Unifin Financiera, S. A. B. de C. V. and subsidiaries

Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

Unifin Financiera, S. A. B. de C. V. and subsidiaries
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Report of Independent Auditors Translated from Spanish

To the Shareholders and Board of
Unifin Financiera, S. A. B. de C. V., (formerly Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) and Subsidiaries

Opinion

We have audited the consolidated financial statements of Unifin Financiera, S. A. B. de C. V. and its subsidiaries (Company), which comprise the consolidated Statement of Financial Position as at December 31, 2019, and the related consolidated Statements of Income, Other Comprehensive Income, of Changes in Stockholders' equity and of Cash Flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Ethics Standards of Mexican Institute of Public Accountants together with other requirements applicable to our audit of the consolidated financial statements in Mexico. We have fulfilled our other ethical responsibilities in accordance with these requirements and standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
First-time adoption of International Financial Reporting Standards (IFRS) As mentioned in Note 1, since March 21, 2019 the Company is no longer a Multiple Purpose Financial Institution (SOFOM by its initial in Spanish) under the terms of the General Law on Credit Organizations and Auxiliary Activities and, consequently, it has adopted IFRS for the preparation of its consolidated financial statements as from the year ended December 31, 2019, adjusting the December 31 and January 1, 2018 balances to recognise the initial effects of adoption of IFRS. We have focused on this matter in view as the significance of adjustments and reclassifications recognised in the comparative consolidated financial statements upon initial application of IFRS and because of the complexity of the process relating to the implementation of this accounting framework, which involved changes in the accounting recognition, presentation and disclosure standards regarding transactions associated with the core business of the Company. Particularly, we have focused our audit efforts on the adjustments relating to i) the lease transactions conducted by the Company as lessor, as the Management reassess all lease agreements to determine the classification and the accounting model for each lease agreement or group of similar lease agreements; ii) the valuation of accounts receivable; and iii) the estimate of expected credit losses.	The following procedures were applied as part of our audit: • We evaluated the technical analysis performed by Management to identify the differences between IFRS and the previously applied accounting criteria. We have also carried out inquiries of the Administrative and Finance Management to obtain an understanding of the IFRS adoption process and the changes in the associated internal control. • Based on selective tests, we evaluated the classification of lease agreements or groups of lease agreements into operating and finance leases by analyzing their economic substance under the contracts and agreements entered into. • We have recalculated the amortised cost and the implicit interest rate of accounts receivable as of January 1 and December 31, 2018 on a selective basis, which include finance leases. Furthermore, we collated data on the following conditions from agreements and invoices: i) as for finance leases: the value of the leased assets, lease term, amount and related transaction costs; ii) as for receivables: the amount of the credit granted, terms, interest rate and related transaction costs; and iii) as for factoring: the nominal value of invoices, rebate percentage, terms, interest rate applied and assignment amount.

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Key audit matter	How our audit addressed the key audit matter
First-time adoption of International Financial Reporting Standards (IFRS) (Cont'd)	• We have evaluated the estimate of expected credit losses of accounts receivable as of December 31 and January 1, 2018 by applying procedures similar to the ones detailed in the key audit matter "Determination of the estimate of expected credit losses" below.
Valuation of derivative financial instruments As mentioned in Notes 3d and 6, the Company enters into transactions with derivative financial instruments for hedging purposes: Interest rate swaps, foreign currency swaps and options. The asset position of derivative financial instruments amounts to $4,975,843 thousand and represents 6.32% of total assets. The liability position of derivative financial instruments amounts to $2,976,309 thousand and represent 4.38% of total liabilities. Most of these transactions are plain vanilla and are carried out in the over-the-counter market. Their counterparties are mainly national and international banking institutions and brokerage firms with contracts for financial guarantees enforceable in cash and determined on a daily basis. We have focused on this account during our audit basically because of the significance of the carrying amount of derivative financial instruments and because Management uses its judgment in determining their fair value and the key assumptions used in valuation models, as these instruments are traded in the over-the-counter market.	The following procedures were applied as part of our audit: - We considered the design and operation of the controls implemented by Management over the valuation process, including the assumptions and models used. Particularly, we considered the key controls related to the obtainment of market inputs and key assumptions for the valuation models. - We compared the interest rate curves and the foreign exchange rate curves with the data obtained from independent market sources. - With the support of our valuation experts, we confirmed that the valuation model used by the Company is commonly accepted for this type of instruments. Furthermore, we independently determined the fair value of a sample of derivative financial instruments using other valuation models commonly accepted in the industry and gathering data from market sources, and compared them with the values determined by Management.

<table>
<tr><th>Key audit matter</th><th></th></tr>
<tr><td>Valuation of derivative financial instruments (Cont'd)

Particularly, we have focused our audit efforts on the model and key assumptions used in the valuation of derivative financial instruments such as the interest rate curves and the foreign exchange rate curves.</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>Determination of the allowance for expected credit losses

As mentioned in Note 5 to the financial statements, the Company's accounts receivable are classified into: Lease, Financial factoring and Loan. Recoverability of these accounts is assessed periodically by recognising the estimates of expected credit losses based on a model, which means identifying for each type of customer the risk phase (determined based on their customer payment behavior), the exposure at default (amounts due and payable net of percentages covered by the guarantees received from customers at the date of the consolidated Statement of Financial Position), the probability of default and loss given default.

To estimate the probability of default, the Company classifies accounts receivable based on customer payment behavior, considering the type of product, customer and days past due. To estimate loss given default the type of product, customer and pending litigation at the classification date are also considered.</td><td>The following procedures were applied as part of our audit:

• We have evaluated and considered the policies and procedures to determine the allowance for expected credit losses by comparing them with the usual practices in the industry.

• We compared, for a sample of accounts receivable, their rating based on the type of product, client, days past due and customers' payment behavior.

• We evaluated the percentages of probability of default and loss given default applied to the balances of the different credit ratings to determine the allowance for expected credit losses, considering the historical trends of the unrecoverable balance ratio in each category obtained from prior year audited accounting records.</td></tr>
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Key audit matter	How our audit addressed the key audit matter
Determination of the allowance for expected credit losses (Cont'd)	
We have focused on this account during our audit mainly because of the significance of the carrying amount of accounts receivable and of the related allowance for expected credit losses of accounts and notes receivable for \$58,611,100 and \$1,300,240, respectively, as of December 31, 2019 and because this estimate requires application of judgment by Management. Particularly, we have focused our audit efforts on i) the probability of default, the loss given default and the changes in the interest rate that affect customers' payment ability in the future.	• We evaluated the past and projected changes in interest rates and their relationship with the customers' payment ability and their impact on the probability of default and loss given default, by comparing these rates with external public sources recognised in the financial environment and with the past trends of loss given default and probability of default. • We have evaluated the key inputs based on selective tests, as follows: - Amounts due to date, which we recalculated considering the original amount of the credit obtained from the customer contracts and the collections received according to the deposits arising from the Company's account statements. - Type of customer and type of product, which we have compared with customer contracts. - Days past due, which we have recalculated considering the amortization table, as shown in the customer contracts, and the latest date of past due receivables, as shown in the Company's account statements. - We have compared the customers' payment behavior by type of product and type of customer with the account statements and payments made. - Percentages covered by the credit guarantees, which we have compared with the percentage set out in the customers' contract.

Key audit matter	How our audit addressed the key audit matter
Determination of the allowance for expected credit losses (Cont'd)	- Existence of pending litigation at the determination date, which we have compared with the confirmation obtained by the Company's legal department. - With the support of our team of specialists, we independently reprocessed, for a sample of accounts receivable, the calculation of the estimate of expected credit losses based on the data indicated above.

Other Information

Management is responsible for the other information. The other information comprises the annual report presented to Comisión Nacional Bancaria y de Valores (CNBV) and the annual information presented to shareholders, (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, we will issue the report required by the CNBV and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if required, describe the issue in our report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company´s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and subsidiaries audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is stated below.

Other Matter

This version of our report is a translation from the original report, which was prepared in Spanish. In all matters of interpretation of information, views or opinions, the original Spanish language version of our report takes precedence over this translation.

PricewaterhouseCoopers, S.C.

Nicolás Germán Ramírez
Audit Partner
Mexico City, April 27, 2020

Unifin Financiera, S. A. B. de C. V. and subsidiaries
Consolidated Statements of Financial Position

Thousands of Mexican Pesos

Assets:	Note	December 31, 2019	December 31, 2018	January 1, 2018
Current assets				
Cash and cash equivalents	4	$ 3,831,330	$ 4,282,274	$ 2,435,337
Accounts and notes receivable, net	5	27,797,479	19,187,825	15,575,212
Derivative financial instruments	6	66,176	90,183	82,723
Other current assets	7	97,134	301,967	329,165
Recoverable Income Tax	16	634,663	63,948	4,605
Total current assets		32,426,782	23,926,197	18,427,042
Non-current assets held for sale	8	1,384,358	830,972	590,757
Non-current assets				
Accounts and notes receivable, net	5	29,513,381	25,008,204	19,201,240
Property, furniture and equipment, net	9	6,435,531	896,409	860,123
Investment properties	10	250,190	168,300	168,725
Intangible assets	11	110,054	121,107	77,827
Derivative financial instruments	6	4,909,667	4,761,375	4,300,487
Deferred taxes	16	3,657,037	4,980,118	3,916,794
Other non-current assets	7	93,308	75,441	49,541
Total non-current assets		44,969,168	36,010,954	28,574,737
Total assets		$78,780,308	$60,768,123	$47,592,536
Liabilities:				
Current liabilities				
Bank loans	12	$ 8,432,249	$ 8,419,335	$ 4,258,268
Debt instruments	13	4,437,736	2,259,470	583,333
Senior notes	13	1,020,712	664,765	503,832
Suppliers and other accounts payable	14	1,816,870	1,175,264	1,077,062
Derivative financial instruments	6	1,330,321	4,523	-
Total current liabilities		17,037,888	12,523,357	6,422,495
Non-current liabilities				
Bank loans	12	6,234,794	3,976,576	3,880,504
Debt instruments	13	10,197,836	13,158,734	16,969,751
Senior notes	13	32,611,250	21,273,888	15,439,761
Derivative financial instruments	6	1,645,988	-	-
Other accounts payable		153,280	210,118	9,611
Total non-current liabilities		50,843,148	38,619,316	36,299,627
Total liabilities		67,881,036	51,142,673	42,722,122
Stockholders' equity:				
Capital stock	15	958,242	958,242	958,242
Premium on issuance of shares	15	1,935,900	1,935,900	1,935,900
Legal reserve		274,062	274,062	185,528
Treasury stock	15	(1,325,054)	-	-
Perpetual notes	15	4,531,330	4,531,330	-
Retained earnings		3,670,481	2,471,295	1,159,392
Hedging derivative financial instruments	6	(1,524,723)	(545,379)	631,352
Asset revaluation surplus	9	2,379,034	-	-
Total Stockholders' Equity		10,899,272	9,625,450	4,870,414
Total Liabilities and Stockholders' Equity		$78,780,308	$60,768,123	$47,592,536

Sergio José Camacho Carmona	Sergio Manuel Cancino Rodríguez	Luis Xavier Castro López
Chief Executive Officer	Chief Financial Officer	Corporate Controller

Unifin Financiera, S. A. B. de C. V. and subsidiaries
Consolidated Statements of Income

Thousands of Mexican Pesos, except for earnings per share

	For the years ended December 31,	
	2019	2018
Interest income from leasing (Note 3p.)	$ 8,109,566	$ 6,588,901
Interest income from factoring (Note 3p.)	656,137	414,187
Interest income from car loans	459,540	309,420
Interest on other loans (Note 3p.)	1,332,200	1,305,402
Other lease benefits (Note 3p.)	204,365	109,039
Total income	10,761,808	8,726,949.
Interest expense (Notes 12 and13)	6,945,341	5,512,418
Allowance for expected credit losses of accounts and notes receivable (Notes 3b. and 4)	427,679	327,776
Total cost	7,373,020	5,840,194
Gross margin	3,388,788	2,886,755
Loss from the derecognition of financial assets at amortised cost	7,340	-
Exchange gains	(1,333,425)	(715,520)
Exchange losses	1,176,413	484,235
Interest from investments and commissions	(390,532)	(391,740)
Other expenses (products)	19,596	31,078
Administrative and promotion expenses	1,539,922	1,150,533
	1,019,314	558,586
Profit before income from associated companies	2,369,474	2,328,169
Income from associates	33,614	36,209
Profit before Income tax	2,403,088	2,364,378
Income tax expenses (Note 16)	454,067	381,877
Consolidated net income	$. 1,949,021	$. 1,982,501
Basic and diluted earnings per share	$. 5.97	$. 5.74

Sergio José Camacho Carmona
Chief Executive Officer

Sergio Manuel Cancino Rodríguez
Chief Financial Officer

Luis Xavier Castro López
Corporate Controller

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Other Comprehensive Income

Thousands of Mexican Pesos

	For the years ended December 31,	
	2019	2018
Consolidated net income	$1,949,021	$ 1,982,501
Items that may be reclassified to profit or loss:		
Changes in the effective portion of the fair value of cash flow hedges (Note 6)	(941,833)	(1,453,735)
Deferred Income tax associated with the valuation of certain hedging derivative financial instruments (Note 16)	(37,511)	277,005
	(979,344)	(1,176,730)
Items that will not be reclassified to profit or loss:		
Asset revaluation surplus (Note 9)	3,398,613	-
Income tax relating to these items (Note 16)	(1,019,579)	-
	2,379,034	-
Other comprehensive income for the period, net of tax	1,399,690	(1,176,730)
Comprehensive income for the year	$ 3,348,711	$ 805,771

Sergio José Camacho Carmona	Sergio Manuel Cancino Rodríguez	Luis Xavier Castro López
Chief Executive Officer	Chief Financial Officer	Corporate Controller

Unifin Financiera, S. A. B. de C. V. and subsidiaries
Consolidated Statements of Changes in Stockholders' equity

Thousands of Mexican Pesos

	Stockholders' equity								
	Capital Stock	Premium on issuance of shares	Legal reserve	Treasury Stock	Perpetual notes	Retained earnings	Hedging derivative financial instruments	Asset revaluation surplus	Stockholders' equity
Balances as of January 1, 2018	$ 958,242	$1,935,900	$ 185,528	$ -	$ -	$1,159,392	$ 631,352	$ -	$ 4,870,414
Transactions with stockholders in their capacity as such:									
Dividend declared						(352,800)			(352,800)
Perpetual Notes issuance					4,531,330				4,531,330
Dividend declared to Perpetual Note holders						(229,264)			(229,264)
	-	-	-	-	4,531,330	(582,064)	-	-	3,949,266
Transactions other than stockholders in their capacity as such:									
Loss on cash flow hedge derivatives							(1,176,731)		(1,176,731)
Transfer to legal reserve			88,534			(88,534)			-
Consolidated net income			-			1,982,501			1,982,501
			88,534			1,893,967	(1,176,731)		805,770
Balance as of December 31, 2018	$ 958,242	$1,935,900	$ 274,062	$ -	$ 4,531,330	$ 2,471,295	($ 545,379)	$ -	$ 9,625,450
Transactions with stockholders in their capacity as such:									
Repurchase of shares				(1,325,054)					(1,325,054)
Declaration of dividends to Perpetual Note holders						(420,868)			(420,868)
Declaration of cash dividends						(328,967)			(328,967)
	-	-	-	(1,325,054)	-	(749,835)	-	-	(2,074,889)
Transactions other than stockholders in their capacity as such:									
Loss from cash flow hedge derivatives							(979,344)		(979,344)
Revaluation surplus, net of taxes								2,379,034	2,379,034
Consolidated net income						1,949,021			1,949,021
	-	-	-	-	-	1,949,021	(979,344)	2,379,034	3,348,711
Balances as of December 31, 2019	$ 958,242	$1,935,900	$ 274,062	($ 1,325,054)	$ 4,531,330	$3,670,481	($1,524,723)	$ 2,379,034	$ 10,899,272

Sergio José Camacho Carmona
Chief Executive Officer

Sergio Manuel Cancino Rodríguez
Chief Financial Officer

Luis Xavier Castro López
Corporate Controller

Unifin Financiera, S. A. B. de C. V. and subsidiaries
Consolidated Statements of Cash Flows

Thousands of Mexican Pesos

	For the years ended December 31, 2019	2018
Net profit	$ 1,949,021	$ 1,982,502
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortisation	162,792	58,622
Allowance for expect credit losses (Note 5)	427,679	327,772
Income tax expense (Note 16)	445,623	381,877
Interest income	(10,557,445)	(8,726,950)
Interest expense	6,945,341	5,512,418
Exchange gains	(1,333,425)	(715,520)
Exchange losses	1,176,413	484,234
Changes in fair value of derivative financial instruments for trading purposes	(129,278)	(197,539)
	(913,279)	(892,584)
Operating activities		
Changes in:		
Accounts and notes receivable, net	(12,488,695)	(8,975,566)
Other non-current assets	432,311	(4,673)
Derivative financial instruments	821,474	(1,009,159)
Suppliers	584,769	(154,789)
Interest paid	(6,455,273)	(5,259,992)
Interest collected	9,679,050	8,168,505
Non-current assets held for sale	(638,500)	(240,215)
Income tax paid	(958,183)	(1,045,075)
Net cash flows from operating activities	(9,023,047)	(8,520,964)
Investment activities		
Payments for acquisition of property, machinery and equipment	(2,207,510)	(12,707)
Payments for the acquisition of intangible assets	(20,143)	(74,477)
Net cash flows from investing activities	(2,227,653)	(87,184)
Financing activities		
Payments for repurchased shares (Note 15)	(1,325,054)	-
Bank loans obtained (Note 12)	14,582,865	8,020,853
Repayment of bank loans (Note 12)	(12,226,423)	(3,804,514)
Proceeds from the issuance of debt instruments (Note 13)	2,750,000	-
Repayment of debt instruments (Note 13)	(3,527,127)	(2,126,184)
Proceeds from placement of senior notes (Note 13)	12,357,914	5,290,504
Dividend payment in cash (Note 15)	(749,836)	(582,067)
Office lease payments (Note 9)	(61,370)	(50,573)
Proceeds from the issuance of Perpetual Note (Note 15)	-	4,531,330
Net cash flows from financing activities	11,800,969	11,279,349
Net increase in cash and cash equivalents	(363,010)	1,778,617
Cash and cash equivalents at the beginning of period	4,282,274	2,435,337
Effect of exchange rate changes on cash and cash equivalents for the period	(87,934)	68,320
Cash and cash equivalents at period-end (Note 4)	$ 3,831,330	$ 4,282,274

Sergio José Camacho Carmona	Sergio Manuel Cancino Rodríguez	Luis Xavier Castro López
Chief Executive Officer	Chief Financial Officer	Corporate Controller

thousands of Mexican Pesos [$] (Note 2a and foreign currency, except for exchange rates, nominal value, number of securities, shares and earnings per share

Note 1 - Description of the business:

Unifin Financiera, S. A. B. de C. V. and subsidiaries (formerly, Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) (Company or UNIFIN), was incorporated on February 3, 1993 in accordance with Mexican laws. Its tax domicile and main place of business is 111 Pdte. Masaryk Ave., Col. Polanco III Sección, 11550, in Mexico City.

The Company's ultimate controlling interest belongs to a group of individuals who directly or indirectly hold 60% of shares in the Company and the remaining percentage belongs to investors.

The Company is mainly engaged in providing leases for automotive vehicles, machinery and equipment, among other lease arrangements, and in granting loans, carrying out factoring operations, acting as administrator for guarantee trusts, obtaining loans, guaranteeing obligations through different means, and issuing, subscribing, accepting, endorsing, selling, discounting and pledging all types of credit.

The Company does not have any employees, and all legal, accounting and administrative services are provided by related parties.

On May 22, 2015, the Company issued its Initial Public Offer on the Mexican Stock Exchange (BMV, for its acronym in Spanish), and for international purposes it made the issue under rule 144 A/Reg S for a total of $3,606,400, comprised of 50% primary shares and 50% of secondary shares. The amount includes the over-allotment option, comprising 15% of the total offer. On May 22, 2015, the Company started trading its shares on the BMV. As a result, it changed its business name to Sociedad Anónima Bursátil de Capital Variable (S. A. B. de C. V.).

The General Stockholders' Meeting dated March 21, 2019, decided to modify the Company's By-laws, changing the business name from an S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, to an S. A. B. de C.V. The Company was a non-regulated financial institution (or Sociedad Financiera de Objeto Múltiple, Entidad No Regulada), as specified in article 87-B of General Law on Credit Organizations and Auxiliary Activities (LGOAAC, for its acronym in Spanish). Therefore, the Company adopted International Financial Reporting Standards (IFRS) for the preparation of its financial information. This change in regime and accounting standards provided the Company with more flexibility in its corporate structure to continue with its growth strategy and guarantee financial information comparability for public investors.

Note 2 - Basis of preparation:

a. Basis of preparation:

i. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRS IC). The Consolidated Financial Statements comply with IFRS as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption that the Company operates on a going concern basis.

ii. Transition to IFRS

These are the first Consolidated Financial Statements of the Company that have been prepared in accordance with IFRS, applying IFRS 1, First-time Adoption of International Financial Reporting Standards.

The Company's consolidated financial statements as of January 1 and December 31, 2018, prepared in accordance with IFRS, stem from consolidated financial statements that were prepared in accordance with the accounting criteria issued by the National Banking and Securities Commission (Accounting Criteria) applicable to Regulated Multiple Purpose Financial Institutions, making the adjustments and reclassification to reflect the changes in presentation, accounting recognition and valuation, as required by IFRS.

Particularly, the adjustments have been made pursuant to IFRS in force as of December 31, 2019 (the first annual reporting date), which have been consistently applied in preparing the consolidated Statement of Financial Position as of January 1, 2018 (transition date) and the consolidated financial statements as of December 31, 2018 and for the year then ended (the comparative period), unless otherwise indicated.

The reconciliations and descriptions of the effects of the transition from the CNBV accounting criteria to IFRS in the Statement of Financial Position, Statement of Income and Statement of Cash Flows are explained in Note 19.

iii. Authorization of Financial Statements

The issuance of these Consolidated Financial Statements and their notes as of December 31, 2019 and 2018, and January 1, 2018 and for the year ended December 31, 2019, were authorized on April 24, 2020 by Sergio José Camacho Carmona, Chief Executive Officer, Sergio Manuel Cancino Rodríguez, Chief Finance Officer, and Luis Xavier Castro López, Corporate Controller.

In accordance with the Mexican Corporations Law (LGSM, for its acronym in Spanish) and Company Bylaws, the stockholders are empowered to amend the financial statements after their issuance. The consolidated financial statements authorized by the officers mentioned in the preceding paragraph of this note will be submitted to the next Stockholders' Meeting for their approval.

iv. Functional and reporting currency

The Financial Statements are presented in Mexican pesos, which is the Company's functional and reporting currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated, generating rounding of the final unit only and resulting in immaterial divergences.

v. Use of judgments and estimates

In preparing these Consolidated Financial Statements, Management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are reviewed on an ongoing basis, according to past experience and other factors, including the probability of occurrence of future events that are considered reasonable in the circumstances.

- Judgments

  Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the Consolidated Financial Statements is included in the following notes:

  – Note 3 (b, i) - Lease classification

    Based on the technical assessments performed on the characteristics of lease agreements established by the accounting lease standard, agreements were classified as finance or operating lease, to identify who maintains the risks and benefits associated to the leased asset. It was concluded that, substantially, all risks and benefits are transferred to the lessee. See Note 5.

- Assumptions and estimates uncertainties

  Information about assumptions and estimates uncertainties as of December 31, 2019 that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

  – Note 3 (b, iv) and 5 - Impairment estimates regarding the adoption of IFRS 9, Financial Instruments.

  – Note 3 (e, i) and 9 – Revaluation surplus. The conditions of unobservable inputs are determined according to the Company's best estimate based on the assumptions established by the experts hired for such purpose about unobservable inputs and internal and external elements. The Company periodically analyses the valuation of the Drilling Rig to verify whether there are indicators of the need to revalue those assets.

b. Historical cost

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments) and certain property, plant and equipment measured at fair value.
- Assets held for sale measured at fair value less costs to sell.

c. Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those profits through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. until the date on which control over the subsidiary ceases.

Intercompany transactions, balances and unrealised gains on transactions between the consolidated companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset.

Non-controlling interest in subsidiaries' profit or loss and equity is not representative and, therefore, it is not disclosed separately.

The Consolidated Financial Statements include balances of the Company and its subsidiaries as of December 31, 2019 and 2018, and January 1, 2018, in which the Company has control as follows:

		Interest %		
Entity	Activity	December 31, 2019	December 31, 2018	January 1, 2018
Unifin Credit, S. A. de C. V. SOFOM, E. N. R. (Unifin Credit)	Factoring	99.99	99.99	99.99
Unifin Autos, S. A. de C. V. (Unifin Autos)	Car lease	99.99	99.99	99.99
Inversiones Inmobiliarias Industriales, S. A. P. I. de C. V. (Inversiones inmobiliarias)	Real estate lease	94.08	94.08	94.08
Fideicomisos de emisión de Certificados Bursátiles (Structured entities)	Issuance of certificates	100.00	100.00	100.00

ii. Associates

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term account receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

iii. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee, and the Company's share of movements in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

iv. Structured entities

As described in Notes 3j and 13 ii), the Company assigns certain rights over financial assets to a securitization vehicle (usually a trust) so that the vehicle may issue securities that are placed among investors, in accordance with laws and regulations applicable to the stock market in Mexico. The Company has consolidated these Trusts when determining the existence of control considering the characteristics of the trust contracts and applicable legislation.

d. Segment reporting

The Chief Executive Officer is responsible for decision-making about the resources that are allocated to the different segments and for assessing their performance.

Company Management has identified the following main segments: leases, factoring and other loans including car loans, and it does a continuous follow-up of each of the segments through the statement of income.

e. Foreign currency translation

i. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in the Statement of Comprehensive Income under Exchange gains (loss).

Foreign exchange gains and losses that relate to loans, cash and cash equivalents are disclosed in the Statement of Income, under Exchange gains and losses. The remaining foreign exchange gains and losses are disclosed in the Statement of Income on a net basis.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are recorded in income/loss as part of the fair value gain or loss.

Note 3 – Summary of significant accounting policies:

A summary of the most significant accounting policies is shown below, which have been applied consistently to those of the reporting years, unless otherwise specified.

a. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, banks and short-term deposits in financial institutions, highly liquid investments with original maturities of three days or less that are, readily convertible to cash and which are subject to an insignificant risk of changes in value.

b. Accounts and notes receivable

Factoring, car loans and other loans are financial assets classified at amortised cost. This classification depends on the business model of the Company to manage its financial instruments and the terms of the instrument's contractual cash flows. Assets held for the collection of contractual cash flows when said cash flows solely represent the payment of principal and interest are measured at amortised cost.

At initial recognition, the Company measures a financial asset at fair value and later at amortised cost applying the effective interest rate, less Allowance for expected credit losses of accounts and notes receivable described in paragraph iv) below.

Income from those financial assets is included in profit or loss applying the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are disclosed as a separate line item in the Statement of Income as Allowance for expected credit losses of accounts and notes receivable.

Regular purchases and sales of financial assets are recognised at the transaction date, which is the date on which the Company commits to purchase or sell the asset. Financial assets are no longer recognised when the rights to receive cash flows from financial assets have expired or been transferred and the Company has transferred substantially all the risks and benefits arising from ownership.

Financial instruments disclosed under short-term and long-term assets and liabilities represent rights and obligations with maturities of less than 12 months (Current) and rights and obligations with maturities of more than 12 months (Non-current).

i. Leases

Lessor

The Company classifies each of its leases as operating leases or finance leases based on a technical analysis of each lease agreement considering the following: Whether a lease is a finance lease, or an operating lease depends on the economic substance of the transaction rather than the form of the agreement.

Lease classification is made at the inception date and is reassessed only in case of an amendment to the lease agreement. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the underlying asset), or changes in circumstances (for example, non-compliance by the lessee), do not give rise to a new classification of a lease for accounting purposes.

i. Operating lease

Leases in which the risks and benefits relating to the underlying asset are retained by the Company (lessor) are classified as operating leases. Revenues received under an operating lease are charged to income, based on the straight-line method over the lease term. Accounts receivable from operating leases relate to amounts due pursuant to the contractual terms. Leases paid in advance are recorded under deferred credits and early collections and are applied to leases as monthly rent payments come due.

ii. Finance lease

Leases in which the risks and benefits relating to the underlying asset are transferred to the lessee are classified as finance leases. The lessor will derecognise the underlying asset of its plant, furniture and equipment and recognise an account receivable for the net investment in the lease. The Company will also recognise profit over the lease term, based on a pattern reflecting a constant interest return rate on the lessor's investment in the lease.

The Company manages the risks associated with the leased asset by contemplating certain policies to guarantee recovery of the asset at any stage of the lease agreement, including the recovery of residual values until termination of the lease term.

Some of the asset insurance policies that may be applied jointly or specifically, depending on the operating risk associated with the type of asset and the transaction amount, include, but are not limited to, insurance taken out for the asset itself the beneficiary of which is the Company, additional guarantees on properties or other assets, execution of contracts as legal depository and security interests.

Lessee

The Company recognises, for each of its lease agreements as a lessee, a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lease liability is initially measured at the present value of the minimum lease and subsequently, the lease payments are distributed between the financial expenses and the reduction of the lease obligations to reach a constant base on the remaining balance of the liability.

The right-of-use asset of the leased assets is initially calculated at cost on a present value basis and it is subsequently measured at cost less accumulated depreciation and impairment losses.

The Company chose to apply IFRS 16 practical expedient, by type of underlying asset to avoid separating non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. This determination involves measuring the lease liability including payments associated with service components.

ii. Factoring

Factoring operations are initially recognised at fair value and subsequently at amortised cost, for which an advance is made on the document that the Company receives for factoring. The maximum term of a factoring agreement is 120 days.

The Company considers the probability of non-compliance upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition considering available reasonable historical information.

The Company assesses the possibility of writing off factoring accounts receivable when there are no reasonable expectations of recovery. When those assets have been written-off, the Company continues with its efforts to recover the amounts due. When recovery occurs, the respective amounts are recognised in other income, in the statement of income.

iii. Car consumer and commercial loans (Car loans) and other loans

Loans are granted after analysing the financial position of the borrower, the economic feasibility of investment projects and other general factors established in the Company's internal manuals and policies.

In case of delays with payment, the borrower is considered in one of the stages of the model described in paragraph iv) below. When a loan is in stage 3 (non-performing) it is kept in that stage if payments have not been settled in full in the terms originally agreed upon, considering the following:

- If the balance due consist of loans with a single payment of principal and interest at maturity and are 30 or more calendar days overdue.
- If the balance due consist of loans with a single payment at maturity and with periodic interest payments, and the respective interest payment is 90 or more calendar days past due, or principal is 30 or more calendar days past due.

- If the balance due consist of loans with partial payments of principal and interest and are 90 or more calendar days overdue.

Loans classified from the outset as revolving loans being restructured or renewed at any time are considered to be performing loans only when the borrower has paid all interest accrued, the loan shows no past due invoicing periods, and there are elements demonstrating the debtor's payment capacity, that is to say, when it is highly likely that the debtor will make the payment.

Loans with a one-off payment of principal upon maturity and periodical interest payments that are not met when due are identified for operating purposes as past due loans.

iv. Allowance for expected credit losses of accounts and notes receivable

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full.
- The payment delay is more than 90 days due.
- For factoring purposes, the payment delay is more than 60 days due.
- The borrower has been declared bankrupt.

Inputs used in the assessment of whether a financial instrument is in default may vary over time to reflect changes in circumstances.

Expected Credit Loss (ECL) Measurement

Main inputs related to ECL measurement are usually the following:

- Probability of Default (PD).
- Loss Given Default (LGD).
- Exposure at Default (EAD).

ECL methodology considers information of statistical models using historical data.

The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted loans. LGD model considers cash and collateral recoveries. EAD represents the expected exposure at the moment of default.

The EAD of a financial asset is the gross carrying amount at default. In addition, the undrawn amount of a financial asset is considered based on potential future amounts that may be drawn.

In case of factoring portfolio, IFRS 9 simplified approach has been applied, as it is a product with a lifetime of less than a year, recognising 12-month default elements only.

Significant increase in credit risk

The Company on a forward-looking basis assesses the expected credit losses associated to their financial assets at amortised cost.

The impairment methodology applied depends on whether there has been a significant increase in the credit risk. Once the Company has classified its financial assets according to its credit risk, they are individually or collectively assessed for impairment to recognise the allowance for expected credit losses of accounts and notes receivable arising from credit risk.

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company considers reasonable and sustainable information that is relevant and available without disproportionate cost or effort, including quantitative and qualitative information. Additionally, the Company assumes that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

The expected credit losses model is based on changes in credit quality since initial recognition and considers the following stages:

Stage	Definition	Basis for recognition of allowance for expected credit losses of accounts and notes receivable
Stage 1	This stage includes loans that have not had a significant increase in credit risk.	12-month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage 2	This stage includes loans that have had a significant increase in credit risk since initial recognition but for which there is no objective evidence of impairment. Interest revenue is still calculated on the gross carrying amount of the asset.	Expected losses for the remaining lifetime of the loan.
Stage 3 (non-performing)	This stage includes loans with objective evidence of impairment as of the reporting date. Interest revenue is calculated on the net carrying amount (net of allowance for doubtful accounts and notes receivable).	Expected losses for the remaining lifetime of the loan.
Write-off	Loans with no reasonable expectation of recovery. The Company classifies loans in this stage when debtor has been declared bankrupt in accordance with the Bankruptcy Law or when the Management of the Company has decided to write-off the loan.	Upon authorization of the credit committee, the account receivable is written off from the consolidated Statement of Financial Position; however, collection efforts continue.

For stage 1, the PD estimates the probability that the credit will default in the next 12 months, while the PD in stage 2 is the result of the probabilities of default for the remaining lifetime of the loan. The probability of default in stage 3 is defined as 100%.

Forward-looking information incorporated in ECL.

The Company uses forward-looking information for each type of account receivable considering historic data and past experience in the management of that information. In addition, the Company performed a historical analysis to identify key macroeconomic variables affecting expected credit losses.

The Company analyses and considers possible prospective scenarios. The number of scenarios and their considerations are reassessed on a quarterly basis.

c. Fair value measurement

Different accounting and disclosure policies of the Company require fair value measurement of financial and non-financial assets and liabilities.

The Company has set a control framework for fair value measurement.

This control includes a team responsible for supervising all significant fair value measurements; this team reports directly to the Chief Financial Officer.

The Company's valuation team periodically revises the significant unobservable inputs and the valuation adjustments. For the purposes of fair value measurement, the information provided by third parties, such as pricing providers, and market indicators are used to support the conclusion that those valuations meet the IFRS requirements, including the fair value hierarchy level at which financial instruments should be classified.

In estimating the fair value of an asset or a liability, the Company uses observable market inputs as far as possible. Fair values are classified into different fair value hierarchies based on inputs used in the valuation techniques, as shown below:

- Level 1: (unadjusted) prices quoted in active markets for identical financial instruments.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or the liability, whether directly (i.e. prices) or indirectly (i.e. derived from prices).

- Level 3: Asset or liability inputs not based on observable market inputs, that is, unobservable inputs.

If the inputs used in determining fair value of an asset or a liability fall within different levels of the fair value hierarchy, the fair value measurement is fully classified into the same level of the fair value hierarchy as the lowest level of the significant inputs for full measurement.

The following notes include more information about the assumptions made in fair value measurement.

- Note 3 (d) Derivative financial instruments
- Note 3 (e, i) Property, plant and equipment – Drilling rig

d. Derivative financial instruments (DFI)

Derivative financial instruments are initially recognised at fair value on the contract date and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative financial instruments are designated as a hedge instrument and, if so, the nature of the item being hedged.

For hedging purposes, the Company designates derivative financial instruments of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

Derivative financial instruments are offset and the net amount is disclosed in the Consolidated Statement of Financial Position when there is an enforceable legal right to offset recognised amounts and there is an intention to settle them on a net basis or realise the asset and settle the liability simultaneously. These assumptions are presented as current assets or liabilities as long as they are expected to be settled within 12 months following the presentation date or in the long term if settled after 12 months.

The Company documents, at the inception of the hedge, the relationships between hedging instruments and hedged items, as well as the objective of its risk management and strategy for undertaking various hedging transactions. The Company also documents its assessment both at the inception of the hedge and on an ongoing basis of whether the derivative financial instruments used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in stockholders' equity are disclosed in Note 6. Full fair value of a hedging derivative financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Fair values of derivative financial instruments used for hedging purposes are disclosed in Note 6 - Hedge Accounting.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Stockholders' equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss under Interest expense.

Amounts accumulated in Stockholders' equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any accumulated gain or loss existing in equity at that time remains in stockholders' equity and is recognised when the forecast transaction is recognised in the Statement of Income. When a forecast transaction is no longer expected to occur, the accumulated gain or loss reported in stockholders' equity is immediately transferred to the Statement of Comprehensive Income under Other expenses (products).

As of December 31, 2019 and 2018, the Company does not hold embedded derivatives requiring to be excluded from the main contract and recorded separately in compliance with IFRS 9.

e. Property, furniture and equipment

Property, furniture and equipment -except for drilling rig described in paragraph i) of this point- are recognised at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenses directly attributable to assets acquisition.

Depreciation is calculated according to the straight-line method, which is applied to the cost or revalued carrying amount (in the case of the drilling rig) of assets up to their residual value, based on their estimated useful lives, or over the lease term, if shorter, in the case of leasehold improvements.

Subsequent costs are included in the asset carrying amount or recognised as a separate asset, as appropriate, only when it is likely that they generate future economic benefits for the Company and the cost can be measured reliably. The carrying amount of any component recognised as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the Statement of Income during the reporting period in which they are incurred.

i) Drilling rig:

The drilling rig is recognised at fair value, based on periodical valuations by independent valuation experts, less subsequent depreciation. Valuations are to be made with a sufficient frequency (on an annual basis) to make sure that the fair value of a revalued asset will not differ significantly from its carrying amount. The revaluation surplus is recorded in other comprehensive income (OCI), within the stockholders' equity. When the revalued asset is sold, amounts included in Other Comprehensive Income are transferred to accumulated gains/losses.

Increases in the carrying amounts arising on revaluation of the drilling rig are recognised, net of tax, in OCI and are accumulated in the revaluation surplus within the stockholders' equity. To the extent that the increase reverses a decrease in the same asset previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in OCI to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation calculated based on the revalued carrying amount of the asset charged to profit or loss, and depreciation based on the original cost of the asset must be transferred from revaluation surplus to retained earnings.

The useful lives used in the calculation of the straight-line depreciation of the main groups of assets are shown below:

	Years
Property	20
Drilling rig	16
Leasehold improvements	5
Transportation equipment	5
Computer equipment	5
Furniture and office equipment	5
Others	5

Depreciation expenses are recognised in the Statement of Income during the reporting period in which they are incurred.

Assets' useful lives and residual values are reviewed and adjusted, if necessary, at the closing date of each year. When the carrying amount of an asset exceeds its estimated recoverable value, an impairment loss is recognised to reduce the carrying amount to its recoverable value.

For lease assets, residual value, useful lives and depreciation method are reviewed when the lease operation has finished and the assets are returned to the Company. At that moment, the depreciation method is adjusted with the Company's internal policy, giving the same treatment as any other Company's asset, as described in the previous paragraph.

An item of property, furniture and equipment is written off when it is sold or when it is not expected to obtain future economic benefits from the continuous use of the asset.

The carrying amount of a property, furniture and equipment item is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses from assets' disposals are determined by comparing the fair value of the consideration collected with carrying amount. These are included under Other expenses (products) in the Statement of Income.

f. Investment properties

Investment properties represent an industrial plant that is leased to a third party and a plot of land for rent, to generate goodwill, or both. Investment properties are measured initially at cost, including related transaction costs and borrowing costs, where applicable.

After initial recognition, investment properties are measured at cost. Subsequent disbursements are capitalized at the carrying amount of the asset only if it is probable that the economic benefits associated with the expenses will flow to the Company and the cost of the item can be determined reliably. The rest of repair and maintenance costs are expensed as incurred. When part of an investment is replaced the carrying value of the replaced part is written off.

Investment properties are written off upon their disposal or when they are permanently retired from use and are not expected to generate future economic benefits.

The estimated useful life of the industrial plant is 10 years.

g. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount is expected to be recovered through a sale and a sale is considered highly probable. They are stated at the lower of their carrying amount or fair value less costs to sell. At present, this account is represented by real property and transportation equipment obtained through foreclosure of guarantees for loans granted.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in the fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated while they are classified as held for sale.

h. Intangible assets

i. Intangible assets (internally developed software)

Costs associated with maintaining software programs are recognised as expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use.
- Management intends to complete the software and use or sell it.
- There is the ability to use or sell the software.
- It can be demonstrate how the software will generate future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available.
- The expenditure attributable to the software during its development can be reliably measured.

Capitalized development costs are recorded as intangible assets and amortised from the moment in which the asset is ready for use by applying the straight-line method.

i. Impairment of non-financial assets

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount cannot be recovered. An impairment loss is recognised for the amount by which the asset's carrying amount exceeding its recoverable value. The recoverable amount is the higher of the assets's fair value less costs of disposal and value in use. For the purposes of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows, which are, largely, independent of other assets or groups of assets cash inflows (Cash-Generating Units, CGU). Impaired non-financial assets are reviewed to determine the possible impairment reversal at the end of each reporting period.

j. Other assets

Advance payments and advances to suppliers recorded under other assets represent expenses incurred by the Company where the risks and rewards inherent in the goods being acquired or the services being received have not been transferred. Advance payments and advances to suppliers are recorded at cost and are disclosed in the Consolidated Statement of Financial Position as other assets, depending on the heading of the destination item. Prepayments and advances to suppliers in foreign currencies are recognised at the exchange rate in effect at the transaction date.

Once goods and/or services relating to prepayments and advances to suppliers are received, they are recognised as an asset or as an expense in the Statement of Income for the period, according to their nature.

Other assets are presented in the short term if they are recovered within 12 months, and in the long term if they are recovered after 12 months.

k. Financial liabilities

Financial liabilities include bank loans, debt instruments and senior notes, which are initially recognised at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost. Any difference between the yield (net of the transaction costs) and the redeemable amount is recognised in profit or loss over the period of the financial liabilities using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the loan facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Debt instruments through a stock structure represent a transaction whereby certain assets are transferred to a vehicle created for such purpose (usually a trust) so that the vehicle may issue debt securities to be placed among investors.

Debt instruments through a private stock structure represent a transaction whereby certain collection rights are assigned to a Trust as trust assets to guarantee payment of cash draw-downs under revolving loans taken out with banking institutions.

l. Perpetual Notes

Perpetual notes are recognised at nominal value in stockholders' equity deducting the amount of the cost attributable to their issuance; the yields paid to their holders, if applicable, are deducted from retained earnings in stockholders' equity.

The perpetual notes neither have no fixed date of redemption, nor they may be redeemable at the discretion of the holders of the note. Any payment related to these notes is subject to the terms and conditions set forth in the corresponding offering documents, and completely discretionary for the Company.

m. Income Tax

The Income Tax item in the Statement of Income represents the sum of the Income Tax payable and the deferred Income Tax.

Income Tax disclosed in the Statement of Income represents the current Income Tax at the end of the reporting period, as well as the effects of deferred Income Tax determined by the asset and liability method, applying the rate established by tax laws passed or substantially passed at the date of the Consolidated Statement of Financial Position where the Company operates and generates taxable income to the total of temporary differences resulting from comparing the accounting and tax values of assets and liabilities that are expected to be applied when the deferred asset tax is realised or the deferred tax liability is settled, considering, where appropriate, the tax losses to be amortised, previous analysis of their recovery.

The effect due to a change in current tax rates is recognised in profit or loss for the period in which the rate change is determined.

Management periodically assesses positions taken in tax returns regarding the situations in which applicable tax regulation is subject to interpretation. It establishes the necessary provisions based on the amounts expected to be paid to the tax authorities. According to this assessment, as of December 31, 2019, December 31, 2018 and January 1, 2018, there are no uncertain fiscal positions.

Deferred tax assets are recognised only if it is probable that future taxable profits will be available against which temporary differences and losses may be offset.

No deferred Income Tax assets or liabilities are recognised for temporary differences between the carrying amounts and the tax bases of investments in which the Company can control the time of reversal of the temporary differences and it is probable that those differences will not be reversed in the foreseeable future.

Deferred Income Tax on temporary differences arising from investments in subsidiaries is recognised, except when the period of reversal of temporary differences is controlled by the Company and temporary differences might not be reversed in the near future.

Deferred tax assets and liabilities are offset against each other when there is a legal right to offset current tax assets and liabilities and when the deferred tax balances are related to the same tax authority.

n. Stockholders' equity

Stockholders' equity, share premium, legal reserve and prior years' profit or loss are stated at historical cost.

Treasury stock represent shares of stock purchased for the share repurchase reserve. When shares issued by the Company are purchased, they are recognised at acquisition cost, including the costs directly attributable to that acquisition (net of taxes), or are recognised as a reduction of Company's stockholders' equity until the shares are paid or re-issued. When the shares are re-issued, they are recognised at average cost.

The net share premium represents the surplus between the payment for subscribed shares and the nominal value of $3.1250 per share at the date of subscription.

o. Other comprehensive income (OCI)

Comprehensive income (loss) comprises the net profit (loss), the effects from valuation of derivative financial instruments, the revaluation surplus and the deferred Income Tax associated to these items, which is reflected in stockholders' equity and does not constitute capital contributions, reductions and distributions.

p. Income and Cost

Income includes interest generated by accounts receivable from leases, factoring, car loans, changes in the fair value of financial assets and net foreign exchange gains, which are recognised directly in profit or loss.

Interest on other receivables is interest on unsecured loan agreements.

Interest income are recognised in profit or loss as accrued, by applying the effective interest rate method.

Other lease benefits include income from insurance financing to customers through the collection of fees not directly related to the lease agreement.

Interest income accrued on investments in short-term deposits is recognised in Interest on investments and commissions.

Costs include interest expense on bank loans, debt instruments and senior notes, changes in the fair value of financial assets and impairment losses on financial assets, and are recognised directly in profit or loss.

Incremental costs that are directly associated to the acquisition or creation of a financial liability are recognized in profit or loss using the effective interest rate method.

q. Dividends

Dividend amount recognized as dividend distributions among the stockholders over the period and the respective amount per share are disclosed in the Statement of Changes in Stockholders' Equity or Note 15.

r. Basic earnings per share

Basic earnings per share is calculated by dividing

- the profit attributable to owners of the Company, excluding any expenses for managing shares other than ordinary shares

- by the weighted average outstanding ordinary shares outstanding the financial year.

s. Diluted earnings per share

The company does not have any instrument that can dilute the profit per share.

Note 4 - Cash and cash equivalents:

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash, banks and short-term deposits. Cash and cash equivalents at year-end as disclosed in the Statement of Cash Flows can be reconciled with the related items in the Consolidated Statement of Financial Position as follows:

	Local currency			Foreign currency restated to Mexican pesos			Total		
	December 31, 2019	December 31, 2018	January 1, 2018	December 31, 2019	December 31, 2018	January 1, 2018	December 31, 2019	December 31, 2018	January 1, 2018
Cash	$ -	$ -	$ 23,583	$ -	$ -	$ -	$ -	$ -	$ 23,583
Local and foreign banks	98,661	91,373	191,702	127,236	200,577	184,484	225,897	291,950	376,186
Short-term deposits	3,507,869	3,205,495	1,048,798	97,564	784,829	986,770	3,605,433	3,990,324	2,035,568
Total cash and cash equivalents	$ 3,606,530	$ 3,296,868	$ 1,264,083	$ 224,800	$ 985,406	$ 1,171,254	$ 3,831,330	$ 4,282,274	$ 2,435,337

The balances of banks in foreign currency as of December 31, 2019 and 2018, and January 1, 2018, correspond to US 11,911, US 50,131 and US 59,347 respectively, converted at the exchange rate $18.8727, $19.6566 and $19.7354 per dollar, respectively.

The Company invests excess cash flow in short-term deposits in banking institutions. The interest rate earned daily related to these short-term deposits is approximately 6.79%, 7.45% and 6.91% for the years ended December 31, 2019 and 2018 and January 1, 2018, respectively.

Note 5 - Accounts and notes receivable:

As of December 31, 2019 and 2018 and January 1, 2018, Accounts and notes receivable are made up as follows:

	December 31 2019	December 31 2018	January 1, 2018
Current accounts and notes receivable			
Leases	$ 16,478,851	$ 12,990,041	$ 9,821,062
Financial factoring	3,255,748	2,864,023	2,538,801
Car consumer loans	36,383	41,830	58,245
Car commercial loans	1,114,669	823,309	770,623
Other loans	7,229,593	2,758,869	2,626,200
Subtotal	28,115,244	19,478,072	15,814,931
Allowance for expected credit losses	317,765	290,247	239,719
Current subtotal	27,797,479	19,187,825	15,575,212
Non-current accounts and notes receivable			
Leases	26,503,369	23,168,172	17,221,318
Car consumer loans	35,785	52,450	70,715
Car commercial loans	1,708,210	962,980	909,539
Other loans	2,248,492	1,486,879	1,384,701
Subtotal	30,495,856	25,670,481	19,586,273
Allowance for expected credit losses	982,475	662,277	385,033
Non-current subtotal	29,513,381	25,008,204	19,201,240
Total Accounts and notes receivable, net	$ 57,310,860	$ 44,196,029	$ 34,776,452

The following is a breakdown of the allowance for expected credit losses of accounts and notes receivable balances by stages:

Leases:

	December 31, 2019			December 31, 2018			January 1, 2018		
Stage	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
1	$36,495,271	$ 151,013	0.41%	$ 29,555,975	$ 213,270	0.72%	$ 23,527,497	$ 176,951	0.75%
2	4,541,116	321,751	7.09%	5,412,046	245,107	4.53%	2,761,122	203,879	7.38%
3	1,945,833	620,540	31.89%	1,190,192	313,206	26.32%	753,761	175,173	23.24%
	$42,982,220	$ 1,093,304		$ 36,158,213	$ 771,583		$ 27,042,380	$ 556,003	

Financial factoring

	December 31, 2019			December 31, 2018			January 1, 2018		
Stage	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
Non-defaulting	$3,160,247	$ 65,433	2.07%	$ 2,716,262	$ 24,837	0.91%	$ 2,512,451	$ 25,726	1.02%
Defaulting	95,501	35,181	36.84%	147,761	92,720	62.75%	26,350	2,440	9.26%
	$3,255,748	$ 100,614		$ 2,864,023	$ 117,557		$ 2,538,801	$ 28,166	

Car commercial loans

	December 31, 2019			December 31, 2018			January 1, 2018		
Stage	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
1	$ 2,727,746	$ 2,375	0.09%	$ 1,735,325	$ 9,623	0.55%	$ 1,670,272	$ 4,115	0.25%
2	41,346	10,786	26.09%	24,738	3,484	14.08%	6,829	1,253	18.35%
3	53,787	53,781	99.99%	26,226	5,960	22.73%	3,061	702	22.93%
	$ 2,822,879	$ 66,942		$ 1,786,289	$ 19,067		$ 1,680,162	$ 6,070	

Car consumer loans

	December 31, 2019			December 31, 2018			January 1, 2018		
Stage	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
1	$ 63,712	$ 367	0.58%	$ 86,044	$ 435	0.51%	$ 120,816	$ 725	0.60%
2	585	49	8.38%	519	46	8.86%	1,970	168	8.53%
3	7,871	6,126	77.83%	7,717	1,754	22.73%	6,174	1,418	22.97%
	$ 72,168	$ 6,542		$ 94,280	$ 2,235		$ 128,960	$ 2,311	

Other loans

	December 31, 2019			December 31, 2018			January 1, 2018		
Stage	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
1	$ 9,478,085	$ 32,838	0.35%	$ 4,245,748	$ 42,082	0.99%	$ 4,010,901	$ 32,202	0.80%

Allowance for expected credit losses of accounts and notes receivable

As of December 31, 2019 and 2018, and January 1, 2018, the movements of the allowance recognised in the Consolidated Statement of Financial Position for expected credit losses of accounts and notes receivable are shown below:

Leases

	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
As of January 1, 2018	$ 176,951	$ 203,879	$ 175,173	$ 556,003
Remeasurement of financial assets remaining in the same stage	(30,733)	(17,262)	(554)	(48,549)
From stage 1 to stage 2	(102,887)	102,887	-	-
From stage 1 to stage 3	(115,626)	-	115,626	-
From stage 2 to stage 1	3,142	(3,142)	-	-
From stage 2 to stage 3	-	(168,493)	168,493	-
From stage 3 to stage 1	3,761	-	(3,761)	-
From stage 3 to stage 2	-	8,991	(8,991)	-
Financial assets granted over the period	114,689	107,854	23,860	246,403
Remeasurement of financial assets which changed stage over the period	186,314	27,773	(106,822)	107,265
Financial assets written off over the period	(22,341)	(17,380)	(49,818)	(89,539)
As of December 31, 2018	$ 213,270	$ 245,107	$ 313,206	$ 771,583
Remeasurement of financial assets remaining in the same stage	($ 61,634)	$ 9,198	$ 364,266	$ 311,830
From stage 1 to stage 2	(127,604)	127,604	-	-
From stage 1 to stage 3	(43,161)	-	43,161	-
From stage 2 to stage 1	5,755	(5,755)	-	-
From stage 2 to stage 3	-	(76,969)	76,969	-
From stage 3 to stage 1	333	-	(333)	-
From stage 3 to stage 2	-	52,551	(52,551)	-
Financial assets granted over the period	82,252	63,481	51,971	197,704
Remeasurement of financial assets remaining in the same stage	146,792	5,936	(91,975)	60,753
Financial assets written off over the period	(64,990)	(99,402)	(84,174)	(248,566)
As of December 31, 2019	$ 151,013	$ 321,751	$ 620,540	$ 1,093,304

Factoring

	January 1, 2018	Movement	December 31, 2018	Movement	December 31, 2019
Non-defaulting	$ 25,726	($ 889)	$ 24,837	$ 40,596	$ 65,433
Defaulting	2,440	90,280	92,720	(57,539)	35,181
	$ 28,166	$ 89,391	$ 117,557	($ 16,943)	$ 100,614

Car commercial loans

	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
As of January 1, 2018	$ 4,115	$ 1,253	$ 702	$ 6,070
Remeasurement of financial assets remaining in the same stage	365	(111)	113	367
From stage 1 to stage 2	(656)	656	-	-
From stage 1 to stage 3	(4,791)	-	4,791	-
From stage 2 to stage 1	12	(12)	-	-
From stage 2 to stage 3	-	(683)	683	-
From stage 3 to stage 1	-	-	-	-
From stage 3 to stage 2	-	-	-	-
Financial assets granted over the period	5,549	2,621	80	8,250
Remeasurement of financial assets which changed stage over the period	5,246	(82)	-	5,164
Financial assets written off over the period	(217)	(158)	(409)	(784)
As of December 31, 2018	$ 9,623	$ 3,484	$ 5,960	$ 19,067
Remeasurement of financial assets remaining in the same stage	($ 5,712)	$ 181	$ 14,866	$ 9,335
From stage 1 to stage 2	(9,300)	9,300	-	-
From stage 1 to stage 3	(30,820)	-	30,820	-
From stage 2 to stage 1	7	(7)	-	-
From stage 2 to stage 3	-	(2,113)	2,113	-
From stage 3 to stage 1	-	-	-	-
From stage 3 to stage 2	-	-	-	-
Financial assets granted over the period	989	455	1,752	3,196
Remeasurement of financial assets remaining which changed stage over the period	38,119	1,580	(660)	39,039
Financial assets written off over the period	(531)	(2,094)	(1,070)	(3,695)
As of December 31, 2019	$ 2,375	$ 10,786	$ 53,781	$ 66,942

Car consumer loans

	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
As of January 1, 2018	$ 725	$ 168	$ 1,418	$ 2,311
Remeasurement of financial assets remaining in the same stage	(256)	-	(30)	(286)
From stage 1 to stage 2	(46)	46	-	-
From stage 1 to stage 3	(726)	-	726	-
From stage 2 to stage 1	1	(1)	-	-
From stage 2 to stage 3	-	(216)	216	-
From stage 3 to stage 1	5	-	(6)	(1)
From stage 3 to stage 2	-	-	-	-
Financial assets granted over the period	138	-	-	138
Remeasurement of financial assets which changed stage over the period	673	58	(96)	635
Financial assets written off over the period	(79)	(9)	(474)	(562)
As of December 31, 2018	$ 435	$ 46	$ 1,754	$ 2,235
Remeasurement of financial assets remaining in the same stage	($ 216)	$ 12	$ 3,978	$ 3,750
From stage 1 to stage 2	(46)	46	-	-
From stage 1 to stage 3	(739)	-	739	-
From stage 2 to stage 1	-	-	-	-
From stage 2 to stage 3	-	(17)	17	-
From stage 3 to stage 1	-	-	-	-
From stage 3 to stage 2	-	-	-	-
Financial assets granted over the period	224	1	70	295
Remeasurement of financial assets which changed stage over the period	766	3	(1)	768
Financial assets written off over the period	(57)	(18)	(431)	(506)
As of December 31, 2019	$ 367	$ 49	$ 6,126	$ 6,542

Unsecured loan

	January 1, 2018	Movement	December 31, 2018	Movement	December 31, 2019
Stage 1	$32,202	($ 9,880)	$42,082	$9,244	$32,838

Variations in the allowance for expected credit losses of accounts and notes receivable are analysed as follows:

Balance as of January 1, 2018:	$ 624,752
(+) Increases in allowance	327,772
Balance as of December 31, 2018:	952,524
(+) Increases in allowance	427,679
(-) Uses	(79,963)
Balance as of December 31, 2019:	$ 1,300,240

Leasing accounts and notes receivable

The breakdown of the leasing portfolio as of December 31, 2019 and 2018 and January 1, 2018, is as follows:

	Minimum payments	Residual value	Financial income to be accrued	Accounts receivable for lease
December 31, 2019	$46,406,953	$11,352,830	($ 14,777,563)	$42,982,220
December 31, 2018	$36,251,315	$11,239,154	($ 11,332,256)	$36,158,213
January 1, 2018	$26,860,443	$ 9,103,714	($ 8,921,776)	$27,042,380

As of December 31, 2019 and 2018 and January 1, 2018, accounts and notes receivable from the leases granted support loans received from banking institutions and debt securities.

The Company has entered into leasing agreements with an average term of 4 years.

Lease agreements

The minimum charges for the next five years, established in the lease agreements are as follows:

	Value of minimum future payments		
	December 31, 2019	December 31, 2018	January 1, 2018
2018	$ -	$ -	$ 14,390,655
2019	-	18,317,264	9,016,719
2020	24,567,880	12,475,761	7,645,486
2021	14,735,111	9,365,364	4,041,766
2022 onwards	11,634,624	4,105,194	869,530
2023 onwards	5,429,867	3,226,887	-
2024 onwards	1,392,301	-	-
	$57,759,783	$47,490,470	$ 35,964,156

Fair value of accounts and notes receivable

For the measurement of fair value of accounts and notes receivable, market rates for similar products to those of other lessors are used in the specific case of the lease product. For other products, some bank rates are used in addition to those of lessors. Fair value measurement of this item is Level 2, since it uses comparative market values.

The Company's valuation team periodically revises the significant unobservable inputs and the valuation adjustments. For the purposes of fair value measurement, the information provided by third parties, such as pricing providers, and market indicators are used to support the conclusion that those valuations meet the IFRS requirements, including the fair value hierarchy level at which financial instruments should be classified.

The methodology for measuring fair value of accounts and notes receivable is the discount of future cash flows considering the above-mentioned rates applicable to similar products.

The inputs used in fair value measurement include:

- Interest rates
- Surcharges
- Interest payment periods

Accounts and notes receivable valuation to fair value compared with the valuation at amortised cost is as follows:

December 31, 2019	Amortised cost	Fair Value	Above (Below)
Lease	$ 42,982,220	$ 41,794,350	($ 1,187,870)
Financial factoring	3,255,748	3,330,153	74,405
Car consumer loans	72,168	71,857	(311)
Car commercial loans	2,822,879	2,851,010	28,131
Other loans	9,478,085	9,507,715	29,630
Total	$ 58,611,100	$ 57,555,085	($ 1,056,015)

December 31, 2018	Amortised cost	Fair Value	Above (Below)
Leases	$ 36,158,213	$ 36,959,678	$ 801,465
Financial factoring	2,864,023	2,981,580	117,557
Car consumer loans	94,280	93,884	(396)
Car commercial loans	1,786,289	1,823,275	36,986
Other loans	4,245,748	4,287,830	42,082
Total	$ 45,148,553	$ 46,146,247	$ 997,694

January 1, 2018	Amortised cost	Fair Value	Above (Below)
Leases	$ 27,042,380	$ 27,472,004	$ 429,624
Financial factoring	2,538,801	2,566,967	28,166
Car consumer loans	128,960	128,899	(61)
Car commercial loans	1,680,162	1,684,149	3,987
Other loans	4,010,901	4,043,102	32,201
Total	$ 35,401,204	$ 35,895,121	$ 493,917

Note 6 - Risk management

This note explains the Company's exposure to financial risks and how these risks could affect The Company's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	• Future commercial transactions • Recognised financial assets and liabilities denominated in US dollars (US)	• Sensitivity analysis • Liquidity monitoring	• Cross-Currency Swaps (CCS) and Foreign exchange option contracts (Call Spread)
Market risk - interest rate	• Long-term debt issued at variable rates	• Sensitivity analysis • Liquidity monitoring	• Interest rate Swaps agreements (IRS) • Interest rate options (CAP)
Credit risk (Note 5)	• Accounts and notes receivable, net	• Analysis of due dates • Determination of credit estimates	• Diversification of credit limits and accounts and notes receivable
Liquidity risk	• Borrowings and other liabilities	• Rolling cash flow forecasts	• Availability of committed credit lines and borrowing facilities

The Company's Risk Management Division is responsible for establishing and supervising the Company's risk management structure and therefore it disclaims liability on the different areas of UNIFIN, such as treasury, portfolio administration, comptrollership and internal control through the policies adopted by the Board of Directors. This Division has created the Risk Management Committee, which is responsible for the development and monitoring of the Company's risk management policies. This Committee regularly reports on its activities to the Board of Directors.

The Company identifies, assesses and covers the financial risks in close co-operation with the group's operating units. The Company's risk management policies are established to identify and analyse the risks faced by the Company, set limits and adequate risk controls, and monitor the risks and compliance with those limits. The risk management policies and systems are reviewed regularly so that they reflect the changes in the market conditions and in the Company's business activities. Through its management rules and procedures, the Company seeks to develop a disciplined and constructive control environment in which all employees may understand their roles and responsibilities.

The Company's Audit Committee supervises how the Management controls compliance with the risk management policies and procedures and checks whether the risk management framework is appropriate for the risks faced by UNIFIN. This committee is assisted by internal audit in its supervisory role. Internal audit performs regular reviews of the risk management controls and procedures the results of which are reported to the Audit Committee.

The Board of Directors issued general policies related to financial risks management and policies on specific risks, such as exchange rate risk, interest rate risk, credit risk, use of derivative financial instruments, and investment of excess liquidity.

The Company applies its hedging policy to mitigate the risks associated with the exchange rate and the interest rate accrued on debt instruments and senior notes issued, as well as the bank loans acquired.

a) Derivative financial instruments

As of December 31, 2019 and 2018, and January 1, 2018, the Company has derivative financial instruments as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Current assets			
Cross Currency Swaps – cash flow hedge	$ -	$ -	$ 6,039
Interest rate options – cash flow hedge	1,157	52,205	33,608
Interest rate Swaps – held for trading	65,019	37,978	43,076
Total current assets	66,176	90,183	82,723
Non-current assets			
Cross Currency Swaps – cash flow hedge	1,825,098	3,017,655	4,150,215
Foreign exchange option contracts (Call Spread) – cash flow hedge	2,879,107	1,523,165	-
Interest rate options – cash flow hedge	1,052	25,684	35,898
Cross Currency Swaps – held for trading	-	136,319	-
Interest rate Swaps – held for trading	204,409	58,552	114,374
Total non-current assets	4,909,667	4,761,375	4,300,487
Total assets	$ 4,975,842	$ 4,851,558	$ 4,383,210
Current liabilities			
Cross Currency Swaps – cash flow hedge	$ 1,207,479	$ 4,003	$ -
Foreign exchange option contract (Call Spread) – cash flow hedge	5,304	-	-
Cross Currency Swaps – cash flow hedge	73,708	520	-
Interest rate Swaps – held for trading	43,830	-	-
Total current liabilities	1,330,321	4,523	-
Non-current liabilities			
Cross Currency Swaps – cash flow hedge	1,403,439	-	-
Cross Currency Swaps – held for trading	63,787	-	-
Interest rate Swaps – held for trading	178,762	-	-
Total non-current liabilities	1,645,988	-	-
Total liabilities	$ 2,976,309	$ 4,523	$ -
Net position	$ 1,999,533	$ 4,847,035	$ 4,383,210

Fair value of derivative financial instruments

The fair values of derivative financial instruments per hierarchical level and some characteristics of their measurement are shown below:

	12/31/2019 Level 2	12/31/218 Level 2	01/01/2018 Level 2
Financial assets:			
Derivative financial instruments	4,975,842	4,851,558	4,383,210
Financial liabilities:			
Derivative financial instruments	2,976,309	4,253	-

Aspects used in fair value measurement:

- The following fair value measurement methodology is used:

    - Swaps

        1. Fair value is measured by applying the standard market methodology through the discount of cash flows, considering the rates applicable to each exchange period.

        2. Fixed rates are used directly.

        3. In the case of variable rates, the forward rate for each period is obtained.

    - Options

        1. Fair value is determined according to the standard methodology through the Black Scholes model.

- The inputs used in fair value measurement include:

    - Risk-free nominal curves
    - Interbank Equilibrium Interest Rate (TIIE by its acronym in Spanish) curve
    - Basis Swap curve
    - LIBOR curves
    - Volatilities

Transactions entered into

The transactions entered into in the fiscal year 2019 and still in effect at the end of that year are as follows:

Type of derivative	Notional amount is US dollars	Beginning	Due date	Underlying instrument
Cross currency swaps (CCS)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 60.63 m	Jul 2019	Jun 2022	Exchange rate
Cross currency swaps (CCS)	US 100 m	Jul 2019	Jun 2022	Exchange rate
Cross currency swaps (CCS)	US 60 m	Jul 2019	Jun 2022	Exchange rate
Cross currency swaps (CCS)	US 75 m	Aug 2019	Aug 2022	Exchange rate
Cross currency swaps (CCS)	US 50 m	Aug 2019	Aug 2022	Exchange rate
Interest rate Swaps (IRS)	$2,500 m	Mar 2019	Mar 2025	Interest rate

The transactions entered into in the fiscal year 2018 and still in effect at the end of that year are as follows:

Type of derivative	Notional amount is US dollars	Beginning	Due date	Underlying instrument
Cross currency swaps (CCS)	US 50 m	Jan 2018	Jan 2025	Exchange rate
Cross currency swaps (CCS)	US 100 m	Jan 2018	Jan 2025	Exchange rate
Cross currency swaps (CCS)	US 100 m	Jan 2018	Jan 2025	Exchange rate
Cross currency swaps (CCS)	US 50 m	Feb 2018	Feb 2026	Exchange rate
Cross currency swaps (CCS)	US 75 m	Feb 2018	Feb 2026	Exchange rate
Cross currency swaps (CCS)	US 100 m	Feb 2018	Feb 2026	Exchange rate
Cross currency swaps (CCS)	US 75 m	Feb 2018	Feb 2026	Exchange rate
Foreign exchange option contracts (Call Spread)	US 50 m	Feb 2018	Feb 2026	Exchange rate
Foreign exchange option contracts (Call Spread)	US 75 m	Feb 2018	Feb 2026	Exchange rate
Foreign exchange option contracts (Call Spread)	US 100 m	Feb 2018	Feb 2026	Exchange rate
Foreign exchange option contracts (Call Spread)	US 75 m	Feb 2018	Feb 2026	Exchange rate
Cross currency swaps (CCS)	US 68 m	Mar 2018	Aug 2021	Exchange rate
Foreign exchange option contracts (Call Spread)	US 68 m	Mar 2018	Aug 2021	Exchange rate

Liabilities covered by the derivative financial instruments accrue interests on a quarterly and half-yearly basis. The foreign exchange effects of payments made at the payment date are recognised in the Statement of Income under Foreign exchange gain (loss).

As of December 31, 2019 and 2018 and January 1, 2018, the Company has not granted cash nor financial assets as security interests for liabilities resulting from derivatives.

Hedge accounting

Derivatives are only used for economic hedging purposes and not for speculation investments. However, when they fail to meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are recorded at fair value through profit or loss, giving rise to an economic hedging.

Coverage relationships description

The Company is exposed to foreign exchange risk, mainly relating in the issuance of senior notes and bank loans in foreign currency (US dollar).

The purpose of hedging foreign exchange risk is to minimize the exchange rate volatility in cash flows of interest payments in dollars.

The risk management policy is to hedge 100% of expected cash flows from financial liabilities using a combination of cross-currency swaps, foreign exchange option contracts, interest rate swaps and interest rate options to hedge its exposure to rate and foreign currency risk.

During the periods ended on December 31, 2019 and 2018, and January 1, 2018, the movements of the valuation effects recognised in stockholders' equity by valuation of derivative financial instruments, segmented by type of instrument, are detailed below:

	Cross-currency swaps (CCS)	Foreign exchange option (Call Spread)	Interest rate options (CAP)	Total
Initial balance as of January 1, 2018	$4,156,254	$ -	$69,506	$4,225,760
Change in the fair value of the hedging instrument recognized in OCI	(1,167,185)	(283,886)	(2,664)	(1,453,735)
Derivative financial instruments recognised in the Statement of Income	24,583	1,807,051	11,047	1,842,681
Closing balance as of December 31, 2018	$3,013,652	$1,523,165	$77,889	$4,614,706
Change in the fair value of the hedging instrument recognized in OCI for the year	($ 852,143)	$ -	($89,690)	($ 941,833)
Derivative financial instruments recognised in the Statement of Income	(2,947,329)	1,350,639	14,009	(1,582,681)
Closing balance as of December 31, 2019	($ 785,820)	$2,873,804	$ 2,208	$2,090,192

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that there is an economic relationship between the hedged item and the hedging instrument.

The hedging relationship must be assessed from inception and during all subsequent phases, as the minimum evaluation period, through the sum of the discounted flows, considering the current and future market conditions affecting the valuation. The objective is to mitigate the foreign exchange risk and interest exposure, as the Company is exposed to assets funding, to provide feasibility and certainty to the leasing, factoring and other accounts and notes receivable relating to loan performed by the Company, ensuring effective control of the financial hedge account receivable.

The Company initially assesses the effectiveness of the derivative financial instruments acquired by using the qualitative approach, the simplest effectiveness assessment method that does not require calculations to assess the hedge effectiveness prospectively, as it considers the hedge relationship will be highly effective if at least the following terms match exactly those of the primary position:

1. Notional
2. Due date
3. Payment date(s)
4. Interest rate "reset" dates
5. Underlying instrument(s), such as prices, indexes, interest rates, exchange rates, etc.

The coverage ratio is obtained from comparing the flows from the derivative financial instruments and the flows from the hedged item. This designation must not show a significant imbalance between the proportion of the hedged instrument and the hedging instrument. In this regard, the Company has adopted a range of tolerance considering some aspects, as follows:

i) The Mexican financial market shows highly volatile variables, including those that have a direct impact on the valuation of the derivative financial instruments held by the Company; those variables are the exchange rates and the local and international market interest rates.

ii) Considering that the Company's main business activity does not consist in the purchase and sale of derivative financial instruments, as it occurs in the case of investment funds, hedge funds or money desks, the Company is not entitled to the preferential benefits regarding conditions for recalibrating positions, therefore in view of the high volatility of the above-mentioned indicators, it is advisable to set a range based on the historical data documented by the Company.

As of December 31, 2019 and 2018 and January 1, 2018, the results confirm that the hedge is highly effective.

Interest expense, in the Statement of Income, includes $129,278 and $197,539 as of December 31, 2019 and 2018, respectively, for transactions with interest rate derivative financial instruments that did not qualify as hedges.

Market risk

i. Exchange rate

The Company's exposure to the foreign exchange risk at period-end is as follows:

Risk Exposure/Hedging instrument	December 31 ,2019	December 31, 2018	January 1, 2018
Market risk - Exchange rate			
Cross currency swaps (CCS)	($ 923,315)	$3,149,451	$ 4,156,254
Foreign exchange option (Call Spread)	2,873,803	1,523,165	-
Total	$ 1,950,488	$4,672,616	$ 4,156,254

Risk Exposure/Hedged item	December 31 ,2019	December 31, 2018	January 1, 2018
Market risk - Exchange rate			
Foreign currency bank loans	$ 6,609,999	$ 4,964,849	$ 3,899,759
International debt in foreign currency	33,631,961	21,938,653	15,943,593
Total	$40,241,960	$26,903,502	$19,843,352

Sensitivity of results to exchange rates fluctuations arises mainly from financial instruments denominated in US dollars designated as cash flow hedges:

December 31, 2019	Increase	Increase	Decrease	Decrease
Market risk - Exchange rate	+8%	+4%	-4%	-8%
Cross currency swaps (CCS)	$ 2,627,021	$ 1,313,511	($ 1,313,511)	($ 2,627,021)
Foreign exchange option (Call Spread)	573,290	292,088	(298,532)	(598,559)
Total	$ 3,200,311	$ 1,605,599	($ 1,612,043)	($ 3,225,580)

December 31, 2018	Increase	Increase	Decrease	Decrease
Market risk - Exchange rate	+8%	+4%	-4%	-8%
Cross currency swaps (CCS)	$ 2,018,413	$ 1,009,206	($ 1,009,206)	($ 2,018,413)
Foreign exchange option (Call Spread)	220,377	114,153	(121,531)	(249,566)
Total	$ 2,238,790	$ 1,123,359	($ 1,130,737)	($ 2,267,979)

January 1, 2018	Increase	Increase	Decrease	Decrease
Market risk - Exchange rate	+8%	+4%	-4%	-8%
Cross currency swap (CCS)	$ 1,942,327	$ 971,163	($ 971,163)	($ 1,942,327)
Total	$ 1,942,327	$ 971,163	($ 971,163)	($ 1,942,327)

ii. Interest rate

The Company's main interest rate risk arises from debt with variable rates. Over the periods ended on December 31, 2019 and 2018, and January 1, 2018, variable interest rate loans were denominated mainly in Mexican pesos and US dollars.

The exposure of debt to changes in interest rates and the contractual maturities at the end of each reporting period is shown below:

	December 31, 2019	% of total loans	December 31, 2018	% of total loans	January 1, 2018	% of total loans
Loans with variable rates						
< 1 year	$ 8,406,160	32.42%	$ 2,322,543	13.21%	$ 431,036	1.53%
1-3 years	6,260,884	24.15%	2,910,666	16.55%	4,130,359	14.66%
3-5 years	-	- %	807,995	4.59%	8,742,139	31.03%
5 – 10 years	-	- %	-	0.00%	191,379	0.68%
	$14,667,044	56.57%	$ 6,041,204	34.35%	$13,494,913	47.90%
Debt instruments with variable rates						
< 1 year	$ 3,030,418	11.69%	$ 1,910,058	10.86%	$ 2,208,488	7.84%
1-3 years	5,237,918	20.20%	8,032,586	45.68%	8,074,931	28.66%
3-5 years	2,994,453	11.55%	1,602,054	9.11%	4,393,971	15.60%
5 – 10 years	-	- %	-	0.00%	-	0.00%
Total	$25,929,833	100.00%	$17,585,902	100.00%	$28,172,303	100.00%

Sensitivity of results to interest rate fluctuations derives mainly from variable rate financial instruments known as cash flow hedges.

December 31, 2019	Increase 50pb	Increase 25pb	Decrease -25pb	Decrease -50pb
Market risk - interest rate				
Interest Rate Swaps (IRS)	$ 27,291	$ 14,125	($ 12,543)	($ 26,050)
Interest rate options (CAP)	6,790	4,172	(402)	(656)
Foreign exchange option (Call Spread)	(118,686)	(61,705)	58,289	121,496
Interest rate Swaps (CCS)	(45,152)	(21,412)	30,290	58,390
Total	($129,757)	($ 64,820)	$ 75,634	$ 153,180

December 31, 2018	Increase 50pb	Increase 25pb	Decrease -25pb	Decrease -50pb
Market risk - interest rate				
Interest Rate Swaps (IRS)	$ 39,821	$ 20,010	($ 20,211)	($ 40,628)
Interest rate options (CAP)	23,976	11,905	(11,650)	(22,920)
Foreign exchange option (Call Spread)	(53,599)	(27,438)	27,016	55,359
Interest rate Swaps (CCS)	(122,752)	(62,034)	65,994	133,496
Total	($ 112,554)	($ 57,557)	$ 61,149	$ 125,307

January 1, 2018	Increase 50pb	Increase 25pb	Decrease -25pb	Decrease -50pb
Market risk - interest rate				
Interest Rate Swaps (IRS)	$ 36,195	$ 18,223	($ 18,480)	($ 37,221)
Interest rate options (CAP)	43,215	21,155	(19,870)	(38,064)
Interest rate Swaps (CCS)	(202,914)	(106,189)	98,896	207,653
Total	($ 123,504)	($ 66,811)	$ 60,546	$ 132,368

Profit or loss is sensitive to higher or lower financial income from cash and cash equivalents as a result of changes in interest rates.

Credit risk

Credit risk is managed at Company level. Accounts and notes receivable are subject to the expected credit loss model described in section "Allowance for expected credit losses of accounts and notes receivable", in Notes 3 (b.iv) and 5. Regarding banks and institutions with which derivative financial instruments transactions are performed (Counterparties), only those with "A" risk ratings are accepted.

Such ratings are frequently monitored and disclosed every time a new derivative instrument is agreed upon in the so-called hedge files of each transaction. In case a Counterparty is downgraded under the level accepted by the Company, no new derivative transactions can be made with such Counterparty.

Ratings available for each Counterparty are indicated below:

Counterparty	Rating	Agency	Scale
Citibanamex	A-	Moody's	Local
Barclays	AAA	S&P	Local
Bank of America	AAA	S&P	Local
Credit Suisse	AAA	HR Ratings	Local
Goldman Sachs	AAA	S&P	Local
Morgan Stanley	AAA	Fitch	Local
Santander	A-	Moody's	Local
Scotiabank	AAA	Fitch	Local

Liquidity risk

Liquidity risk management involves maintaining sufficient cash and negotiable instruments and the availability of financing through an adequate amount of credit lines to meet obligations at maturity and settle trading positions.

The tables shown below analyse the financial liabilities according to their contractual maturities:

As of December 31, 2019					
Item	1 year	1-3 years	3-5 years	More than 5 years	Contractual cash flows
Bank loans	$ 8,250,311	$ 6,259,213	$ -	$ -	$ 14,509,524
Debt instruments	4,454,782	7,370,930	2,500,000	520,833	14,846,545
Senior notes	1,074,796	3,774,540	7,549,080	22,647,240	35,045,656
Suppliers	330,094	-	-	-	330,094
Lease liabilities	55,691	155,547	8,315	-	219,553
Derivative financial instruments	5,499,663	13,120,366	14,192,292	26,389,479	59,201,800
Total	$ 19,665,337	$30,680,596	$24,249,687	$49,557,552	$ 124,153,172

As of December 31, 2018					
Item	1 year	1-3 years	3-5 years	More than 5 years	Contractual cash flows
Bank loans	$ 8,391,781	$ 4,081,189	$ -	$ -	$ 12,472,970
Debt instruments	2,196,509	9,407,197	3,937,500	-	15,541,206
Senior notes	611,436	-	7,862,640	14,742,450	23,216,526
Suppliers	65,349	-	-	-	65,349
Lease liabilities	61,370	169,058	59,129	-	289,557
Derivative financial instruments	3,489,579	7,510,941	12,434,929	16,066,251	39,501,700
Total	$ 14,816,024	$ 21,168,385	$ 24,294,198	$ 30,808,701	$ 91,087,308

January 1, 2018					
Item	1 year	1-3 years	3-5 years	More than 5 years	Contractual cash flows
Bank loans	$ 4,258,070	$ 3,880,702	$ -	$ -	$ 8,138,772
Debt instruments	560,964	8,831,439	6,168,561	2,250,000	17,810,964
Senior notes	442,868	-	-	16,775,090	17,217,958
Suppliers	701,378	-	-	-	701,378
Lease liabilities	15,856	-	-	-	15,856
Derivative financial instruments	2,395,859	4,449,331	3,442,323	17,315,390	27,602,903
Total	$ 8,374,995	$ 17,161,472	$ 9,610,884	$ 36,340,480	$71,487,831

Equity management

The following are the Company's objectives relating to Equity risk management:

- safeguard its ability to continue operating as a going concern,
- distribute returns to stockholders and benefits to other stakeholders, and
- maintain an optimal equity structure to reduce costs.

In order to maintain or adjust the Stockholders' Equity structure, the Company may vary the amount of dividends to be paid to the stockholders, make a stock reduction, issue new shares of stock or sell assets and reduce its debt.

The Company monitors its Stockholders' Equity structure based on the following financial ratios:

1.	Financial leverage:	Financial liabilities (excluding asset securitizations)/total capital
2.	Capitalization (net portfolio)	Total Stockholders' Equity/net portfolio
3.	Capitalization (total assets):	Total Stockholders' Equity/total assets

The Company's strategy as of December 31, 2019, 2018 and January 1, 2018 was to keep the financial leverage ratio below a seven fold (7x), the capitalization to net portfolio ratio above 13.5%, the capitalization to total assets ratio above 9% as well as an 'A' credit rating at local scale. The credit rating has remained unchanged over such periods. Below are the financial ratios as of December 31, 2019 and 2018 and January 1, 2018:

	December 31, 2019	December 31, 2018	January 1, 2018
Financial liabilities (excluding Debt instruments)	$ 48,299,005	$ 34,334,564	$ 24,082,365
Total assets	10,899,272	9,625,450	4,870,414
Financial leverage ratio	4.43x	3.6x	4.9x

	December 31, 2019	December 31, 2018	January 1, 2018
Total capital	$ 10,899,272	$ 9,625,450	$ 4,870,414
Accounts and notes receivable, net	57,310,860	44,196,029	34,776,452
Capitalization ratio (to Accounts and notes receivable, net)	19.0%	21.8%	14.0%

	December 31, 2019	December 31, 2018	January 1, 2018
Total Stockholders' Equity	$ 10,899,272	$ 9,625,450	$ 4,870,414
Total assets	78,780,308	60,768,123	47,592,536
Capitalization ratio (to total assets)	13.8%	15.8%	10.2%

Note 7 - Other assets:

As of December 31, 2019 and 2018, and January 1, 2018 Other assets are made up as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Other current assets:			
Advances to suppliers	$ 49,549	$ 173,502	$ 237,485
Guarantee deposits	5,604	5,605	5,605
Prepaid expenses	41,981	122,860	86,075
Total other current assets	97,134	301,967	329,165
Other non-current assets:			
Investments in associates	93,308	75,441	49,541
Total other non-current assets	93,308	75,441	49,541
Total	$ 190,442	$ 377,408	$ 378,706

The investments in associates as of December 31, 2019 and 2018 and January 1, 2018 are comprised as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Operadora de Arrendamiento Puro, S. A. de C. V.	$ 668	$ 668	$ 668
Bosque Real, S. A. de C. V.	1,408	1,408	1,408
Club de Empresarios Bosques, S. A. de C. V.	305	305	305
Unión de Crédito para la Contaduría Pública, S. A. de C. V.	1,299	1,299	1,299
Unifin Agente de Seguros y Fianzas, S. A. de C. V.	49,629	71,761	45,861
Unidoc JV, S.A. de C.V. (1)	40,000	-	-
Total	$ 93,309	$ 75,441	$ 49,541

The nature and stockholding of investments held in associates as of December 31, 2019, 2018 and January 1, 2018, are shown below:

Company	Shareholding
Operadora de Arrendamiento Puro, S. A. de C. V.	0.01%
Bosque Real, S. A. de C. V.	0.01%
Club de Empresarios Bosques, S. A. de C. V.	0.01%
Unión de Crédito para la Contaduría Pública, S. A. de C. V.	0.01%
Unifin Agente de Seguros y Fianzas, S. A. de C. V.	49.00%
Unidoc JV, S.A. de C.V. (1)	60.00%

(1) Consumer goods entity. In accordance with the corporate bylaws and stockholders' agreements, the Company exerts no control over such entity for consolidation purposes.

Note 8 - Non-current assets held for sale:

As of December 31, 2019 and 2018, and January 1, 2018, assets held for sale refers to foreclosed assets and are made up as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Assets held for sale:			
Property	$ 1,169,393	$ 829,424	$ 590,069
Transportation equipment	209,559	1,548	688
Machinery and equipment	5,406	-	-
Total	$ 1,384,358	$ 830,972	$ 590,757

During 2019, the Company reclassified $85,114 from a property (land) to Investment property. See Note 10. As of December 31, 2019 and 2018 and January 1, 2018, no changes were made in sales plans relating to other assets.

Foreclosures are operating activities that do not involve cash flows exchange. For the years ended December 31, 2019 and 2018, foreclosures amounted to $638,500 and $240,215, respectively.

Note 9 - Property, plant and equipment:

As of December 31, 2019 and 2018, and January 1, 2018; property, plant and equipment are broken down as follows:

	Property	Transportation equipment	Computer equipment	Furniture and equipment	Drilling rig	Right-of-use assets and other assets	Leasehold improvements	Total
Cost	$ 593,667	$ 85,157	$ 49,042	$ 53,951	$ -	$ 46,595	$ 196,688	$ 1,025,099
Accumulated depreciation	(20,386)	(48,905)	(25,978)	(28,444)	-	(13,050)	(28,213)	(164,976)
Net book amount As of January 1, 2018	$ 573,281	$ 36,252	$ 23,064	$ 25,507	$ -	$ 33,545	$ 168,475	$ 860,123
Year ended December 31, 2018								
Net initial balance in books	$ 573,281	$ 36,252	$ 23,064	$ 25,507	$-	$ 33,545	$ 168,475	$ 860,123
Additions	3,321	23,960	5,832	1,314	-	-	-	34,427
Disposals	(180,382)	(7,132)	(5,415)	(8,246)	-	(1,339)	(6,942)	(209,456)
Depreciation charges	(333)	(3,286)	(6,042)	(4,526)	-	(1,246)	(7,714)	(23,147)
Net book amount	$ 395,887	$ 49,794	$ 17,439	$ 14,049	$ -	$ 30,960	$ 153,819	$ 661,947
Leased assets								
Additions	$ -	$ -	$ -	$ -	$ -	$ 280,280	$ -	$ 280,280
Depreciation charges	-	-	-	-	-	(45,818)	-	(45,818)
Net book amount	$ -	$ -	$ -	$ -	$ -	$ 234,462	$ -	$ 234,462
Cost	$ 416,606	$ 101,985	$ 49,459	$ 47,019	$ -	$ 325,536	$ 189,746	$ 1,130,350
Accumulated depreciation	(20,719)	(52,191)	(32,020)	(32,970)	-	(60,114)	(35,927)	(233,941)
Net book amount As of December 31, 2018	$ 395,887	$ 49,794	$ 17,439	$ 14,049	$ -	$ 265,422	$ 153,819	$ 896,409
Year ended December 31, 2019								
Net initial balance in books	$ 395,887	$ 49,794	$ 17,439	$ 14,049	$- $	265,422 $	153,819	$ 896,410
Additions	-	24,765	10,153	37,982	1,687,580	442,835	79,922	2,283,237
Revaluation surplus	-	-	-	-	3,398,613	-	-	3,398,613
Disposals	-	(4,132)	(278)	-	-	-	(3,253)	(7,662)
Depreciation charges	(300)	(17,769)	(8,913)	(6,712)	-	(38,475)	(10,342)	(82,511)
Net book amount	$ 395,587	$ 52,658	$ 18,401	$ 45,319	$ 5,086,193	$ 669,782	$ 220,146	$ 6,488,086
Leased assets								
Additions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation charges	-	-	-	-	-	(52,555)	-	(52,555)
Net book amount	$ -	$ -	$ -	$ -	$ -	$ (52,555)	$ -	$ (52,555)
Cost or fair value	$ 416,606	$ 122,618	$ 59,334	$ 85,001	$ 5,086,193	$ 768,371	$ 266,415	$ 6,804,537
Accumulated depreciation	(21,019)	(69,960)	(40,933)	(39,682)	-	(151,144)	(46,269)	(369,006)
Net book value As of December 31, 2019	$ 395,587	$ 52,658	$ 18,401	$ 45,319	$ 5,086,193	$ 617,227	$ 220,146	$ 6,435,531

Depreciation recorded in the Statement of Income as of December 31, 2019 and 2018 amounted to $135,066 and $68,965, respectively.

Drilling rig

On October 18, 2019, the Company entered into a purchase agreement for the acquisition of a semi-submersible drilling rig for deep and shallow waters to be leased to the participants of the oil industry in Mexico. Management has incurred in different transportation costs, taxes, fees, commissions and the purchase of the necessary equipment to put the asset in working condition for $529,217, all of which are included in its carrying amount.

As described in Note 3e., the drilling rig's value is frequently assessed by third-party appraisers. As of December 31, 2019, the fair value amounted to $5,086,193. The revaluation surplus recognised in Other comprehensive income was $3,398,613 ($2,379,034, net of deferred Income Tax).

Fair value of drilling rig

(i) Fair value hierarchy

The Company classified its non-financial asset into one of the three levels indicated by the accounting standard. The drilling rig measured at fair value has a Level 2 hierarchy, as valuation techniques used are mainly based on international markets data.

No level transfers were made for fair value measurements during the year ended December 31, 2019.

(ii) Valuation techniques used to measure fair value

Below are the approaches applied in the valuation prepared by a third-party appraiser:

i) *Cost approach:* According to this approach, the value of an asset is comparable with the amount required to replace or reproduce a new asset that is equally desirable and with a similar utility to that appraised. Impairment losses due to physical deterioration (age and preservation condition), economic, functional and technological obsolescence should be considered for each type of appraised asset based on its characteristics.

The cost approach provides an indication of value using the economic principle that a buyer will not pay more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. This approach provides an indication of value by calculating the current replacement or reproduction cost of a vessel, considering the physical deterioration and other relevant forms of obsolescence.

For the calculation of the Net Replacement Cost, a search of the new cost of reproduction of drilling rigs with similar features in the international market was conducted. This search provided for three rigs with similar capacities and features to the one bought.

ii) *Market approach:* This approach establishes that a well-informed buyer will not pay for an asset more than the purchase price of another similar asset. Its utility must be supported and the approval factors must be clearly specified. Below are the main variables to be used in the approval of comparable assets that most influence in the price of an equipment: Length overall, power, main features, deadweight, age and type.

This approach is applicable as long as some of the following scenarios occur:

- There are frequent and/or recent observable transactions of similar assets.
- The substantially similar assets are publicly traded.
- Information on market transactions is available, but the comparable assets have significant differences to the subject asset, potentially requiring subjective adjustments.

Another appropriate technique consists in using the COST-TO-CAPACITY equation, as long as comparable assets are similar to the appraised asset in several aspects, such as those indicated in the paragraph above and the result of this formula is more appropriate to assess the value of the appraised asset.

$$\frac{\text{Cost A}}{\text{Cost B}} = \left[\frac{\text{Capacity A}}{\text{Capacity B}}\right]^{r}$$

r= correlation coefficient

(iii) Measurement of fair value

For the drilling rig valuation, Level 2 input was used as no significant adjustments were applied to the prices obtained from international markets. The main input used is analysed as follows.

- New cost of reproduction of drilling rigs with similar capacities and features in the international market
- Offer sales prices of similar assets
- Useful lives of similar assets

(iv) The carrying amount that would have been recognised if the drilling rig had been recorded at cost
If the drilling rig had been recorded at its historical cost, the amount would have been $1,687,580.

(v) Company's valuation process

The Assets Management department carries out periodical analysis necessary to report the fair value of the drilling rig in the consolidated financial statements. This department reports directly to the Chief Financial Officer of the Company and must verify that the conditions set forth in this accounting policy for the annual revaluation are still in force at each reporting date.

The drilling rig valuation report as of December 31, 2019 was prepared by VIP Estates, S. de R. L. de C. V. ("VIP Estates"), who is a third-party appraiser. Based on the Management's and the third-party appraiser's discussions, it has been established that unobservable inputs, such as preservation conditions, physical and economic obsolescence and desirability index estimated by VIP Estates, as well as local economic factors on which valuations are based are comparable with the prices in the respective industry and location.

The relation between unobservable inputs and the fair value measurement is that the higher the preservation conditions and desirability index and the lower the physical obsolescence index, the higher the fair value.

Revaluation surplus

The conditions of unobservable inputs are determined according to the Company's best estimate based on the assumptions established by the experts hired for such purpose about unobservable inputs and internal and external elements. The Company periodically analyses the valuation of drilling rigs to verify whether there are indicators of the need to revalue those assets.

Properties as lessee

The Company conducts lease transactions as lessee relating to the lease of its main offices for the ordinary course of business.

The agreements entered into from January 1, 2018 through December 31, 2019 in full force and effect include the following characteristics:

- No extension or termination options are included to give rise to an obligation or change in the contractual cash flows.
- No obligation is generated in addition to regular rents.
- No additional liability or variable rent to be recognised are included that have an impact on the contractual cash flows expected from the agreement.
- There are clauses for safeguarding the asset relating to the general terms of use of real property that do not give rise to any change in contractual cash flows.
- No clause for asset restoration upon termination is included.
- There is no commitment for residual values no obligations to act or not to act.

From January 1, 2018 through December 31, 2019, the Company did not enter into any lease agreement as lessee with a future effective date.

Properties as lessee are recognised in property, furniture and equipment for the right-of-use and in Suppliers and other accounts payable, current and non-current, as applicable, for the minimum lease payment. Changes in assets are as follows:

	December 31, 2018	Increase	Decrease	December 31, 2019
Right-of-use assets (Property)	$301,349	$ -	$ -	$301,349
Depreciation	(51,737)	(52,556)	-	(104,293)
Right-of-use assets, net of their depreciation	$249,612	($ 52,556)	$ -	$197,056

	January 1, 2018	Increase	Decrease	December 31, 2018
Right-of-use assets (Property)	$ 21,069	$280,280	$ -	$301,349
Accumulated depreciation	(5,919)	(45,818)	-	(51,737)
Right-of-use assets, net of their depreciation	$ 15,150	($234,462)	$ -	$249,612

Right-of-use assets are financing activities that required no cash flows exchange.

The movements of the Company's lease liabilities as lessee are shown below:

	December 31, 2018	Increase	Decrease	Interest	Payment	Exchange rate effect	December 31, 2019
Lease liabilities	$ 266,629	$ -	$ -	$ 8,210	($ 61,370)	($8,095)	$205,374

	January 1, 2018	Increase	Decrease	Interest	Payment	Exchange rate effect	December 31, 2018
Lease liabilities	$ 15,688	$280,280	$ -	$ 7,992	($ 50,573)	$ 13,242	$266,629

The maturities of the Company's lease liabilities as lessee are shown below:

	2019	2018
Less than a year	$ 55,691	$ 61,370
1-5 years	163,862	228,187
	219,553	289,557
(-) finance charges	(14,179)	(22,928)
Total	$ 205,374	$ 266,629
Part of long-term liability recorded in:		
Other accounts payable	$ 153,280	$ 210,118

Note 10 - Investment properties

Investment properties include an industrial plant that is leased to a third party and a plot of land. The lease is for a non-cancellable period of five years and subsequent renovations are negotiated with the lessee.

	December 31, 2019	December 31, 2018	January 1, 2018
Industrial plant and land	$ 271,115	$ 170,000	$ 170,000
Accumulated depreciation	(20,925)	(1,700)	(1,275)
Total	$ 250,190	$ 168,300	$ 168,725

In 2019, the Company transferred $85,114 for a piece of property (land) from non-current assets held for sale to investment property, as an opportunity for a better revaluation in the local real estate market was identified. This transfer had no impacts on the income/loss for the year. As of December 31, 2018 and January 1, 2018, the Company made no other transfers.

Minimum lease payments to be accrued for the lease of the industrial plant are $19,200, $19,200 and $14,400, as of December 31, 2019 and 2018 and January 1, 2018, respectively.

The amounts recognised in profit or loss associated with the industrial plant are as follows:

	December 31, 2019	December 31, 2018
Operating lease income	$ 49,518	$ 19,200
Depreciation of investment properties	(19,225)	(1,700)
Total	$ 30,293	$ 17,500

Note 11 - Intangible Assets:

As of December 31, 2019 and 2018 and January 1, 2018, intangible assets were made up as follows:

Non-current assets	Software
Opening carrying amount as of January 1, 2018	$ 77,827
Additions – internal development	43,280
Closing carrying amount as of December 31, 2018	$ 121,107
Opening carrying amount as of January 1, 2019	$ 121,107
Additions – internal development	20,143
Amortisation	31,196
Closing carrying amount as of December 31, 2019	$ 110,054

The Company is developing new software that could replace UNICS, its current operating system. It has incurred research and development expenses as of December 31, 2019 and 2018, and January 1, 2018 of $20,143, $43,280 and $77,827, respectively. In 2019, one of the system phases was implemented and, as a result, depreciation for $31,196 was recognised in administrative and promotion expenses.

Note 12 - Bank loans:

As of December 31, 2019 and 2018, and January 1, 2018, Bank loans is made up as follows:

	December 31, 2019								
Entities	Credit line	Currency	Principal	Accrued interest payable	Commissions and expenses	Total	Interest rate	Maturity	Guarantee
Current:									
Nacional Financiera	$ 2,500,000	$	$2,500,000	$ 11,749	$ -	$2,511,749	Variable	Apr 2018	Accounts receivable for factoring
Banamex	2,000,000	$	2,000,000	13,905	-	2,013,905	Variable	Mar-20	Unsecured
Scotiabank	750,000	$	305,086	2,561	-	307,647	Variable	Jan '22	Accounts receivable for lease
Scotiabank (1)	1,000,000	$	1,000,000	1,118	-	1,001,118	Variable	Dec-20	Unsecured
Banamex	377,454	US	377,454	1,951	-	379,405	Variable	Jan '20	Unsecured
Bancomext	1,000,000	$	451,265	4,752	-	456,017	Variable	Jul-23	Accounts receivable for lease
Santander	1,000,000	$	1,000,000	3,120	-	1,003,120	Variable	Mar-20	Accounts receivable for lease
Bladex (2)	4,163,789	US	520,474	148,544	(19,167)	649,851	Variable	Jun-22	Unsecured
Barclays	1,283,344	US	-	19,835	(6,116)	13,719	variable	Aug-21	Unsecured
Responsability	690,739	US	94,363	1,631	(276)	95,718	Variable	Oct-20	Accounts receivable for lease
Total	$14,765,326		$8,248,642	$209,166	($25,559)	$8,432,249			
Non-current:									
Barclays		US	$1,283,344		($ 3,655)	$1,279,689	Variable	Aug-21	Rights to received Excess Assets of trusts
Bladex (2)		US	3,643,316		(17,880)	3,625,436	Variable	Jun-22	Unsecured
Scotiabank		$	266,948		(4,553)	262,395	Variable	Jan-22	Accounts receivable for lease
Bancomext		$	501,093		-	501,093	Variable	Jul-23	Unsecured
Responsability (3)		US	592,269		(26,088)	566,181	Variable	Oct-22	Unsecured
Total			$6,286,970		($52,176)	$6,234,794			

During the year ended December 31, 2019, the Company executed addenda to the agreements with Nacional Financiera, Banamex and Scotiabank for the renewal of the loan agreements, updating main conditions, such as guarantees, financial ratios and credit line amounts.

(1) On December 26, 2019, the Company signed an unsecured loan agreement with Scotiabank Inverlat (in addition to the already existing line of credit) with a 12-month maturity and interest payable on a monthly basis over the term of the loan.

(2) On June 28, 2019, the Company signed a syndicated unsecured loan agreement with Bladex and Nomura acting as structured leader agents and underwriters for US 220,625 with interest payable in six-month periods over the term of the loan.

(3) In June and October 2019, the Company subscribed promissory notes in favor of ResponsAbility Management Company and ResponsAbility SICAV (collectively referred to as "Responsability") for US 15,500 and US 19,500, respectively, with interest payable in six-month periods over the term of the notes.

	December 31, 2018.								
Entities	Credit line	Currency	Principal	Accrued interest payable	Commissions and expenses	Total	Interest rate	Maturity	Guarantee
Current:									
Nacional financiera	$ 2,500,000	$	$ 2,500,000	$ 16,568	($ 12,781)	$ 2,503,787	Variable	Apr 2019	Unsecured
Banamex (1)	2,500,000	$	2,500,000	23,078		2,523,078	Variable	Jun 2019	Unsecured
Scotiabank	1,250,000	$	190,685	675	-	191,360	Variable	Nov 2019	Accounts receivable for leases
Banamex. (2)	393,132	US	393,132	2,174		395,306	Variable	Jan 2019	Unsecured
Bancomext (5)	1,000,000	$	349,414	5,976	(198)	355,192	Variable	Nov 2019	Accounts receivable for lease
Santander (4)	1,000,000	$	900,005	4,853	(7,917)	896,941	Variable	Mar 2019	Accounts receivable for lease
Bladex	2,977,974	US	. 1,566,046	10,179	(17,782)	1,558,443	Variable	Mar 2019	Unsecured
Barclays (3)	1,631,498	US	-	6,035	(10,807)	(4,772)	Variable	Aug 2021	Unsecured
Total	$ 13,252,604		$ 8,399,282	$69,538	($49,485)	$8,419,335			
Non-current:									
Bladex		US	$ 1,411,928		($ 17,782)	$ 1,394,146	Variable	Dec 2020	Unsecured
Barclays (3)		US	1,631,498		(9,772)	1,621,726	Variable	Aug 2021	Rights to received Excess Assets of trusts
Scotiabank		$	333,701		-	333,701	Variable	Sep 2021	Accounts receivable - lease
Bancomext (5)		$	627,003		-	627,003	Variable	Dec 2023	Accounts receivable - lease
Total			$ 4,004,130		($27,554)	$3,976,576			

During the year ended December 31, 2018, the Company entered into revolving credit agreements and addenda to the agreements executed with Banamex, Scotiabank, Bancomext for the renewal of loan agreements and the increase in initial amounts, updating term conditions, drawdown dates, guarantees and definitions of terms.

(1) On June 4, 2018, the Company signed a loan agreement with Banamex for $2,500,000 with a 12-month maturity and interest payable quarterly over the term of the loan.

(2) On January 9, 2018, the Company renewed the credit line with Banamex for US 20,000 with a 12-month effective term and principal and interest payable quarterly over the term of the loan.

(3) On August 7, 2018, the Company signed a loan agreement with Barclays for US 83,000 with interest payable quarterly over the term of the loan. The credit is guaranteed by the excess of cash flows from collection rights assigned to securitization trusts of debt instruments "Rights to received Excess Assets of trusts".

(4) On November 26, 2018, the Company signed a loan agreement for working capital with Banco Santander for $ 1,000,000 with a 12-month maturity.

(5) On December 13, 2018, the Company executed an addendum with Bancomext for the discount of credit rights and/or documents to increase the amount to up to $1,000,000 and the effective term to up to 365 days.

	January 1, 2018								
Entities	Credit line	Currency	Principal	Accrued interest payable	Commissions and expenses	Total	Interest rate	Maturity	Guarantee
Current:									
Nacional Financiera	$ 2,500,000	$	$ 2,500,000	$ 10,844	$ -	$2,510,844	Variable	Abr 2018	Unsecured
Banamex. (1)	394,708	US	394,708	1,820	-	396,528	Variable	Jan 2018	Unsecured
Barclays.(2)	493,385	US	296,031	2,497	-	298,528	Variable	Dec 2018	Unsecured
Actinver	300,000	$	300,000	1,734	-	301,734	Variable	Jul 2018	Accounts receivable for lease
Scotiabank	750,000	$	322,561	2,586	-	325,147	Variable	Jul 2018	Unsecured
Multivalores	300,000	$	200,000	1,328	-	201,328	Variable	Feb 2018	Accounts receivable for factoring
Bancomext	500,000	$	170,109	488	(8,522)	162,075	Variable	Nov 2018	Accounts receivable for lease
Invex	100,000	$	5,265	21	-	5,286	Variable	May 2018	Residual values
Banco del Bajío	175,000	$	39,084	278	-	39,362	Variable	Nov 2018	Accounts receivable for lease
Bladex.(3)	2,989,913	US	-	17,436	-	17,436	Variable	Jun 2019	Residual values
Total	$ 8,503,006		$ 4,227,758	$ 39,032	($ 8,522)	$4,258,268			
Non-current:									
Bladex (3)		US	$ 2,989,913			$2,989,913	Variable	Jun 2019	Residual values
Barclays		US	197,354			197,354	Variable	Jun 2019	Unsecured
Scotiabank		$	404,897			404,897	Variable	Jun 2020	Accounts receivable for lease
Bancomext		$	211,545		($ 198)	211,347	Variable	Nov 2020	Accounts receivable for lease
Banco del Bajío		$	76,993			76,993	Variable	Aug 2021	Accounts receivable for lease
Total			$ 3,880,702		($ 198)	$3,880,504			

As of January 1, 2018, the Company entered into addenda to the agreements executed with Banamex, Scotiabank, BanBajío for the renewal of loan agreements and the increase in initial amounts, updating term conditions and drawdown dates, and amending guarantee clauses and definitions of terms.

(1) On January 17, 2017, the Company signed a loan agreement with Banamex for US 20,000 with a 12-month effective term and principal and interest payable quarterly over the term of the loan.

(2) On April 27, 2017, the Company and Barclays entered into a loan transaction for US 50,000 of which due on April 28, 2019 and interest payable quarterly over the term of the loan. On May 27, 2017, the Company paid US 25,000 in advance.

(3) On December 11, 2017, the Company signed a syndicated unsecured loan agreement with Bladex and Nomura acting as structured leader agents and underwriters for US 151,500 with interest payable in six-month periods over the term of the loan.

For the periods ended December 31, 2019 and 2018, interest charged to expense from bank loans amounted to $831,626 and $820,017, respectively.

The unused amounts of the credit lines received by the Company are as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Banamex	$ -	$ -	$ 1,500,000
Banorte	-	1,500,000	1,000,000
Banco del Bajío	175,000	175,000	58,923
Bancomext	47,641	23,583	118,346
CI Banco	-	-	200,000
Interacciones	-	-	118,000
Invex	-	-	94,735
Multivalores	-	-	100,000
Santander	-	99,995	1,000,000
Scotiabank	177,967	725,614	522,542
Total	$400,608	$ 2,524,192	$ 4,712,546

Fair value of bank loans:

The following is considered to measure the fair value of bank loans:

- The fair value hierarchy level for transactions is Level 2.
- The standard valuation technique is used to measure the fair value through future cash flows discount.
- The inputs used in fair value measurement include:
    - Interest rates
    - Surcharges
    - Interest payment periods
    - Risk-free nominal curves

As of December 31, 2019 and 2018 and January 1, 2018, the Company made no fair value hierarchy level reclassifications.

The analysis of discounted cash flows was used as a valuation technique to measure the fair value of financial instruments.

Financial liabilities at fair value compared to valuation at amortised cost:

	As of December 31, 2019		As of December 31, 2018		January 1, 2018	
	Amortised cost	Fair value	Amortised cost	Fair value	Amortised cost	Fair value
Bank loans	$14,667,043	$ 13,280,726	$12,395,911	$11,502,032	$8,138,772	$7,590,426

Reconciliation of liabilities for financing activities

Liabilities for financing activities	Balance as of 12/31/2018	Cash flows (inflow)	Cash flows (outflows)	Accrued interest	Interest paid	Balance as of 12/31/2019
Bank loans	$ 12,395,911	$ 14,582,865	($ 12,226,423)	$ 1,238,554	($1,323,866)	$ 14,667,043
	Balance as of 01/01/2018	Cash flows (inflow)	Cash flows (outflows)	Accrued interest	Interest paid	Balance as of 12/31/2018
Bank loans	$ 8,138,772	$ 8,020,853	($ 3,804,514)	$ 818,441	($ 777,641)	$ 12,395,911

Contractual obligations:

Some of the loan agreements contain different covenants requiring compliance with certain financial ratios. As of December 31, 2019 and 2018 and January 1, 2018, the main covenants under those loan agreements require compliance with the following ratios:

- Capitalization Ratio (total stockholders' equity / total assets): ≥ 9.99%
- Capitalization Ratio (total stockholders' equity / accounts and notes receivable): ≥ 13.5%
- Consolidated Leverage Ratio (total liabilities, excluding debt instruments / total stockholders' equity): ≤ 7.5x
- Consolidated Leverage Ratio (financial liabilities, excluding debt instruments / total stockholders' equity): ≤ 7x
- Past due accounts and notes receivable (past due accounts and notes receivable / total accounts and notes receivable): ≤ 5.0%
- Debt Coverage Ratio of past due lease accounts and notes receivable (allowance for lease accounts and notes receivable / total past due lease accounts and notes receivable): ≥ 0.4x
- Coverage Ratio of past due factoring accounts and notes receivable (allowance for factoring accounts and notes receivable / total past due factoring accounts and notes receivable): ≥ 1x
- Coverage Ratio of past due car loan accounts and notes receivable (allowance for car loan accounts and notes receivable and other loans / total past due car loan accounts and notes receivable): ≥ 1x
- Debt Coverage Ratio (cash and cash equivalents plus accounts and notes receivable, net / total financial liabilities, excluding debt instruments): ≥ 1 x

As of December 31, 2019 and 2018 and January 1, 2018, the Company was in compliance with all contractual covenants.

Note 13 - Debt securities and senior notes:

	December 31, 2019	December 31, 2018	January 1, 2018
Current:			
Senior notes (accrued interest)	$ 1,020,712	$ 664,765	$ 503,832
Debt instruments:			
Stock structure (accrued interest)	33,928	46,713	55,408
Private stock structure (accrued interest)	7,278	6,615	5,556
Stock structure	4,396,530	2,206,142	522,369
Total debt instruments	4,437,736	2,259,470	583,333
Total current	$ 5,458,448	$ 2,924,235	$ 1,087,165
Non-current:			
Senior notes	$ 32,611,250	$ 21,273,888	$ 15,439,761
Debt instruments:			
Stock structure	5,304,106	11,003,740	14,810,345
Private stock structure	4,893,730	2,154,994	2,159,406
Total debt instruments	10,197,836	13,158,734	16,969,751
Total non-current	$ 42,809,086	$ 34,432,622	$ 32,409,512
Total debt instruments and senior notes	$ 48,267,534	$ 37,356,857	$ 33,496,677

The Company's exposure to various risks associated with financial instruments is discussed in Note 6.

i. Senior notes:

a. On August 8, 2019, the Company concluded a private offering and placement of debt securities in the form of Senior Notes in foreign markets relating of rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made:

- Amount issued: US 200,000. ($3,774,540)
- Agreed annual rate: 7.000%.
- Payable at maturity: 3 years (maturing in August 2022).
- Interest payable in six-month periods over the term of the Notes.

- Place of issuance of the Note listing: Luxembourg Stock Exchange.
- Ratings granted: BB / BB / HR BBB - (Standard & Poor's, Fitch Ratings and HR Ratings).
- Guarantors: Unifin Credit and Unifin Autos.

b. On July 11 2019, the Company concluded a private offering and placement of debt securities in the form of Senior Notes in foreign markets relating to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made:

- Amount issued: US 450,000 ($8,492,715)
- Agreed annual rate: 8.375%.
- Payable at maturity: 9 years (maturing in January 2028).
- Interest payable in six-month periods over the term of the Notes.
- Place of issuance of the Note listing: Luxembourg Stock Exchange.
- Ratings granted: BB / BB / HR BBB - (Standard & Poor's, Fitch Ratings and HR Ratings).
- Guarantors: Unifin Credit and Unifin Autos.

c. On February 8 2018, the Company concluded a private offering and placement of debt securities in the form of Senior Notes in foreign markets relating to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made:

- Amount issued: US 300,000 ($5,661,810).
- Agreed annual rate: 7.375%.
- Payable at maturity: 8 years (maturing in February 2026).
- Interest payable in six-month periods over the term of the Notes.
- Place of issuance of the Note listing: Luxembourg Stock Exchange.
- Ratings granted: BB / BB / HR BBB - (Standard & Poor's, Fitch Ratings and HR Ratings).
- Guarantors: Unifin Credit and Unifin Autos.

d. On May 10, 2017, the Company concluded a private offering and placement of debt securities in the form of Senior notes in foreign markets relating to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made:

* Amount issued: US 450,000 ($8,492,715)
* Agreed annual rate: 7.000%.
* Payable at maturity: 7.8 years (maturing in January 2025).
* Interest payable in six-month periods over the term of the Notes.
* Place of issuance of the Note listing: Luxembourg Stock Exchange.
* Ratings granted: BB / BB / HR BBB - (Standard & Poor's, Fitch Ratings).
* Guarantors: Unifin Credit and Unifin Autos.

e. On September 22, 2016, the Company concluded a private offering and placement of debt securities in the form of Senior Notes in foreign markets relating to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made:

* Amount issued: US 400,000 ($7,549,080).
* Agreed annual rate: 7.250%.
* Payable at maturity: 7 years (maturing in September 2023).
* Interest payable in six-month periods over the term of the Notes.
* Place of issuance of the Note listing: Luxembourg Stock Exchange.
* Ratings granted: BB / BB / HR BBB - (Standard & Poor's, Fitch Ratings).
* Guarantors: Unifin Credit and Unifin Autos.

Senior notes commitments

Senior notes impose certain provisions to the Company that limit its ability to incur additional debt, create liens, pay dividends, make certain investments, reduce its share capital, among others. It also establishes that the Company and its subsidiaries may partially or totally merge or dispose of their assets if the respective transaction meets certain requirements, as well as minimum requirements for carrying out portfolio securitizations, and limits the Company's ability to enter into transactions with related parties.

As of December 31, 2019 and 2018 and January 1, 2018, the Company had fulfilled the commitments described above.

ii. Debt instruments

a. Stock structure

The stock structure corresponds to trust promissory notes as per a securitization program whereby the Company transfers certain rights over certain financial assets to a securitization vehicle created for that specific purpose (usually, a trust), for that vehicle to issue securities to be placed among the general investing public and for the Company to diversify its funds and increase its operating capacity. The Company entered into an agreement for management, commercial commission and deposit services for those rights to be transferred back to the Company for management purposes.

Additionally, a pledge agreement was entered into by the Company (collateral guarantor) and the trustee (Pledgee), whereby the Company pledges in first order of preference for payment each of the leased assets -from which the abovementioned collection rights are derived- on behalf of the Pledgee to guarantee timely and full payment of all accounts payable by each of the Company's clients, in accordance with the lease agreements these clients have entered into.

On November 19, 2013 and September 8, 2015, the National Banking and Securities Commission (the Commission or CNBV) issued letters number 153/7644/2013 and 153/5726/2015, authorizing the revolving trust bonds programs (Trustee programs) for an amount of up to $20,000 and $10,000, respectively.

On September 14, 2017, April 5, 2017, November 29, 2016, February 9, 2016, September 8, 2015 and February 4, 2015, the CNBV issued letters number 153/10740/2017, 153/10194/2017, 153/105977/2016, 153/105236/2016, 153/5727/2015 and 153/5047/2015, authorizing the public offering of Trust Bonds under the respective trust bond programs (Trustee programs). Those bonds were issued under ticker symbols UNFINCB17-4 and UNFINCB17-3, UNFINCB17-2 and UNFINCB17, UNFINCB16-2 and UNFINCB16, UFINCB16, UFINCB15 and UNFINCB15, for an amount of up to $1,000,000, $2,500,000, $1,500,000, $1,500,000, $1,250,000, $1,250,000, $2,500,000, $2,000,000 and $2,000,000, respectively.

The Company has conducted issuances under such Trust programs, entering into trust agreements whereby it acts as trustor of the Trust; as trustees, Banco Nacional de México, S. A., Institución de Banca Múltiple, Grupo Financiero Banamex Divisi6n Fiduciaria (Banamex) and INVEX Banco, Institución de Banca Múltiple, Invex Grupo Financiero, Fiduciario; Monex Casa de Bolsa, S. A. de C. V., Grupo Financiero Monex as common representative; and the holders of stocks and the Company as primary and secondary trustees, respectively.

According to the supplements to the Trustee Programs, the Company and the issuing trustee are not responsible for paying amounts due under these debt securities in the event that the equity of the issuing trust is insufficient to pay in full the amounts owed under the debt securities, and the holders of those debt securities are not entitled to claim from the trustor nor the trustee payment thereof. The trustor and trustee are responsible for ensuring the Trust equity is sufficient to cover amounts owed.

Current issues of trust programs as of December 31, 2019 and 2018, and January 1, 2018 are described below:

As of December 31, 2019

Ticker symbol	Issuing trust	Number of securities	Maturity	Interest rate (%)	Amount at amortised cost	Rating	Trustee
UFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	$ 295,698	mxAAAS&P/HRAAA	Invex
UFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	1,174,696	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	903,504	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	896,515	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,472,801	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,487,568	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	Sep-2022	TIIE+2.10	2,492,365	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	977,490	mxAAAS&P/HRAAA	Banamex
Total					9,700,637		
Accrued interest (current)					33,927		
Total current issues and interest					$ 9,734,564		

As of December 31, 2018

Ticker symbol	Issuing trust trust	Number of securities	Maturity	Interest rate (%)	Amount at amortised cost	Rating	Trustee
UFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	$ 1,773,648	mxAAAS&P/HRAAA	Invex
UFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	2,519,262	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	1,250,692	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	1,224,137	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,491,521	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,502,091	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	Sep-2022	TIIE+2.10	2,471,467	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	977,064	mxAAAS&P/HRAAA	Banamex
Total					13,209,882		
Accrued interest (current)					46,713		
Total current issues and interest					$ 13,256,595		

As of January 1, 2018

Ticker symbol	Issuing trust trust	Number of securities	Maturity	Interest rate (%)	Amount at amortised cost	Rating	Trustee
UNFINCB15*	F/17598-4	20,000,000	Feb-2020	TIIE+1.60	$ 1,994,459	mxAAAS&P/HRAAA	Banamex
UFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	2,025,713	mxAAAS&P/HRAAA	Invex
UFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	2,487,962	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	1,237,674	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	1,210,645	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,466,905	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,485,537	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	Sep-2022	TIIE+2.10	2,457,284	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	966,535	mxAAAS&P/HRAAA	Banamex
Total					15,332,714		
Accrued interest (current)					55,408		
Total current issues and interest					$ 15,388,122		

* A voluntary early amortisation of all debt certificates with ticker symbol UNFINCB 15 was conducted on March 9, 2018.

For the years ended December 31, 2019 and 2018, the interest charged to profit or loss for debt instruments amounted to $315,564, $1,328,875 and $345,129, respectively.

As of December 31, 2019 and 2018, and January 1, 2018, the settlement of those issues has been fulfilled under the conditions established in the corresponding issuance program.

b. Private stock structure

On March 14, 2019, the Company, in its capacity as Trustor and Second Beneficiary, entered into an Irrevocable Transfer of Ownership Trust agreement “F/18247-6” (Trust), with Banco Nacional de México, S. A., member of Grupo Financiero Banamex, Visión Fiduciaria as Trustee (Banamex) and Banco Santander México, S. A., Institución de Banca Múltiple, Grupo Financiero Santander México (Santander), as First Beneficiary, whereby the collection rights (trust assets) were assigned to secure payment of cash withdrawals from the revolving credit line of $2,500,000, respectively, entered into by Banamex and Santander on that date.

On November 30, 2012, the Company in its capacity as Trustor and Second Beneficiary, entered into Irrevocable Transfer of Ownership Trust agreement "F/1355" (Trust), with Banco Invex, S. A., Institución de Banca Múltiple, Invex Grupo Financiero as Trustee (Invex) and Scotiabank Inverlat, S. A. , Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (Scotiabank) as first Beneficiary, whereby the collection rights (Trust equity) are assigned to secure the payment of cash withdrawals from the revolving credit line of $2,250,000 (amount of the credit line as of March 31, 2019) contracted by Invex with Scotiabank on that date.

On July 26, 2019, the initial conditions of the revolving credit line were amended, increasing its amount by $250 million, from $2,250,000 to $2,500,000 as of December 31, 2019. Furthermore, as part of the amendments, the term of the credit line was extended and the rate spread was reduced by 20 basis points. The current conditions are as follows:

- Amount issued: $2,500,000
- Agreed annual rate: TIIE + 200bps
- Revolving period: 2 years
- Amortisation period will start after two years and will expire on July 14, 2025.
- Interest payable monthly over the term.

As of December 31, 2019 and 2018, and January 1, 2018, private stock structure is made up as follows:

	December 31, 2019	December 31, 2018	January 1, 2018	Currency	Maturity	Rate	Type
Invex	$2,426,841	$2,154,994	$2,159,406	$	11/21/20	TIIE + 2.00	Collection
Santander	2,466,889	-		$	11/04/25	TIIE + 2.20	Collection
Subtotal	4,893,730	2,154,994	2,159,406				
Accrued interest	7,278	6,615	5,556				
	$ 4,901,008	$ 2,161,609	$2,164,962				

As of December 31, 2019 and 2018, and January 1, 2018, collection rights assignments amount to $3,347,481, $3,336,913 and $2,867,666, respectively.

The Company and Invex entered into an agreement for management, commercial commission and deposit services for the purpose of managing collection rights.

Debt instrument commitments

Debt instruments contain covenants restricting the Company's and its subsidiaries' ability to make certain dividend payments, redeem capital stock and make certain investments; transfer and sell assets, engage in lease securitizations and receivables transactions for less than fair market value; enter into agreements that would limit the ability of subsidiaries to pay dividends or make distributions, create liens, effect a consolidation, merger or sale of assets and enter into transactions with affiliates, each subject to certain conditions and/or exclusions.

As of December 31, 2019 and 2018, and January 1, 2018, the Company is in compliance with all financial contractual obligations to do and not to do.

Fair value of debt instruments and senior notes:

The following is considered to measure the fair value of debt instruments and senior notes:

- The fair value hierarchy level is Level 2.
- Information publicly available by financial data service providers, such as Bloomberg and/or Valmer (BMV), is used in measuring fair value. If no information is found from those sources, the future discounted cash flow standard methodology is used.
- The inputs used in fair value measurement include:
    - Interest rates
    - Surcharges
    - Interest payment periods
    - Risk-free nominal curves

As of December 31, 2019 and 2018 and January 1, 2018, the Company made no transfers between the levels of the fair value hierarchy.

The valuation techniques used for fair value measurement of financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- Discounted cash flow analysis.

Financial liabilities at fair value compared to valuation at amortised cost:

	As of December 31, 2019		As of December 31, 2018		January 1, 2018	
	Amortised cost	Fair value	Amortised cost	Fair value	Amortised cost	Fair value
Debt instruments	$14,635,572	$ 14,686,669	$15,418,204	$13,612,316	$ 17,553,084	$13,582,682
Senior notes	33,631,961	37,590,348	21,938,653	27,347,027	15,943,593	22,215,571

Reconciliation of liabilities for financing activities

Liabilities for financing activities	Balance as of 12/31/2018	Cash flows (inflow)	Cash flows (outflows)	Interest accrued	Interest paid	Balance as of 12/31/2019
Debt instruments	$15,418,204	$ 2,750,000	($ 3,527,127)	$ 1,615,005	($ 1,620,510)	$14,635,572
Senior notes	21,938,653	12,357,914		2,074,024	(2,738,629)	33,631,962

Liabilities for financing activities	Balance as of 12/31/2018	Cash flows (inflow)	Cash flows (outflows)	Interest accrued	Interest paid	Balance as of 12/31/2019
Debt instruments	$17,553,084		($ 2,126,185)	$ 1,588,983	($ 1,597,678)	$15,418,204
Senior notes	15,943,593	$ 5,290,504		2,249,616	(1,545,060)	21,938,653

Note 14 - Suppliers and other accounts payable:

As of December 31, 2019, 2018 and January 1, 2018, Other accounts payable are made up as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Suppliers	$ 330,094	$ 65,349	$ 701,378
Fees and commissions payable	798,313	803,350	-
Provisions	322,195	100,598	106,759
Guarantee deposits	314,174	149,456	262,848
Lease liabilities	52,094	56,511	6,077
Total current	1,816,870	1,175,264	1,077,062
Lease liabilities	153,280	210,118	9,611
Total non-current	153,280	210,118	9,611
Total suppliers and other accounts payable	$ 1,970,150	$ 1,385,382	$ 1,086,673

Note 15 - Stockholders' equity:

i. Stockholders' equity

As of December 31, 2019 and 2018, and January 1, 2018, Stockholders' equity is made up as follows:

	Number of shares of stock			Amount		
	December 31, 2019	December 31, 2018	January 1, 2018	December 31, 2019	December 31, 2018	January 1, 2018
Fixed capital Series "A"	320,000	320,000	320,000	$ 1,000	$ 1,000	$ 1,000
Variable capital Series "A"	352,480,000	352,480,000	352,480,000	957,242	957,242	957,242
Total	352,800,000	352,800,000	352,800,000	$ 958,242	$ 958,242	$ 958,242

* Include share issuance, placement and registration expenses for $144,258.

a. The fixed minimum capital stock and the variable part of the Company's capital stock will be represented by Series "A" shares of stock.

b. The capital stock is composed of nominative common shares with a par value of $3.125 per share. All shares of stock are fully subscribed and paid.

c. The Company's equity shall be variable and shall be represented by ordinary, registered Series "A" shares of stock without a par value. The variable part of the capital stock is unlimited. All the ordinary shares of stock will grant their holders equal rights and imply equal obligations.

d. The stockholders owning shares representative of variable capital stock shall not be entitled to first refusal rights under the terms of Section 50 (fifty) of the Mexican Securities Act.

ii. Perpetual Notes

On January 24, 2018, the Company concluded a private offering and placement of debt securities in the form of subordinated perpetual promissory notes in the United States and other foreign markets in accordance with rule 144A and Regulation "S" of the US Securities Act of 1933 and applicable regulations in the countries in which said offer was made. The net proceeds obtained amounted to $4,531,330. The main characteristics of the international promissory notes issued were the following:

- Amount issued: US 250,000 ($4,699,500)
- Agreed annual rate: 8.875%
- Payable at maturity: Perpetual
- Interest payable in six-month periods over the term of the Notes (subject to the Company's criteria).
- Place of issuance of the bond listing: Luxembourg Stock Exchange.
- Ratings granted: B / B + (Standard & Poor's and Fitch Ratings).

iii. Retained earnings

Dividends will not be subject to Income Tax if they come from the Net Tax Income Account (CUFIN). Dividends in excess of CUFIN and reinvested CUFIN will give rise to a tax equivalent to 42.86% based on the law in force as of December 31, 2019. Accrued tax shall be payable by the Institution and may be offset against Income Tax for the fiscal year or the two immediately following fiscal years. Dividends payable from profits previously subject to Income Tax will not be subject to any tax withholding or additional tax liability.

The CUFIN balance as of December 31, 2019 and 2018 and January 1, 2018 is $9,350, $9,102 and $6,700, respectively.

On March 21, 2019, the Ordinary Stockholders' General Meeting agreed to pay dividends of $328,967, arising from prior years' retained earnings. Dividends were paid on April 30, 2019 in the amount of $1 per share (excluding shares of stock in the reserve for stock purchase).

On April 25, 2018, the Ordinary Stockholders' General Meetings agreed to pay dividends of $352,800 arising from prior years' retained earnings. Dividends were paid on April 30, 2018 in the amount of $1 per share (excluding shares of stock in the reserve for stock purchase).

At the Ordinary General Meeting held on April 25, 2018, the Stockholders resolved to increase the Company's legal reserve by $88,543 with the prior year profit.

At the Stockholders' Meetings held on April 25, 2018 and March 21, 2019, the redemption of Series "A" shares of variable capital stock for 2,500,000 and 5,000,000, respectively, was approved. On January 22 and 24, 2020, the Company received authorization from the CNBV to update registration with the National Securities Register of the shares representative of its variable capital stock. Consequently, its ordinary, registered Series "A" shares representative of capital stock, without a par value, were taken from 352,800,000 to 345,300,000.

At the Ordinary General Meeting held on March 21, 2019, the Stockholders authorized a fund for the repurchase of Company's own shares. The fund operates as established by the Securities Act and up to the limits approved by the Board of Directors. As of December 31, 2019, 32,347,132 shares were repurchased for an amount of $1,325,054, which are disclosed under Treasury Stock, in the Stockholders' Equity.

iv. Basic and diluted earnings per share

	2019	2018
Net income attributable to:		
Profit attributable to interest Subject to calculation	$ 1,949,021	$ 1,982,501
Basic and diluted earnings per share (Mexican pesos)	$ 5.97	$ 5.74
Weighted average of shares used as denominator	326,582,611	345,149,256

Note 16 - Current and deferred Income Tax:

In 2019 and 2018, the Company determined a tax profit of $445,590 and $3,893,990, respectively. Tax income differs from accounting income mainly in those items which are accumulated over time and deducted differently for accounting and tax purposes, in the recognition of the effects of inflation for tax purposes, as well as in those items which only affect the accounting or tax income.

The Income Tax Law sets a tax rate of 30% of taxable profits applicable for fiscal years beginning on or after 2014.

In 2019 and 2018, the Company recorded Income Tax expenses amounting to $454,067 and $381,877, respectively.

The income tax expense is analysed below:

	December 31, 2019	December 31, 2018
Current Income Tax	$133,677	$1,168,197
Deferred Income Tax	320,390	(786,320)
Total	$454,067	$ 381,877

Deferred tax recognised in other comprehensive income for revaluation surplus of assets measured at fair value and valuation of hedging derivative financial instruments as of December 31, 2019 amounted to $1,019,579 and $239,494, respectively.

The main temporary differences based on which deferred Income Tax is recognised are as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Account receivables from Leases	$ 3,234,498	$ 4,026,311	$ 3,446,357
Property, furniture and equipment	83,249	123,605	120,293
Commissions paid (1)	737,758	737,758	737,758
Other current and non-current assets:	(14,276)	(189,600)	(389,736)
Provisions	395,893	5,039	2,122
	4,437,122	4,703,113	3,916,794
Items recognised in Other comprehensive income:			
Hedging derivative financial instruments	239,494	277,005	-
Revaluation surplus of fixed assets measured at fair value	(1,019,579)	-	-
Deferred Income Tax assets	$ 3,657,037	$ 4,980,118	$ 3,916,794

(1) Corresponds to fees paid in 2016 to open certain derivative contracts with banking institutions pursuant to the Company's risk management policies.

The reconciliation of the effective Income Tax rate is as follows:

	December 31, 2019	December 31, 2018
Profit before Income Tax	$2,403,088	$ 2,364,378
Income Tax rate payable	30%	30%
Income Tax at the statutory rate	720,926	709,313
Plus (less) effect of the following permanent items:		
Property, furniture and equipment, net	(216,108)	(582,649)
Annual adjustment for inflation	301,649	473,202
Financing expenses	(360,573)	(224,860)
Non-deductible expenses	8,173	6,871
Income Tax recognised in profit or loss	$ 454,067	$ 381,877

Income Tax reconciliation is shown below:

	Deferred assets (liabilities) December 31, 2019	Increases		Decreases		Deferred assets (liabilities) December 31, 2018	Increases		Decreases		Deferred assets (liabilities) January 1, 2018
		Net income	Other comprehensive income	Net income	Other comprehensive income		Net income	Other comprehensive income	Net income	Other comprehensive income	
Accounts receivable from leases	$10,781,660	$ -	$ -	($ 2,639,377)	$ -	$13,421,037	$ 1,933,180	$ -	$ -	$ -	$11,487,857
Property, furniture and equipment	277,497	-	-	(134,520)	-	412,017	11,040	-	-	-	400,977
Commissions paid	2,459,193	-	-	-	-	2,459,193	-	-	-	-	2,459,193
Other current and non-current assets	(47,585)	-	-	584,416		(632,001)	-	-	667,118	-	(1,299,119)
Hedging derivative financial instrument (1)	798,312	-	(125,038)	-	-	923,350	-	923,350	-	-	-
Asset revaluation surplus	(3,398,597)	-	(3,398,597)	-	-	-	-	-	-	-	-
Provisions	1,319,642	1,302,842	-	-	-	16,797	16,799	-	(7,070)	-	7,070
	12,190,122	1,302,842	(3,523,635)	(2,189,481)	-	16,600,393	1,961,019	923,350	660,048	-	13,055,978
Applicable Income Tax rate	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Deferred Income Tax asset	$ 3,657,037	$ 390,853	($1,057,091)	($ 656,844)	$ -	$ 4,980,118	$ 588,306	$ 277,005	$ 198,014	$ -	$ 3,916,794

(1) Pursuant to tax regulations, the Company may accumulate or deduct profits or losses upon maturity of certain derivative contracts, resulting in temporary differences of deferred Income Tax.

Tax losses as of December 31, 2019 amounted to $38,061. Deferred tax assets for this item are kept until the Company generates tax profits to offset against those tax losses.

Note 17 - Segment reporting:

Reportable segments determined by the General Management comprise 3 operating segments, as described below:

Leases: as mentioned in Note 1, the Company's main business activity is the granting of leases for motor vehicles (including cars, trucks, helicopters, aircraft and ships); machinery, equipment and other assets of different industries in the middle-sized enterprises sector.

Factoring: Through its factoring business, the Company provides liquidity and financial solutions to its customers, acquiring or discounting accounts receivable from its customers or customer suppliers, as the case may be.

Other loans: Include loans granted for the acquisition of brand new or used vehicles for individuals and legal entities, and other receivables for financing working capital and the purchase of other capital goods.

The Company's main business activity is the granting of leases for motor vehicles, machinery and equipment, among others; its complementary activities include factoring, car loans and unsecured loan transactions.

On this basis, the Company includes leases, factoring and other loans as representative operating segments in its financial statements, to provide an analysis of its assets, liabilities and results.

The main assets and liabilities per Company segment follow below:

	December 31, 2019			
Assets	Leases	Factoring	Other loans	Total
Cash and cash equivalents	$ 3,191,716	$ 442,154	$ 197,460	$ 3,831,330
Accounts and notes receivable, net	41,888,916	3,155,134	12,266,810	57,310,860
Derivative financial instruments	4,975,843	-	-	4,975,843
Non-current assets held for sale	1,007,476	-	376,882	1,384,358
Property, furniture and equipment	6,435,531	-	-	6,435,531
Investment properties	-	-	250,190	250,190
Intangible assets	80,798	6,113	23,143	110,054
Deferred taxes	3,046,521	422,039	188,477	3,657,037
Other assets	605,088	45,833	174,184	825,105
	$61,231,889	$ 4,071,273	$ 13,477,146	$ 78,780,308
Liabilities				
Bank loans	$ -	$ 3,495,910	$ 11,171,133	$ 14,667,043
Debt instruments	14,635,572	-	-	14,635,572
Senior notes	31,568,810	-	2,063,152	33,631,962
Suppliers and other accounts payable	1,816,870	-	-	1,816,870
Derivative financial instruments	2,976,309	-	-	2,976,309
Other accounts payable	127,690	17,690	7,900	153,280
	$51,125,251	$ 3,513,600	$ 13,242,185	$ 67,881,036

	December 31, 2018			
Assets	Leases	Factoring	Other loans	Total
Cash and cash equivalents	$ 3,415,473	$ 186,086	$ 680,715	$ 4,282,274
Accounts and notes receivable, net	35,386,630	2,746,466	6,062,933	44,196,029
Derivative financial instruments	4,037,309	-	814,249	4,851,558
Non-current assets held for sale	417,498	413,474	-	830,972
Property furniture and equipment, net	878,427	-	17,982	896,409
Investment properties	-	-	168,300	168,300
Intangible assets	121,107	-	-	121,107
Deferred taxes	4,980,118	-	-	4,980,118
Other assets	398,454	2,567	40,335	441,356
	$ 49,635,016	$ 3,348,593	$ 7,784,514	$ 60,768,123

	December 31, 2018			
	Leases	Factoring	Other loans	Total
Liabilities				
Bank loans	$ 5,437,871	$ 2,523,078	$ 4,434,962	$ 12,395,911
Debt instruments	15,418,204	-	-	15,418,204
Senior notes	21,938,653	-	-	21,938,653
Suppliers and other accounts payable	1,155,857	2,598	16,809	1,175,264
Derivative financial instruments	4,523	-	-	4,523
Other accounts payable	210,118	-	-	210,118
	$ 44,165,226	$ 2,525,676	$ 4,451,771	$ 51,142,673

	January 1, 2018			
Assets	Leases	Factoring	Other loans	Total
Cash and cash equivalents	$ 1,942,386	$ 105,827	$ 387,124	$ 2,435,337
Accounts and notes receivable, net	26,486,377	2,510,635	5,779,440	34,776,452
Derivative financial instruments	3,647,565	-	735,645	4,383,210
Non-current assets held for sale	296,809	293,948	-	590,757
Property, furniture and equipment, net	842,869	-	17,254	860,123
Investment properties	-	-	168,725	168,725
Intangible assets	77,827	-	-	77,827
Deferred taxes	3,916,794	-	-	3,916,794
Other assets	340,160	2,582	40,569	383,311
	$ 37,550,787	$ 2,912,992	$ 7,128,757	$ 47,592,536
Liabilities				
Bank loans	$ 3,570,338	$ 1,656,575	$ 2,911,859	$ 8,138,772
Debt instruments	17,553,084	-	-	17,553,084
Senior notes	15,943,593	-	-	15,943,593
Suppliers and other accounts payable	1,071,398	758	4,906	1,077,062
Other accounts payable	9,611	-	-	9,611
	$ 38,148,024	$ 1,657,333	$ 2,916,765	$ 42,722,122

As Management considers that the usual information for stakeholders is the gross margin, as of December 31, 2019 and 2018, the respective information is as follows:

	Year ended December 31, 2019			
	Leases	Factoring	Other loans	Total
Financial income	$ 8,109,203	$ 656,137	$ 1,996,468	$ 10,761,808
Financial expenses	(5,213,629)	(351,808)	(1,379,904)	(6,945,341)
Allowance for expected credit losses of accounts and notes receivable	(452,194)	81,427	(56,912)	(427,679)
	$ 2,443,380	$ 385,756	$ 559,652	$ 3,388,788

	Year ended December 31, 2018			
	Leases	Factoring	Other Receivables	Total
Financial income	$ 6,514,799	$ 488,289	$ 1,723,861	$ 8,726,949
Financial expenses	(4,837,131)	(361,847)	(313,440)	(5,512,418)
Allowance for expected credit losses of accounts and notes receivable	(225,467)	(89,391)	(12,918)	(327,776)
	$ 1,452,201	$ 37,051	$ 1,397,503	$ 2,886,755

Note 18 - Transactions with related parties:

The breakdown of the main balances with related parties as of December 31, 2019 and 2018 and January 1, 2018, is as follows:

Commercial loans receivable:	December 31, 2019	December 31, 2018	January 1, 2018
Related parties:			
Administradora Bríos, S.A. de C.V. (1)	$301,511	$359,029	$314,766
Unifin Administración Corporativa, S. A. de C. V. (1)	133,219	36,941	8,437
Unifin Servicios Administrativos, S. A. de C. V. (1)	88,116	9,994	4,800
	522,846	405,964	328,003
Allowance of impairment of accounts and notes receivable	2,020	2,585	2,361
Commercial loans, net:	$520,826	$403,379	$325,642

(1) The Company has granted several commercial loans to its affiliates to finance their ongoing operations. Outstanding balances are recognised under Accounts and notes receivable in the Financial Statements. The term of commercial loans and credit lines are 24 months and 48 months, respectively.

Accounts payable:	December 31, 2019	December 31, 2018	January 1, 2018
Related parties:			
Administradora Bríos, S.A. de C.V. (2)	$ -	$359,029	$ 314,766
Unifin Administración Corporativa, S. A. de C. V. (3)	153,192	36,941	8,437
Unifin Servicios Administrativos, S. A. de C. V. (3)	149,386	9,994	4,800
Total	$302,578	$405,964	$ 328,003

Transactions over the periods ended on December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Income		
Related parties:		
Administradora Bríos, S. A. de C. V.	$ 15	$ 71
Unifin Administración Corporativa, S. A. de C. V. (1)	3,392	3,944
Unifin Servicios Administrativos, S. A. de C. V. (1)	247	864
Other income	$ 3,654	$ 4,879
Expenses		
Related parties:		
Administradora Bríos, S. A. de C. V. (2)	$ 11,779	$ 11,652
Unifin Administración Corporativa, S. A. de C. V. (3)	531,696	450,178
Unifin Servicios Administrativos, S. A. de C. V. (3)	515,143	410,078
	1,058,618	871,908
Donations (4)	15,554	13,942
Total expenses	$ 1,074,172	$ 885,850

(1) The Company has executed unsecured loan contracts and generated interest income.

(2) The Company has administrative services agreements with Administradora Bríos, S. A. de C. V., which provides advisory services.

(3) The Company has administrative services agreements with Unifin Administración Corporativa, S. A. de C. V. and Unifin Servicios Administrativos, S. A. de C. V., which provide consulting, accounting and finance services, among others.

(4) The Company has granted several donations for Fundación Unifin, S. C. to a non-for-profit organization.

ii. *Compensation of relevant Members of the Board*

In 2019 and 2018, the total amount paid to the relevant Members of the Company's Board amounted to $126,760 and $85,810, respectively, including fixed, variable and other benefits under the applicable law.

The Board of Directors approves, based on the favorable opinion of the Audit and Corporate Practices Committee, the full remuneration of the Chief Executive Officer and other relevant Members of the Board. Additionally, this Committee issues its opinion on the full remuneration of the other relevant Members of the Board.

The Ordinary General Stockholders' Meeting determines the emoluments payable to the Members of the Board for the services rendered to the Company in that capacity. The Ordinary and Extraordinary Annual General Stockholders' Meeting held on March 21, 2019, approved to pay each of the independent Members of the Board of Directors and the non-member Secretary of the Board, the amount of $70 for each session of the Board they attend to, as well as the amount of $70 to the Chairman of the Audit and Corporate Practices Committee and the amount of $35 to the members of that Committee for each Committee session they attend to.

Note 19 - IFRS transition effects:

The Company's consolidated financial statements as of January 1 and December 31, 2018, prepared in accordance with IFRS, stem from consolidated financial statements that were prepared in accordance with the accounting criteria issued by the National Banking and Securities Commission (Accounting Criteria) applicable to Regulated Multiple Purpose Financial Institutions, making the adjustments and reclassification to reflect the changes in presentation, accounting recognition and valuation, as required by IFRS.

Particularly, the adjustments have been made pursuant to IFRS in force as of December 31, 2019 (the first annual reporting date), which have been consistently applied in preparing the Consolidated Statement of Financial Position as of January 1, 2018 (transition date) and the Consolidated Financial Statements as of December 31, 2018 and for the year then ended (the comparative period).

The effects of the transition to IFRS are the result of changes in accounting principles and, consequently, as required by IFRS 1 - First-time Adoption of International Financial Reporting Standards, are reflected in the accumulated gains/losses in the Consolidated Statement of Financial Position as of January 1, 2018).

The Company did not depart from any IFRS in the preparation of these Consolidated Financial Statements.

The Company prepared its Consolidated Statement of Financial Position as of the transition date (January 1, 2018), except for the optional and mandatory exemptions provided for by IFRS 1.

<u>Optional exemptions to IFRS</u>

IFRS 1 allows entities adopting IFRS for the first time to consider certain one-time exemptions. Such exemptions have been established by the IASB to make the first application of certain IFRS simpler, eliminating the mandatory nature of their retrospective application.

Below are the optional exemptions applicable to the Company under IFRS 1:

1. Deemed Cost of Property, Plant and Equipment: The fair value of certain items of property, plant and equipment has been adopted as deemed cost as of the transition date to IFRS.

Mandatory exceptions to IFRS

Below are the mandatory exceptions applicable to the Company under IFRS 1:

1. Estimates: The estimates made by the Company under to IFRS as of January 1, 2018 (transition date to IFRS) are consistent with the estimates made as of the same date according to the prior accounting framework, except for the explanations below in paragraph 4. Impairment of financial assets.

2. Derecognition of financial assets and liabilities: The Company applied the derecognition criteria of financial assets and liabilities under IFRS 9 prospectively for transactions occurred after January 1, 2018.

3. Classification and measurement of financial assets: The Company has considered the facts and circumstances as of the transition date to IFRS (January 1, 2018) to assess the classification of financial assets in the three measurement categories established by IFRS 9.

4. Impairment of financial assets: as of the transition date to IFRS, the Company used reasonable and verifiable information that was available without disproportionate cost or effort to determine the credit risk as of the date when financial instruments were initially recognised and compare that to the credit risk as of the transition date to IFRS.

5. Other mandatory exceptions established by IFRS 1 that have not been applied because of not being material to the Company are:

    a. Hedge accounting
    b. Non-controlling interest
    c. Embedded derivatives
    d. Government loans

Reconciliation of CNBV Accounting criteria to IFRS

The following reconciliations show the quantification of the major impacts of the IFRS transition in the Consolidated Statement of Financial Position as of January 1 and December 31, 2018 and the Consolidated Statement of Income from January 1 to December 31, 2018: Furthermore, there were no changes in cash flows for the periods mentioned below:

1. Consolidated Statements of Financial Position as of January 1, 2018:

Assets	CNBV Accounting criteria as of January 1, 2018	IFRS adjustments	Reclassifications	IFRS as of January 1, 2018
Current assets				
Cash and cash equivalents	$ 197,165	$ -	$ 2,238,172 (1a)	$ 2,435,337
Investments in securities	2,238,172	-	(2,238,172) (1a)	-
Loan portfolio, net	5,443,055	12,786,199 (3a)(3b)(4)	(2,654,042) (7)	15,575,212
Derivative financial instruments	4,598,117	(6,430) (2a)	(4,508,964) (2d)	82,723
Other accounts receivable - net	5,057,161	(5,057,161) (3a)	-	-
Other current assets	-	(322,382) (3b)	651,547 (7)	329,165
Recoverable Income Tax	-	-	4,605	4,605
Total current assets	17,533,670	7,400,226	(6,506,854)	18,427,042
Non-current assets held for sale	510,484	80,273 (9)	-	590,757
Loan portfolio, net	-	19,201,240 (3a)(4)	-	19,201,240
Property, furniture and equipment, net	32,728,822	(31,622,147) (3a)(5)	(246,552)	860,123
Investment properties	-	-	168,725	168,725
Intangible assets	-	-	77,827	77,827
Derivative financial instruments	-	(208,477) (2a)	4,508,964 (2d)	4,300,487
Permanent investments	49,541	-	(49,541)	-
Deferred taxes	1,718,511	2,198,283 (10)	-	3,916,794
Deferred charges, prepayments and intangible assets	2,067,310	(1,977,187) (3b)(6a)	(90,123) (7)	-
Other non-current assets	7,090	-	42,451	49,541
Total non-current assets	36,571,274	(12,408,288)	4,411,751	28,574,737
Total assets	$ 54,615,428	($ 4,927,789)	($ 2,095,103)	$ 47,592,536
Liabilities and Stockholders' equity				
Liabilities				
Current liabilities				
Bank loans	$ 4,258,070	$ -	$ 198	$ 4,258,268
Suppliers	2,544,119	-	(1,842,741) (7)	701,378
Debt instruments	503,832	-	79,501 (6b)	583,333
Senior notes	-	484,069 (6a)	19,763 (6b)	503,832
Taxes payable	252,362	-	(252,362)	-
Other accounts payable	369,607	15,688 (5)	(9,611)	375,684
Total current liabilities	7,927,990	499,757	(2,005,252)	6,422,495
Non-current liabilities				
Bank loans	3,880,702	-	(198)	3,880,504
Debt instruments	34,525,090	(1,001,852) (6a)	(16,553,487) (6b)	16,969,751
Senior notes	-	(1,014,462) (6a)	16,454,223 (6b)	15,439,761
Deferred loans and advance collections	697,277	(697,277) (3b)	-	-
Other accounts payable	-	-	9,611	9,611
Total non-current liabilities	39,103,069	(2,713,591)	(89,851)	36,299,627
Total liabilities	47,031,059	(2,213,834)	(2,095,103)	42,722,122
Stockholders' equity				
Capital stock	2,893,674	-	468	2,894,142
Retained earnings	1,850,456	(2,464,057) (3a)(4)(5)(6a)(9)(10)	2,311	(611,290)
Net income	1,770,682	-	-	1,770,682
Other accumulated comprehensive income	881,250	(249,898) (2a)(2b)	-	631,352
Legal reserve	185,528	-	-	185,528
Non-controlling interest	2,779	-	(2,779)	-
Total Stockholders' equity	7,584,369	(2,713,955)	-	4,870,414
Total Liabilities and Stockholders' Equity	$ 54,615,428	($ 4,927,789)	($ 2,095,103)	$ 47,592,536

2. Consolidated Statements of Financial Position as of December 31, 2018:

Assets	CNBV Accounting criteria as of December 31, 2018	IFRS adjustments		Reclassifications		IFRS as of December 31, 2018
Current assets						
Cash and cash equivalents	$ 376,186	$		$ 3,906,088	(1a)(1b)	$ 4,282,274
Investments in securities	3,530,359			(3,530,359)	(1a)	-
Loan portfolio, net	8,423,873	13,798,702	(3a)(3b)(4)	(3,034,750)	(7)	19,187,825
Derivative financial instruments	5,103,120	(17,539)	(2a)	(4,995,398)	(2d)	90,183
Other accounts payable, net	4,297,780	(4,802,683)	(3a)	504,903	(7)	-
Other current assets		494,386	(3b)	(192,419)	(7)	301,967
Recoverable Income Tax				63,948		63,948
	21,731,318	9,472,866		(7,277,987)		23,926,197
Non-current assets held for sale	692,067	138,904	(9)	-		830,971
Loan portfolio, net	-	25,008,204	(3a)	-		25,008,204
Property, plant and equipment, net	40,680,441	(39,494,625)	(3a)(5)	(289,407)		896,409
Investment properties	-	-		168,300		168,300
Intangible assets	-	-		121,107		121,107
Derivative financial instruments	-	(236,508)	(2a)	4,997,883	(2d)	4,761,375
Permanent investments	75,441	-		(75,441)		-
Deferred taxes	2,328,539	2,651,579	(10)	-		4,980,118
Deferred charges, prepayments and intangible assets	2,276,334	(2,219,678)	(3b)(6a)	(56,656)	(7)	-
Other non-current assets	5,518	-		69,923		75,441
Total non-current assets	45,366,273	(14,291,028)		4,935,708		36,010,954
Total assets	$ 67,789,658	($ 4,679,257)		($ 2,342,279)		$ 60,768,123
Liabilities and Stockholders' equity						
Liabilities						
Current liabilities						
Bank loans	$ 8,391,781	$ -		$ 27,554		$ 8,419,335
Suppliers	2,677,621	-		(2,612,272)	(7)	65,349
Debt instruments	289,037	-		1,970,433	(6b)	2,259,470
Senior notes	-	-		664,765	(6b)	664,765
Taxes payable	108,220	-		(108,220)		-
Other accounts payable	501,991	818,042	(5)(2c)	(210,118)	(5)	1,109,915
Derivative financial instruments	-	2,039	(2a)	2,484	(2d)	4,523
Total current liabilities	11,968,650	820,081		(265,374)		12,523,357
Non-current liabilities						
Bank loans	4,081,189	(77,059)	(6a)	(27,554)		3,976,576
Debt instruments	38,056,606	(310,957)	(6a)	(24,586,915)	(6b)(1b)	13,158,734
Senior notes	-	(1,053,558)	(6a)	22,327,446	(6b)	21,273,888
Deferred loans and advance collections	692,073	(692,073)	(3b)	-		-
Other accounts payable	-	-		210,118	(5)	210,118
Total non-current liabilities	42,829,868	(2,133,647)		(2,076,905)		38,619,316
Total liabilities	54,798,518	(1,313,567)		(2,342,279)		51,142,673
Stockholders' equity						
Capital stock	957,774	-		468		958,242
Retained earnings	2,695,105	(2,208,622)	(3a)(4)(6a)(9)(10)	2,311		488,794
Net income/(loss)	1,923,919	58,684		(102)		1,982,501
Share premium	1,935,900	-		-		1,935,900
Perpetual notes	4,531,330	-		-		4,531,330
Other accumulated comprehensive income	670,373	(1,215,752)	(2a)(2b)(2c)	-		(545,379)
Non-controlling interest	2,677	-		(2,677)		-
Legal reserve	274,062	-		-		274,062
Total Stockholders' Equity	12,991,140	(3,365,690)		-		9,625,450
Total Liabilities and Stockholders' Equity	$ 67,789,658	($ 4,679,257)		($ 2,342,279)		$ 60,768,123

3. Consolidated Statement of Comprehensive Income from January 1 to December 31, 2018:

	CNBV Accounting criteria as of December 31, 2018	IFRS adjustments	Reclassifications	IFRS as of December 31, 2018
Operating lease income	$ 14,761,002	($14,761,002)(3a)	$ -	$ -
Interest income	2,587,574	-	(2,587,574) (8)	-
Interest income from leases	-	6,612,350 (3a)	(23,449) (8)	6,588,901
Interest income from factoring	-	-	414,187 (8)	414,187
Interest income from car loans	-	-	309,420 (8)	309,420
Interest Other loans	-	-	1,305,402 (8)	1,305,402
Other lease benefits	1,595,730	-	(1,486,691) (8)	109,039
Depreciation of operating lease assets	(8,005,085)	7,946,463 (3a)	58,622 (8)	-
Interest expenses	(5,514,552)	20,845 (2b)(2c) (6a)	(18,711) (8)	(5,512,418)
Other lease expenses	(1,619,179)	-	1,619,179 (8)	-
Financial margin	3,805,490	(181,344)	(409,615)	3,214,531
Allowance for expected credit losses	250,635	77,141 (4)	-	327,776
Financial margin adjusted to credit losses	3,554,855	(258,485)	(409,615)	2,886,755
Commissions and fees paid	(43,100)	-	43,100 (8)	-
Exchange gains	-		715,520 (8)	715,520
Exchange losses	-	-	(484,235) (8)	(484,235)
Other operating income, net	25,933	140,877 (9)	224,930 (8)	391,740
Other expenses (products)	-	-	(31,078) (8)	(31,078)
Administration and promotion expenses	(1,091,911)	-	(58,622) (8)	(1,150,533)
	(1,109,078)	140,877	409,615	(558,586)
Operating profit	2,445,777	(117,608)		2,328,169
Income from associates	36,209	-	-	36,209
Profit before profits tax	2,481,986	(117,608)	-	2,364,378
Income tax payable	1,168,197		-	1,168,197
Deferred Income Tax	(610,028)	(176,292) (10)	-	(786,320)
Income Tax expense	558,169	(176,292)	-	381,877
Consolidated net income	$ 1,923,817	$ 58,684	$ -	$ 1,982,501

1) Investments in securities

a) The Company holds investments in securities in banking institutions. For CNBV accounting criteria, the Company classified Investments in securities considering the underlying securities on which the Bank supports the investment. They included debt securities and principal with high liquidity and with maturities of less than five days. As of the date of adoption of IFRS, balances as of January 1 and December 31, 2018 amounting to $2,238,172 and $3,530,359, respectively, have been reclassified as cash equivalents based on their nature.

b) As of December 31, 2018, the Company had rights to received excess assets of trusts for $375,729 required for payment of principal on its debt instruments issued. At the date of adoption of IFRS, the Company reclassified its debt instruments from liabilities to cash and cash equivalents, for they were still under the Company's control and administration.

2) Derivative financial instruments.

a) For CNBV accounting criteria, the fair value measurement of over-the-counter ("OTC") derivatives was provided by a price vendor authorized by the CNBV. For IFRS purposes, the fair value measurement considers the counterparty credit risk and the Company's own credit risk. Therefore, the net fair value disclosed in assets for derivative financial instruments as of January 1 and December 31, 2018, was adjusted to $214,907 (including $208,477 in non-current) and $256,086 (including $236,508 in non-current assets and $2,039 in current liabilities) respectively, and a decrease in Other comprehensive income (Hedging derivative financial instruments) within Stockholders' equity amounting to $214,907 and $256,085 as of January 1 and December 31, 2018, respectively.

b) For CNBV accounting criteria, certain derivative financial instruments positions qualified for hedge accounting in accordance with their economic nature. Under IFRS, some derivative financial instruments were classified as held for trading since they do not meet all hedging documentation requirements determined by IFRS. The effect on Other Comprehensive Income as of January 1, 2018 was a charge of $34,991 and $98,829 to interest expenses, in the consolidated Statement of Income for the year ended December 31, 2018.

c) Over 2018, the Company entered into Foreign exchange option contracts (Call Spread) for $1,073,740, recognised in accordance with CNBV accounting criteria as part of the derivative financial instrument fair value. Under IFRS, the accounting treatment requires to present it as a liability and to measure it at amortised cost; as of December 31, 2018, the amount pending amortisation recorded in Other accounts payable is $803,350. The effect on the Statement of Comprehensive Income for the year ended December 31 was a charge of $270,390 to interest expenses. In addition, the Company carried in other accounts payable outstanding commissions for $251,939 for derivative contracts; under IFRS, these commissions must be included in the fair value of the derivative financial instrument.

d) According to the accounting criteria, the position of derivative financial instruments was disclosed net, in the Balance Sheet. Subsequent to the adoption of IFRS, it is required to disclose the position of derivative financial instruments within current or non-current assets and liabilities, as applicable; consequently, the Company has reclassified to non-current assets $4,508,964 and $4,997,883 as of January 1 and December 31, 2018, respectively, and $2,485, to current liabilities as of December 31, 2018.

3) Classification of leases as lessor and Accounts and notes receivable.

a) Following CNBV accounting criteria, the Company classifies its lease agreements as operating leases. Under the operating lease accounting model, the Company recognised the fixed asset, its corresponding depreciation and impairments tests, as well as uncollected lease rents recognised in Other accounts receivable in the Balance Sheet, and the straight line lease income over the term of the agreement in the Statement of Income.

Under IFRS, the Company reassessed all the lease agreements to determine the classification and accounting model for each lease agreement or group of lease agreements and most were considered finance lease because the risk and benefits are transferred to the lessee with the transfer of the asset. As a result, the accounting model required recording an account receivable for the net investment in the finance lease agreement, further measured at amortised cost based on the effective interest rate method (implicit interest rate) and the recognition of the financial asset in the Statement of Income.

In view of the above, leased property, machinery and equipment (fixed assets) for $31,637,297 and $39,744,237 as of January 1 and December 31, 2018, respectively, and Other accounts receivable for $5,057,161 and $4,802,683 as of January 1 and December 31, 2018, respectively, were derecognised from the Balance Sheet in order to recognise an account receivable for an amount equal to the net lease investment for $32,304,389 ($19,201,240, as non-current assets) and $39,200,907 ($25,008,204, as non-current assets) as of January 1 and December 31, 2018, respectively. In addition, for the purposes of the Statement of Income for the year ended December 31, 2018, the Company recognised a financial income for $6,612,350 based on a pattern that reflected a constant periodic rate of return on the net investment in each finance lease agreement (implicit interest rate) and derecognised the depreciation expenses of the derecognized leased assets for $7,946,463 and lease income for $14,761,002 recorded under the straight-line method, as these two items are no longer required under the IFRS model. The cumulative effects derived from this change as of January 1, 2018 were $4,390,069, which were recorded as an adjustment to retained earnings.

b) As a result of the adoption of IFRS, commissions paid recorded under Other assets for $322,382 and $494,386 as of January 1 and December 31, 2018, respectively, financed insurance recorded under Deferred charges for $295,886 and $281,206 as of January 1 and December 31, 2018, respectively, and the opening fees for $697,277 and $692,073 as of January 1 and December 31, 2018, respectively, recorded in liabilities, were considered within Accounts receivable as part of the net investment described in paragraph a) above.

c) The Company classified as operating leases a few contracts where the risks and benefits from the leased assets were not substantially transferred, with no significant changes in the accounting recognition model.

4) Allowance for impairment losses of accounts and notes receivable.

For CNBV criteria, impairment was determined for the Company's loan portfolio (Accounts receivable under IFRS) based on an internal model whereby the Company classified its clients considering their total exposure balance as of the determination date and its classification as performing loan portfolio and non-performing loan portfolio.

Upon IFRS adoption, the Company applied the requirement of IFRS 9, which established that Accounts receivable are assessed periodically recognising impairments based on an expected credit loss model, to identify the risk stage, exposure to default, probability of default and lost given default for each client. As a result, the allowance for expected credit losses of accounts and notes receivable increased by $316,950 and $394,001 as of January 1 and December 31, 2018.

The net effect of the adoption of the expected credit loss model on the consolidated Statement of Income for the year ended December 31, 2018 was a charge to income for $77,141.

5) Recognition of leases as lessee.

Under CNBV criteria, the Company classifies its lease agreements as lessee as operating lease, recognising unpaid lease rents in accounts payable within the Balance Sheet and the accumulated expense for the lease rents in the Statement of Income. Under IFRS 16 - Leases, the Company recognised a right-of-use asset amounting to $15,150 and $249,612 as of January 1 and December 31, 2018, respectively, under Property, furniture and equipment, and a liability in Other accounts payable representing the obligation to make lease payments for $15,688 and $266,628 ($210,118 in the non-current liabilities) as of January 1, and December 31, 2018, respectively. An impact of $537 was recognised in retained earnings as of January 1, 2018, and an impact of $17,016, in the Company's results for the year ended December 31, 2018.

6) Financial liabilities valued at amortised cost

a) Under CNBV criteria, bank loans, debt instruments and senior notes were recognised at its contract value, recognising interest in profit or loss as accrued. Issuance expenses incurred were initially recorded in Other Assets as deferred charges, and recognised in income for the year as interest expense on a straight-line basis over the term of the obligations that originated them. According to IFRS, these instruments are classified as financial liabilities initially recognised at fair value, net of transaction costs incurred, and measured subsequently at amortised cost applying the effective interest rate method. The effects of adoption on the consolidated Statement of Financial Position were the derecognition of issuance expenses recorded under Other Assets as deferred charges for $1,629,254 and $1,444,086 as of January 1 and December 31, 2018, respectively, and the contractual net value recorded under liabilities was adjusted by $97,009 and $2,512 as of January 1 and December 31, 2018, respectively, to reflect measurement at amortised cost. In the consolidated Statement of Income for the year ended December 31, 2018 interest expense was adjusted by $146,544 to reflect measurement of financial liabilities at amortised cost. The cumulative effect as of January 1, 2018 derived from the change in measurement was $97,009, which were recorded under retained earnings.

b) Senior promissory notes issued in foreign markets (Senior Notes) were formerly disclosed within Debt securities, together with the debt instruments issued by the Company on the Mexican Stock Exchange, as per the Balance Sheet format required by accounting criteria. The Company has disclosed the Senior Notes separately, by reclassifying $16,473,966 (including $16,454,223, as non-current liabilities) and $22,703,174 (including $22,327,446, as non-current liabilities) as of January 1 and December 31, 2018, because these instruments have features specific to debt instruments issued on the Mexican Stock Exchange and represent one of the most important funding procedures for the Company.

7) Reclassifications of accounts payable

Under CNBV criteria, commitment agreements to grant a leased asset were recognised as a liability given the obligation to acquire the asset to be leased and an account receivable (Other accounts receivable) for the economic benefits arising from the committed lease. Under IFRS, these benefits and obligations are recognised until the lessor makes the asset available to the lessee. In view of the above, the Company reclassified to Other Accounts Receivable the accounts payable (suppliers) for $1,842,741 and $2,612,272 as of January 1 and December 31, 2018, respectively.

8) Presentation of the Statement of Income.

Under IFRS, the consolidated Statement of Income is to be presented with a structure containing minimum sections and accounts, using a classification based on the nature of expenses or their function within the Company, whichever provides more relevant and reliable information to the users of the financial statements. The Company has opted for a classification of expenses by function and therefore it has reclassified the accounts and sections originally included in the consolidated Statement of Income for the year ended December 31, 2018 to adopt IFRS model financial statements.

9) Impairment losses of assets held for sale.

Under CNBV accounting criteria, foreclosed assets recognised an allowance for indications of impairment losses based on reserve percentages prescribed by the CNBV. For IFRS purposes, these assets are classified as Non-current assets held for sale and the Company determines an impairment based on the comparison between the fair value less costs to sell and their book value (the lower). In view of the foregoing, the Company adjusted these assets by $80,273 and $138,905 as of January 1 and December 31, 2018. Retained earnings amounted to $80,273 as of January 1, 2018 and the results for the year ended December 31, 2018, to $58,632.

10) Deferred Income Tax

As a result of the adjustments described in this Note, the carrying amounts that served as a basis for recalculating the cumulative temporary differences deductible from deferred Income Tax were adjusted by $2,198,283 and $2,651,579 as of January 1 and December 31, 2018, respectively, and by $176,292 in the Statement of Income for the year ended December 31, 2018.

The adjustments and reclassifications described in the preceding sections represent the major effects on transition to IFRS. There were other adjustments and reclassifications that did not impact significantly on the presentation of the financial statements as a whole as of January 1 and December 31, 2018, or of the Statement of Income for the year ended December 31, 2018.

Note 20 - Subsequent events:

On March 11, 2020, the World Health Organization (WHO) declared the new COVID-19 a pandemic. This situation has precipitated a worsening global economic crisis since the exponential spread of the virus has forced the authorities in all countries to apply increasingly restrictive measures, affecting personal and working life of millions of people, with an evident impact on industries and trade.

On March 30, 2020, the General Health Council published an announcement in the Federal Official Gazette declaring the COVID-19 pandemic a sanitary emergency in Mexico by reason of force majeure.

There is uncertainty regarding the development of this health crisis and how long it will take, and regarding the direct and indirect effects of the coronavirus outbreak on the global economy, the markets and the Company customers. The Company cannot predict the possible direct or indirect impact of coronavirus in the future; however, the Company is taking sufficient and effective support measures for its customers with a view to its business continuity and recovery of its loan portfolio, and to avoid significant negative effects on the placement of new contracts with customers and the placement of new lines of credit to mitigate the impact on its financial position. Although at present the Company considers it unlikely, the coronavirus disease might have materially adverse effects on the results of its operations in the future.

Furthermore, the fall in the oil prices initially caused by the conflict between Russia and Saudi Arabia when the latter agreed to increase production of barrels, in addition to the COVID-19 outbreak, has reduced demand for crude oil as people have suspended travel and the countries were forced to lower their level of economic activity. The Mexican oil mix price fell by 84.80% between December 31, 2019 and April 24, 2020, from US 56.14 to US 8.53 per barrel. As mentioned in Note 9, the Company has acquired an asset related to the oil industry, with a market interested in using this type of assets, which might be affected by the above-mentioned circumstances. At the date of the financial statements, Management is evaluating options to formalize a transaction with a participant in the oil industry in Mexico.