SPANACO SHIPPING SERVICES LTD

REPORT AND FINANCIAL STATEMENTS

30 September 2015

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS
Alexandros Zotiades
Christina Sarris
Lambros Hajigeorghi

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

SOLICITORS
POLAKIS SARRIS & CO.
Nicosia Tower Center
36 Byron Avenue
Nicosia, Cyprus

BANKERS
UBS AG
ECCM Bank PLC

INDEPENDENT AUDITORS
Deloitte Limited
Certified Public Accountants (Cyprus)
24 Spyrou Kyprianou Avenue
1075, Nicosia, Cyprus

DIRECTORS REPORT

The Board of Directors presents its annual report and audited financial statements of the Company for the year ended 30 September 2015.

PRINCIPAL ACTIVITIES

The principal activities of the company are:

- Shipbroking services.
- Holding of investments in companies specialising in the ownership and operation of dry bulk vessels.

REVIEW OF OPERATIONS

Revenue for the year ended 30 September 2015, at Euro 18.44 million, is 5% lower compared to 2014 (Euro 19.41 million).

Operating profit, at Euro 0.72 million, is 56.52% higher compared to 2014 (Euro 0.46 million).

RESULTS AND DIVIDENDS

The Company's results for the year are set out on page 5. The Board of Directors does not recommend payment of dividend (2014: Euro 0.5 million) and the net profit for the year is retained.

SHARE CAPITAL

There were no changes in the share capital of the Company during the year under review.

DIRECTORS

The members of the Company's Board of Directors as at 30 September 2015 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 2015.

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

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

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 Company'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,

Lambros Hajigeorghi
Director

Nicosia, 29/02/2016

Deloitte.

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Independent auditor's report

To the Members of Spanaco Shipping Services Ltd

Report on the financial statements

We have audited the financial statements of the parent company Spanaco Shipping Services Ltd (the "Company") on pages 5 to 25 which comprise the statement of financial position as at 30 September 2015, and the 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 financial statements

The Board of Directors is responsible for the preparation of 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company Spanaco Shipping Services Ltd as at 30 September 2015, 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.

Deloitte.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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 Company's 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 financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

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 and 2013 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.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 30 September 2015.

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

Nicosia, 29 February 2016

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the year ended 30 September 2015

	Note	2015 Euro	2014 Euro
Revenue	3	18,442,203	19,412,530
Direct expenditure		(16,732,591)	(18,496,294)
Gross profit		1,709,612	916,236
Other operating income		22,234	327,207
Employee benefit costs	5	(316,524)	(283,223)
Depreciation and amortisation expense	4	-	(1,462)
Other operating expenses		(691,311)	(494,663)
Operating profit	4	724,011	464,095
Finance income	6	72,390	25,664
Finance costs	6	(504,171)	(74,948)
Profit before tax		292,230	414,811
Taxation	7	(33,543)	(53,113)
Profit for the year		258,687	361,698
Other comprehensive income		-	-
Total comprehensive income for the year		258,687	361,698

All of the profit and comprehensive income for the year is attributable to equity holders of the Company.

The notes on pages 9 to 25 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
30 September 2015

	Note	30 September 2015 Euro	30 September 2015 Euro	30 September 2014 Euro	30 September 2014 Euro
ASSETS					
Non-current assets					
Investments in subsidiaries	8	6,003,000		6,000,000	
			6,003,000		6,000,000
Current assets					
Trade and other receivables	10	497,142		1,054,502	
Loans advanced	9	-		5,824,743	
Refundable taxes	15	35,521		29,335	
Cash and cash equivalents	11	1,058,394		1,083,893	
			1,591,057		7,992,473
TOTAL ASSETS			**7,594,057**		**13,992,473**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Equity attributable to equity shareholders of the Company					
Share capital	12	37,468		37,468	
Share premium	12	463,482		463,482	
Other reserves		782		782	
Retained earnings		685,880		427,193	
Total equity			1,187,612		928,925
Non-current liabilities					
Long term loans	15	6,000,000		-	
Loans from related companies	16	-		660,000	
Loan from parent company	16	-		12,000,000	
			6,000,000		12,660,000
Current liabilities					
Trade and other payables	14	406,445		403,548	
			406,445		403,548
Total liabilities			6,406,445		13,063,548
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**7,594,057**		**13,992,473**

On 29/02/ 2016 the financial statements of Spanaco Shipping Services Ltd were approved by the Board of Directors and authorised for issue.

Signed on behalf of the Board of Directors

....
Alexandros Zotiades
Director

....
Lambros Hajigeorghi
Director

The notes on pages 9 to 25 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 September 2015

	Note	2015 Euro	2014 Euro
Cash flows generated from operating activities			
Profit for the year		258,687	361,698
Adjustments for:			
Depreciation and amortisation expense		-	1,462
Finance income	6	(72,390)	(25,664)
Finance expense	6	504,171	74,948
Income tax expense	7	33,543	53,113
Cash flows from operations before working capital changes		724,011	465,557
Decrease/(increase) in trade and other receivables		532,695	(568,090)
Increase / (decrease) in trade and other payables		43,843	(428,678)
Cash flows from/(used in) operations		1,300,549	(531,211)
Taxation paid		(39,729)	(98,494)
Net cash flows from / (used in) operating activities		1,260,820	(629,705)
Cash flows from investing activities			
Investments in subsidiaries		(3,000)	(6,000,000)
Loans granted		(2,682,132)	(5,824,743)
Loans repayments received		8,506,875	-
Proceeds from disposal of intangible assets		-	309
Proceeds from disposal of property, plant and equipment		-	2,014
Interest received		97,055	1,000
Net cash flows from / (used in) investing activities		5,918,798	(11,821,420)
Cash flows from financing activities			
Repayment of loans from related companies		(3,560,000)	-
Repayment of loans from parent company		(12,000,000)	-
Proceeds from bank loan		6,000,000	-
Proceeds from loans from related companies		2,900,000	660,000
Proceeds from loans from parent company		-	12,000,000
Finance expense paid		(545,117)	(92)
Dividends paid		-	(500,000)
Net cash flows (used in) / from financing activities		(7,205,117)	12,159,908
Net decrease in cash and cash equivalents		(25,499)	(291,217)
Cash and cash equivalents:			
At beginning of the year		1,083,893	1,375,110
At end of the year	11	1,058,394	1,083,893
Cash and cash equivalents are represented by:			
Cash at bank and in hand	11	1,058,394	1,083,893
		1,058,394	1,083,893

The notes on pages 9 to 25 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2015

	Share capital Euro	Share premium Euro	Other reserve Euro	Retained earnings Euro	Total Euro
Changes in equity for 2015					
At 1 October 2014	37,468	463,482	782	427,193	928,925
Profit for the year	-	-	-	258,687	258,687
At 30 September 2015	37,468	463,482	782	685,880	1,187,612
Changes in equity for 2014					
At 1 October 2013	37,468	463,482	782	565,495	1,067,227
Profit for the year	-	-	-	361,698	361,698
Dividends	-	-	-	(500,000)	(500,000)
At 30 September 2014	37,468	463,482	782	427,193	928,925

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

Reserve	Description
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings	Profit for the year and prior years.
Other reserve	Consist of exchange gain on the conversion of share capital to Euro.

The notes on pages 9 to 25 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2015

1. PRINCIPAL ACTIVITIES

The principal activities of the company are:

- Shipbroking services.
- Holding of investments in companies specialising in the ownership and operation of dry bulk vessels.

Country of incorporation

The Company Spanaco Shipping Services Ltd (the "Company") was incorporated in Cyprus on 4 March 1997 as a private limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at 9 Tagmatarchou Pouliou, Grayoak House, 1101 Ayios Andreas, Nicosia, Cyprus.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The 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 financial statements unless otherwise stated.

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 30 September 2015 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group

A complete list of other accounting policies is included in note 22.

(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 Company 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 Company believes to have the most significant impact on the annual results under IFRS.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Significant judgements and estimates (continued)

- *Provision for doubtful receivables.* At each statement of financial position date, the Company 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. Further detail of the level of provisions for doubtful receivables is included in note 10.
- *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 Company 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.
- *Impairment of investments in subsidiaries.* The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

(b) Consolidated financial statements

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The consolidated financial statements are available from the company's registered office on request.

(c) Revenue recognition

Revenue represents amounts invoiced for services net of discounts, returns and Value Added Tax. Sales revenue is recognised only when the relevant services have been rendered, i.e. when the risk and reward 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 Company's results. It is stated before investment income and finance costs.

- **Rendering of services**

  Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- **Interest income**

  Interest income is recognised on a time-proportion basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2015

3. REVENUE

	2015 Euro	2014 Euro
Freight income	18,267,068	19,111,194
Demurrages income	163,583	215,537
Commissions receivable	11,552	20,400
Stevedoring income	-	65,399
	18,442,203	19,412,530

4. PROFIT FROM OPERATIONS

	2015 Euro	2014 Euro
Profit from operations is stated after the following:		
Employee benefit costs (Note 5)	316,524	283,223
Depreciation and amortisation expense	-	1,462
Auditors' remuneration for the statutory audit of annual accounts	8,500	3,600
Currency translation differences	(87,158)	1,328

5. EMPLOYEE BENEFIT COSTS

	2015 Euro	2014 Euro
Cost		
Wages and Salaries	288,894	258,329
Employer's Social Security	21,852	19,804
Social cohesion fund	5,778	5,090
	316,524	283,223

	2015 Number	2014 Number
Average Number of Employees		
Administration	4	4
	4	4

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 Company, including the directors of the Company.

	2015 Euro	2014 Euro
Salaries and other short-term employee benefits	120,498	99,551
	120,498	99,551

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2015

6. FINANCE INCOME AND EXPENSES

	2015	2014
	Euro	Euro
Finance income		
Bank interest	49	844
Loan and other interest from related parties	72,316	24,664
Other	25	156
	72,390	25,664
Finance costs		
Bank borrowing	326,303	-
Loans and other interest from related parties	177,868	73,606
Other	-	1,342
	504,171	74,948

7. TAXATION

	2015	2014
	Euro	Euro
Corporation tax	33,523	52,778
Overseas tax	13	288
Defence contribution - current year	7	47
Total expense	33,543	53,113

The charge for the period can be reconciled to the profit per the statement of comprehensive income as follows:

	2015	2014
	Euro	Euro
Profit before tax	292,230	414,811
Taxation calculated at the applicable tax rates	36,529	51,851
Tax effect of expenses not deductible for taxation purposes	(2,998)	1,363
Tax effect of allowances and income not subject to taxation	(8)	(436)
Defence contribution - current year	7	47
Overseas tax	13	288
Tax expense	33,543	53,113
Effective tax rate for the year	11.48%	12.80%

The corporation tax rate is 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2015

8. INVESTMENTS

	Investments in subsidiaries
	Euro
Additions	6,000,000
At 1 October 2014	6,000,000
Additions	3,000
At 30 September 2015	6,003,000

The investments included above represent investments in unlisted equity securities held at cost, less provision for impairment in value. They have no fixed maturity or coupon rate.

The details of the signifigant subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2015 Shareholding %	2014 Shareholding %
Spanaco One Limited	Malta	Ownership and management of dry bulk vessel	**100**	100
Spanaco Two Limited	Malta	Ownership and management of dry bulk vessel	**100**	100

9. LOANS ADVANCED

	2015	2014
	Euro	Euro
Loans to own subsidiaries (Note 16)	-	5,824,743
	-	5,824,743

The fair values of loans approximate to their carrying amounts as presented above.

10. TRADE AND OTHER RECEIVABLES

	2015	2014
	Euro	Euro
Trade receivables	187,930	730,937
Receivables from own subsidiaries (Note 16)	-	24,664
Amounts due from related parties (Note 16)	169,850	276,044
Deposits, prepayments and accrued income	111,380	-
Other accounts receivables	1,800	-
Refundable VAT	26,182	22,857
	497,142	1,054,502

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2015

10. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are further analysed as follows:

	2015 Euro	2014 Euro
Gross value	187,930	730,937
Net value	187,930	730,937
Analysis of trade receivables:		
Due and not impaired		
- Not insured	187,930	730,937
	187,930	730,937
- Due 0 - 90 days	187,930	730,937
	187,930	730,937
Total	187,930	730,937

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

Amounts due from related parties are further analysed as follows:

	2015 Euro	2014 Euro
Gross value	169,850	276,044
Net value	169,850	276,044
Analysis of trade receivables:		
Not due	169,850	276,044
Total	169,850	276,044

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 21 of the financial statements.

11. CASH AND CASH EQUIVALENTS

	Cash Euro
At 1 October 2013	1,375,110
Movement for the year	(291,217)
At 1 October 2014	1,083,893
Movement for the year	(25,499)
At 30 September 2015	1,058,394

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2015

12. SHARE CAPITAL

	2015 Number	2014 Number	2015 Euro	2014 Euro
Authorised ordinary shares of €1,71 each	25,000	25,000	42,750	25,000
Issued ordinary shares of €1,71 each	21,911	21,911	37,468	37,468
Share premium			463,482	463,482

There are no restrictions attaching to the ordinary shares.

13. BANK LOANS

	2015 Euro	2014 Euro
Bank loans (Note 16)	6,000,000	-
Less instalments due after more than one year	(6,000,000)	-
Bank loans due within one year	-	-

The weighted average interest rates paid were as follows:

	2015 %	2014 %
Bank loans and overdraft	6.12	-

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

	2015 Euro	2014 Euro
Bank loans	6,000,000	-

Bank borrowings amounting to Euro 6 million, is subject to renewal on 31 December 2016, by common accord and agreement, the facility may be extended for an additional ten years thereafter.

Bank borrowing are secured by a 2nd degree ranking mortgage granted by Spanaco One Limited and Spanaco Two Limited on m/v Spanaco Loyalty and m/v Reliability, a pledge over insurance proceeds covering m/v Spanaco Loyalty and m/v Reliability and a pledge over a term deposit for Euro 3 million provided by Douglas Technical Limited.

14. TRADE AND OTHER PAYABLES

	2015 Euro	2014 Euro
Trade payables	287,234	242,611
Social insurance and other taxes	11,611	10,217
Other payables and accruals	96,836	98,976
Other creditors	1,710	1,744
Payables to parent (Note 16)	-	50,000
Payables to related parties (Note 16)	9,054	-
	406,445	403,548

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

15. REFUNDABLE TAX

	2015 Euro	2014 Euro
Corporation tax	35,522	29,336
Special contribution for defence	(1)	(1)
	35,521	29,335

16. RELATED PARTY TRANSACTIONS

The Company is controlled by Douglas Technical Limited, incorporated in Isle of Man, which owns 100% of the Company's shares. The ultimate controlling party of the Company is 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 services, interest income and sale of fixed assets

	Interest income and sale of fixed assets		Sale of services		Amounts owed by related parties	
	2015 Euro	2014 Euro	2015 Euro	2014 Euro	2015 Euro	2014 Euro
Own subsidiaries	72,316	24,664	-	-	-	-
Other related parties	-	2,182	9,015,654	9,730,818	169,850	276,044
	72,316	26,846	9,015,654	9,730,818	169,850	276,044

Purchases of goods and services

	Purchase of goods		Purchase of services		Amounts owed to related parties	
	2015 Euro	2014 Euro	2015 Euro	2014 Euro	2015 Euro	2014 Euro
Fellow subsidiaries	-	-	1,635	1,564	-	-
Other related parties	-	-	454,035	110,850	-	-
	-	-	455,670	112,414	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2015

16. RELATED PARTY TRANSACTIONS (continued)

Loan from parent company

	2015 Euro	2014 Euro
At beginning of year		
- Principal	12,000,000	-
- Interest	50,000	-
	12,050,000	-
Movements during the year		
Loans advanced during the year	-	12,000,000
Loan repayments	(12,000,000)	-
Interest charged	131,667	50,000
Interest paid	(181,667)	-
	(12,050,000)	12,050,000
At year end		
- Principal	-	12,000,000
- Interest	-	50,000
	-	12,050,000

Loans from related companies

	2015 Euro	2014 Euro
At beginning of year		
- Principal	660,000	-
- Interest	-	-
	660,000	-
Movements during the year		
Loans advanced during the year	2,900,000	4,160,000
Loan repayments	(3,560,000)	(3,500,000)
Interest charged	45,552	23,606
Interest paid	(45,552)	(23,606)
	(660,000)	660,000
At year end		
- Principal	-	660,000
- Interest	-	-
	-	660,000

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2015

16. RELATED PARTY TRANSACTIONS (continued)

Bank loan

	2015 Euro	2014 Euro
At beginning of year		
- Principal	-	-
- Interest	-	-
	-	-
Movements during the year		
Loans advanced during the year	6,000,000	-
Interest charged	293,803	-
Interest paid	(284,749)	-
	6,009,054	-
At year end		
- Principal	6,000,000	-
- Interest	9,054	-
	6,009,054	-

Loans to subsidiary companies

	2015 Euro	2014 Euro
At beginning of year		
- Principal	5,824,743	-
- Interest	24,664	-
	5,849,407	-
Movements during the year		
Loans advanced during the year	2,682,132	-
Loan repayments received	(8,506,875)	5,824,743
Interest charged	71,667	24,664
Interest received	(96,331)	-
	(5,849,407)	5,849,407
At year end		
- Principal	-	5,824,743
- Interest	-	24,664
	-	5,849,407

17. CONTINGENT LIABILITIES

As at 30 September 2015, the Company has provided guarantees under joint and several suretyship amounting to Euro 6 million to long term finance providers of Spanaco One Limited and Spanaco Two Limited. The directors do not expect the Company 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 FINANCIAL STATEMENTS
For the year ended 30 September 2015

18. CAPITAL COMMITMENTS

The Company had no capital or other commitments as at 30 September 2015.

19. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

20. DIVIDENDS

	2015	2014
	Euro	Euro
Final dividend paid	-	500,000
	-	500,000

The Company's results for the year are set out on page 5. The Board of Directors did not recommend payment of dividend and the net profit for the year is retained (2014: Euro 0.5 million).

21. RISK MANAGEMENT

General objectives, policies and processes

The Company 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	
	2015	2014
	Euro	Euro
Loans advanced to own subsidiaries	-	5,824,743
Trade, related party and other receivables (excl.prepayments, VAT, corporate and other taxes, social security, provisions)	359,580	1,031,645
Cash and cash equivalents	1,058,394	1,083,893
Total financial assets	1,417,974	7,940,281

Financial liabilities	At amortised cost	
	2015	2014
	Euro	Euro
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	297,998	294,355
Bank loan	6,000,000	-
Loans from related companies	-	12,660,000
Total financial liabilities	6,297,998	12,954,355

21. 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	
	2015	2014	2015	2014
	Euro	Euro	Euro	Euro
Bank loan	6,000,000	-	6,000,000	-
Loans from related companies	-	12,660,000	-	12,660,000
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	297,998	294,355	297,998	294,355
	6,297,998	12,954,355	6,297,998	12,954,355

Fair values of 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 Company 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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the reporting date.

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each receivable.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

21. 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	
	2015	2014	2015	2014
	Euro	Euro	Euro	Euro
Loans advanced to own subsidiaries	-	5,824,743	-	5,824,743
Trade and other receivables (agree to note 10)	497,142	1,054,502	497,142	1,054,502
Cash and cash equivalents	1,058,394	1,083,893	1,058,394	1,083,893
Total financial assets	1,555,536	7,963,138	1,555,536	7,963,138

Market risk

(i) Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Liquidity risk
Company liquidity risk management aims to ensure that the Company 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 Company comprises:

- consistent financial planning and cash flow forecasting at Company levels with different time horizons; business plans are prepared prior to initial funds raising in relation to new investments.
- 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;

Maturity of financial liabilities

The table below summarises the maturity profile of the Company's financial liabilities excluding trade payables (Note 14) based on contractual undiscounted payments.

As at 30 September 2015	On demand Euro	less than 12 months Euro	1-5 years Euro	>5 years Euro	Total Euro
Bank loan	-	364,000	6,103,000	-	6,467,000
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	-	294,355	-	-	294,355
	-	658,355	6,103,000	-	6,761,355

21. RISK MANAGEMENT (continued)

Maturity of financial liabilities (continued)

As at 30 September 2014	On demand Euro	less than 12 months Euro	1-5 years Euro	>5 years Euro	Total Euro
Loans from related companies	-	7,339,306	4,966,847	1,872,292	14,178,445
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	-	297,998	-	-	297,998
	-	7,637,304	4,966,847	1,872,292	14,476,443

Capital disclosures

Capital is defined as Total Equity. Adjusted capital is defined as Total Equity plus loans financed or underwritten by the shareholders.

The Company's objectives when maintaining adjusted capital are:
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of adjusted capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

22. 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 Company.
There have been no standards adopted by the Company for the first time for the financial year beginning on or after 1 October 2014 that will have a material impact on the Company.

(ii) Standards, amendments and interpretations to published standards effective in 2015 but which are not relevant to the Company.
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 October 2015, 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 Company.

22. OTHER ACCOUNTING POLICIES (continued)

(b) 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.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual amortisation rates applicable are as follows:

Furniture, fixtures and office equipment	25.0%

Gains or losses on the disposal of property, plant and equipmentare 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.

(c) Intangibles

Intangible assets are shown at historical cost and are amortised on a straight-line basis up to a maximum of 4 years. 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 amortisation rates applicable are as follows:

Computer software	25.0%

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(d) Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

(e) Foreign currency translation

(1) **Functional and presentation currency**
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (Euro), which is the Company's functional and presentation currency.

(2) **Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

22. OTHER ACCOUNTING POLICIES (continued)

(f) Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.
The Company makes a provision for bonuses where contractual obligations exist for payment.

(g) 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.

(h) Financial assets

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

Other than financial assets in a qualifying hedging relationship, the Company'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 Company 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 Company'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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2015

22. OTHER ACCOUNTING POLICIES (continued)

(i) Financial liabilities

The Company'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.

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