, LLC	546 5th Avenue, 9th Floor, New York	Financial intermediation	2.52%	3,977	-	13,106	17,083
Meet With Success, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Financial intermediation	33.33%	753	(4)	(257)	492
Simply Business, S.L.	C/ Cuesta del Sagrado Corazón, 6-8 (Madrid)	Retail textile trading	50.00%	243	-	13	256

This Appendix forms an integral part of note 8 to the consolidated annual accounts at 31 December 2016, in conjunction with which it should be read.

AURIGA CAPITAL INVESTMENTS, S.L.
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Investment Firms
Consolidated Annual Report for 2016

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

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

DETAILS OF THE GROUP

Auriga Capital Investments S.L. (the Parent) was incorporated with limited liability on 2 March 2011.

The Parent's registered office is located at Calle Cuesta del Sagrado Corazón, no. 6, in Madrid.

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

- Auriga Global Investors, Sociedad de Valores, S.A., Sociedad Unipersonal
- Auriga Special Holdings LLC
- Xzerta Solar I Spain LLC
- Auriga Renovables, S.L.
- Xzerta Mesa Spain LLC
- Finalter, S.L.
- Auriga Sherpa I, S.L.
- General Universal Business, S.L.
- CA Metropolitan ATM 10, S.A.
- Quadriga Asset Managers S.G.I.I.C., S.A. (formerly Auriga Asset Management S.G.I.I.C., S.A.).
- Auriga Grapheno, S.L.
- Isleni Global S.A. (formerly A.I.G. Finanzas, S.A.).
- Alternative Financing, Estructuración y Originación, S.L.
- Einicia Crowdfunding, S.L.
- Carbono Puro, S.L.

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

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

STATUTORY ACTIVITY

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

GEOGRAPHICAL LOCATION

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

TURNOVER

Turnover, measured in terms of fee and commission income, is Euros 31,840 thousand at 31 December 2016.

NUMBER OF FULL-TIME EMPLOYEES

There are 109 full-time employees at 31 December 2016.

CONSOLIDATED PROFIT OR LOSS BEFORE TAX

Consolidated profit before tax amounts to Euros 1,752 thousand at 31 December 2016.

TAX ON PROFIT OR LOSS

The income tax expense amounts to Euros 1,380 thousand at 31 December 2016.

RETURN ON ASSETS

0.257% (net profit as a percentage of total consolidated assets) at 31 December 2016.

PUBLIC GRANTS OR SUBSIDIES RECEIVED

The Group has not received any public grants or subsidies.

AURIGA CAPITAL INVESTMENTS, S.L.
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Consolidated Directors' Report

2016

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

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

- a)* The purchase, sale, holding and management, either directly or indirectly, of shares or equity investments in all types of companies in Spain or abroad, irrespective of mercantile form.
- b)* Intermediation in the rendering of services involving advisory, consultancy, development and organisation of companies; advice and rendering of services in the field of teaching at all educational levels; delivery of conferences and classes to companies, professionals and institutions; as well as the publication and commercialisation of books and teaching and scientific materials, on paper or magnetic tape, or in electronic or other technological formats.
- c)* Trading and holding of shares, equity holdings, bonds, debentures, promissory notes, bills and other public or private securities, and financial assets in general, which do not have the nature of activities reserved for collective investment undertakings and stock exchange brokers and member brokers.
- d)* Acquisition of all kinds of rural and urban estates, construction thereof, and administration, development, holding and lease of such assets and their total or partial sale for urban, industrial, agricultural or any other use.
- e)* The integrated management and operation of all types of rural and urban estates on behalf of third parties.
- f)* Development, operation and sale-purchase of trademarks and systems for developing businesses through franchises.

2016 has been a challenging year for investors worldwide. The financial markets have been a reflection of the unusual economic environment brought on by the monetary policies of central banks and their performance has been distorted by various political events: the Brexit referendum in June, Trump's victory in the US in November, the second round of voting needed in Spain and the referendum on the Italian constitution. All this occurred against the backdrop of Spain's collapsing banking system.

Most noteworthy in Europe are the actions of the ECB, which introduced further monetary stimulus measures in the first half of the year. These measures included a further reduction in official interest rates (from 0.05% to 0.00% in March), the acquisition of corporate bonds for the first time, new long-term financing operations for banks (TLTRO) and, lastly, the expansion of the asset purchase programme from Euros 60 million to Euros 80 million per month. In light of the positive results achieved by these monetary policies, in November the asset purchase programme was extended for a further nine months, although the volume was once again reduced to Euros 60 million per month. The combined effect of all these measures was to increase bond yields and flatten out the yield curve.

In the area of fixed income securities, the start of 2016 was characterised by two pertinent issues: the substantial correction in junk bonds in the light of plummeting oil prices, and the continued belief that fixed income securities and government bonds would be unable to continue generating returns in such a low interest rate environment. Markets subsequently reversed and began a surprise move to the upside, spurred on by Trump's victory.

The purchase of government bonds by the ECB pushed bond yields to record lows, the Bund yield dropping from 0.56% in the first half of the year to as low as -0.18% – with an ensuing price rise from 158 to 168 – before climbing back up to 0.40% in December. Corporate debt performed in a somewhat similar manner, with yields falling in the first half of the year until the announcement of the Brexit results, which proved to be a turning point. A subsequent turnaround was seen in the markets, which surprisingly began to climb following Trump's victory at the end of the year.

Also notable is the consolidation of the Spanish alternative fixed-income market (MARF) as a means of corporate financing, particularly for medium-sized enterprises, as well as the continued growth of the invoice securitisation fund (IMAUR 1 A) launched by Auriga in September 2014 in partnership with Intermoney Titulización, which currently has a net asset value of Euros 75 million.

The variable income securities market was particularly volatile over the year. The first half of the year was particularly turbulent for the banking sector and sectors tied to commodities, as well as those involved in vehicle manufacturing and exporting to China. The clear winners in this period were assets tied to bonds: real estate, utilities, infrastructure and sectors that are unaffected by economic cycles, such as technology or consumer staples, as well as food and beverages. The second half of the year, however, was quite the opposite, with certain sectors standing out. Banking and telecoms, particularly, saw the greatest improvement, in addition to sectors associated with a recovery in consumer spending, such as media, hotels and airlines.

Overall, 2016 was a mixed bag with ups and downs and a very high rotation of sectors and securities during the year. The Ibex35 remained almost flat, with a small drop of 2.01%, while Eurostoxx was up again this year, by 0.7%. The German and French stock markets ended the year favourably, with the Dax rallying 6.86% while the CAC climbed 4.85%. US stock market indices were up overall for the year, with the S&P500 recovering 9.54% and the Nasdaq Composite up 7.5%. The Chinese Hang Seng remained flat with a +0.03% move, as did the Japanese Nikkei 225 at +0.036%.

The currencies of emerging economies have been greatly affected by the strong appreciation of the dollar, albeit hitting a trough during the half year before starting to bounce back in some cases. During the quarter, the US Dollar did not perform in the same way against all currencies, the most notable movements being the recovery of the Brazilian Real and the major depreciation of the Mexican Peso. The US Dollar continues to be the safe haven currency, although the most prominent currency move during the quarter was in the Pound Sterling, which fell to 0.9 against the Euro, not far off its record low.

Towards the end of 2016 the Group's securities dealer spun-off its retail business activity consisting of the online brokerage of variable income securities and derivatives, as well as the discretionary management of portfolios using automatic trading systems, to Ibroker Global Markets SV, S.A. This did not entail an amendment of its activity in the register of the CNMV. The spin-off operation has not been detrimental to the business activity of the Group's securities dealer, which still has the organisational structure, procedures and controls required to continue performing its principal activity without undermining quality of service.

With the ongoing process of transferring all the vehicles managed to Quadriga Asset Managers SGIIC, the Group's management company, at the 2016 year end only the following vehicles and their assets continue to be managed by the Group's securities dealer:

• Armada Capital Mirtal Global Fund	Euros 3,829,286.29
• Armada Capital Lynx	Euros 4,105,375.34
• Armada Capital S2A2 Trading Opportunities	Euros 3,908,346.84
• Shelter Island Total Return Fund	Euros 30,742,649.00

On 1 February 2016, Quadriga Asset Managers SGIIC obtained approval from the Luxembourg regulator to be granted a so-called "EU passport". Consequently, on 11 November 2016 it replaced Duff & Phelps Management Company S.A.R.L. as the fund management company of Auriga Investors UCITS SICAV.

As a result, the following six UCITS vehicles were incorporated in 2016: Global Allocation FUND, AZ Total Return FUND, Vitrio Real Return FUND, GFED Aequitas FUND, Montserrat Global FUND and Belgravia Lynx.

In 2016, Quadriga also incorporated a new SICAV (Spanish open-ended investment company) named Quadriga Global Allocation SICAV.

At the 2016 year end, Quadriga Asset Managers SGIIC, S.A. manages assets totalling Euros 528.5 million spread across 15 investment vehicles, distributed as follows:

Funds and SICAVs in Spain

Gesbolsa Inversiones, SICAV, S.A.	Euros 8,773,068
Kirites de Inversiones, SICAV, S.A.	Euros 51,112,151
Madrid Plaza Inversiones, SICAV, S.A.	Euros 10,056,751
Nasecad Inversiones, SICAV, S.A.	Euros 13,738,257
Valenciana de Valores, SICAV, S.A.	Euros 23,519,783
RHO Investments, SIL, S.A.	Euros 57,942,663
Quadriga Global Allocation SICAV	Euros 7,464,611
Global Allocation FI (*)	Euros 56,760,582
Seboruco SICAV, S.A.	Euros 5,198,436

SICAVs in Luxembourg

Auriga Investors Montserrat Global Fund	Euros 6,841,217
Auriga Investors Global Allocation	Euros 14,135,894
Auriga Investors AZ Total Return Fund	Euros 15,725,688
Auriga Investors Vitrio Real Return Fund	Euros 26,552,668
Auriga Investors GFED Aequitas Fund	Euros 44,302,153
Auriga Investors Belgravia Lynx	Euros 186,375,796

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