



FEDA



FEDA

Financial Statements

31st December 2018 (Together with the Auditor's Report)

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FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Balance sheet at 31 December 2018 with comparative figures corresponding to the previous reporting period

(Expressed in Euros)

<u>Assets</u>	<u>31/12/2018</u>	<u>31/12/2017</u>	<u>Liabilities</u>	<u>31/12/2018</u>	<u>31/12/2017</u>
Non-current assets	153,178,812	160,093,667	Net Equity	168,782,719	156,971,723
Intangible assets (note 5)	2,763,604	3,855,816	Capital	-	-
Set-up expenses	-	-	Capital	-	-
Research and Development expenses	-	-	Share premium	-	-
Goodwill	-	-	Reserves	-	-
Other intangible assets	2,763,604	3,855,816	Legal reserve	-	-
Tangible assets (note 6)	140,056,567	142,266,586	Revaluation reserve	-	-
Land and buildings	24,845,749	25,793,129	Reserve for treasury shares	-	-
Technical facilities and other tangible fixed assets	113,172,629	112,830,746	Statutory reserves	-	-
Tangible fixed assets under construction and advance payments	2,038,189	3,642,711	Other reserves	-	-
Investments in real estate (note 7)	-	-	Shareholders' equity instruments	-	-
Financial assets (note 8 (a))	10,358,641	13,971,265	Results of previous years (note 12)	154,195,410	147,717,343
Group companies and associates	9,884,285	13,416,578	Surplus	154,195,410	147,717,343
Equity instruments	3,005,122	2,885,122	Losses of previous years	-	-
Loans and accounts receivable	6,879,163	10,531,456	Income for the year (note 3)	14,587,309	9,254,380
Other	-	-	Interim dividend	-	-
Other companies	474,356	554,687	Non-current liabilities	16,934,161	19,744,745
Equity instruments	12,020	12,020	Long-term provisions (note 14 (a))	2,857,245	2,841,915
Loans and accounts receivable	-	-	Long-term debts (note 13 (a))	7,063,771	9,381,122
Other	462,336	542,667	Debentures and other marketable securities	-	-
Current assets	43,796,817	28,756,432	Amounts owed to credit institutions	5,426,964	7,706,591
Other non-current assets on sale (note 10)	-	-	Other	1,636,807	1,674,531
Inventories (note 9)	1,530,433	1,428,305	Long-term debts with group and partner companies (note 13 (b))	-	-
Raw materials and consumables	1,530,433	1,428,305	Subsidies (note 17)	7,013,145	7,521,708
Products in progress and manufacturing	-	-	Current liabilities	11,258,749	12,133,631
Finished products and goods	-	-	Liabilities linked to other non-current assets on sale	-	-
Advance payments to suppliers	-	-	Short-term provisions (note 14 (b))	156,291	226,772
Other	-	-	Short-term debts (note 13 (c))	3,703,871	3,454,954
Short-term loans and accounts receivable (note 8 (b))	7,954,979	7,293,370	Debentures and other marketable securities	-	-
Clients for sales and provision of services	7,614,375	7,180,305	Amounts owed to credit institutions	2,270,945	2,249,031
Credits and accounts receivable in Group companies and associates	11,589	16,031	Short-term financial derivatives	-	-
Rest of credits and accounts receivable	329,015	97,034	Other	1,432,926	1,205,923
Short-term financial investments (note 8 (c))	20,229,876	13,519,240	Short-term debts with Group companies and partner companies (note 13 (d))	-	-
In Group companies and associated companies	7,177,183	7,723,381	Commercial creditors and other accounts payable (note 13 (e))	7,398,587	8,451,905
Rest of financial assets	13,052,693	5,795,859	Suppliers	4,258,940	4,826,743
Liquid assets (note 8 (d))	13,933,978	6,478,725	Group companies and partner companies, creditors	179,256	342,328
Accruals and prepayments (note 11)	147,551	36,792	Sundry creditors	2,686,593	3,050,408
			Advances from customers	178,972	138,765
			Other	94,826	93,661
			Accruals and prepayments (note 15)	-	-
Total assets	196,975,629	188,850,099	Total liabilities	196,975,629	188,850,099

The accompanying notes to the Financial Statements form an integral part of the Financial Statements for the reporting period ended 31 December 2018.

Profit and Loss Account for the reporting period ended 31 December 2018
 with comparative figures corresponding to the previous reporting period

(Expressed in Euros)

	31/12/2018	31/12/2017
Operating income		
Net revenues (note 16 (a.1))	63,513,024	61,538,785
Variation of inventories of finished products and products in manufacturing process	-	-
Works carried out for the entity's fixed assets (note 16 (a.2))	1,742,584	1,352,579
Other trading income	47,564	42,081
Total trading income	65,303,172	62,933,445
Trading expenses		
Consumption of goods, raw materials and other materials (note 16 (b))	(29,932,139)	(32,478,069)
Staff expenses (note 16 (c))	(6,243,799)	(6,059,776)
Wages, salaries and similar	(5,082,660)	(4,832,068)
Staff welfare expenses	(788,501)	(733,094)
Other staff expenses	(372,638)	(494,614)
Depreciation, impairment of intangible and tangible assets (notes 5 and 6)	(8,585,323)	(8,986,638)
Depreciation	(8,222,433)	(8,920,966)
Income from sale or disposal	(362,890)	(65,672)
Impairment of current assets	(120,675)	(51,469)
Credits and accounts receivable	(38,007)	(20,278)
Impairment of inventories	(49,901)	(56,608)
Excess in provisions	(32,767)	25,417
Other trading expenses (note 16 (d))	(5,826,326)	(5,542,490)
Leases and royalties	(102,119)	(79,755)
Repairs and maintenance	(2,561,478)	(2,550,669)
Independent professional services	(968,690)	(780,141)
Insurance	(522,788)	(424,221)
Banking services	(145,380)	(115,485)
Advertising	(339,225)	(266,239)
Supplies	(213,395)	(204,216)
Taxes and duties	(227,675)	(227,126)
Other external services	(745,576)	(894,638)
Total trading expenses	(50,708,262)	(53,118,442)
Trading profit or loss	14,594,910	9,815,003
Financial income and expenses		
Financial income	79,302	84,316
From participations in equity instruments	300	200
From other financial assets	79,002	84,116
Financial expenses	(194,885)	(238,568)
Payable to related parties	-	-
Other accounts payable	(194,885)	(238,568)
Variation of fair value in financial instruments	178,444	71,926
Exchange differences	6,868	-
Impairment and income from sale or disposal of financial assets	-	-
Impairment	-	-
Income from sales or disposals	-	-
Financial profit/loss	69,729	(82,326)
Operating result	14,664,639	9,732,677
Other non-recurring income and expenses		
Other non-recurring income	772,538	256,769
Other non-recurring expenses	(16,200)	(109,793)
Total of other non-recurring income and expenses (note 16 (e))	756,338	146,976
Result before tax	15,420,977	9,879,653
Corporation tax (note 18)	(833,668)	(625,273)
Profit for the year	14,587,309	9,254,380



FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Statement of Changes in Equity for the reporting period ended 31 December 2018 and 31 December 2017

(Expressed in Euros)

	Company Capital	Legal Reserve	Other Reserves	Results of previous financial years	Other partners' contributions	Result of the financial year	Total Net Equity
Balance on the 31/12/2016	-	-	-	140,667,486	-	10,350,521	151,018,007
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-
Adjustments for errors 2016 and previous years	-	-	-	(41,716)	-	-	(41,716)
Adjusted balance at 01/01/2017	-	-	-	140,625,770	-	10,350,521	150,976,291
Result of the 2017 Financial Year	-	-	-	-	-	9,254,380	9,254,380
Income/expenses recognized in Net Equity	-	-	-	-	-	-	-
Operations with partners and owners	-	-	-	7,091,573	-	(10,350,521)	(3,258,948)
Distribution of dividends	-	-	-	(512,636)	-	(2,746,312)	(3,258,948)
Increases/Decreases of capital	-	-	-	-	-	-	-
Increase of reserves	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Distribution of result	-	-	-	7,604,209	-	(7,604,209)	-
Balance on the 31/12/2017	-	-	-	147,717,343	-	9,254,380	156,971,723
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-
Adjustments for errors 2017 and previous years (note 2 (e))	-	-	-	-	-	-	-
Adjusted balance at 01/01/2018	-	-	-	147,717,343	-	9,254,380	156,971,723
Result of the 2018 Financial Year	-	-	-	-	-	14,587,309	14,587,309
Income/expenses recognized in Net Equity	-	-	-	-	-	-	-
Operations with partners and owners	-	-	-	6,478,067	-	(9,254,380)	(2,776,313)
Distribution of dividends	-	-	-	-	-	(2,776,313)	(2,776,313)
Increases/Decreases of capital	-	-	-	-	-	-	-
Increase of reserves	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Distribution of result	-	-	-	6,478,067	-	(6,478,067)	-
Balance on the 31/12/2018	-	-	-	154,195,410	-	14,587,309	168,782,719

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Cash flow Statement for the reporting period ended 31 December 2018,
with comparative figures corresponding to the previous reporting period

(Expressed in Euros)

	<u>31/12/2018</u>	<u>31/12/2017</u>
CASH FLOWS OF TRADING ACTIVITIES		
Profit for the Year	14,587,309	9,254,380
Profit adjustments	7,726,042	9,037,918
Depreciation of intangible and tangible assets	8,222,434	8,920,966
Valuation corrections for impairment	-	76,886
Variation de provisions	(55,151)	(25,417)
Allocation of grants/subsidies	(923,158)	-
Income from disposals and disposal of tangible/intangible assets	366,334	65,672
Income from disposals and disposal of financial instruments	-	-
Financial income	(79,302)	(156,242)
Financial expenses	194,885	238,568
Exchange differences	-	-
Variation of fair value in financial instruments	-	-
Other income and expenses	-	(82,515)
Changes in the current capital	(711,295)	25,855
Inventories	(102,128)	(245,694)
Debtors and other accounts receivable	(126,855)	(459,836)
Other current assets	(70,592)	28
Creditors and other accounts payable	(1,060,630)	(252,371)
Other current liabilities	648,910	831,422
Other non-current assets and liabilities	-	152,306
Other cash flows of trading activities	(650,337)	363,950
Interest payments	(194,885)	(238,568)
Dividends receipts	300	200
Interest receipts	79,002	156,042
Receipts (payments) due to income tax	(534,754)	(14,157)
Other payments (receipts)	-	460,433
Cash flows of trading activities	20,951,719	18,682,103
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for investments	(21,943,957)	(26,747,881)
Group companies and associated companies	(3,644,890)	(14,209,591)
Intangible assets	(295,201)	(714,355)
Tangible assets	(4,991,336)	(6,028,076)
Real estate investments	-	-
Other financial assets	(13,012,530)	(5,795,859)
Other non-current assets held for sale	-	-
Other assets	-	-
Receipts from disinvestments	13,519,240	11,903,700
Group companies and associated companies	7,723,381	494,062
Intangible assets	-	-
Tangible assets	-	-
Real estate investments	-	-
Other financial assets	5,795,859	11,409,638
Other non-current assets held for sale	-	-
Other assets	-	-
Cash flows from investment activities	(8,424,717)	(14,844,181)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts and payments for equity instruments	-	-
Issue of equity instruments	-	-
Amortization of equity instruments	-	-
Purchase of own equity instruments	-	-
Sale of own equity instruments	-	-
Receipts and payments for financial liability instruments	(2,295,437)	(2,242,467)
Issue:	-	-
Bonds and similar securities	-	-
Amounts owed to credit institutions	-	-
Amounts owed to Group companies and associated companies	-	-
Other	-	-
Repayment and amortization of:	(2,295,437)	(2,242,467)
Bonds and similar securities	-	-
Amounts owed to credit institutions	(2,295,437)	(2,242,467)
Amounts owed to Group companies and associated companies	-	-
Other	-	-
Payments for dividends and remunerations of other equity instruments	(2,776,313)	(3,258,948)
Dividends	(2,776,313)	(3,258,948)
Remunerations of other equity instruments	-	-
Cash flow from financing activities	(5,071,750)	(5,501,415)
EFFECT OF EXCHANGE RATE VARIATIONS	-	-
NET INCREASE /DECREASE IN CASH OR EQUIVALENT	7,455,253	(1,663,493)
Cash or equivalent at the start of the period	6,478,725	8,142,218
Cash or equivalent at the end of the period	13,933,978	6,478,725

(1) Nature and activity of the Entity, organization and financial information

Forces Elèctriques d'Andorra (hereinafter referred to as FEDA or the Entity) was established by the Law passed by the General Council of the Valleys of Andorra at the extraordinary meeting of 14th January 1988 and subsequently amended on 18th January 1991, 4th November 1993 and 18th November 2010, as a public law Entity with its own legal status as a separate entity and autonomous organization with its own equity and full capacity for the development of its purposes, without prejudice to the limitations established in the law and in its regulations.

Law 5/2016 regulating the public body Forces Elèctriques d'Andorra (FEDA) and the scheme for the activities of the electric, cold and heat sectors was passed on 10th March 2016, while the Law creating FEDA, of 14th January 1988, subsequently amended by laws of 18th January 1991, 4th November 1993 and 18th November 2010, was repealed

FEDA is entrusted by law with the following functions:

- 1) Activities managed directly:
 - The importation and exportation of electrical energy.
 - The wholesale purchase and sale of electric energy, useful cold and heat.
 - The operation, maintenance and development of the electricity transport network.
 - The supply of natural gas to the plants for the cogeneration of electric and useful thermal energy connected to a public heat network.
 - The acquisition of liquefied natural gas (LNG) in the international markets.
- 2) Activities under a scheme of administrative concession:
 - The production of electric energy, useful heat (cogeneration) and useful cold (trigeneration).
 - The distribution and retail sale of useful cold and heat.

The activities under an administrative concession scheme may also be developed directly through a mercantile company, which must be authorised by the Government, and the majority of the capital must belong to FEDA.

In order to pursue the above mentioned aim, the Entity will manage and operate all existing technical infrastructure and any that might be installed in the future.

The governing organs of the Entity are:

- The Board of Directors.
- The General Director.

The Entity is subject to the budget scheme. Each year, the Board of Directors passes the budget project and sends it to the Government of Andorra together with the documents envisaged under the General Law on Public Finance.

The regulatory framework on financial information applicable to the Entity is the Andorran National Chart of Accounts, passed by the Government on 23rd July 2008 and amended by the Decree, of 15 February 2012, and which develops the provisions of Law 30/2007, of 20 December 2007, on the accounting of business persons, and the compulsory legal provisions in accounting matters (see note 2 (b)).

FEDA electricity rates for the reporting period ending 31 December 2018 are governed by the Decree of 27 December 2017 amending electricity rates, which was published in the Official Gazette of the Principality of Andorra of 29 December 2017. Additionally, and concerning charges for the retail sale of useful heat, these are governed by the Decree of 14 September 2016 creating the charges for the retail sale of useful heat, which was published in the Official Gazette of the Principality of Andorra of 21 September 2016, and by subsequent reviews that modify these charges.

Financial equilibrium is the objective of the economic management of the Entity. However, it may use a part of the operating surpluses to establish a reserve fund, which must be applied exclusively to financing improvements and extensions to the installations; the remainder of these operating surpluses will revert to the General Administration. The distribution of the surpluses will be decided by the FEDA Board of Directors.

(2) **Rules of presentation**

a) **Accurate Portrayal**

These financial statements comprise the Balance Sheet, the Statement of Changes in Net Equity as at 31 December 2018, as well as the Profit and Loss Account, the Statement of cash flow and the explanatory notes corresponding to the reporting period ended on the aforementioned date.

These financial statements have been prepared by the Board of Directors of the Entity for the purpose of reflecting a fair true image of the equity and the financial situation of the Entity on 31 December 2018 and of the results of its operations corresponding to the reporting period ending on the aforementioned date.

These financial statements have been prepared in Euros using accounting auxiliary registers of the Entity. These financial statements are pending approval by the Administration Board of the Entity to be subsequently sent to the Government of Andorra for their approval. Despite this, the Board of Directors of the Entity expects that these annual accounts will be approved without any significant variations.

b) **Basis of presentation**

b.1) **First application of the Andorran National Chart of Accounts**

At its session of 22 December 2016, the Government of the Principality of Andorra approved the Regulations for the adoption of the International Public Sector Accounting Standards as a matter for the framework plan for the state public sector in the Principality of Andorra.

With this Decree, the Government of Andorra requires the general Administration and its dependent entities to prepare their annual accounts for the financial years starting from 1st January 2017 in accordance with the International Accounting Standards of the Public Sector.

This Decree repeals that passed by Decree of 27 January 1999 which approved the General Public Accounting Plan of the Principality of Andorra and which had to be used by the general Administration and its dependent entities.

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

In accordance with Article 2.2 of the Regulations concerning the adoption of the International Public Sector Accounting Standards, it is established that those entities, including FEDA, that depend on the general administration and which are considered to be public companies, must use the Andorran National Chart of Accounts approved by the Decree of 23 July 2008 and amended by the Decree of 15 February 2012 (note 1) as their accounting plan framework.

The annual accounts corresponding to 31 December 2017 were the first annual accounts prepared by FEDA in accordance with the Andorran National Chart of Accounts (PGCA). Up to that date, the Entity had prepared its financial statements in accordance with the compulsory accounting principles that affect equity, the financial situation and the results thereof, which were established in the Andorran National Chart of Public Accounts approved by the decree on 27 January 1999.

b.2) Generally Accepted Accountancy Principles

In the creation of these annual accounts, all the obligatory accountancy principles have been applied which affect the capital, the financial situation and the results of the Entity, as established in accordance with current legislation, i.e. the Public Finance Law and the Andorran National Chart of Accounts passed by the Government of Andorra on 23 July 2008 and amended by the Decree, of 15 February 2012.

c) Working capital

The accompanying Balance Sheet at 31 December 2018 shows a positive working capital for the sum of €32,538,068 (positive working capital for the sum of €16,622,801 at 31 December 2017). This situation is mainly a consequence of the benefits obtained during the last reporting periods and the application of the business plan which envisages the financing of investments with own funds and long-term borrowing.

As at 31 December 2018 cash flow provisions are positive and accordingly the Entity has sufficient liquidity to avoid the creation of cash-flow problems or jeopardising the going concern principle.

d) Comparing information

Management presents the annual accounts with comparative figures for the previous period (for the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Equity, the Statement of cash flow and the explanatory notes to the Financial Statements), for their information and consideration, classifying the figures for the previous reporting period comparatively with those of the current reporting period.

e) Changes in accounting criteria and correction of errors

In accordance with what is established in the Andorran National Chart of Accounts, during the reporting period ended 31 December 2018, the Directors have classified and adjusted the accounting of certain items of the balance sheet in relation to those presented in the annual accounts for the year ended 31 December 2017. Details of the reclassifications and adjustments that have been made are shown below:

- (e.1) The Directors of the Company have reclassified 99,182 euros from the heading "Prepayments and accruals" on the liabilities side of the balance sheet to the heading "Grants and subsidies" of the liabilities side of the balance sheet, corresponding to the amount of the assets in progress that represent the investments necessary to enable new service connections and installations granted by the service connection rights. Details of the aforementioned change are shown below:

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

	Euros	
	Debit	Credit
Prepayments and accruals	99,182	-
Grants and subsidies	-	99,182
	<u>99,182</u>	<u>99,182</u>

- (e.2) The Directors of the Company have reclassified 97,403 euros from the heading "Long-term debts – Other" on the liabilities side of the balance sheet to the heading "Trade and other payables – Advance payments" on the liabilities side of the balance sheet, corresponding to the deposits made by clients of the Entity at the moment of contracting or changing their electric service, and which are expected to be returned within a period of less than one year. A detail of the aforementioned change is shown below:

	Euros	
	Debit	Credit
Long-term debts – Other	97,403	-
Trade and other payables – Advance payments from customers	-	97,403
	<u>97,403</u>	<u>97,403</u>

(3) Distribution of results

The proposal for the distribution of results for the reporting period ended 31 December 2018, pending the approval by the Board of Directors, is as follows:

	Euros
Surplus	10,211,116
Dividends of the reporting period	<u>4,376,193</u>
	<u>14,587,309</u>

The proposal for the distribution of results for the reporting period ended 31 December 2017, approved by the Board of Directors, was as follows:

	Euros
Surplus	6,478,066
Dividends of the reporting period	<u>2,776,314</u>
	<u>9,254,380</u>

(Continued)

(4) Registry norms and evaluation

The main registry and evaluation norms applied by the Entity in these financial statements, in accordance with the provisions of the General Accounting Plan, are as follows:

a) Intangible Assets

Intangible assets are presented as being valued at net purchase cost or production cost, less the corresponding accumulated depreciation and, if applicable, less any loss for impairment.

Maintenance and repairs expenses for intangible assets which do not prolong their useful life are recognized as expenses at the time that they are incurred.

The depreciation of elements of the intangible assets shall be calculated on the cost value, which is calculated in accordance with the lineal method and for a useful estimated life of:

	<u>Years of useful life</u>
Administrative concessions	30
I. T. applications	5
Other intangibles assets	5

b) Tangible Assets

Tangible assets are presented in accordance with the net purchase cost, or production cost, less the accumulated depreciation and, if applicable, less any irreversible impairment losses.

The depreciation of elements of the tangible assets shall be calculated on the cost value, which is calculated in accordance with the lineal method and for a useful estimated life of:

	<u>Years of useful life</u>
Constructions	12-45
Infrastructures	40
Production teams	15-60
High Tension and ETR	20
Distribution of assets	10-20
Technical facilities of buildings	12
IT equipment and remote control	5
Transportation elements	5
Furniture	5

Expenses for maintenance and repairs of those assets which do not improve their use or prolong their useful life are charged to the account for profit and loss when they occur.

Impairment loss in value for tangible and intangible assets

At the end of each reporting period, or whenever there are signs of an irreversible loss in value for tangible assets other than systematic amortisation, the Entity assesses using the so-called "Impairment test" the possible existence of losses in value that reduce the recoverable value of the aforementioned assets to an amount below their book value.

c) Investments in real estate

This section is not applicable in these financial statements.

d) Financial AssetsClassification

The financial assets of the Entity are classified into the following categories:

- Financial assets at amortized cost: financial assets that originated in the sale of goods or in the provision of services for the everyday operations the Entity, or those which not having a commercial origin, are not equity instruments or derivatives and are charged at a fixed or determinable amount and are not traded on an active market.

Distributable expenses corresponding to the Entity's contribution to the outsourcing of the pensions plan for the future expense of staff members until they reach retirement age are among the financial assets measured at amortized cost that the Entity has recorded for the long term under the caption "Other companies – Others" and for the short term under the caption "Accruals and prepayments". These are measured at their acquisition cost and charged to the income statement until the maturity date of the contribution in accordance with a financial plan.

- Financial assets held for trading: it is considered that a financial asset (loan or credit whether commercial or not, debt security, equity instrument or derivative) is held for trading when:
 - It originated or was acquired with the intention of being sold in the short term.
 - It is a derived financial instrument, provided it is not a financial guarantee contract or designated as a hedging instrument.
- Financial assets at cost: investments in the equity of group and partner companies. Group companies are those linked to the Entity through a relationship of control, while partner companies are those over which the Entity exercises a significant influence.

Initial measurement

Financial assets are initially registered at the fair value of the consideration paid plus any directly imputable transaction costs, with the exception of financial assets held for trading, for which the transaction costs are recorded in the Profit and Loss Account of the reporting period.

Subsequent measurement

Loans and receivables are measured at their amortized cost.

At least at the close of the reporting period, the Entity carries out an impairment test for the financial assets that are not recorded at fair value. It is considered that there is objective proof of impairment if the recoverable value of the financial asset is less than its carrying value. When this occurs, the carrying value of this impairment is recorded in the Profit and Loss Account.

In particular, and regarding value adjustments related to short-term loans and accounts receivable, the criterion used by the Entity to calculate the corresponding value adjustments, where applicable, is the individualized monitoring of all balances payable at the close of the reporting period.

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

Financial assets at cost, which correspond to investments in group and partner companies are measured at their cost, reduced, where applicable, by the accumulated amount of any value adjustments for impairment. These adjustments are calculated as the difference between their carrying value and the recoverable amount, which shall be understood as the greater amount between their fair value less selling costs and the current value of the future cash flows deriving from the investment. Unless there is better proof of the recoverable amount, the equity of the investee entity, adjusted for any implicit capital gains existing on the date of the valuation (including goodwill if it exists), will be taken into consideration.

Financial assets held for trading are measured at their fair value, without deducting any transaction costs that there might be when they are disposed of.

The Entity recognizes financial assets when they expire or when the rights over the cash flows of the corresponding financial asset have been ceded, and the risks and benefits inherent in their ownership have been substantially transferred.

In contrast, the Entity does not derecognize the financial assets, and it recognizes a financial liability for an amount equal to the consideration received in the assignments of financial assets in which risks and benefits incidental to owning them, such as discounting drafts, are substantially retained.

e) Stocks

Stocks correspond to replacement parts and other materials for the maintenance and conservation or the production of assets. These are shown at the acquisition price in accordance with the weighted average price method.

The Entity follows the policy of applying valuation allowances when the market value of a good, or any other value that corresponds to it, is lower than its acquisition price or its production cost, and for this purpose the pertinent provision will be made when the depreciation is reversible. When the depreciation is irreversible this circumstance should be taken into account when valuing the stocks.

f) Financial liabilitiesClassification

The financial liabilities of the Entity are classified into the following categories:

- Financial liabilities at amortized cost: Financial liabilities are those debts and payable items that the Entity has, and which have originated in the purchases of goods and services in the normal course of business, as well as those which, without being commercial in origin, cannot be considered as derivative financial instruments.
- Financial assets held for trading: Financial assets held for trading are those held for trading with the idea of selling them in the short term.

Initial and subsequent measurement

Liabilities at amortized cost, which cover debts and payable items, are initially measured at the fair value of the consideration received, adjusted for any directly attributable transaction costs. These liabilities are subsequently measured according to their amortized cost.

In the measurement of financial liabilities held for trading, the same criteria as those established for financial assets held for trading are applied (see note 4 (d) above).

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The Entity derecognizes financial liabilities when the obligations that generated them have expired.

g) Provisions and contingencies

In the preparation of these annual accounts, the Entity differentiates between:

- Provisions: creditor balances covering current obligations resulting from past events, the cancellation of which will probably cause an outflow of resources, but which remain undefined in terms of the amount and/or moment that they will be cancelled.
- Contingent liabilities: possible obligations that arise as a result of past events and whose future materialization is conditioned by whether one or more future events beyond the control of the Company actually occur or not.

The annual accounts include all the provisions where it is estimated that there is a greater probability of having to meet the obligation than not having to do so. Contingent liabilities are not recognized in the annual accounts, but rather information is provided on them in the notes to the Report, insofar as they are not considered as remote.

Provisions are measured at the current value of the best possible estimate of the amount required to cancel or transfer the obligation, taking into consideration the information available on the event and its consequences, and the adjustments that arise from the updating of these provisions are recorded as a financial expense as they accrue.

The Administrators are responsible for estimating and quantifying the risks related to possible provisions that must be recorded, or contingent liabilities that must be referred to in the report.

g.1) Provisions for pensions and similar obligations

In accordance with the Staff Regulations of the Entity, all employees who joined FEDA between 1st March 1988 and 31st December 2000, as well as all FHASA/EASA employees, who joined those entities between 1st May 1985 and 1st March 1988, is entitled to a retirement scheme complementary to that of the Andorran Social Security System guaranteed by FEDA (retirement plan B). Likewise, all FHASA/EASA employees, who joined the entity before 1st May 1985 were also entitled to a retirement scheme complementary to that of the Andorran Social Security System guaranteed by FEDA (retirement plan C).

As a result of these Regulations in the 2017 reporting period the Entity has carried out the actuarial study measuring liabilities to be recognised at 31 December 2017 for pension commitments undertaken by FEDA (the previous ones were for the reporting periods of 2002, 2003, 2005, 2007, 2009, 2011, 2013 and 2015) with the following main hypotheses:

Nominal discount rate	2.50%
Salary increase	1%
Mortality tables	PERM/F2000

Since the invalidity table has no economic effect on the measurement, it was eliminated from the hypotheses of the actuarial calculation carried out for the 2017 reporting period.

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The accrued liability, at 31st December 2018, is €1,937,978 (€2,051,132 at 31st December 2017) (see note 14 (a)).

Employees who join FEDA from 1st January 2001 will participate in a pension fund managed by an external company to which FEDA contributes 4% with the worker contributing 4% of his salary to the fund (retirement plan A). This plan has been extended to all employees who have decided to join the plan. FEDA has contributed the total risk of the actuarial study of the employees who joined FEDA before 1st January 2001 and who have opted to join new plan. The contributions accrued in the 2018 reporting period amount to €171,952 (€172,057 in the 2017 reporting period), corresponding to the participation of FEDA in plans B and C for €131,788 (€128,822 in the 2017 reporting period) and the transfer of plan A to deferred expenditure for €40,164 (€43,264 in the 2017 reporting period).

FEDA has registered a provision, in the financial statements under this same heading, corresponding to the free consumption of energy for the years following the retirement of the workers who joined the Entity. Until the 2014 reporting period, the price used to calculate the provision for the consumption of employees was the average purchase price of the electricity bought in France, Spain and that acquired from CTRA,SA with the respective purchase prices paid by FEDA in each reporting period.

For the 2015 reporting period and afterwards, in order to include the effect of the production of the central hydroelectric power station and offer the most accurate information possible, the provision from 2009 has been recalculated to include the production of the hydroelectric power station. The average purchase price has been calculated by proportionally dividing the electricity bought according to the purchase price of each supplier (EDF, Endesa and CTRA, SA) and the electricity produced by the hydroelectric station by its estimated average price.

On the other hand, the technical interest to be applied is now aligned with that used by Mora Assegurances in the assessment of the provision for pensions made in 2017. Accordingly, the interest has changed from 3% to the current rate of 2.5%.

h) Recognition of income and expenses

Income and expenses are recorded following the accrual criteria, in other words, according to the real current value of goods and services that they represent and independent of the moment that the receipt or payment of the same took place. These income and expenses are valued by the fair value of the payment received less any commercial discounts and rebates.

The recognition of sales income occurs at the moment that the risks and benefits inherent in the ownership of the sold good are transferred to the buyer, and neither the effective management is maintained over this good nor effective control is retained over it.

Income from services provided is recorded considering the degree to which the service provided is done on the date of the balance sheet, provided that the result of the transaction can be reliably assessed.

i) Classification of assets as current/non-current

The assets and liabilities presented in the Balance Sheet are classified as either current or non-current. In this regard, assets and liabilities are classified as current when they are related to the normal operating cycle of the Entity and it is expected that they will be sold, consumed, settled or put into effect during the course of that cycle. The normal operating cycle is one year for the activity carried out by the Entity.

j) Transactions in foreign currencyj.1) Tangible and intangible assets

As a general rule, conversions to national currency shall be made by applying the exchange rate in force on the date on which the assets were incorporated into equity to the acquisition price or to the production cost.

As a general rule, amortisations and provisions for depreciation should be calculated on the amount resulting from the application of the previous paragraph.

In the event of acquisitions of investments destined for general use or managed investments being made in a foreign currency, the conversion shall be made by applying the exchange rate in force on the date on which the assets were incorporated into equity.

j.2) Stocks

The conversion to national currency shall be made by applying the exchange rate in force on the date on which each acquisition takes place to the acquisition price or to the production cost, applying the average weighted pondered price method.

It will be necessary to make the provision when the valuation obtained in this manner exceeds the market price of the stocks on the date of the closing of the accounts, if this market price is set in a foreign currency, the conversion to the national currency shall be made by applying the exchange rate in force on the aforementioned date.

j.3) Variable income securities

The conversion to the national currency shall be made by applying the exchange rate in force on the date on which these securities were incorporated into the equity to the acquisition price.

The provision must be made when the valuation obtained in this way exceeds the price that the securities had on the market on the date of the closing of the accounts. If this market price is established in foreign currency, the conversion to national currency shall be made by applying the exchange rate that is in force on the aforementioned date.

j.4) Liquid assets, fixed income securities, credits and debits

The conversion of these assets and liabilities in foreign currency into the national currency shall be made by applying the exchange rate that is in force on the date on which the assets, credits and debits were incorporated into the balance sheet. At the close of the reporting period they will appear in the balance sheet in accordance with the exchange rate that was in force at that moment.

If a negative or positive change difference occurs as a consequence of this valuation, it will respectively be charged against or paid into the result of the reporting period.

k) Indirect General Tax

The General Council of the Principality of Andorra, at its session of 21 June 2012 passed Law 11/2012 on the General Indirect Tax which came into force on 1 January 2013. This law was amended on 18 October 2012 by Law 29/2012 and subsequently on 23 May 2013 by Law 11/2013. The aforementioned law was supplemented by the regulations dated 5 November 2012 and amended subsequently on 17 April 2013. With the coming into effect of this tax the ISI is repealed together with the IMI and the 5.5% canon on electricity consumption, among others.

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This law levies a tax on consumption by taxing the provision of goods and services by business people or professionals as well as taxing the importation of goods.

With the coming into effect of Law 11/2012, there are now different tax rates: the general rate (4.5%), the reduced rate (1%), the super-reduced rate (0%) and the increased rate (9.5%).

The general rate is established at 4.5% in favour of the administration unless the application of a different rate has been expressly envisaged.

Tax obligors must decide the tax liability in each assessment period, with the General Indirect Tax applicable in the period being reduced by the amounts of General Indirect Tax that are considered to be deductible.

The assessments of the General Indirect Tax can be made on an annual, half-yearly, quarterly or monthly basis depending on the annual turnover of the activities carried out by the tax obligor during the immediately preceding years. In the case of FEDA, assessments are made on a monthly basis since the turnover of the Entity exceeded the €3,600,000 threshold during the previous reporting period.

Pursuant to the provisions of article 40 of the aforementioned law and given the particular case of FEDA, imports of electricity are exempt from IGI in order to avoid double taxation.

l) Corporate Tax

The General Council of the Principality of Andorra, at its session of 29 December 2010 passed Law 95/2010 on Corporate Income Tax which came into force on 1 January 2012. This law was subsequently amended on 1 December 2011 by Law 17/2011 and supplemented by the regulations of 20 June 2012.

This law taxes world income obtained by legal persons who are fiscally resident in the territory of Andorra and who carry out business activities.

A tax rate of 10% is established on the profits of companies.

Expenditure or income for Corporate Income Tax comprises the part relating to the expenditure or income for the current tax and the part corresponding to the expenditure or income for deferred tax.

The current tax is the amount that the Entity pays as a consequence of the fiscal settlements of the Corporate Income Tax relating to a reporting period. The deductions and other fiscal advantages in the tax amount, excluding retentions and payments on account, and also the tax losses carried forward from previous reporting periods and effectively applied in this reporting period, result in a lesser amount of the current tax.

Expenditure or income for deferred tax corresponds to the recognition and cancellation of deferred tax assets and liabilities.

Deferred taxes are registered for the temporary differences existing on the date of the balance sheet between the tax base of the assets and liabilities and their book values. The amount attributed to an asset for fiscal purposes is considered as its tax base.

The tax effect of the temporary differences are included under the corresponding headings of "Deferred tax assets" and "Deferred tax liabilities" of the accompanying balance sheet.

The Entity recognizes a deferred tax liability for all taxable temporary differences.

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The Entity recognizes the deferred tax assets for all the deductible temporary differences, tax credits not used and negative tax bases pending payment, to the extent that it is probable that the Entity will dispose of future tax profits that will allow these assets to be applied.

At the close of the reporting period, the Entity values deferred tax assets that have been recognized and those that have not been previously recognized. In accordance with this analysis, the Entity retires a previously recognized asset if it is no longer probable that it will be recovered, or it will proceed to register any deferred tax asset not previously recognized provided that it is probable that the Entity has future tax gains that will allow it to be applied.

(5) Intangible assets

A summary on the intangible assets on the 31 December 2018 and 2017, in addition to their movement during the 2018 reporting period is as follows:

	Euros				Balance on the 31/12/18
	Balance on the 31/12/17	Additions	Disposals	Transfers	
<u>Cost</u>					
I.T. Applications	781,047	234,878	-	53,675	1,069,600
Other intangible assets	17,583,922	38,939	-	-	17,622,860
Intangible assets under construction	1,085,717	21,383	(363,501)	(322,178)	421,421
	<u>19,450,686</u>	<u>295,201</u>	<u>(363,501)</u>	<u>(268,503)</u>	<u>19,113,882</u>
<u>Accumulated Depreciation</u>					
I.T. Applications	(208,764)	(196,260)	-	-	(405,024)
Other intangible assets	(15,386,106)	(559,148)	-	-	(15,945,254)
	<u>(15,594,870)</u>	<u>(755,408)</u>	<u>-</u>	<u>-</u>	<u>(16,350,278)</u>
<u>Net book value</u>	<u>3,855,816</u>	<u>(460,207)</u>	<u>(363,501)</u>	<u>(268,503)</u>	<u>2,763,604</u>

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Notes to the Financial Statements

A summary on the intangible assets on the 31 December 2017 and 2016, in addition to their movement during the 2017 reporting period is as follows:

	Euros				Balance on the 31/12/17
	Balance on the 31/12/16	Additions	Disposals	Transfers	
<u>Cost</u>					
I.T. Applications	397,454	402,181	(18,588)	-	781,047
Other intangible assets	17,587,422	663	(43,336)	39,173	17,583,922
Intangible assets under construction	774,996	311,511	-	(790)	1,085,717
	<u>18,759,872</u>	<u>714,355</u>	<u>(61,924)</u>	<u>38,383</u>	<u>19,450,686</u>
<u>Accumulated Depreciation</u>					
I.T. Applications	(55,018)	(158,823)	5,077	-	(208,764)
Other intangible assets	(14,702,465)	(684,599)	958	-	(15,386,106)
	<u>(14,757,483)</u>	<u>(843,422)</u>	<u>6,035</u>	<u>-</u>	<u>(15,594,870)</u>
<u>Net book value</u>	<u>4,002,389</u>	<u>(129,067)</u>	<u>(55,889)</u>	<u>38,383</u>	<u>3,855,816</u>

As at 31 December 2018 there were fully-depreciated assets in use for a value of €14,293,826 (€13,279,822 as at 31 December 2017).

On 31 December 2018 and 2017 the Entity had not capitalized financial expenses on its fixed assets.

The criteria of amortization of the elements of the intangible assets is based on the cost value, once they came into use, following the lineal method according to the valuation criteria as defined in note 4 (a) of the Financial Statements enclosed herewith.

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

(6) Tangible assets

A summary of the tangible assets on 31 December 2018 and 2017, in addition to their movement during the 2018 reporting period is as follows:

	Euros				Balance on the 31/12/18
	Balance on the 31/12/17	Additions	Disposals	Transfers	
<u>Cost</u>					
Land	4,629,682	-	-	-	4,629,682
Buildings and other constructions	68,939,495	55,232	(16,192)	740,108	69,718,643
Equipment and technical facilities	162,001,645	3,658,802	(2,359,929)	1,981,407	165,281,925
Furniture and other assets	4,197,848	123,382	(46,086)	305,427	4,580,571
Assets under construction	3,642,715	1,153,920	-	(2,758,439)	2,038,196
	<u>243,411,385</u>	<u>4,991,336</u>	<u>(2,422,207)</u>	<u>268,503</u>	<u>246,249,017</u>
<u>Accumulated Depreciation</u>					
Buildings and other constructions	(21,523,001)	(1,902,659)	15,506	-	(23,410,154)
Equipment and technical facilities	(75,622,709)	(5,258,105)	2,358,603	-	(78,522,211)
Furniture and other assets	(3,999,089)	(306,262)	45,266	-	(4,260,085)
	<u>(101,144,799)</u>	<u>(7,467,026)</u>	<u>2,419,375</u>	<u>-</u>	<u>(106,192,450)</u>
<u>Net book value</u>	<u>142,266,586</u>	<u>(2,475,690)</u>	<u>(2,832)</u>	<u>268,503</u>	<u>140,056,567</u>

A summary of the tangible assets on 31 December 2017 and 2016, in addition to their movement during the 2017 reporting period is as follows:

	Euros				Balance on the 31/12/17
	Balance on the 31/12/16	Additions	Disposals	Transfers	
<u>Cost</u>					
Land	4,748,016	-	-	(118,334)	4,629,682
Buildings and other constructions	67,138,497	625,252	-	1,175,746	68,939,495
Equipment and technical facilities	161,172,651	2,916,943	(2,358,275)	270,326	162,001,645
Furniture and other assets	4,088,173	12,500	(73,416)	170,591	4,197,848
Assets under construction	2,706,046	2,473,381	-	(1,536,712)	3,642,715
	<u>239,853,383</u>	<u>6,028,076</u>	<u>(2,431,691)</u>	<u>(38,383)</u>	<u>243,411,385</u>
<u>Accumulated Depreciation</u>					
Buildings and other constructions	(19,492,272)	(2,030,729)	-	-	(21,523,001)
Equipment and technical facilities	(72,251,452)	(5,729,533)	2,358,276	-	(75,622,709)
Furniture and other assets	(3,702,964)	(317,283)	21,158	-	(3,999,089)
	<u>(95,446,688)</u>	<u>(8,077,545)</u>	<u>2,379,434</u>	<u>-</u>	<u>(101,144,799)</u>
<u>Net book value</u>	<u>144,406,695</u>	<u>(2,049,469)</u>	<u>(52,257)</u>	<u>(38,383)</u>	<u>142,266,586</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

On 31 December 2018, there are fully depreciated assets in use for a value of €38,428,759 (€39,617,634 on 31 December 2017).

On 31 December 2018 and 2017 the Entity had not capitalized financial expenses.

On 31 December 2018 and 2017 the Entity has carried out works on its fixed assets for a value of €1,742,584 and €1,352,579, respectively (see Note 16(a.2)).

The criteria of amortization of the elements of the tangible assets is based on the cost value, once they came into use, following the lineal method according to the valuation criteria as defined in note 4 (b) of the Financial Statements enclosed herewith.

(7) Investments in real estate

This section is not applicable in these Financial Statements.

(8) Financial assets

The table below shows details of the categories of financial assets at 31 December 2018:

Financial Assets	Euros		
	Amortized cost	Held for trading	Cost
<u>Non-current assets</u>			
Financial investments	462,336	6,879,163	3,017,142
Total	<u>462,336</u>	<u>6,879,163</u>	<u>3,017,142</u>
<u>Current Assets</u>			
Short-terms loans and accounts receivable	7,954,979	-	-
Short-term financial investments	-	20,229,876	-
Liquid assets	13,933,978	-	-
Total	<u>21,888,957</u>	<u>20,229,876</u>	<u>-</u>

(a) Financial investments

A summary of this heading of the balance sheet on 31 December 2018 and 2017 is as follows:

	Euros	
	2018	2017
Equity instruments	3,017,142	2,897,142
Long-term financial investments	6,879,163	10,531,456
Other	462,336	542,667
	<u>10,358,641</u>	<u>13,971,265</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

(a.1) Equity instruments

A summary of the heading "Equity instruments" on 31 December 2018 and 2017, in addition to its movement during the 2018 reporting period, is as follows:

	Euros				Balance on the 31/12/18
	Balance on the 31/12/17	Additions	Disposals	Transfers	
SEMTEE, SA shares	12,020	-	-	-	12,020
CTRA, SA shares	2,885,122	-	-	-	2,885,122
FEDA SOLUCIONS, SAU shares	-	60,000	-	-	60,000
Capçalera d'infraestructures energètiques, SAU shares	-	60,000	-	-	60,000
	<u>2,897,142</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>3,017,142</u>
Impairment	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,897,142</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>3,017,142</u>

A summary of the heading "Equity instruments" on 31 December 2017 and 2016, in addition to its movement during the 2017 reporting period, is as follows:

	Euros				Balance on the 31/12/17
	Balance on the 31/12/16	Additions	Disposals	Transfers	
SEMTEE, SA shares	12,020	-	-	-	12,020
CTRA, SA shares	2,885,122	-	-	-	2,885,122
	<u>2,897,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,897,142</u>
Impairment	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,897,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,897,142</u>

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Notes to the Financial Statements

Details of the most representative information on participations in group companies as at 31 December 2018 are shown here:

Company / Domicile/ Activity	% Direct participation	Euros					
		Capital	Legal Reserve	Other Reserves	Negative results of previous years	Result of year 2018	Total net assets
CTRA, SA Comella, Andorra la Vella	71.70%	3,289,700	553,190	2,533,793	-	465,800	6,842,483
FEDA SOLUCIONS, SAU Av. La Bartra, Encamp	100%	60,000	-	-	-	-	60,000
Capçalera d'Infraestructures Energètiques, SAU Av. La Bartra, Encamp	100%	60,000	-	-	-	-	60,000

The corporate purpose of the Company CTRA, SA is the development of the conception, construction and operating project for the Waste Treatment Plant to provide a public service for the treatment of waste generated in the Principality of Andorra.

The establishment of a new Company called "FEDA SOLUCIONS, SAU", of which the Entity is the owner of 100% of the shares, was formalized on 10 September 2018. The corporate purpose of the company is the provision of services within the area of energy and savings, as well as energy efficiency.

The establishment of a new Company known as "Capçalera d'infraestructures energètiques, SAU", of which the Entity owns 100% of the shares, was formalized on 8 November 2018. The corporate purpose of the Company is the production of electric energy, thermal energy (cogeneration), electric energy and thermal energy and useful cold (trigeneration) and, the distribution and the retailing of useful cold and heat.

(a.2) Long-term financial investments

A summary of the heading "Long-term financial investments" on 31 December 2018 and 2017, in addition to its movement during the 2018 reporting period is as follows:

	Euros				
	Balance on the 31/12/17	Additions	Disposals	Transfers	Balance on the 31/12/18
Long-term Public Debt	10,531,456	3,489,163	(21,179)	(7,120,276)	6,879,163
	<u>10,531,456</u>	<u>3,489,163</u>	<u>(21,179)</u>	<u>(7,120,276)</u>	<u>6,879,163</u>
				(note 8 (c))	

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FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

A summary of the heading "Long-term financial investments" on 31 December 2017 and 2016, in addition to its movement during the 2017 reporting period is as follows:

	Euros				Balance on the 31/12/17
	Balance on the 31/12/16	Additions	Disposals	Transfers	
Long-term Public Debt	4,045,246	10,531,456	-	(4,045,246)	10,531,456
	<u>4,045,246</u>	<u>10,531,456</u>	<u>-</u>	<u>(4,045,246)</u>	<u>10,531,456</u>
				(note 8 (c))	

The amount registered at 31 December 2018 corresponds in full to the Entity's acquisition of Andorran Treasury Bills maturing on 12 April 2020 and 29 May 2022 with an interest rate between 0.85% and of 1,75%, respectively (note 19 (a)).

(a.3) Other

The amount registered as at 31 December 2018 corresponds fully to the contribution of the Entity in 2003 to the externalization of the pensions plan for the concept of the future cost of staff until their retirement. The expenditure of the reporting period ended on 31 December 2018 and 2017 is registered in the Profit and Loss Account under the heading "Staff expenses".

A summary of this heading on 31 December 2018 and 2017, in addition to its movement during the 2018 reporting period is as follows:

	Euros				Balance on the 31/12/18
	Balance on the 31/12/17	Expenditure for the reporting period	Redemptions for early retirements	Transfert to short term	
Deferred expenses	542,667	(40,164)	-	(40,167)	462,336
	<u>542,667</u>	<u>(40,164)</u>	<u>-</u>	<u>(40,167)</u>	<u>462,336</u>
		(note 16 (c))		(nota 11)	

A summary of this heading on 31 December 2017 and 2016, in addition to its movement during the 2017 reporting period is as follows:

	Euros			Balance on the 31/12/17
	Balance on the 31/12/16	Expenditure for the reporting period	Redemptions for early retirements	
Deferred expenses	585,931	(40,770)	(2,494)	542,667
	<u>585,931</u>	<u>(40,770)</u>	<u>(2,494)</u>	<u>542,667</u>
		(note 16 (c))		

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FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

(b) Short-term loans and accounts receivable

A summary of this heading of the balance sheet on 31 December 2018 and 2017 is as follows:

	Euros	
	2018	2017
Clients for provision of services	3,487,636	3,460,834
Clients under collection management	3,196,055	2,293,479
Clients of group companies (note 19 (a))	4,383	5,386
Accounts receivable with partner companies (note 19 (a))	14,796	16,031
Energy pending invoicing	883,671	1,374,493
Doubtful trade debts	39,423	46,113
Public Administrations, debtors (Note 18)	<u>329,015</u>	<u>97,034</u>
	7,954,979	7,293,370
Impairment of clients for trading operations	<u>-</u>	<u>-</u>
	<u>7,954,979</u>	<u>7,293,370</u>

The caption "Clients for provision of services" mainly corresponds to the pending balance that the country's electricity supply companies had with the Entity at 31 December 2018.

The caption "Customers under collection management" mainly corresponds to invoicing for the month of December based on the reading of the meters taken on dates around the time of the closing. These amounts were settled at the start of the following reporting period.

The caption "Energy pending invoicing" mainly corresponds to the estimated energy consumption by clients whose meters have not yet been read.

The caption "Impairment of clients for trading operations" covers outstanding customer account provisions that are more than 180 days old. Details of this caption at 31 December 2018 and 2017 are shown below:

	Euros	
	2018	2017
Balance at the start of the reporting period	-	(18,421)
Applications of the reporting period	-	25,256
Recoveries to be charged against profits for the reporting period	-	13,443
Allocations to be charged against profits for the reporting period	<u>-</u>	<u>(20,278)</u>
Balance at the end of the reporting period	<u>-</u>	<u>-</u>

The allocations for the reporting period are presented under the "Impairment of current assets" heading of the attached Profit and Loss Account.

The recoveries of the reporting period are presented under the "Other non-recurring income" heading of the attached Profit and Loss Account.

(Continued)

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Notes to the Financial Statements

(c) Short-term financial investments

A summary of the heading "Short-term financial investments" on 31 December 2018 and 2017, in addition to its movement during the 2018 reporting period is as follows:

	Euros				Balance on the 31/12/18
	Balance on the 31/12/17	Additions	Disposals	Transfers	
Short-term public debt	7,723,381	56,907	(7,723,381)	7,120,276	7,177,183
Short-term deposits	5,795,766	13,052,693	(5,795,766)	-	13,052,693
Other short-term loans	93	-	(93)	-	-
	<u>13,519,240</u>	<u>13,109,600</u>	<u>(13,519,240)</u>	<u>7,120,276</u>	<u>20,229,876</u>
				(note 8 (a.2))	

A summary of the heading "Short-term financial investments" on 31 December 2017 and 2016, in addition to its movement during the 2017 reporting period is as follows:

	Euros				Balance on the 31/12/17
	Balance on the 31/12/16	Additions	Disposals	Transfers	
Short-term public debt	494,062	3,678,135	(494,062)	4,045,246	7,723,381
Short-term deposits	11,409,638	5,795,766	(11,409,638)	-	5,795,766
Other short-term loans	-	93	-	-	93
	<u>11,903,700</u>	<u>9,473,994</u>	<u>(11,903,700)</u>	<u>4,045,246</u>	<u>13,519,240</u>
				(note 8 (a.2))	

The amount registered at 31 December 2018 for "Short-term Public Debt" corresponds in full to transferring Andorran Treasury Notes maturing on 1 June 2019, and with an interest rate of 0.75%, from long term to short term by the Entity (note 19 (a)).

Short-term deposits are made up of several deposits in Andorran banking entities with a maturity of less than one year from the closing date and which have an interest rate between 0.1% and 1.7%.

(d) Liquid assets

On 31 December 2018 and 2017, the "Liquid assets" heading corresponds to different current accounts, which the Entity has with various Andorran banking institutions.

(9) Inventories

A summary of this heading of the balance sheet on 31 December 2018 and 2017 is as follows:

	Euros	
	2018	2017
Stocks to be consumed by the entity itself and replacements	1,750,248	1,598,219
Advances to suppliers	-	-
	<u>1,750,248</u>	<u>1,598,219</u>
Provision	<u>(219,815)</u>	<u>(169,914)</u>
	<u>1,530,433</u>	<u>1,428,305</u>

The caption for inventories corresponds mainly to material to be consumed by the Entity itself and to replacements. It includes material for extensions to the electrical networks of FEDA, as well as material used for the maintenance and conservation of these networks.

The detail of the balance and of the movement of the provision for inventories at 31 December 2018 and 2017 is as follows:

	Euros	
	2018	2017
Balance at the start of the reporting period	(169,914)	(113,306)
Allocation for the reporting period	(49,901)	(65,838)
Recoveries of the reporting period	-	9,230
Applications of the reporting period	-	-
	<u>(219,815)</u>	<u>(169,914)</u>

The net effect of the allocation for the reporting period and recoveries of the reporting period is shown in the Profit and Loss Account under heading "Impairment of current assets".

(10) Other non-current assets on sale

This section is not applicable in these Financial Statements.

(11) End of period adjustments of assets

The Entity, in accordance with the accounting principle of correlation of income and expenditure, as well as the accounting principle of accrual, has proceeded to enter certain expenses into the accounts, such as maintenance and other recurring costs, according to their respective accruals. A summary of this heading of the balance sheet on 31 December 2018 and 2017 is as follows:

	Euros	
	2018	2017
Anticipated expenses for maintenance	93,575	36,792
Anticipated expenses for leases	13,809	-
Anticipated expenses for the retirement plan (note 8 (a.3))	<u>40,167</u>	<u>-</u>
	<u>147,551</u>	<u>36,792</u>

(12) Net equity(a) Surplus

According to Article 15.3 of Law 5/2016, the aim of FEDA's financial management is financial equilibrium. To this end, FEDA may establish a reserve fund with operating surpluses and this must be applied exclusively to financing improvements and extensions to its services and installations, or those owned by its subsidiary companies. Any operating surpluses that are not allocated for this purpose must revert back to the general Administration.

The aforementioned reserve fund is classified under the heading Surplus.

At 31 December 2018 the Entity had a remaining balance for the sum of 154,195,410 euros proceeding from the positive results of previous reporting periods (147,717,343 euros at 31 December 2017).

(13) Financial liabilities

A detail of the financial liabilities classified by categories at 31 December 2018 is shown below:

Financial liabilities	Euros	
	Amortized cost	Held for trading
<u>Non-current liabilities</u>		
Long-term debts	7,063,771	-
Long-term debts with group and partner companies	-	-
Total	<u>7,063,771</u>	<u>-</u>
<u>Current liabilities</u>		
Short-term debts	3,703,871	-
Short-term debts with group and partner companies	-	-
Commercial creditors and other accounts payable	<u>7,398,587</u>	<u>-</u>
Total	<u>11,102,458</u>	<u>-</u>

(a) Long-term liabilities

A summary of this heading of the balance sheet on 31 December 2018 and 2017 is as follows:

	Euros	
	2018	2017
Long-term debts with credit institutions	5,426,964	7,706,591
Long-term advances from customers	1,628,473	1,629,584
Other debts	<u>8,334</u>	<u>44,947</u>
	<u>7,063,771</u>	<u>9,381,122</u>

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A detail of the conditions of the loans appearing in the heading "Long-term debts with credit institutions" at 31 December 2018 are shown below:

Type	Maturity date	Interest	Euros	
			Initial amount	Pending amount
Morabanc loan	31/12/2023	3.46%	8,000,000	4,000,000
Crèdit Andorrà loan	01/06/2021	Euribor + 1%	14,000,000	3,697,909
				<u>7,697,909</u>
		Less short term maturity (note 13 (c))		<u>(2,270,945)</u>
				<u><u>5,426,964</u></u>

The balance of the heading "Long-term advances from customers" corresponds to deposits made by customers of the Entity at the moment they contracted or changed the electrical service, which are expected to be returned in a period of more than one year.

The heading "Other debts" includes the amount retained from suppliers as a guarantee with a maturity of more than one year.

(b) Long-term debts with group and partner companies

This section is not applicable in these Financial Statements.

(c) Short-term liabilities

The breakdown of this heading of the balance sheet on 31 December 2018 and 2017 is as follows:

	Euros	
	2018	2017
Short-term amounts owed to credit institutions (note 13 (a))	2,270,945	2,249,031
Public Administrations, creditors (note 18)	1,432,926	1,205,923
	<u>3,703,871</u>	<u>3,454,954</u>

(d) Short-term debts with group and partner companies

This section is not applicable in these Financial Statements.

(e) Commercial creditors and other accounts payable

The breakdown of this heading of the balance sheet on 31 December 2018 and 2017 is as follows:

	Euros	
	2018	2017
Suppliers of energy	4,258,940	4,826,743
Partner-company creditors (note 19 (a))	179,256	342,328
Sundry accounts payable	2,686,593	3,050,408
Short-term advances from customers	178,972	138,765
Other	94,826	93,661
	<u>7,398,587</u>	<u>8,451,905</u>

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FORCES ELÈCTRIQUES D'ANDORRA (FEDA)
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The balance for the caption "Suppliers of energy" corresponds to the balance pending settlement at 31 December 2018 and 2017 by the Entity to its suppliers of energy.

The balance for the caption "Sundry accounts payable" corresponds to the balance pending settlement at 31 December 2018 and 2017 by the Entity to its suppliers of assets and services.

The balance of the caption "Short-term advances from customers" corresponds to deposits made by customers of the Entity at the moment they contracted or changed the electrical service, which are expected to be returned in a period of less than one year.

The "Other" caption corresponds to the amount still to be contributed at 31 December 2018 to the pensions fund managed by an external company that the Entity guarantees to its workers. To comply with this, FEDA withholds 4% of the consolidated monthly salary. Moreover, FEDA contributes this 4%. This fund is paid directly to workers when they leave the company.

(14) Provisions

A summary of this heading of the balance sheet on 31 December 2018 and 2017 is as follows:

	Euros	
	2018	2017
Long-term provisions	2,857,245	2,841,915
Short-term provisions	156,291	226,772
	<u>3,013,536</u>	<u>3,068,687</u>

FEDA follows the principle of prudence in the valuation of all those possible and probable expenses relating to the normal running of the Entity, classifying them under the corresponding caption of provisions of the attached balance sheet.

(a) Long-term provisions

A detail of the balance of this heading of the balance sheet at 31 December 2018 and 2017, and its movement during the 2018 reporting period is shown below:

	Euros				Balances at 31/12/18
	Balances at 31/12/17	Allocations	Reversals	Payments	
Pension fund provision (note 4 (g.1))	2,051,132	58,798	(40,164)	(131,788)	1,937,978
Staff consumption provision	363,246	32,767	-	-	396,013
Dismantling provision	427,537	95,717	-	-	523,254
	<u>2,841,915</u>	<u>187,282</u>	<u>(40,164)</u>	<u>(131,788)</u>	<u>2,857,245</u>

In accordance with the actuarial study carried out in the 2017 reporting period, the allocations deriving from the pension fund provision of the annual reporting period ending 31 December 2018 correspond to expenses for the sum of €58,798, that is staff costs of €55,220 and financial costs of €3,578.

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Reversals covering the pensions fund provision for the sum of 40,164 euros, corresponds to the lesser contingent risk resulting from the updating of the actuarial calculation, broken down under the "Excess of provisions" caption of the attached Profit and Loss Account.

The payments for €131,788 deriving from the pension fund provision correspond to pensions paid during the 2018 reporting period.

The provision corresponding to the consumption by employees includes the actual net cost at 31 December 2018 of the estimate of the future free consumption that the workers of the Entity are entitled to once they retire. There is a breakdown of the allocations corresponding to the aforementioned provision in the "Other provisions" caption of the attached Profit and Loss Account.

The provision for dismantling corresponds to the estimated cost of dismantling the high and medium voltage line between Canillo and Ransol (LMT 212 from A68 to A88 d/6067 CAN) for the sum of €64,396; as well as the estimated cost of 458,858 euros for dismantling the installation erected on the land ceded by the Commune (municipality) of Canillo for the Cogeneration Plant.

(b) Short-term provisions

A detail of the balance of this heading of the balance sheet at 31 December 2018 and 2017, and its movement during the 2018 reporting period is shown below:

	Euros				Balances at 31/12/18
	Balances at 31/12/17	Allocations	Reversals	Payments	
Provision for holidays	101,125	97,535	-	(101,125)	97,535
Provision for social contributions for payments in kind	101,278	-	-	(93,679)	7,599
Other provisions	24,369	26,788	-	-	51,157
	<u>226,772</u>	<u>124,323</u>	<u>-</u>	<u>(194,804)</u>	<u>156,291</u>

At 31 December 2018, the Entity made provisions for the amount corresponding to the holidays accumulated by its workers, but which remained to be taken on the aforementioned date. For calculation purposes, the gross salary plus the average of the variable salary for the entire year has been taken in consideration to calculate the daily salary, as established under the Industrial Relations Code Act 35/2008.

The "Other provisions" caption recorded by the Entity is related to a charge made by the Commune (municipality) of Canillo, and easements that are also expected to be settled during the next reporting period.

(c) Contingent liabilities

At 31 December 2018, the Board of Directors of the Entity was not aware of any legal proceedings lodged. The Financial Statements at 31 December 2018 do not include any provision for this concept.

(15) End of period adjustments

This section is not applicable in these Financial Statements.

(16) Income and expenses(a) Income(a.1) Net revenues

The following is a breakdown of the Income Statement for the years ended 31 December 2018 and 2017:

	Euros	
	2018	2017
Sales of energy to end consumers	45,598,342	44,585,926
Sales of energy to distributors	16,498,727	15,807,501
Attached sales	1,415,955	1,145,358
	<u>63,513,024</u>	<u>61,538,785</u>

The headings "Sales of energy to end consumers" and "Sales of energy to distributors" include the income from the actual activity of the Entity: the distribution of electrical energy resulting from the production of electrical energy, taking advantage of the country's own resources and those of any necessary imports, as well as other income directly linked to the main activity of FEDA.

The following is a breakdown of the heading "Attached sales" at 31 December 2018 and 2017:

	Euros	
	2018	2017
Extensions and improvements (note 17)	923,157	899,357
Connection fees (Policies)	492,798	246,001
	<u>1,415,955</u>	<u>1,145,358</u>

(a.2) Works carried out for the entity's fixed assets

The balance of this caption of the Profit and Loss account on the 31 December 2018 is €1,742,584 (€1,352,579 on the 31 December 2017) and corresponds to the income recognised for use when capitalising the costs incurred internally in the construction of several fixed assets for the concept of direct and/or indirect labour and materials. Given the fact that the Entity considers these costs as a production cost of its fixed assets in progress, it recognizes an entry in the Profit and Loss account under this heading (note 6).

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(b) Consumption of goods, raw materials and other materials

The following is a breakdown of this heading of the Profit and Loss account for the reporting periods ended 31 December 2018 and 2017:

	Euros	
	2018	2017
Energy purchases	26,692,865	29,915,374
Energy purchases from CTRA,SA (note 19 (b))	1,394,167	1,189,753
Purchase from Liquefied Natural Gas	435,039	309,423
Other consumptions	1,689,878	1,309,214
Stock variations	<u>(279,810)</u>	<u>(245,695)</u>
	<u>29,932,139</u>	<u>32,478,069</u>

The caption "Energy purchases" corresponds to energy acquired from the Spanish and French Companies producers and suppliers, as well as contracts to access the electricity networks of the respective countries with "Réseau de Transport d'Electricité" and with "Red Eléctrica". Likewise, this caption also includes the purchase of photovoltaic energy produced in the principality of Andorra.

The caption "Energy purchases from CTRA,SA" corresponds to the energy acquired from the aforementioned company by virtue of the agreement signed in November 2006 and which is in force until the end of the concession of the aforementioned company to operate the centre for the treatment of waste (*Centre de Tractament de Residus*).

During the 2017 reporting period, FEDA started to import Liquefied Natural Gas to supply the cogeneration plant located in Soldeu, in order to generate electricity and heat using this new source of energy. At 31 December 2018 the purchase from Liquefied Natural Gas amounts 435,039 euros.

(c) Staff expenses

Detailed information on staff expenses for the reporting period ended 31 December 2018, and 2017 is as follows:

<u>Staff expenses</u>	Euros	
	2018	2017
Wages and the Salaries	5,082,660	4,832,068
Staff welfare expenses (note 19 (b))	788,501	733,094
Other staff expenses	<u>372,638</u>	<u>494,614</u>
	<u>6,243,799</u>	<u>6,059,776</u>

Detailed information on "Other staff expenses" for the reporting period ended 31 December 2018, and 2017 is as follows:

<u>Other staff expenses</u>	Euros	
	2018	2017
Contribution to the pensions plan (note 8 (a,3))	40,164	40,770
Other social benefits	163,594	265,684
Other	<u>168,880</u>	<u>188,160</u>
	<u>372,638</u>	<u>494,614</u>

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The balance of the captions "Contribution to the pensions plan" and "Other social benefits" corresponds to the costs associated with the externalized pension fund as well as the expenses of the internal FEDA pension fund.

There was an average number of 107 workers on the staff of the Entity for the reporting period ended 31 December 2018 (106 workers on the staff of the Entity for the reporting period ended 31 December 2017).

Detailed information on the average number of workers for the reporting period ended 31 December 2018 and 2017 distributed by categories is as follows:

	Average number of workers	
	2018	2017
Officials	25	24
Administrative assistants	12	12
Medium-level technicians	22	24
High-level technicians	24	24
Area heads	14	12
Managers	10	10
Total	107	106

(d) Other trading expenses

Detailed information on the heading "Other trading expenses" for the years ended 31 December 2018 and 2017 is as follows:

	Euros	
	2018	2017
Leases	102,119	79,755
Repairs and maintenance	2,561,478	2,550,669
Supplies	213,395	204,216
Independent professional services	968,690	780,141
Insurance	522,788	424,221
Taxes	227,675	227,126
Banking services	145,380	115,485
Advertising and Public Relations	339,225	266,239
Other services	745,576	894,638
	5,826,326	5,542,490

The caption "Other services" at 31 December 2018 includes 574,385 euros corresponding to the contributions made to the Actua Tech Foundation during the reporting period, as well as other contributions made. The amount of the contributions at 31 December 2017 was 714,000 euros.

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(e) Other non-recurring income and expenses

Detailed information on the caption "Other non-recurring income and expenses" for the reporting periods ended 31 December 2018 and 2017 is as follows:

	Euros	
	2018	2017
Other non-recurring income	772,538	256,769
Other non-recurring expenses	<u>(16,200)</u>	<u>(109,793)</u>
	<u>756,338</u>	<u>146,976</u>

The caption "Other non-recurring income" at 31 December 2018 includes mainly 385,339 euros proceeding from an insurer as compensation for an accident at the FEDA installations, as well as 178,798 euros as return of IGI by the Administration.

The caption "Other non-recurring expenses" at 31 December 2018 includes the expenses that the Entity will have to pay the CASS in relation to the social contributions of the last 5 years for payments in kind (note 14 (b)).

(17) Subsidies

This heading includes the amounts received from subscribers for the connection rights corresponding to the investments necessary to make new supplies possible and the installations transferred by the subscribers themselves and which are simultaneously incorporated into the assets of the Entity.

A detail of the balance of this heading of the balance sheet at 31 December 2018 and 2017, and its movement during the 2018 reporting period is shown below:

	Euros					
	Balance at 31/12/2017	Correction of errors	Balance at 01/01/2018	New clients	Transfer to Income	Balance at 31/12/18
Deferrable income	<u>7,422,526</u>	<u>99,182</u> (note 2 (e.1))	<u>7,521,708</u>	<u>414,595</u>	<u>(923,157)</u> (note 16 (a.1))	<u>7,013,145</u>

A detail of the balance of this heading of the balance sheet at 31 December 2017 and 2016, and its movement during the 2017 reporting period is shown below:

	Euros			
	Balance at 31/12/16	New clients	Transfer to Income	Balance at 31/12/17
Deferrable income	<u>7,731,570</u>	<u>590,313</u>	<u>(899,357)</u> (note 16 (a.1))	<u>7,422,526</u>

The increases correspond to finished works for the concept of "extensions and improvements" that are invoiced to clients and which have been registered under fixed assets, and which will be assigned to profits during the remaining useful years of the transferred investments.

The income is attributed to profits on a straight-line basis in same proportion as that of the depreciation of the transferred assets.

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Notes to the Financial Statements

(18) Tax note

The details of the balances relating to tax assets and liabilities with Public Administrations at 31 December 2018 and 2017 are shown below:

	Euros	
	2018	2017
<u>Tax assets</u>		
Social Security System, debtor (note 19 (a))	7,161	12,270
Deferred tax assets	48,843	48,843
Government in debt for photovoltaic energy	64,123	35,921
Deductions pending application	207,025	-
	<u>329,015</u>	<u>97,034</u>
	(note 8 (b))	
<u>Tax liabilities</u>		
Social Security System, creditor (note 19 (a))	218,066	206,543
Andorran Government, creditor for IGI	419,034	440,320
Andorran Government, creditor for IRNR	2,178	1,760
Andorran Government, creditor for IS	769,069	534,754
Andorran Government, creditor for IRPF	24,579	22,546
	<u>1,432,926</u>	<u>1,205,923</u>
	(note 13 (c))	

In accordance with current legal provisions, tax settlements cannot be considered definitive until such time as they have been inspected by the fiscal authorities or until the statutory period of limitations - currently set at 3 years - has concluded. The Entity has opened an inspection in the last 3 reporting periods for all the taxes that are applicable to it. In the opinion of the Management of the Entity and its tax advisors, there are no significant tax contingencies for imports that could arise in the event of an inspection from possible different interpretations of the fiscal regulations applicable to the operations carried out by the Entity.

(a) Calculation of Corporation Tax

The reconciliation between pre-tax income for the reporting period and adjusted profit (tax base) of Corporation Income Tax is as follows:

	Euros	
	2018	2017
Pre-tax income	15,420,977	9,879,653
+/- Permanent differences	122,386	133,140
+/- Temporary differences	<u>(221,066)</u>	<u>81,829</u>
Adjusted profit (tax base)	15,322,297	10,094,622
Negative tax bases	-	-
Adjusted profit (definitive tax base)	<u>15,322,297</u>	<u>10,094,622</u>

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The permanent differences include mainly the Municipal Property Tax for the sum of 101,254 Euros.

The temporary differences correspond mainly to differences between the useful life criteria adopted by the Entity to apply the provision for the depreciation of fixed assets, in relation to that established in accordance with tax tables.

The reconciliation between the tax base and expenditure / (income) for Corporation Tax is as follows:

	Euros	
	2018	2017
Adjusted profit (tax base)	15,322,297	10,094,622
x Tax rate	10%	10%
Gross amount (theoretic positive charge)	1,532,230	1,009,462
- Deductions applied	<u>(460,847)</u>	<u>(376,006)</u>
Tax liability (Current tax)	<u>1,071,383</u>	<u>633,456</u>

(b) Detail of the Negative Tax Bases and deductions pending application

At 31 December 2018, the Entity did not have any negative tax bases pending application.

The deductions that the Company had pending application at 31 December 2018 are shown below:

Deductions	Year of generation/expiry	Euros			
		Balance at 31/12/2017	Deductions generated	Deductions applied	Balance at 31/12/2018
Location tax	2018/2021	-	101,254	(101,254)	-
New investments	2018/2021	-	359,593	(359,593)	-
		<u>-</u>	<u>460,847</u>	<u>(460,847)</u>	<u>-</u>

In accordance with Article 24 of the Corporation Tax Law, tax subjects may reduce their tax liability by applying 5% to the amount of new investments made in Andorra in fixed assets that affect their business activity. The total amount of the new investments carried out by the Entity during the 2018 reporting period, as well as activations of the 2018 reporting period corresponding to elements in progress from the 2014, 2015, 2016 and 2017 reporting periods, was €7,191,850, which implies a total of €359,593 for deductions for new investments. The Entity plans to maintain these assets for a minimum of five years.

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A detail of the origin and maintenance of the investments generating deductions at 31 December 2018 is shown below:

Type of fixed assets	Year generation /expiry	End year of commitment to remain	Euros					
			Amount connections	Base of the deduction	Deduction (5%)	Deductions applied	Amount pending application	Surplus amount in fixed assets
Computer applications	2018/2021	2023	288,553	288,553	14,428	(14,428)	-	288,553
Other intangible fixed assets	2018/2021	2023	38,939	38,939	1,947	(1,947)	-	38,939
Buildings and other constructions	2018/2021	2023	795,340	795,340	39,767	(39,767)	-	795,340
Technical equipment and installations	2018/2021	2023	5,640,209	5,640,209	282,010	(282,010)	-	5,640,209
Furniture and other fixed assets	2018/2021	2023	428,809	428,809	21,440	(21,440)	-	428,809
			<u>7,191,850</u>	<u>7,191,850</u>	<u>359,592</u>	<u>(359,592)</u>	<u>-</u>	<u>7,191,850</u>

The breakdown of the expenditure / (income) for Corporation Tax is as follows:

	Euros	
	2018	2017
Current tax	1,071,383	633,456
Deferred assets	(237,715)	(8,183)
Deferred liabilities	-	-
Corporation Income Tax expenditure / (income)	<u>833,668</u>	<u>625,273</u>

(c) Calculation of the Corporation Tax payable

The calculation of the Corporation Tax payable is as follows:

	Euros	
	2018	2017
Tax liability (Current tax)	1,071,383	633,456
Payments on account	<u>(302,314)</u>	<u>(98,702)</u>
Tax difference/ (to be returned)	<u>769,069</u>	<u>534,754</u>

(Continued)

(19) Transactions with related companies
(a) Balances with related parties

Details of the balances with related parties at 31 December 2018 are shown below:

	Euros	
	Actius	Passius
Andorra Telecom, SAU (note 13 (e))	676	21,554
Customs (note 13 (e))	-	5,628
Ministry of the Environment (note 13 (e))	-	6,835
RTVA, SA (note 13 (e))	-	1,485
Government of Andorra (note 8 (b) and note 18)	14,514	769,069
Government of Andorra (public debt) (note 8 (a.2) and 8 (c))	14,056,346	-
Ministry of the Economy (note 8 (b))	282	-
CTRA, SA (note 8 (b) and 13 (e))	4,383	143,754
CASS (note 18)	7,161	218,066
	<u>14,083,362</u>	<u>1,166,391</u>

The balance with the Government of Andorra (public debt) corresponds to the investments carried out by the Entity in fixed-income securities which are classified under the heading "Financial assets" and "Short-term financial investments" of the balance sheet, according to their maturity.

(b) Transactions with related parties

Details of transactions with related parties at 31 December 2018 are shown below:

	Euros	
	Ingressos	Despeses
Andorra Telecom, SAU	606,136	177,878
STA TV	5,105	-
SAAS	588,285	-
CASS	69,027	788,501
INAF	6,114	-
Government of Andorra	1,467,809	1,585,091
Andorra Turisme	6,324	-
Ministry of Economy	1,126	-
CTRA, SA	36,462	1,456,905
	<u>2,786,388</u>	<u>4,008,375</u>

(c) Remunerations and balances with the members of the Management and of the administrative body

During the 2018 and 2017 reporting periods, the members of the Board of Directors of the Entity had not accrued any amounts as members of the Board, nor have been given any advance or any credit, nor has any type of obligation been contacted with them in matters related to pensions or life insurance policies.

Likewise, at 31 December 2018 and 2017 the Entity did not have any debit or credit balances with the members of the Board of Directors or with the Management of the Entity for advances, credits granted or for any other concept.

(20) Other information**(a) Guarantees**

There are guarantees in favour of FEDA for €680,930 for the concept of guarantees deposited by suppliers for the purpose of being able to enter bids in public tenders and to guarantee the execution of the works. Similarly, FEDA has guarantees in favour of the Ministry of the Environment, in favour of the Government of Andorra and in favour of Operador del Mercado Ibérico de Energía – Polo Español, SA and others for a lesser amount, to the sum of €733,531.

(b) Information on data protection

Qualified Law 15/2003 of 18 December on personal data protection came into force on 4 February 2004 with the object of protecting and guaranteeing the fundamental rights of persons and especially those concerning intimacy, with regard to the processing and use of personal data.

Before the Law came into force, the public Entity FEDA used files that contained information of a personal nature for its various aims.

Consequently, and in order to make the legal mandate effective, and in order to guarantee maximum transparency in the processing of data of a personal nature and at the proposal of the FEDA Board of Directors, the Government, at its session of 29 December 2005, passed the decree regulating the files of a personal nature of the public Entity Forces Elèctriques d'Andorra.

The Government, at its session of 12 November 2014, at the proposal of the FEDA Board of Directors, passed the amendment of the decree regulating the creation of files of a personal nature of the public Entity Forces Elèctriques d'Andorra.

(c) Subsequent events

At the meeting of the Board of Directors held on 5 February 2019, a collaboration agreement between FEDA and DALKIA was approved, and this consists of them jointly carrying out the tasks that are necessary to establish a services contract between Dalkia and FEDA for technical support and training; and for the participation of Dalkia in the capital of the investee company Capçalera d'Infraestructures Energètiques as a minority partner, during 2019. A Term Sheet is also approved for the purchase of energy from France from EDF in the long term.

In the 2019 financial year, FEDA plans to transfer assets to its investee companies, FEDA SOLUCIONS SAU and CAPÇALERA D'INFRAESTRUCTURES ENERGÈTIQUES SAU through capital increases of the companies. The assets that are to be transferred are mostly tangible fixed assets related to the activities that the investee companies carry out.

No subsequent fact has occurred between the 31 December 2018 and the date on which the attached Financial Statements were drawn up.



FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

SIGNATURE CERTIFICATE

With the FEDA Administrators having met in compliance with the requirements established under current legislation, they sign and present the annual accounts for the reporting period from 1 January 2018 to 31 December 2018, consisting of the attached documents, which precede this deed of incorporation, and which are made up of the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Equity, the Cash Flow Statement, and the Notes to the Report of the Annual Accounts, drawn up on 34 pages, all of which have been signed by the Chairperson and the Director General, with all the members of the Board of Directors signing this certificate of signature.

Encamp, 12 March 2019

Mrs Sílvia Calvó Armengol
(Chairperson)

Mr Albert Moles Betriu
(Director General)

Mr Gilbert Saboya Sunyé
(Member)

Mr Carles Miquel Garcia
(Member)

Mr Manel Riera Martínez
(Member)

Mr Jaume Forné Angrill
(Member)