OXNARD ENTERPRISES LIMITED

Consolidated Report and Financial Statements

30 September 2016

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS
Clive Stanford
Lambros Hajigeorghi
Sofia Christodoulou (appointed on 4 May 2016)
Christina Sarris (resigned on 4 May 2016)

SECRETARY
Christina Sarris

REGISTERED OFFICE
9 Tagmatarchou Pouliou
GRAYOAK HOUSE
1101 Ayios Andreas
Nicosia, Cyprus

PRINCIPAL PLACE OF BUSINESS
9 Tagmatarchou Pouliou
GRAYOAK HOUSE
1101 Ayios Andreas
Nicosia, Cyprus

INDEPENDENT AUDITORS
Deloitte Limited
Certified Public Accountants and Registered Auditors
24 Spyrou Kyprianou Avenue
1075, Nicosia, Cyprus

DIRECTORS REPORT

The Board of Directors presents its annual report and audited consolidated financial statements of Oxnard Enterprises Limited and its subsidiaries (the Group) for the year ended 30 September 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Group, are the supply of wood-based panels, timber and the provision of related transport and logistics services. The Group also has extensive industrial land holdings, including port facilities and immovable property which generate rental and service income. The parent company Oxnard Enterprises Ltd is incorporated in Cyprus.

REVIEW OF OPERATIONS

	2016 Euro'000	2015 Euro'000	Change %
Revenue	514,977	475,184	8.4
Operating Profit	3,319	13,720	(75.8)
EBITDA	29,109	28,512	2.1

Revenue for the year ended 30 September 2016 at Euro 515 million, is 8.4% higher compared to 2015 (Euro 475 million). The increase in revenue was driven by the Group's timber trading, transportation and logistics operations as a direct result of the significant investments that have been made in the financial years ending 30 September 2016 and 2015.

INVESTMENT

	2016 Euro'000	2015 Euro'000	Change %
Total	32,740	38,569	(15.1)

Investments in property, plant and equipment during the year at Euro 32,74 million is 15.1% lower compared to 2015 (Euro 38,57 million). Major projects in the year include the acquisition of land (Poland), vehicles for timber transportation and machinery for recycling of timber (Belarus and Poland), construction of a 3rd melamine facing production line (Italy) and investments in new distribution centres (Russian and Poland).

SHARE CAPITAL

On 14 December 2015, the board of directors authorised the issue of 10,000 new ordinary shares of a nominal value of €1.71 each at a total allotment of €450, thus giving rise to a premium of €448.29 each or a total value of €4,483 million.

DIRECTORS

The members of the Group's Board of Directors as at 30 September 2016 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 30 September 2016, except from Mrs Christina Sarris who resigned on 4 May 2016 and was replaced on the same date by Mrs Sofia Christodoulou.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

DIRECTORS REPORT

OUTLOOK

The Group expects the next 12 months to provide further opportunities to expand the business particularly in the area of:

- Timber distribution and waste wood recycling.
- The further investments in distribution centres and logistics services.
- The further development of existing port facilities.
- Expansion of the Group property and land holding with the acquisition of an additional prestigious property located in Sliema, Malta.

INDEPENDENT AUDITORS

All of the current directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The Independent Auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Sofia Christodoulou
Director

Nicosia, 22/03/2017

Deloitte.

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Independent auditor's report

To the Members of Oxnard Enterprises Ltd

Report on the consolidated financial statements

We have audited the consolidated financial statements of Oxnard Enterprises Ltd (the "Company") and its subsidiaries (together with the Company, the "Group"), which are presented in pages 6 to 48 which comprise the consolidated statement of financial position as at 30 September 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Deloitte.

Independent auditor's report (continued)

To the Members of Oxnard Enterprises Ltd

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 September 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report, whose preparation is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Christakis Ioannou
Certified Public Accountant and Registered Auditor
for and on behalf of
Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 22/03/2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the year ended 30 September 2016

	Note	2016 Euro '000	Restated 2015 Euro '000
Revenue	4	514,977	475,184
Other operating income		6,527	6,185
Changes in inventories of finished goods and work in progress		(15,423)	(9,253)
Raw materials and consumables used		(412,775)	(392,351)
Employee benefit costs	5, 6	(22,191)	(20,456)
Depreciation and amortisation expense	5, 9, 10, 11	(14,536)	(13,263)
Impairment expense	5	(10,896)	(270)
Other operating expenses		(42,364)	(32,056)
Operating profit	5	3,319	13,720
Finance income	7	524	1,144
Finance costs	7	(9,236)	(8,062)
(Loss)/ profit before tax		(5,393)	6,802
Taxation	8	(1,028)	(736)
(Loss) / profit for the year		(6,421)	6,066
Other comprehensive income			
Exchange difference arising on the translation and consolidation of foreign companies' financial statements		(945)	(506)
Other comprehensive income for the year		(945)	(506)
Total comprehensive income for the year		(7,366)	5,560
Attributable to:			
Equity holders of the parent		(7,323)	5,602
Non-controlling interests		(43)	(42)
		(7,366)	5,560

All of the (loss) / profit and comprehensive income for the year is attributable to equity holders of the Parent.

The notes on pages 10 to 48 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2016

	Note	30/09/2016 Euro '000	Restated 30/09/2015 Euro '000	Restated 01/10/2014 Euro '000
ASSETS				
Non-current assets				
Property, plant and equipment	9	244,655	246,313	222,456
Investment properties	10	24,850	5,821	4,015
Intangible assets	11	10,570	10,675	10,851
Capital in partnerships	13	761	511	511
Investments	12	43	96	73
Long term loans advanced	14	3,473	8,937	3,617
Deferred tax assets	8	5,510	4,598	3,073
		289,862	276,951	244,596
Current assets				
Inventories	15	28,542	29,193	27,886
Trade and other receivables	16	50,331	47,085	45,512
Loans advanced	14	96	430	215
Prepayments		576	822	745
Cash and cash equivalents	17	9,603	11,218	11,306
		89,148	88,748	85,664
TOTAL ASSETS		379,010	365,699	330,260
LIABILITIES AND SHAREHOLDERS' EQUITY				
Equity attributable to equity shareholders of the Company				
Share capital	18	121	104	104
Preference share capital	19	16	16	16
Share premium	18, 19	48,627	44,144	44,144
Merger capital reserve		10,285	10,285	10,285
Other reserves		(2,456)	(1,511)	(1,160)
Retained earnings		16,035	22,413	16,260
		72,628	75,451	69,649
Non-controlling interests		1,632	1,670	1,712
Total equity		74,260	77,121	71,361
Non-current liabilities				
Loans financed or underwritten by the shareholders	21	137,203	138,307	120,084
Long term loans	20	27,161	17,726	6,000
Obligations under finance leases	25	5,497	6,051	7,434
Deferred tax liabilities	8	5,974	5,097	4,513
Other long-term liabilities	26	5,432	5,145	4,904
		181,267	172,326	142,935
Current liabilities				
Loans financed or underwritten by the shareholders	21	25,292	36,997	40,326
Bank loans and overdrafts	20	23,241	21,766	17,059
Trade and other payables	22	72,342	56,736	57,971
Current tax liabilities		275	428	462
Provisions	24	2,333	325	146
		123,483	116,252	115,964
Total liabilities		304,750	288,578	258,899
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		379,010	365,699	330,260

On 22/03/2017 the consolidated financial statements of Oxnard Enterprises Limited were approved by the Board of Directors and authorised for issue.

Signed on behalf of the Board of Directors

....
Sofia Christodoulou - Director

....
Lambros Hajigeorghi - Director

The notes on pages 10 to 48 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 September 2016

	Note	2016 Euro '000	Restated 2015 Euro '000
Cash flows generated from operating activities			
(Loss)/ profit for the year		(6,421)	6,066
Adjustments for:			
Depreciation and amortisation	9, 11	14,536	13,263
Share of profit from partnership	13	(338)	-
Profit from the sale of non-current assets	5	(145)	(146)
Impairment charge of non-current assets	5	10,896	270
Dividend income		-	(3)
Finance income	7	(524)	(1,144)
Finance expense	7	9,236	8,062
Income tax expense	8	1.028	736
Foreign currency gain/losses		(181)	346
Cash flows from operations before working capital changes		28,087	27,450
Increase in inventories		(4.550)	(1,140)
Decrease/(increase) in trade and other receivables and prepayments		2,997	(346)
Decrease in trade and other payables		(662)	(11,136)
Increase in provisions		2,008	-
Cash flows from operations		27,880	14,828
Interest received		735	863
Interest paid		(9,420)	(8,968)
Income taxes paid		(1,505)	(1,028)
Net cash flows from operating activities		17.690	5,695
Cash flows from investing activities			
Purchase of intangible assets	11	(203)	(55)
Purchase of property, plant and equipment	9	(8,439)	(24,150)
Payment for purchase of investment property	10	(18,677)	(2,204)
Loans granted		(100)	-
Proceeds from sales of property, plant and equipment		420	1,864
Previously non consolidated subsidiary		-	(1,800)
Acquisition of investments		-	(4)
Net cash flows used in investing activities		(26,999)	(26,349)
Cash flows from financing activities			
Proceeds from issue of share capital		4,500	-
Repayments of long-term loans		(1,940)	(8,058)
Repayment of loans granted		-	215
Repayment of shareholders loans		(85,340)	(25,802)
Loans granted		-	(5,750)
Repayments of finance lease obligations		(5,135)	(3,278)
Proceeds from long-term loans		12,400	18,356
Proceeds from loans to related companies		48	-
Proceeds from loans from related companies		82,829	40,341
Dividends paid		-	3
Capital contribution by minority interest		(5)	-
Proceeds from share of profits from partnership		88	-
Decrease in long term financial liabilities		(101)	(84)
Net cash flows from financing activities		7,344	15,943
Net decrease in cash and cash equivalents		(1,965)	(4,711)
Cash and cash equivalents:			
At beginning of the year		(9,010)	(4,081)
Effect of exchange rate changes		(131)	(218)
At end of the year	17	(11,106)	(9,010)
Cash and cash equivalents are represented by:			
Cash at bank and in hand	17	9,603	11,218
Bank overdrafts		(20.709)	(20.228)
		(11,106)	(9,010)

The notes on pages 10 to 48 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2016

	Share capital Euro '000	Preference share capital Euro '000	Share premium Euro '000	Merger capital reserve Euro '000	Other reserve Euro '000	Foreign currency translation reserve Euro '000	Retained earnings Euro '000	Total Euro '000	Non-controlling interests Euro '000	Total Euro '000
Changes in equity for 2016										
At 1 October 2015 as restated	104	16	44,144	10,285	(55)	(1,456)	22,413	75,451	1,670	77,121
Net loss for the year	-	-	-	-	-	-	(6,378)	(6,378)	(43)	(6,421)
Other comprehensive income for the year	-	-	-	-	-	(945)	-	(945)	-	(945)
Issue of share capital	17	-	4,483	-	-	-	-	4,500	-	4,500
Capital contribution by minority interest	-	-	-	-	-	-	-	-	5	5
At 30 September 2016	121	16	48,627	10,285	(55)	(2,401)	16,035	72,628	1,632	74,260
Changes in equity for 2015										
At 1 October 2014 as previously reported	104	16	44,144	10,285	(18)	(883)	16,132	69,780	1,712	71,492
Effect of change in accounting policy	-	-	-	-	-	(259)	128	(131)	-	(131)
At 1 October 2014 as restated	104	16	44,144	10,285	(18)	(1,142)	16,260	69,649	1,712	71,361
Net profit for the year	-	-	-	-	-	-	6,108	6,108	(42)	6,066
Other comprehensive income for the year	-	-	-	-	-	(506)	-	(506)	-	(506)
Total comprehensive income for the year	-	-	-	-	-	(506)	6,108	5,602	(42)	5,560
Translation of foreign operations	-	-	-	-	-	192	8	200	-	200
Transfer between reserves	-	-	-	-	(37)	-	37	-	-	-
At 30 September 2015 as restated	104	16	44,144	10,285	(55)	(1,456)	22,413	75,451	1,670	77,121

The following describes the nature and purpose of each reserve within owners' equity;

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger capital reserve	Consists of capital reserve arising from merger.
Foreign currency translation reserve	Refer to note 32 (Other accounting policies - Foreign currency transactions).
Retained earnings	Profit for the year and prior years.
Other reserve	These consist of compulsory legal reserves.
Non-controlling interest	This consists of the proportion of subsidiaries net assets that do not belong to the equity holders.

The notes on pages 10 to 48 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

1. PRINCIPAL ACTIVITIES

The principal activities of the Group, are the supply of wood-based panels, timber and the provision of related transport and logistics services. The Group also has extensive industrial land holdings, including port facilities and immovable property which generate rental and service income. The parent company Oxnard Enterprises Ltd is incorporated in Cyprus.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, including International Accounting Standards (IAS) and Interpretations issued by the International Accounting Standards Board (IASB), (collectively IFRSs) and also in accordance with the requirements of the Cyprus Companies Law, Cap. 113.

The Directors are of the opinion that the preparation of the financial statements on a going concern basis is appropriate.

The principal accounting policies adopted for dealing with items which are considered material or critical in determining the results for the year and in stating the financial position, are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

A complete list of other accounting policies is included in note 32.

(a) Significant judgements and estimates

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles (GAAP) under IFRS, requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Group evaluates its estimates on an on-going basis using historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The following paragraphs detail the estimates and judgements the Group believes to have the most significant impact on the annual results under IFRS.

- *Financial instruments valuation methods.* Valuation methods based on the discounting of future cash flows (effective interest method) or alternative methods based on analysis of recent like arms-length transactions or financial performance of the same type of investees are used for estimation of the value of certain categories of financial instruments for which there are no generally available market information that is believed to be reasonable under the circumstances. The methods may require assumptions of the management not supported by data which are generally available. As a result, the valuation method falls under level 3 of the fair value hierarchy. If profit or loss, income and expenses, assets and liabilities change significantly followed by the change of assumptions the respective disclosures are made in the financial statements.

  Whenever a company issues financial instruments, judgement is required to determine the appropriate accounting treatment. In the case of the issued redeemable preference shares, due to the voting rights attached, judgement was exercised and it was determined that these instruments are, in substance, equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Significant judgements and estimates (continued)

- *Provision for doubtful receivables.* At each statement of financial position date, the Group evaluates the collectability of trade receivables to assess whether there is any objective evidence that a provision for impairment is required. These provisions for impairment are based on, amongst other things, insurance cover, comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operational results positively or negatively.

- *Accounting for provisions and contingencies.* The Group is subject to a number of claims that are incidental to the normal conduct of its business. The Group routinely assesses the likelihood of any adverse judgements or outcomes to these matters as well as ranges of probable and reasonable estimated losses.

  Reasonable estimates involve judgement made by management after considering information including notifications, settlements, estimates performed by independent parties and legal counsel, available facts, identification of other potentially responsible parties and their ability to contribute, and prior experience.

  A provision is recognised when it is probable that an obligation exists and which a reliable estimate can be made of the obligation. The required provision may change in the future due to new developments and as additional information becomes available.

  Where it is only possible that an obligation exists or where the recognition criteria for a provision are not met, a contingent liability is disclosed unless the possibility of transferring economic benefits is remote.Movements in provisions for the year are disclosed within note 24.

- *Income taxes.* Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- *Depreciation of property, plant and equipment.* The estimated useful economic lives of property, plant and equipment (PPE) are based on management's judgements and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation that charge is adjusted prospectively.

  Due to the significance of PPE investment to the Group, variations between actual and estimated useful lives could impact operating results both positively and negatively, although few changes to estimated useful lives have been required historically.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Significant judgements and estimates (continued)

- *Impairment of assets.* At each reporting date, the Group is required to assess whether there is any indication that, in management's judgement, the carrying value of tangible or intangible assets may be not be recoverable. If any indication exists, the relevant asset's recoverable value is estimated, being the greater of its value in use and fair value less cost to sell. Where the carrying value exceeds the recoverable value, the asset's carrying value is reduced to the recoverable value.

  An impairment review requires management to make subjective judgements concerning the cash flows, growth rates and discount rates of the cash generating units under review.

  Goodwill and intangible assets with an indefinite life must be tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

  Movements on property, plant and equipment during the year have been included within note 9. Movements on intangible assets during the year have been included within note 11.

(b) Consolidated financial statements

The consolidated financial statements include the financial statements of the holding company and its subsidiaries which are collectively referred to as the "Group". The results of the companies acquired are accounted for from the date of their acquisition to the date of their disposal. All subsidiaries were necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All significant intra-company transactions and balances between group enterprises are eliminated on consolidation.

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary.

(c) Revenue and profit from operations

Revenue represents amounts invoiced for goods sold or services rendered net of discounts, returns and Value Added Tax. Sales revenue is recognised only when the relevant goods have been delivered or services rendered, i.e. when the risk and rewards has been transferred to the customer. Profit from operations is stated after charging all operating costs including those separately disclosed by virtue of their size or unusual nature or to facilitate a more helpful understanding of the Group's results. It is stated before investment income and finance costs.

(d) Property, plant and equipment

All property, plant and equipment is initially recognised at cost. Borrowing costs that are directly attributable to the acquisition, construction or production of property, plant and equipment are capitalised as part of the cost of the property, plant and equipment.

Where property, plant and equipment are to be revalued they would be subsequently stated at the revalued amount less subsequent depreciation. Any future revaluations of property, plant and equipment would be undertaken in a period not exceeding five years.

Changes in carrying amounts as a result of asset revaluations are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to retained earnings.

The commissioning date of a significant asset, such as a production line, is when the machine commences to produce economic quantities. There will normally be a short period before this when test production is made and this is not considered to represent commissioning.

Depreciation of property, plant and equipment is calculated by the straight-line method so as to reduce cost or valuation to their estimated residual value over their expected useful lives. The annual depreciation rates applicable are as follows:

Land and buildings	3% - 3.3%
Plant and equipment	4.7% - 6.7%
Vehicles and other	10 - 25%

Land is not depreciated.

Gains or losses on the disposal of property, plant and equipment are determined as the difference between the sale price (net of selling expenses) and the net book value of the asset at the date of disposal.

Repairs and maintenance costs are charged directly to the profit and loss account. Costs for significant renovation and improvement of property, plant and equipment are capitalised.

Assets under construction are recorded at the cost incurred in their purchase or manufacture including the cost of financing each project until it is commissioned.

Property, plant and equipment are assessed for impairment at each reporting date as detailed in the description of significant judgements and estimates above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

3. CHANGES IN ACCOUNTING POLICY

During the year ended 30 September 2016 the Group changed its accounting policy according to the provisions of IAS 21, for two Russian subsidiaries, Kronocentr LLC and Megastore LLC, who selected to change their functional currency from Euro to Russian Rouble due to their operations being carried out in that currency and thus the comparative figures have been adjusted to conform to changes in the current year.

Also, the Group changed its accounting policy for a part of property, plant and equipment to investment properties due to significance in values to be in line with the provisions of IAS 40. Presentation of last year's comparative figures has also been reclassified and represented.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

	2015	Changes in accounting policies	Reclassifications	2015
	As reported	IAS 21		As restated
	Euro '000	Euro '000	Euro '000	Euro '000
Revenue	474,679	5	500	475,184
Other operating income	13,384	-	(7,199)	6,185
Changes in inventories of finished goods and work in progress	(9,295)	-	42	(9,253)
Raw materials and consumables used	(391,902)	-	(449)	(392,351)
Employee benefit costs	(20,429)	(5)	(22)	(20,456)
Depreciation and amortisation expense	(13,269)	6	-	(13,263)
(Impairment expense)/reversal of impairment	(96)	-	(174)	(270)
Other operating expenses	(39,179)	(179)	7,302	(32,056)
Profit from operations	13,893	(173)	-	13,720
Finance income	1,136	-	8	1,144
Finance expenses	(8,054)	-	(8)	(8,062)
Profit before tax	6,975	(173)	-	6,802
Income tax expense	(671)	(65)	-	(736)
Profit for the year	6,304	(238)	-	6,066
Other comprehensive income	-	(506)	-	(506)
Total comprehensive income for the year	6,304	(744)	-	5,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2015	Changes in accounting policies		Reclassifications	2015
	As reported	IAS 40	IAS 21		As restated
	Euro '000	Euro '000	Euro '000	Euro '000	Euro '000
ASSETS					
Non current assets					
Property, plant and equipment	252,883	(6,147)	(423)	-	246,313
Investment properties	-	6,147	(326)	-	5,821
Intangible assets	10,675	-	-	-	10,675
Capital in partnerships	-	-	-	511	511
Investments	607	-	-	(511)	96
Long term loans advanced	8,937	-	-	-	8,937
Deferred tax asset	4,612	-	(14)	-	4,598
	277,714	-	(763)	-	276,951
Current assets					
Inventories	29,210	-	(17)	-	29,193
Trade and othe receivables	47,090	-	(5)	-	47,085
Prepayments	822	-	-	-	822
Loans advanced	430	-	-	-	430
Cash and cash equivalents	11,144	-	(2)	76	11,218
	88,696	-	(24)	76	88,748
TOTAL ASSETS	366,410	-	(787)	76	365,699
LIABILITES AND SHAREHOLDERS' EQUITY					
Equity attributable to equity shareholders of the Company					
Share capital	104	-	-	-	104
Preference share capital	16	-	-	-	16
Share premium	44,144	-	-	-	44,144
Merger capital reserve	10,285	-	-	-	10,285
Other reserves	(746)	-	(765)	-	(1,511)
Retained earnings	22,523	-	(110)	-	22,413
Non controlling interests	1,670	-	-	-	1,670
	77,996	-	(875)	-	77,121
Non-current liabilities					
Loans financed or underwritten by the shareholders	122,609	-	-	15,698	138,307
Long-term loans	30,126	-	-	(12,400)	17,726
Deferred tax liability	5,047	-	50	-	5,097
Obligations under finance leases	6,051	-	-	-	6,051
Other long-term liabilities	5,145	-	-	-	5,145
	168,978	-	50	3,298	172,326
Current liabilities					
Loans financed or underwritten by the shareholders	38,828	-	-	(1,831)	36,997
Bank loans and overdrafts	23,160	-	(3)	(1,391)	21,766
Trade and other payables	57,020	-	41	(325)	56,736
Provisions	-	-	-	325	325
Current tax payable	428	-	-	-	428
	119,436	-	38	(3,222)	116,252
Total liabilities	288,414	-	88	76	288,578
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	366,410	-	(787)	76	365,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

4. REVENUE

	2016	2015
	Euro '000	Euro '000
Continuing operations	514,977	475,184
	514,977	475,184

5. PROFIT FROM OPERATIONS

	2016	2015
	Euro '000	Euro '000
Profit from operations arrived at after charging / (crediting) the following:		
Staff costs (Note 6)	22,191	20,456
Depreciation and amortisation expense (Notes 9, 10 and 11)	14,536	13,263
Impairment charge of property, plant and equipment (Note 9)	232	96
Impairment charge of other investments (Note 12)	53	-
Impairment of inventory (Note 15)	4,822	174
Impairment of investment property (Note 10)	59	-
Impairment of loan (Note 14)	5,730	-
Audit fees	164	158
Currency translation differences	358	1,259
Payments under operating leases - property	1,155	1,026
Profit on disposal of non-current assets	(145)	(146)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

6. EMPLOYEE BENEFIT COSTS

	2016	2015
	Euro '000	Euro '000
Cost		
Wages and Salaries	17,881	16,681
Employer's Social Security	3,795	3,331
Employer's Pension Costs - defined contribution plans	515	444
	22,191	20,456

	2016	2015
	Number	Number
Average Number of Employees	1,230	1,097
	1,230	1,097

Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company.

	2016	2015
	Euro '000	Euro '000
Salaries and other short-term employee benefits	1,337	1,081
	1,337	1,081

7. FINANCE INCOME AND EXPENSES

	2016	2015
	Euro '000	Euro '000
Finance income		
Bank interest	36	44
Interest from related parties	180	239
Other	308	861
	524	1,144
Finance costs		
Loans from related party	7,268	6,693
Bank borrowing	805	669
Finance leases	189	277
Other borrowings	974	423
	9,236	8,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

8. TAXATION

	2016		2015	
	Euro '000	Euro '000	Euro '000	Euro '000
Current tax expense				
Corporation tax / income tax on profits for the year	1,560		1,098	
Adjustment for over provision in prior periods over	(4)		-	
Other movements	(615)		(141)	
Withholding tax	116		116	
		1,057		1,073
Deferred tax				
Origination and reversal of temporary differences	122		872	
Benefit arising from a previously unrecognised tax loss and/or tax credit of a prior period that is used to reduce deferred tax expense	(120)		(511)	
Benefit arising from a previously unrecognised tax loss and/or tax credit of a prior period that is used to reduce current tax expense	(56)		(639)	
Deferred tax expense arising from the write-down or reversal of a previous write-down of a deferred tax asset	(127)		(104)	
Change in opening deferred tax liability resulting from change in the tax rates	69		-	
Accelerated tax depreciation	127		47	
Other movements	(44)		(2)	
		(29)		(337)
Total expense		1,028		736

The charge for the period can be reconciled to the (loss)/profit per the statement of profit or loss and comprehensive income as follows:

	2016	2015
	Euro '000	Euro '000
(Loss)/ profit before tax	(5,393)	6,802
Taxation at the domestic income tax rate	(9)	1,897
Tax effect of income or expenses that are (not taxable) or deductible in determining taxable profit	2,099	(301)
Tax effect of current year's tax losses	(27)	34
Tax effect of utilisation of tax losses not previously recognised	(1,029)	(409)
Tax effect of group tax relief	(4)	-
Deferred tax asset recognised on tax credits and exemptions	(26)	(607)
Adjustment for under provision in prior periods	(85)	11
Withholding tax suffered at source	116	116
Effect of tax relief	(7)	(5)
Tax expense	1,028	736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

8. TAXATION (continued)

The Group benefits from various tax exemptions which are designed to encourage investment in certain countries.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the of the year:

Deferred tax liability

	Accelerated tax depreciation	Other	Total
	Euro '000	Euro '000	Euro '000
At 1 October 2014	4,018	495	4,513
Charged / (credited) to:			
Statement of Profit or Loss and Comprehensive Income	553	31	584
At 1 October 2015	4,571	526	5,097
Charged / (credited) to:			
Statement of Profit or Loss and Comprehensive Income	438	439	877
At 30 September 2016	5,009	965	5,974

Deferred tax assets

	Tax losses	Tax credits and exemptions	Other	Total
	Euro '000	Euro '000	Euro '000	Euro '000
At 1 October 2014	1,070	1,543	460	3,073
Charged / (credited) to:				
Statement of Profit or Loss and Comprehensive Income	945	(23)	27	949
Transfer between deferred tax assets	(66)	66	-	-
Exchange difference	(113)	-	(1)	(114)
Acquisitions / Disposals	690	-	-	690
At 1 October 2015	2,526	1,586	486	4,598
Charged / (credited) to:				
Statement of Profit or Loss and Comprehensive Income	1,811	(1,091)	272	992
Effect of change in tax rate	(69)	-	-	(69)
Exchange difference	(1)	-	1	-
Acquisitions / Disposals	(11)	-	-	(11)
At 30 September 2016	4,256	495	759	5,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

8. TAXATION (continued)

At the statement of financial position date the Group had unused tax losses of Euro 26,930 million (2015: Euro 23,944 million) available for offset against future profits. A deferred tax asset has been recognised in respect of Euro 17,425 million (2015: Euro 11,936 million) of such losses. No deferred tax asset has been recognised in respect of the remaining Euro 9,505 million (2015: Euro 12,008 million) due to the unpredictability of available future taxable profits.

Other deferred tax assets relate to deferred income, asset impairment and accruals.

9. PROPERTY, PLANT AND EQUIPMENT

Year ended 30 September 2016	Land and buildings Euro '000	Plant and equipment Euro '000	Vehicles and other Euro '000	Construction in progress Euro '000	Total Euro '000
Cost or valuation					
At 1 October 2015	208,787	25,147	52,026	23,702	309,662
Additions	400	935	718	10,612	12,665
Impairment loss	-	-	(20)	-	(20)
Exchange difference	-	3	-	(72)	(69)
Transfers to / (from) other fixed assets	12,709	3,336	5,140	(21,185)	-
Disposals	(95)	(33)	(1,948)	-	(2,076)
Fully depreciated assets written off	-	(200)	-	-	(200)
Transfers to intangible assets	-	(1)	-	(1)	(2)
At 30 September 2016	221,801	29,187	55,916	13,056	319,960
Accumulated depreciation and impairment					
At 1 October 2015	30,308	11,128	21,513	400	63,349
Charge for the year	5,473	1,942	6,323	-	13,738
Impairment loss / (reversal of impairment)	218	-	(6)	-	212
Exchange difference	-	-	6	-	6
Disposal	(4)	(25)	(1,771)	-	(1,800)
Fully depreciated assets written off	-	(200)	-	-	(200)
At 30 September 2016	35,995	12,845	26,065	400	75,305
Carrying amount					
At 30 September 2016	185,806	16,342	29,851	12,656	244,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 30 September 2015	Land and buildings Euro '000	Plant and equipment Euro '000	Vehicles and other Euro '000	Construction in progress Euro '000	Total Euro '000
Cost or valuation					
At 1 October 2014	202,334	18,401	42,098	11,278	274,111
Additions	242	435	214	35,156	36,047
Acquisition of Subsidiary	769	4,900	-	-	5,669
Impairment loss	(100)	-	(61)	-	(161)
Exchange differences	-	-	-	(226)	(226)
Transfers to / (from) other fixed assets	5,611	2,533	14,356	(22,500)	-
Disposals	(69)	(1,116)	(4,581)	-	(5,766)
Transfers to intangible assets	-	(6)	-	(6)	(12)
At 30 September 2015	208,787	25,147	52,026	23,702	309,662
Accumulated depreciation and impairment					
At 1 October 2014	24,707	7,749	18,799	400	51,655
Charge for the year	5,211	1,675	6,010	-	12,896
Impairment reversal	(63)	-	(2)	-	(65)
Exchange differences	-	-	(11)	-	(11)
Disposal	(13)	(221)	(3,283)	-	(3,517)
Acquisition of subsidiary	466	1,925	-	-	2,391
At 30 September 2015	30,308	11,128	21,513	400	63,349
Carrying amount					
At 30 September 2015	178,479	14,019	30,513	23,302	246,313

Borrowings costs capitalised during year amounted to Euro 19 thousand (2015: Euro 541 thousand).

The carrying amount of the plant and equipment includes Euro 1,4 million (2015: Euro 1,5 million) in respect of assets held under finance leases.

The carrying amount of the Vehicles includes Euro 12,445 million (2015: Euro 12,057 million) in respect of assets held under finance leases.

Bank borrowings to the value of Euro 16,530 million (2015: Euro 13,991 million) are secured on land and buildings and on plant and equipment.

Land and Buildings with a net book value of Euro 52,9 million (2015: Euro 66,9 million) were pledged as a security for loans financed or underwritten by the shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

10. INVESTMENT PROPERTY

	Land and buildings Euro '000	Fixtures and fittings Euro '000	Construction in progress Euro '000	Total Euro '000
Cost				
At 1 October 2015 as restated	5,281	-	641	5,922
Additions	16,459	713	2,699	19,871
Exchange difference	-	-	(266)	(266)
Impairment loss	(66)	-	-	(66)
Transfers	460	-	(460)	-
At 30 September 2016	22,134	713	2,614	25.461
Accumulated depreciation and impairment				
At 1 October 2015 as restated	101	-	-	101
Charge for the year	472	15	-	487
Exchange difference	30	-	-	30
Impairment reversal	(7)	-	-	(7)
At 30 September 2016	596	15	-	611
Carrying amount				
At 30 September 2016	21.538	698	2,614	24.850

	Land and buildings Euro '000	Fixtures and fittings Euro '000	Construction in progress Euro '000	Total Euro '000
Cost				
At 1 October 2014 as restated	1,109	-	2,906	4,015
Additions	-	-	2,459	2,459
Disposals	(5)	-	-	(5)
Exchange difference	-	-	(547)	(547)
Transfers	4.177	-	(4.177)	-
At 30 September 2015 as restated	5.281	-	641	5,922
Accumulated depreciation and impairment				
Charge for the year	116	-	-	116
Impairment reversal	(15)	-	-	(15)
At 30 September 2015 as restated	101	-	-	101
Carrying amount				
At 30 September 2015 as restated	5.180	-	641	5.821

The Group has elected that after initial asset recognition all classes of investment property shall be carried at their cost less any accumulated depreciation an any accumulated impairment losses.

Borrowings costs capitalised during year amounted to Euro 61 thousand (2015: Euro 269 thousand).

Investment property with a fair value Euro 17,987 million, was determined by an independent property valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

11. INTANGIBLE ASSETS

Year ended 30 September 2016

	Goodwill	Land Concession	Other intangibles	Total
	Euro '000	Euro '000	Euro '000	Euro '000
Cost				
At 1 October 2015	6,833	9,358	1,467	17,658
Additions	-	-	204	204
Transfers from property, plant and equipment	-	-	2	2
Fully depreciated assets written off	-	-	(9)	(9)
At 30 September 2016	6,833	9,358	1,664	17,855
Amortisation				
At 1 October 2015	3,789	1,992	1,202	6,983
Amortisation for the year	-	217	94	311
Fully depreciated assets written off	-	-	(9)	(9)
At 30 September 2016	3,789	2,209	1,287	7,285
Carrying amount				
At 30 September 2016	3,044	7,149	377	10,570

Year ended 30 September 2015

	Goodwill	Land Concession	Other intangibles	Total
	Euro '000	Euro '000	Euro '000	Euro '000
Cost				
At 1 October 2014	6,833	9,358	1,392	17,583
Additions	-	-	63	63
Transfers from property, plant and equipment	-	-	12	12
At 30 September 2015	6,833	9,358	1,467	17,658
Amortisation				
At 1 October 2014	3,789	1,778	1,165	6,732
Amortisation for the year	-	214	37	251
At 30 September 2015	3,789	1,992	1,202	6,983
Carrying amount				
At 30 September 2015	3,044	7,366	265	10,675

Land concessions of Euro 9,358 million (2015: Euro 9,358 million) are amortised over 43 years and 5 months. The concessions were granted for 50 years and amortisation commenced in July 2006, when the asset started to generate revenues. The expiry date of the concession is November 2049.

Other intangible assets relate to computer software which are amortised in accordance with the Group's accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

12. INVESTMENTS

	Trading investments
	Euro '000
At 1 October 2014	73
Additions	23
At 1 October 2015	96
Impairment	(53)
At 30 September 2016	43

Trading investments included above represent investments in unlisted equity securities. They have no fixed maturity or coupon rate.

The impairment relates to a Polish investment which was considered by management as fully impaired.

The details of the signifigant subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2016 Holding %	2015 Holding %
Malta Trading Sp. z o.o.	Poland	Distribution of wood based products	**100**	100
Silva Sp. z o.o.	Poland	Transportation services, timber trading & waste wood recycling	**100**	100
Kronoplus Sp. z o.o.	Poland	Distribution of wood based products	**100**	100
Kronotex Sp. z o.o.	Poland	Management and rental of industrial real estate	**100**	100
Kronospan Investment Sp. z o.o.	Poland	Real estate management and rental services	**100**	100
Kronospan Trading Ltd	United Kingdom	Distribution of wood based products	**100**	100
Kronospan Zona Libera Constanta Srl	Romania	Port warehouse storage and stevedoring	**99**	99
Megastor LLC	Russia	Distribution of wood based products	**100**	100
Kronocentr LLC	Russia	Ownership and rental of distribution centers	**100**	100
Kronodrev LLC	Russia	Purchase & resale of timber	**100**	100
Kronologistic LLC	Ukraine	Transportation services & timber trading	**100**	100
Kronospan Trading Ltd	Cyprus	Distribution of wood based products	**100**	100
UAB Kronospan Trading	Lithuania	Distribution of wood based products	**100**	100
Silva CZ s.r.o	Czech Republic	Transportation services & purchase & resale of timber	**100**	100
Kronospan Italia S.r.l.	Italy	Melamine facing of particleboard & distribution of wood based panel products	**100**	100
Desarollo Hortofruticola de la Safor S.A.	Spain	Port warehouse storage and stevedoring	**100**	100
Kronotex SAS	France	Management and rental of industrial real estate	**100**	100
Kronospan Trading SAS	France	Distribution of wood based products	**100**	100
Wald and Grundbesitz GmbH	Germany	Forestry and timber sales	**94.90**	94.90
Belecenter FLLC	Belarus	Purchase and resale of timber and transportation services	**100**	100
Kronospan BR FLLC	Belarus	Real estate management and rental services	**100**	100
Cedex LLC	Belarus	Transport services	**100**	100
Kronospan Trading NV	Belgium	Distribution of wood based products	**100**	100
Silva Hungary KFT	Hungary	Transport services and timber trading	**100**	100
Kronotex Malta Ltd	Malta	Real estate management	**100**	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

13. CAPITAL IN PARTNERSHIPS

	2016 Euro '000	2015 Euro '000
At 1 October	511	511
Distribution of profits	(88)	-
Share of partnership profit	338	-
At 30 September	761	511

The details of the partnerships are as follows:

Name	Country of incorporation	Principal activities	2016 Holding %	2015 Holding %
WIV Immobilienverwaltung GmbH & Co. KG	Germany	Real estate management	5.6	5.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

14. LONG TERM LOANS ADVANCED

	2016 Euro '000	2015 Euro '000
At 1 October	9,367	3,832
New loans granted	100	5,750
Repayments	(48)	(215)
Interest charged	475	441
Interest received	(182)	(441)
Impairment of loan	(5,730)	-
Exchange difference	(413)	-
At 30 September	3,569	9,367

	2016 Euro '000	2015 Euro '000
Loans - unsecured (Note 28)	3,569	9,367
Less : Instalments due after more than one year	(3,473)	(8,937)
Loans due within one year	96	430

The loans are repayable as follows:

	2016 Euro '000	2015 Euro '000
Instalments due after 1 year but not more than 2 years	96	430
Instalments due after 2 years but not more than 5 years	1,934	7,040
Instalments due after 5 years	1,443	1,467
	3,473	8,937

The book value of loans equals their fair value.

The loan impairment of Euro 5,730 million relates to a loan advanced from one of the Group's Russian subsidiaries. The impairment has been provided for after a detailed evaluation of the borrowers expected future cash generation, current economic and industry specific conditions.

15. INVENTORIES

	2016 Euro '000	2015 Euro '000
Raw materials	2,484	2,065
Work in progress	247	456
Finished products	2,685	1,976
Trade goods	22,734	24,283
Goods in transit	392	413
	28,542	29,193

Inventories valued at Euro 14,524 million (2015: Euro 11,497 million) include a provision of Euro 6,456 million (2015: Euro 2,040 million) and are therefore carried at fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

16. TRADE AND OTHER RECEIVABLES

	2016	2015
	Euro '000	Euro '000
Trade receivables	42,397	39,686
Amounts due from related parties (Note 28)	248	309
Taxes, subsidies, social insurance	4,865	4,115
Other accounts receivables	2,821	2,975
	50,331	47,085

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade and other receivables at the statement of financial position date comprise amounts receivable from the sale of goods and services. An allowance has been made for estimated irrecoverable amounts from the sale of goods and services, which has been determined by reference to past default experience.

Trade receivables are further analysed as follows:

	2016	2015
	Euro '000	Euro '000
Gross value	42,754	39,715
Impairment	(357)	(29)
Net value	42,397	39,686
Analysis of trade receivables:		
Not due	41,393	38,968
Due and not impaired		
- Insured	439	648
- Not insured	453	70
	892	718
- Due 0 - 90 days	777	521
- Due + 90 days	115	197
	892	718
Due and impaired		
0 - 90 days	84	-
+ 90 days	385	29
	469	29
Total	42,754	39,715

Uninsured trade receivables that are due and not impaired represent balances with customers who have no default history.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. TRADE AND OTHER RECEIVABLES (continued)

Amounts due from related parties are further analysed as follows:

	2016 Euro '000	2015 Euro '000
Gross value	248	309
Impairment	-	-
Net value	248	309

Analysis of trade receivables:

Not due	-	-
Due and not impaired		
- Not insured	248	309
	248	309
- Due 0 - 90 days	-	-
- Due -' 90 days	-	-
Total	248	309

Uninsured amounts due from related parties that are due and not impaired represent balances with customers who have no default history.

17. CASH AND CASH EQUIVALENTS

	Cash Euro '000	Bank overdrafts Euro '000	Net Euro '000
At 1 October 2014	11,306	(15,387)	(4,081)
Movement for the year	(88)	(4,841)	(4,929)
At 1 October 2015	11,218	(20,228)	(9,010)
Movement for the year	(1,615)	(481)	(2,096)
At 30 September 2016	9,603	(20,709)	(11,106)

18. SHARE CAPITAL

	2016 Number	2015 Number	2016 Euro '000	2015 Euro '000
Authorised ordinary shares of €1.71 each	71,000	61,000	121	104
Issued ordinary shares of €1.71 each	71,000	61,000	121	104
Share premium			38,643	34,160

On 14 December 2015, the board of directors authorised the issue of 10,000 new ordinary shares of a nominal value of €1.71 each at a total allotment of €450, thus giving rise to a premium of €448.29 each or a total value of €4,483 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

18. SHARE CAPITAL (continued)

There are no restrictions attaching to the ordinary shares. All share capital is fully paid.

19. PREFERENCE SHARE CAPITAL

	2016 Number	2015 Number	2016 Euro '000	2015 Euro '000
Authorised redeemable preference shares of €1 each	16.000	16.000	16	16
Issued redeemable preference shares of €1 each	16,000	16,000	16	16
Share premium			9,984	9,984

Authorised and fully issued redeemable share capital

Oxnard Enterprises Limited has the right to redeem the shares at any time after 1 January 2013, as regards voting rights and dividends the redeemable preference shares have the same rights as the holders of the ordinary shares with the only difference being their first ranking on liquidation.

20. BANK LOANS AND OVERDRAFTS

	2016 Euro '000	2015 Euro '000
Current borrowings		
Bank loans and overdraft	50,402	39,492
Less instalments due after more than one year	(27,161)	(17,726)
Bank loans and overdrafts and other loans due within one year	23,241	21,766

Bank loans and overdrafts and other loans due after more than one year are analysed as follows:

	2016 Euro '000	2015 Euro '000
Instalments due after 1 year but not more than 2 years	4,432	2,222
Instalments due after 2 years but not more than 5 years	6,974	6,257
Instalments due after 5 years	15,755	9,247
	27,161	17,726

Bank loans and overdrafts and other loans due within one year are analysed as follows:

	2016 Euro '000	2015 Euro '000
Current portion of long term loans	2,532	1,538
Other short term borrowings (note 17)	20,709	20,228
	23,241	21,766

20. BANK LOANS AND OVERDRAFTS (continued)

The weighted average interest rates paid were as follows:

	2016	2015
	%	%
Bank loans	1.85	1.55
Bank overdraft	2.33	2.54

The carrying amount of short and long term borrowings approximate their fair value.

	2016	2015
	Euro '000	Euro '000
Bank overdrafts	20,709	20,228
Bank loans	29,693	19,264

Bank overdrafts are repayable on demand and are secured on the inventories and trade receivables. The bank overdraft facilities are subject to renewal in March, April and June 2017 and in June 2019.

Long term bank loans are secured on the tangible moveable assets, land buildings and plant of respective Group companies to which loans are granted.

At 30 September 2016, the Group had available Euro 15,733 million (2015: Euro 5,045 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

As at 30 September 2016, all bank covenants imposed by long term borrowers were met by the Group.

21. LONG TERM LOANS FINANCED OR UNDERWRITTEN BY THE SHAREHOLDERS

	2016	2015
	Euro '000	Euro '000
Total loans	162,495	175,304
Less instalments due after more than one year	(137,203)	(138,307)
Loans due within one year	25,292	36,997

Repayment of loans are analysed as follows:

	2016	2015
	Euro '000	Euro '000
Due within 1 year	25,292	36,997
Instalments due after 1 year but not more than 2 years	31,824	22,163
Instalments due after 2 years but not more than 5 years	20,590	75,918
Instalments due after 5 years	84,789	40,226
	162,495	175,304

The interest rate on the loans ranges between 3.05% and 6.03% (2015: between 3.00% and 6.00%).

Rental income of Euro 14,80 million (2015: Euro 14,39 million) and Land and Buildings amounting to Euro 52,9 million (2015: Euro 66,9 million) are pledged as security by the respective Group companies to which loans are granted.

During the year the Group issued 36.000 unsecured, registered bonds redeemable on maturity October 2030, at an issuance price of euro 1.000 each bearing interest 1M Euribor plus 7% margin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

22. TRADE AND OTHER PAYABLES

	2016	2015
	Euro '000	Euro '000
Trade payables	35,608	31,643
Investment payables	1,004	1,233
Finance lease payments due within one year (Note 25)	3,484	3,788
Other payables and accruals	21,411	19,167
Concession contracts (Note 26)	116	116
Payables to related parties (Note 28)	10,719	789
	72,342	56,736

Trade and other payables principally comprise amounts outstanding for trade purchases and on-going costs.

The directors consider that the carrying amount of trade payables approximates to their fair value

23. OPERATING LEASES

The Group as lessee
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	Euro '000	Euro '000
Within one year	902	631
Between one and five years	1,938	1,422
	2,840	2,053

Operating leases represent commitments by the Group for land, buildings, vehicles and machinery. Leases are negotiated for an average term of 2, 3 and 5 years for vehicles and machinery and for an indefinite period for the land and with a termination period of 3 months.

The Group as lessor
At the statement of financial position date, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	2016	2015
	Euro '000	Euro '000
Within one year	472	-
Between 2-5 years	278	-
	750	-

Operating leases represent rental income from 14 residential apartments which are rented out for mostly a period of one year, with four apartments having a lease running for a period between of two and five years. The lease agreements can be renewed upon agreement between the lessor and the lessee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

24. PROVISIONS

	Legal	Other	Total
	Euro '000	Euro '000	Euro '000
At 1 October 2014	46	100	146
Charged / (credited) to profit or loss	195	-	195
Utilised during the of the year	(16)	-	(16)
At 1 October 2015	225	100	325
Charged / (credited) to profit or loss	2,008	-	2,008
At 30 September 2016	2,233	100	2,333
Due within one year or less	2,233	100	2,333
Due after more than one year	-	-	-
	2,233	100	2,333

The Group is currently involved in a number of legal disputes. The amount provided represents the directors' best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action.

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		The present value of minimum lease payments	
	2016	2015	2016	2015
	Euro '000	Euro '000	Euro '000	Euro '000
Amounts payable under finance leases	9,243	3,845	3,484	3,788
Within one year	3,532	3,845	3,484	3,788
In the second to fifth years inclusive	5,711	6,281	5,497	6,051
	9,243	10,126	8,981	9,839
Less: future finance charges	(262)	(287)	-	-
Present value of lease obligations	8,981	9,839	8,981	9,839
Less: Amount due for settlement with 12 months (shown under current liabilities) (Note 22)			(3,484)	(3,788)
Amount due for settlement after 12 months			5,497	6,051

The Group leases vehicles and loaders under finance leases. The average lease term is 5 years (2015: 6 years). For year ended 30 September 2016, the average effective borrowing rate for the 5 year lease was 2.1% (2015: 2.4%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The lease obligations are denominated in EUR or PLN.

The fair values of the Group's lease obligations approximate to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26. OTHER LONG TERM LIABILITIES

	2016	2015
	Euro '000	Euro '000
Land concession and retention payables on construction contracts	3,862	3,963
Other long term liabilities	1,686	1,298
Less: Instalments due within one year (note 22)	(116)	(116)
	5,432	5,145

The retentions on construction contracts represent contract retentions payable to construction companies for the warehouse at the Port of Constanta, Romania.

The land concession payable represents future instalments payable under a land concession contract in Romania for a total of 50 years which expires in November 2049. Refer also to Note 11 Intangible assets.

The book values of the Group's long term financial liabilities at the statement of financial position date approximate their fair values.

27. ENVIRONMENTAL POLICY

The Group's environmental policy is to be constantly aware of the environment and to ensure it makes its contribution to safe-guarding and improving the environment and workplace in which it operates.

All investment projects comprise latest technology plant, taking into account up to date environmental standards and regulations applicable in the EU and the country of operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

28. RELATED PARTY TRANSACTIONS

The Company is controlled by Luda Stiftung, a discretionary, irrevocable foundation registered in Liechtenstein, which itself owns all the assets and is controlled by the foundation board.

The following transactions were carried out with related parties:

Sales of goods and services

	Sale of goods		Sale of services		Amounts owed by related parties	
	2016	2015	2016	2015	2016	2015
	Euro '000	Euro '000	Euro '000	Euro '000	Euro '000	Euro '000
Other related parties	3,583	3,853	155	303	248	309
	3,583	3,853	155	303	248	309

Purchases of goods and services

	Purchase of goods (including fixed assets)		Purchase of services and other fees		Amounts owed to related parties	
	2016	2015	2016	2015	2016	2015
	Euro '000	Euro '000	Euro '000	Euro '000	Euro '000	Euro '000
Other related parties	21,450	20,776	1,169	680	10,719	789
	21,450	20,776	1,169	680	10,719	789

Other related parties represent entities which are under the common control of the ultimate beneficial shareholders of the Group.

Sales and purchases of goods and services are made with related parties on an arm's length basis in the normal course of business.

Details of directors and key management personnel remuneration are given in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

28. RELATED PARTY TRANSACTIONS (continued)

Loans from related parties

	2016	2015
	Euro '000	Euro '000
At beginning of year		
- Principal	175,304	160,410
- Interest	426	1,151
	175,730	161,561
Movements during the year		
Loan principal received/redeemable bonds	82,829	40,341
Loan principal paid	(85,340)	(25,802)
Loans assigned	(10,298)	-
Interest charged	6,857	6,928
Interest paid	(6,993)	(7,653)
Capitalised interest	-	355
	(12,945)	14,169
At year end		
- Principal	162,495	175,304
- Interest	290	426
	162,785	175,730

Loans to related companies

	2016	2015
	Euro '000	Euro '000
At beginning of year		
- Principal	9,367	3,832
- Interest	-	-
	9,367	3,832
Movements during the year		
Loans advanced	100	5,750
Loan principal received	(48)	(215)
Interest accrued	475	441
Interest received	(182)	(441)
Impairment of loan	(5,730)	-
Exchange difference	(413)	-
	(5,798)	5,535
At year end		
- Principal	3,569	9,367
- Interest	-	-
	3,569	9,367

29. CONTINGENT LIABILITIES

As at 30 September 2016, the Group has provided guarantees of a total amount of Euro 12.65 million (2015: Euro 12.65 million) to long term finance providers of its subsidiary Walt-und Grundbesitz GmbH & Co. KG.

The directors do not expect the Group to suffer any loss on the above guarantees. Accordingly, no provision has been made in these financial statements in respect of this matter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

30. CAPITAL COMMITMENTS

At the statement of financial position date, the Group had capital commitments of Euro 207 thousand relating to building construction contracts.

31. RISK MANAGEMENT

General objectives, policies and processes

The Group operates procedures designed to reduce or eliminate financial risk and ensure that funds are available for current and future needs. The policies are approved by the Board and the use of financial instruments is strictly controlled.

Principal financial instruments

A summary of the financial instruments held by category is provided below:

Financial assets	Loans and receivables	
	2016	2015
	Euro '000	Euro '000
Loans advanced	3,569	9,367
Trade, related party and other receivables (excl.prepayments, VAT, corporate and other taxes, social security, provisions)	42,485	40,299
Cash and cash equivalents	9,603	11,218
Total financial assets	55,657	60,884

Financial liabilities	Financial liabilities at amortised cost	
	2016	2015
	Euro '000	Euro '000
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	57,317	43,422
Loans and borrowings	50,402	39,492
Loans financed or underwritten by the shareholders	162,495	175,304
Finance leases	8,981	9,839
Other long-term liabilities	5,432	5,145
Total financial liabilities	284,627	273,202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31. RISK MANAGEMENT (continued)

Fair value of financial liabilities

The table below is an analysis of the book values and fair values of the financial liabilities excluding trade payables.

	Book value		Fair values	
	2016	2015	2016	2015
	Euro '000	Euro '000	Euro '000	Euro '000
Bank overdrafts	20,709	20,228	20,709	20,228
Bank borrowings	29,693	19,264	29,693	19,264
Loans financed or underwritten by the shareholders	162,495	175,304	162,495	175,304
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	57,317	43,423	57,317	43,423
Other long-term liabilities	5,432	5,145	5,432	5,145
Finance leases	8,981	9,839	8,981	9,839
	284,627	273,203	284,627	273,203

The following methods and assumptions were used to estimate fair values:

Fair values of bank overdrafts, trade and other payables approximate their book value largely due to the short-term maturities of these instruments.

Fair values of bank borrowings and loans financed or underwritten by the shareholders are evaluated by the Group based on interest rates at the financial year end. Based on this evaluation the book values approximate their calculated fair values as bank borrowings and loans financed or underwritten by the shareholders have variable rates.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. The major part of trade receivables is covered by credit insurance. Where credit insurance is not available, or is restricted, Group policies provide the basis for establishing a credit limit for each customer. Customers may also purchase on a pre-payment basis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with acceptable ratings are authorised.

The Group does not enter into derivatives to manage credit risk, although in certain isolated cased may take steps to mitigate such risks if it is sufficiently concentrated.

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31. RISK MANAGEMENT (continued)

Credit risk (continued)

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below.

	Carrying value		Maximum exposure	
	2016	2015	2016	2015
	Euro '000	Euro '000	Euro '000	Euro '000
Loans advanced	3,569	9,367	3,569	9,367
Trade and other receivables	50,331	47,085	50,331	47,085
Cash and cash equivalents	9,603	11,218	9,603	11,218
Prepayments	576	822	576	822
Total financial assets	64,079	68,492	64,079	68,492

Market risk

(i) Interest rate risk
As a result of the relevant portion of floating rate borrowings the Group is exposed to interest rate risk, in particular the risk of variation in national currency and Euro interest rates. In line with Group policy this risk is not covered. Whilst the Group takes steps to minimise its exposure to cash flow interest rate risk, changes in interest rates will have an impact on profit. Management continually monitor interest rate movements to assess the impact that this will have upon interest costs. The annualised effect of a 1% increase in the interest rate at the statement of financial position date on variable rate debt carried at the date would, all other variable being held constant, have resulted in an increase of the Group's pre-tax loss for the year of Euro 498 thousand (2015: 381 thousand). A 1% decrease in the interest rate would, on the same basis have decreased post-tax losses by the same amount.

(ii) Currency risk
The Group is exposed to foreign exchange risk as a result of fluctuations between the national currency and the Euro.

Where possible, income streams in one currency are used to meet payment obligations in the same currency. Group policy allows forward purchase for trade related payable items which are due for payment during the next month.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31. RISK MANAGEMENT (continued)

The following table details the Group's sensitivity to a 5% increase or decrease in the Euro against the relevant local currency which represents management's assessment of the reasonably possible change in foreign exchange rates.

	2016				2015			
Impact of	**PLN**	**RUR**	**CZK**	**GBP**	**PLN**	**RUR**	**CZK**	**GBP**
	Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
Monetary financial assets	34,532	2,754	4,886	2,754	35,269	2,460	5,136	2,460
Monetary financial liabilities	(38,133)	(2,743)	(7,238)	(2,743)	(42,582)	(2,115)	(5,697)	(2,115)
Net (liabilities)/assets	(3,601)	11	(2,352)	11	(7,313)	345	(561)	345
Impact on results - Gain/(Loss)								
5% on foreign currency appr. (Euro depr.)	(180)	1	(118)	1	(366)	17	(28)	17
5% on foreign currency depr. (Euro appr.)	180	(1)	118	(1)	366	(17)	28	(17)
Denominated in Euro								
Monetary financial assets	2,168	158	234	158	1,596	6,504	305	6,504
Monetary financial liabilities	(52,854)	(6,072)	(344)	(6,072)	(9,725)	(6,349)	(878)	(6,349)
Net (liabilities)/assets	(50,686)	(5,914)	(110)	(5,914)	(8,129)	155	(573)	155

Liquidity risk
Group liquidity risk management aims to ensure that the Group is able to timely obtain the financing required to properly carry on its business activities, implement its strategy, and meet its payment obligations when due, while avoiding the need of having to obtain funding under unfavourable terms.

For this purpose, Liquidity management at the Group comprises:

- consistent financial planning and cash flow forecasting at company levels with different time horizons; [monthly, annual and three year business plans];
- diversification of financing sources;
- diversification of the maturities of the debt issued in order to avoid excessive concentration of debt repayments in short periods of time;
- arrangement of committed credit facilities with relationship banks, ensuring the right balance between satisfactory liquidity and adequate commitment fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31. RISK MANAGEMENT (continued)

Maturity of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities excluding trade payables (Note 22) based on contractual undiscounted payments.

As at 30 September 2016	On demand Euro '000	less than 12 months Euro '000	1-5 years Euro '000	>5 years Euro '000	Total Euro '000
Bank overdrafts	20,709	-	-	-	20,709
Bank borrowings	-	2,778	12,158	17,493	32,429
Loans financed or underwritten by the shareholders	-	33,127	79,139	125,292	237,558
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	-	57,317	-	-	57,317
Other long term liabilities	-	-	464	3,282	3,746
Finance leases	-	3,530	5,711	-	9,241
	20,709	96,752	97,472	146,067	361,000

As at 30 September 2015	On demand Euro '000	less than 12 months Euro '000	1-5 years Euro '000	>5 years Euro '000	Total Euro '000
Bank overdrafts	20,228	-	-	-	20,228
Bank borrowings	-	1,897	9,494	9,826	21,217
Loans financed or underwritten by the shareholders	-	43,577	131,059	37,775	212,411
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	-	43,422	-	-	43,422
Other long term liabilities	-	-	464	5,012	5,476
Finance leases	-	3,823	6,281	-	10,104
	20,228	92,719	147,298	52,613	312,858

Bank borrowings include interest calculated at the rate applicable at 30 September and for fixed interest rate loans the rate in the loan agreement.

Finance lease commitments are based on the interest rate implicit in the finance lease agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31. RISK MANAGEMENT (continued)

Capital disclosures

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt (including finance lease liabilities, less cash and cash equivalents) and equity (including loans financed or underwritten by the shareholders).

The Group's strategy is to maintain the debt-to-adjusted capital ration at below 1:1:

	2016 Euro '000	2015 Euro '000
Total bank debt	59,383	49,331
Less cash and cash equivalents	(9,603)	(11,218)
Net debt	49,780	38,113
Total equity	74,260	77,121
Plus loans financed or underwritten by the shareholders	162,495	175,304
Adjusted capital	236,755	252,425
Debt to adjusted capital ratio	21.03%	15.10%

32. OTHER ACCOUNTING POLICIES

(a) Changes in accounting policies

(i) New standards, amendments to published standards and interpretations to existing standards effective in the current financial year adopted by the Group.

There have been no standards adopted by the Company for the first time for the financial year beginning on or after 1 October 2015 that will have a material impact on the Group.

(ii) Standards, amendments and interpretations to published standards effective in 2016 but which are not relevant to the Group.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 October 2016, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

(b) Investment properties

Investment property, principally comprising shops and office buildings, is held for long-term rental yields and/or for capital appreciation and is not occupied by the Group. Investment property is treated as a non-current asset and is stated at historical cost less depreciation. Depreciation of property, plant and equipment is calculated by the straight-line method so as to reduce cost or valuation to their estimated residual value over their expected useful lives.The annual depreciation rates used are as follows:

The annual depreciation rates used are as follows:

Land and buildings	2.5-5%
Fixtures and fittings	10%

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Land is not depreciated.

(c) Intangibles

Intangible assets are shown at historical cost and are amortised on a straight-line basis method over their estimated useful life, normally 2 to 5 years, with the exemption of land rights, which are amortised over the period these concessions are granted and the cost of new technologies on acquired assets are amortised on a straight line basis over their expected useful life. Intangibles are subject to impairment reviews whenever events or changes in circumstances indicate that their carrying value may not be recovered. Where the carrying value is more than the recoverable value, the asset's carrying value is reduced to the recoverable value. The annual depreciation rates applicable are as follows:

Land concessions	2.0%
Other	20 - 50%

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32. OTHER ACCOUNTING POLICIES (continued)

(d) Goodwill

Goodwill is initially measured as the excess of the fair value of the net value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Any excess of the interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is recognised immediately in profit or loss.

(e) Finance income

Finance income includes interest income which is recognised based on an accrual basis.

(f) Taxation

Corporation tax is provided on the taxable profit for the year at the applicable tax rate.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs to its tax base, except for differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and the timing of the transaction affects neither accounting or taxable profits.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. A deferred tax asset is recognised for tax exemptions and tax credits to the extent that the future tax savings can be reasonably estimated.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date and expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

(g) Foreign currency transactions

The books and records of the majority of Group companies are maintained in local currency to comply with local legal requirements. However, for the purpose of IFRS Group reporting the Euro was treated as the measurement (functional) currency because of its significance to the operations in the Group. Consequently, the following translation was done:

i) Statement of Profit or Loss and Comprehensive Income items (excluding foreign exchange differences, non-current asset depreciation and disposal expense) were translated into Euro at the average monthly exchange rate for the year.
ii) Equity, non-monetary assets and liabilities were re-measured into Euro at historical exchange rates prevailing on the transaction dates. Non-current assets depreciation and disposal expense were re-measured accordingly.
iii) All monetary assets and liabilities were translated into Euro at the exchange rate prevailing on the consolidated statement of financial position date.

All foreign exchange gains or losses resulting from the above translation were credited or debited to the consolidated statement of profit or loss and comprehensive income in accordance with IAS 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

32. OTHER ACCOUNTING POLICIES (continued)

For certain smaller subsidiaries the Euro cannot be considered the functional currency but is more correctly treated as the reporting currency. In respect of these subsidiaries the following translation was done:

i) Statement of Profit or Loss and Comprehensive Income items were translated into Euro at the average monthly exchange rate for the year.
ii) All assets and liabilities were translated into Euro at the exchange rate prevailing on the statement of financial position date.

All foreign exchange gains or losses resulting from the above translation were credited or debited to the translation reserve within equity in accordance with IAS 21.

(h) Non-current assets held for sale

Non-current assets are classified as assets held for sale if their carrying amount is recovered principally through a sale transaction rather than continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Materials are valued at cost which consists of purchase price, freight inwards, and customs duties and are decreased by discounts received. The value of materials used and trading goods dispatched is calculated on a weighted average cost basis.

Finished goods produced are valued at average cost of materials and direct labour plus depreciation of plant and equipment used in production based on the normal level of activity of the Group and a share of production overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and sale. Trading goods are valued at purchase price. Provisions are also made for slow moving and obsolete finished goods and spare parts.

(j) Leasing and sale and leaseback

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Group as lessor</u>

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32. OTHER ACCOUNTING POLICIES (continued)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, the present value of the minimum lease payments, each being determined at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Sale and leaseback arrangements, by means of a finance lease, are accounted for in the same manner as a standard finance lease agreement. On sale, the asset is not removed from property, plant and equipment and any profit or loss on disposal is deferred and amortised over the shorter of the lease term or the useful life of the asset.

(k) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(l) Employee benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Termination benefits in accordance with legislation are payable to employees. Management does not believe that the probability of occurrence poses a material impact on the financial statements, and only recognises termination benefits when it is demonstrably committed to payment.

The Group makes provisions for bonuses where contractual obligations exist for payment.

(m) Research and Development

The Group does not undertake any research and development on its own behalf, but licences appropriate technology when required. The annual licence fees are charged to other operating expenses in the statement of profit or loss and comprehensive income while lump sum payments for new technologies acquired are amortised over their expected useful life.

(n) Dividends

Interim dividends are recognised in equity in the year in which they are paid. Final dividends are recognised in equity in the year in which they are declared. Dividend income is recognised when the right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

32. OTHER ACCOUNTING POLICIES (continued)

(o) Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

(i) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flow associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised, in other operating expenses, in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

(p) Financial liabilities

The Group's financial liabilities comprise:

(i) Bank and other borrowings

Are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(ii) Trade payables and other short-term liabilities

Are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(iii) Other long-term liabilities

Other long-term liabilities represent land concessions which are shown at historical cost and which are amortised over the period these concessions are granted.

32. OTHER ACCOUNTING POLICIES (continued)

(q) Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre tax rate reflecting current market assessments of the value of money and the risks specific to the liability.

(r) Net Finance costs

Interest expense and other costs on borrowings to finance construction or production of qualifying assets are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed in the year to which they relate.

(s) Interests in partnerships

The Group's share in a partnership is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the partnership (equity method).

The Group undertakes joint venture arrangements that involve the establishment of separate entity in which each venturer has an interest (jointly controlled entity). The Group reports its interests in jointly controlled entities using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit and loss and other comprehensive income of the Joint Venture. The post acquisition movements are adjusted in the carrying amount of the investment. Any of the Group's share of post acquisition losses of the joint venture is recognised to the extent of the carrying amount of the investment (prior to recognition of losses). In such cases, in subsequent periods the Group recognises income from the joint ventures only after its share of the profits are in excess of the losses not yet recognised.

Any distributable income received in excess of the Group's investment in Joint venture and the Group (a) is not liable for the obligations of the joint venture or otherwise committed to provide financial support to the Joint Venture and (b) the distribution are not refundable by agreement or Law, then such excess distribution is recognised as income in profit or loss. In subsequent years, if the Joint Venture reports a profit, the Group resumes applying the equity method in accordance to IAS 28/31 once the Joint Venture has made sufficient profits to cover the aggregate of any Joint Venture losses not recognised by the Group and any income previously recognised for excess distributions.

Any excess of the cost of acquisition over the Group's share of the fair value of the net identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the interest in joint venture and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

(t) Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2016

32. OTHER ACCOUNTING POLICIES (continued)

(u) Non-GAAP financial measures

In evaluation of our business, we utilise certain non-GAAP financial measures, specifically EBITDA.

EBITDA refers to Earnings Before Interest Tax Depreciation and Amortisation and Impairment, Currency translation differences and Deferred grants credited, where Earnings relates to net profit before items considered by management to be outside the ordinary course of business.

(v) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

33. EVENTS AFTER THE REPORTING PERIOD

On 24 October 2016, the Group entered into a contract of works agreement relating to the mechanical and electrical works and finishing of the commercial area of the prestigious property which is located in Sliema, Malta. The value of works as per agreement amounted to Euro 447 thousands (excluding VAT).

In November 2016 the Group has received the results of a field tax audit relating to one of its Russian subsidiaries. In accordance with the act of the field tax audit the Group should accrue and pay VAT in the amount of Euro 885 thousand and penalties in the amount of Euro' 255 thousand. The Group used the lawyers firm's services for the preparation of the objections to the tax audit report.

On 20 December 2016, the Group issued 32,000 new redeemable preference shares of nominal value of Euro 1 each at a premium of Euro 624 each. The proceeds from the share issue were used for the repayment of the Group's General Revolving Credit Facility with the remaining balance to be used for the Group's new investments in subsidiaries.

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