OFFICE COPY

KRONOSPAN ASIA HOLDINGS LTD
CONSOLIDATED REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2017

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Spiros Spyrou

Yianoula Demetriou Michaelides

SECRETARY

Christina Sarris

REGISTERED OFFICE

Grayoak House

9 Tagmatarchou Pouliou Street

Ayios Andreas, 1101

Nicosia, Cyprus

PRINCIPAL PLACE OF BUSINESS

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9 Tagmatarchou Pouliou Street

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Nicosia, Cyprus

AUDITORS

BDO Ltd

Certified Public Accountants (CY) and Registered Auditors

236 Strovolos Avenue

2048, Nicosia, Cyprus

MANAGEMENT REPORT

The Directors submit their annual report and financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and sale of wood-based panels and value added products. The holding company is incorporated in Cyprus.

REVIEW OF OPERATIONS

	2017	2016	Change
	Euro'000	Euro'000	%
Revenue	33,986	31,684	7.3
Operating Profit	3,040	1,187	156.1
EBITDA	5,038	3,353	50.3

Revenue increased as a result of an increase in the Group's export business. Operating profit and EBITDA increased as a result of profit from the sale of property.

INVESTMENT

	2017	2016	Change
	Euro'000	Euro'000	%
Total	103	177	(41.8)

DIRECTORS

The members of the Board of Directors of the Company as at the date of this report are shown on page 3.

SHARE CAPITAL

There were no changes in the authorised and issued share capital of the Company during the year. On 20 October 2017, the Company reduced its share premium account by Euro 25,000,000.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend.

EXISTENCE OF BRANCHES

The Group does not maintain any branches.

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.

MANAGEMENT REPORT (continued)

OUTLOOK

The Group expects the next 12 months to provide further opportunities to improve and will continue to:

- Invest in improvements in product quality and customer service
- Ensure it makes its contribution to safe-guarding and improving the environment and workplace in which it operates
- Invest in cost reduction programmes
- Optimise existing technologies to improve efficiency

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.

Approved by the Board of Directors

and signed on behalf of the Board

....

Spiros Spyrou

Date: 22 May 2018

BDO

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Independent Auditor's Report
To the Members of Kronospan Asia Holdings Ltd

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kronospan Asia Holdings Ltd (the "Company") and its subsidiaries (the "Group"), which are presented in pages 9 to 35 and comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors 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.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report, 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 69 of the Auditors Law of 2017 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.

Panicos Constantinou
Certified Public Accountant and Registered Auditor
for and on behalf of
BDO Ltd
Certified Public Accountants (CY) and Registered Auditors
Nicosia, Cyprus,

...22/..7... 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	2017 Euro'000	2016 (as restated) Euro'000
Revenue	3	**33,986**	**31,684**
Other operating income	4	4,457	1,639
Changes in inventories of finished goods and work in progress		(802)	(194)
Raw materials and consumables used		(26,497)	(21,940)
Employee benefit costs	5	(1,948)	(1,909)
Depreciation and amortisation expense	4,9,10,11	(1,955)	(2,216)
Other operating expenses	4	(4,201)	(5,877)
Profit from operations	4	**3,040**	**1,187**
Finance income	6	32	26
Finance costs	6	(108)	(208)
Profit on disposal of subsidiaries	26	3,520	-
Profit before tax		**6,484**	**1,005**
Income tax expense	7	(169)	(195)
Profit from continuing operations		**6,315**	**810**
Discontinued operations	8	20	(7,412)
Net profit / (loss) for the year		**6,335**	**(6,602)**
Other comprehensive income:			
Exchange difference arising on the translation and consolidation of foreign companies financial statements		(1,733)	(3,618)
Other comprehensive loss for the year, net of tax		**(1,733)**	**(3,618)**
Total comprehensive income / (loss) for the year		**4,602**	**(10,220)**
Profit attributable to:			
Equity holders of the parent		6,335	(4,394)
Non-controlling interests		-	(2,208)
		6,335	(6,602)
Total comprehensive income for the year attributable to:			
Equity holders of the parent		4,602	(7,572)
Non-controlling interests		-	(2,648)
		4,602	(10,220)

The notes on pages 13 to 35 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	31 December 2017		31 December 2016 (as restated)	
		Euro'000	Euro'000	Euro'000	Euro'000
ASSETS					
Non current assets					
Property, plant and equipment	9	15,514		19,126	
Intangible assets	10	3,034		17,089	
Deferred expenses	11	36		185	
Total non-current assets			18,584		36,400
Current assets					
Inventories	12	5,162		6,063	
Trade and other receivables	13	3,544		2,373	
Prepayments		777		565	
Cash and cash equivalents	14	8,975		5,316	
Total current assets			18,458		14,317
Assets classified as held for sale	15	-		20,259	
			-		20,259
TOTAL ASSETS			37,042		70,976
LIABILITIES AND SHAREHOLDERS' EQUITY					
Equity attributable to shareholders of the Company					
Share capital	16	52		52	
Share premium	16	31,448		56,448	
Other reserves		(4,860)		(3,127)	
Retained earnings / (Accumulated losses)		4,253		(2,082)	
Total equity attributable to shareholders of the Company			30,893		51,291
Minority Interest			-		3,605
Total equity			30,893		54,896
Non-current liabilities					
Deferred tax liability	7	29		27	
Deferred income	20	395		429	
Total non-current liabilities			424		456
Current liabilities					
Loans financed or underwritten by the shareholders	18	-		600	
Bank loans and overdrafts	17	-		1,982	
Trade and other payables	19	5,615		5,865	
Current tax payable		110		77	
Total current liabilities			5,725		8,524
Liabilities directly associated with assets classified as held for sale	15		-		7,100
Total liabilities			6,149		16,080
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			37,042		70,976

On 22 May 2018 the consolidated financial statements of Kronospan Asia Holdings Limited were approved by the Board of Directors and authorised for issue.

Signed on behalf of the Board of Directors

....
Spiros Spyrou

....
Yianoula Demetriou Michaelides

The notes on pages 13 to 35 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2017

	Note	2017	2016 (as restated)
		Euro'000	Euro'000
Cash flows from operating activities			
Profit / (loss) for the year		6,335	(6,602)
Adjustment for:			
Depreciation and amortisation	4,9,10,11	1,955	2,216
Foreign exchange difference		(395)	(1,870)
Finance income	6	(32)	(26)
Finance expense	6	108	208
Release of grant		(9)	(9)
Profit on disposal of subsidiaries	26	(3,520)	-
Profit from the sale of property, plant and equipment	4	(3,086)	(615)
Net movement from discontinued operations		-	7,683
Income tax expense	7	169	195
Cash flow from operating activities before changes in working capital and provisions		**1,525**	**1,180**
Decrease in inventories		901	434
(Increase) / decrease in trade and other receivables and prepayments		(1,383)	935
Decrease in trade and other payables		(329)	(262)
Cash generated from operations		**714**	**2,287**
Interest received		32	26
Interest paid		(108)	(208)
Income taxes paid		(132)	(268)
Net cash from operating activities		**506**	**1,837**
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment		4,007	149
Purchase of property, plant and equipment		(103)	(124)
Proceeds from sales of intangible assets		-	609
Purchase of intangible assets		-	(5)
Sale of subsidiaries (net of cash disposed)	26	26,822	-
Net cash from investing activities		**30,726**	**629**
Cash flows from financing activities			
Proceeds from issue of share capital		-	134
Share premium account reduction		(25,000)	-
Repayments of shareholders' loans		(600)	(600)
Repayments of long term loans		(1,982)	(1,618)
Net cash used in financing activities		**(27,582)**	**(2,084)**
Net increase in cash and cash equivalents		**3,650**	**382**
Cash and cash equivalents at the beginning of the year		**5,316**	**4,940**
Exchange gains / (losses) on cash and cash equivalents		**9**	**(6)**
Cash and cash equivalents at the end of the year	14	**8,975**	**5,316**
Cash and cash equivalents are represented by:			
Cash in hand and at bank		**8,975**	**5,316**
Overdrafts		-	-
		8,975	**5,316**

The notes on pages 13 to 35 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Share capital	Share premium	Foreign currency translation reserve	Retained earnings / (Accumulated losses) (as restated)	Total attributable to equity holders of	Non-controlling interests	Total Equity
	Euro '000	Euro '000	Euro '000	Euro '000	Euro '000	Euro '000	Euro '000
Changes in equity for 2017							
Balance at 1 January 2017	52	56,448	(3,127)	(2,082)	**51,291**	3,605	**54,896**
Comprehensive income for the year							
Profit for the year	-	-	-	6,335	**6,335**	-	**6,335**
Other comprehensive loss	-	-	(1,733)	-	**(1,733)**	-	**(1,733)**
Total comprehensive income for the year	-	-	**(1,733)**	**6,335**	**4,602**	-	**4,602**
Share premium account reduction	-	(25,000)	-	-	**(25,000)**	-	**(25,000)**
Other movements	-	-	-	-	-	(3,605)	**(3,605)**
Balance at 31 December 2017	**52**	**31,448**	**(4,860)**	**4,253**	**30,893**	-	**30,893**
Changes in equity for 2016							
Balance at 1 January 2016	52	56,314	51	2,312	**58,729**	6,253	**64,982**
Comprehensive income for the year							
Loss for the year	-	-	-	(4,394)	**(4,394)**	(2,208)	**(6,602)**
Other comprehensive loss	-	-	(3,178)	-	**(3,178)**	(440)	**(3,618)**
Total comprehensive income for the year	-	-	**(3,178)**	**(4,394)**	**(7,572)**	**(2,648)**	**(10,220)**
Issue of share capital	-	134	-	-	**134**	-	**134**
Balance at 31 December 2016	**52**	**56,448**	**(3,127)**	**(2,082)**	**51,291**	**3,605**	**54,896**

Other comprehensive loss represents the foreign currency exchange differences arising on the translation of Euro denominated items.

The following describes the nature and purpose of each reserve within shareholders' equity:

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Foreign currency translation reserve	Gains / (losses) arising on re-translating the net assets prior to adoption of the Euro as measurement currency.
Retained earnings / (Accumulated losses)	Profit / (loss) for the year and prior years.

The notes on pages 13 to 35 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

1. PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and sale of wood-based panels and value added products. The Holding Company is incorporated in Cyprus.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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).

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 the years presented, unless otherwise stated.

A complete list of other accounting policies is included in note 28.

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 ongoing 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 consolidated financial statements.
- *Effective interest method* is used for estimation of fair value of financial instruments and impairment test. For estimation of the fair value of borrowings with fixed rate the interest rate applicable to new instruments with similar credit risk and remaining maturity are used. To determine fair value of other categories of financial instruments and estimation of value in use for impairment test the weighted average cost of the Company's capital (WACC) as at the reporting date is used. The WACC of the Company's capital is determined by the targets set out by the Board of Directors.
- *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. Further detail of the level of provisions for doubtful receivables is included in note 13.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Significant judgements and estimates (continued)

- *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 where a reliable estimate can be made of the amount 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.

- *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 either positively or negatively, although few changes to estimated useful lives have been required historically.

- *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 10.

Revenue recognition

Revenue represents amounts invoiced for goods sold net of discounts, returns and value added tax. Sales revenue is recognised only when the relevant goods have been delivered, i.e. when the risk and reward has been transferred to the customer.

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 valuation 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 FINANCIAL STATEMENTS
Year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 on a straight-line basis 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:

Buildings	3.3%
Plant and equipment	5.0 – 6.7%
Vehicles and other	25.0%

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 profit and loss. 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.

Comparatives

The presentation of comparative figures has been adjusted to conform to changes in presentation in the current year. These adjustments relate to the recognition of Euro'000 931 (RMB'000 6,813) license fees charged to the subsidiary company Krono (Jiangsu) Flooring Co. Ltd, relating to the financial years from 2013 to 2016 which had not been previously recognised. The amount of Euro'000 579 relating to the financial years from 2013 to 2015 was adjusted in the opening accumulated losses and the amount of Euro'000 352 relating to the financial year 2016 was adjusted in the 2016 profit or loss through other operating expenses.

Comparative balances have been amended as follows:

	As previously stated 2016 Euro'000	As restated 2016 Euro'000
Other operating expenses	5,525	5,877
Accumulated losses	1,151	2,082
Trade and other payables	4,934	5,865

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

3. REVENUE

	2017 Euro'000	2016 Euro'000
Continuing operations	33,986	31,684
	33,986	31,684

4. PROFIT FROM OPERATIONS

	2017 Euro'000	2016 Euro'000
Profit from operations is arrived at after charging / (crediting) among others the following:		
Staff costs (note 5)	1,948	1,909
Depreciation and amortisation expense (note 9, 10 and 11)	1,955	2,216
Release of grant	(9)	(9)
Auditors remuneration for the statutory audit of annual accounts	37	46
Currency translation differences	52	(41)
Profit on disposal of non-current assets	(3,086)	(615)

5. EMPLOYEE BENEFIT COSTS

	2017 Euro'000	2016 Euro'000
Cost		
Wages and salaries	1,599	1,575
Employer's social security	200	191
Employer's pension costs – defined contribution plans	149	143
	1,948	1,909

	2017 Number	2016 Number
Average number of employees	**139**	**140**

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 Group.

	2017 Euro'000	2016 Euro'000
Salaries and other short-term employee benefits	310	260
Employer's pension costs - defined contribution plans	55	50
	365	310

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

6. FINANCE INCOME AND EXPENSE

	2017 Euro'000	2016 Euro'000
Finance income		
Bank interest	32	26
	32	26
Finance costs		
Bank borrowing	107	208
Interest on amounts due to related parties	1	-
	108	208

7. TAXATION

	2017 Euro'000	2017 Euro'000	2016 Euro'000	2016 Euro'000
Current tax expense				
Corporation tax on profits for the year	164		190	
		164		190
Deferred tax expense				
Accelerated tax depreciation	5		5	
		5		5
Total expense		**169**		**195**

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

	2017 Euro'000	2016 Euro'000
Profit before tax	**6,484**	**1,005**
Tax at the domestic income tax rate (2017: 12.5%; 2016: 12.5%)	811	126
Tax effect of expenses that are not deductible in determining taxable profit	845	365
Tax effect of revenues that are not taxable in determining taxable profit	(1,186)	(12)
Tax effect of utilisation of tax losses	(396)	(459)
Tax effect of utilisation of tax losses not previously recognised	55	-
Effect of different tax rates applied in overseas jurisdictions	264	175
Accelerated tax depreciation	5	5
Difference between tax and book value of fixed assets	(5)	(5)
Adjustment for over-provision in prior periods	(224)	-
Tax expense	**169**	**195**
Effective tax rate for the year	2.6%	19.4%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

7. TAXATION (continued)

Deferred Tax Liability

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

	Accelerated tax depreciation	Total
	Euro'000	Euro'000
At 1 January 2016	24	24
Charge to profit and loss	5	5
Exchange difference	(2)	(2)
At 31 December 2016	27	27
Charge to profit and loss	5	5
Exchange difference	(3)	(3)
At 31 December 2017	29	29

At the Statement of financial position date the Group had unused tax losses of Euro 1.9 million (2016: Euro 3.5 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses.

8. DISCONTINUED OPERATIONS

	2017	2016
	Euro'000	Euro'000
Discontinued operations		
Revenue	47	1,059
Expenses	(83)	(8,433)
		-
Results from operating activities	(36)	(7,374)
Net finance income / (costs)	56	(38)
Loss before tax	20	(7,412)
Tax on discontinued operations	-	-
Net profit / (loss) for the year	20	(7,412)

	2017	2016
	Euro'000	Euro'000
Cash used in discontinued operations		
Net cash used in operating activities	-	(4,366)
Net cash from investing activities	-	1,997
Net cash from financing activities	-	798
Net cash flows	-	(1,571)

Discontinued operations during the year relate to the results of the subsidiary company Kronospan HK Ltd which the Directors expect to liquidate during the following financial year. Discontinued operations in 2016 related to the results of the subsidiary company Krono (Beijing) Wood Panels Co, Ltd which was disposed of during the current year.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

9. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2017

	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 January 2017	13,207	39,333	1,376	2	53,918
Additions	-	91	12	-	103
Exchange difference	(781)	(2,326)	(81)	-	(3,188)
Transfers	-	2	-	(2)	-
Disposals	(1,357)	(69)	(265)	-	(1,691)
At 31 December 2017	11,069	37,031	1,042	-	49,142
Accumulated depreciation and impairment					
At 1 January 2017	4,546	28,972	1,274	-	34,792
Charge for the year (note 4)	394	1,279	33	-	1,706
Exchange difference	(280)	(1,744)	(76)	-	(2,100)
Eliminated on disposals	(453)	(52)	(265)	-	(770)
At 31 December 2017	4,207	28,455	966	-	33,628
Carrying amount					
At 31 December 2017	6,862	8,576	76	-	15,514

Year ended 31 December 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 January 2016	14,208	42,400	1,430	2	58,040
Additions	-	126	46	-	172
Exchange difference	(991)	(2,958)	(100)	-	(4,049)
Disposals	(10)	(235)	-	-	(245)
At 31 December 2016	13,207	39,333	1,376	2	53,918
Accumulated depreciation and impairment					
At 1 January 2016	4,385	29,725	1,329	-	35,439
Charge for the year (note 4)	470	1,441	38	-	1,949
Exchange difference	(305)	(2,071)	(93)	-	(2,469)
Eliminated on disposals	(4)	(123)	-	-	(127)
At 31 December 2016	4,546	28,972	1,274	-	34,792
Carrying amount					
At 31 December 2016	8,661	10,361	102	2	19,126

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

10. INTANGIBLE ASSETS

Year ended 31 December 2017

	Goodwill	Land use rights	Other	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Cost				
At 1 January 2017	13,794	4,774	174	18,742
Disposal of subsidiaries (note 26)	(13,755)	-	-	(13,755)
Exchange difference	-	(282)	(10)	(292)
At 31 December 2017	39	4,492	164	4,695
Amortisation				
At 1 January 2017	-	1,574	79	1,653
Charge for the year (note 4)	-	83	25	108
Exchange difference	-	(95)	(5)	(100)
At 31 December 2017	-	1,562	99	1,661
Carrying amount				
At 31 December 2017	39	2,930	65	3,034

Year ended 31 December 2016

	Goodwill	Land use rights	Other	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Cost				
At 1 January 2016	13,794	5,172	182	19,148
Additions	-	-	5	5
Exchange difference	-	(362)	(13)	(375)
Disposals	-	(36)	-	(36)
At 31 December 2016	13,794	4,774	174	18,742
Amortisation				
At 1 January 2016	-	1,611	59	1,670
Charge for the year (note 4)	-	87	24	111
Exchange difference	-	(113)	(4)	(117)
Disposals	-	(11)	-	(11)
At 31 December 2016	-	1,574	79	1,653
Carrying amount				
At 31 December 2016	13,794	3,200	95	17,089

Goodwill arose from the acquisition of Krono (Beijing) Wood Panels Co. Ltd and was recovered through the disposal of the subsidiary during the year (note 26).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

11. DEFERRED EXPENSES

Year ended 31 December 2017

	Press Belts Euro'000	Other expenses Euro'000	Total Euro'000
Cost			
At 1 January 2017	648	209	857
Exchange difference	(38)	(12)	(50)
At 31 December 2017	610	197	807
Amortisation			
At 1 January 2017	529	143	672
Charge for the year (note 4)	115	26	141
Exchange difference	(34)	(8)	(42)
At 31 December 2017	610	161	771
Carrying amount			
At 31 December 2017	-	36	36

Year ended 31 December 2016

	Press Belts Euro'000	Other expenses Euro'000	Total Euro'000
Cost			
At 1 January 2016	697	224	921
Exchange difference	(49)	(15)	(64)
At 31 December 2016	648	209	857
Amortisation			
At 1 January 2016	430	124	554
Charge for the year (note 4)	129	27	156
Exchange difference	(30)	(8)	(38)
At 31 December 2016	529	143	672
Carrying amount			
At 31 December 2016	119	66	185

Deferred expenses are amortized on a straight-line basis over 5 years.

12. INVENTORIES

	2017 Euro'000	2016 Euro'000
Raw materials	3,024	2,960
Work in progress	129	309
Finished products	2,009	2,794
	5,162	6,063

Inventories valued at Euro 2 million include a provision of Euro1 million (2016 – Euro1.3 million) and are therefore carried at fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

13. TRADE AND OTHER RECEIVABLES

	2017 Euro'000	2016 Euro'000
Trade receivables	2,657	1,865
Other accounts receivable	887	508
	3,544	2,373

Trade receivables are further analysed as follows:

	2017 Euro'000	2016 Euro'000
Gross value	2,815	2,168
Impairment	(158)	(303)
Net value	**2,657**	**1,865**
Analysis of trade receivables:		
Not due	2,263	1,032
Due and not impaired		
- Insured	89	107
- Not insured	305	726
	394	833
- Due 0 - 90 days	394	743
- Due + 90 days	-	90
	394	833
Due and impaired		
- Due 0 - 90 days	40	32
- Due + 90 days	118	271
	158	303
Total	**2,815**	**2,168**

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

14. CASH AND CASH EQUIVALENTS

	Cash Euro'000	Bank overdrafts Euro'000	Net Euro'000
Balance at 1 January 2016	4,940	-	4,940
Movement for the year	376	-	376
Balance as at 31 December 2016	5,316	-	5,316
Movement for the year	3,659	-	3,659
Balance as at 31 December 2017	8,975	-	8,975

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

15. ASSETS CLASSIFIED AS HELD FOR SALE

During 2016, Krono (Beijing) Wood Panels Co. Ltd, a subsidiary of the group, received an eviction order to relocate the factory from Beijing by the end of 2016. Following the eviction notice, on 8 November 2016 the Group has entered into an agreement with the subsidiary's minority shareholder for the disposal the 70% share in the subsidiary for a consideration of RMB 209.8 million (Euro 26.9 million). As at 31 December 2016, the disposal transaction had not been completed and the assets and liabilities attributable to the subsidiary have been classified as a disposal group held for sale.

During the year ended 31 December 2017, the disposal of the subsidiary has been completed. The Group made a profit on disposal of the subsidiary amounting to Euro 3.5 million (note 26).

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	2017 Euro'000	2016 Euro'000
Property, plant and equipment	-	17,303
Intangible assets	-	14
Inventories	-	2,751
Trade and other receivables	-	103
Prepayments	-	-
Cash at bank and in hand	-	88
Total Assets	-	20,259
Bank loans and overdrafts	-	1,012
Trade and other payables	-	5,957
Taxation	-	131
Total Liabilities	-	7,100
Net Assets	-	13,159

16. SHARE CAPITAL

	2017 Number	2016 Number	2017 Euro'000	2016 Euro'000
Authorised ordinary shares of Euro 1 each	52,232	52,232	52	52
Issued ordinary shares of Euro 1 each	52,232	52,232	52	52
Share premium			31,448	56,448

There were no changes in the authorised and issued share capital of the Company during the year. On 20 October 2017, the Company reduced its share premium account by Euro 25,000,000.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

17. BANK LOANS AND OVERDRAFTS

	2017 Euro'000	2016 Euro'000
Bank loans and overdrafts	-	1,982
Less: Instalments due after more than one year	-	-
Bank loans and overdrafts due within one year	-	1,982

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

	2017 Euro'000	2016 Euro'000
Instalments due after 1 year but not more than 2 years	-	-
Instalments due after 2 years but not more than 5 years	-	-
Instalments due after 5 years	-	-
	-	-

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

	2017 Euro'000	2016 Euro'000
Current portion of long term loans	-	1,982
Bank overdrafts (note 14)	-	-
	-	1,982

The weighted average interest rates paid were as follows:

	2017 %	2016 %
Bank loans	5.48	5.77

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

	2017 Euro'000	2016 Euro'000
Bank loans	-	1,982

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

18. LONG TERM LOANS FINANCED OR UNDERWRITTEN BY THE SHAREHOLDERS

	2017 Euro'000	2016 Euro'000
Total loans	-	600
Less: Instalments due after more than one year	-	-
Loans due within one year	-	600

Repayment of loans are analysed as follows:

	2017 Euro'000	2016 Euro'000
Due within 1 year	-	600
Instalments due after 1 year but not more than 2 years	-	-
Instalments due after 2 years but not more than 5 years	-	-
Instalments due after 5 years	-	-
	-	600

The interest rate on the loan was 3.168%.

The above loan was unsecured.

19. TRADE AND OTHER PAYABLES

	2017 Euro'000	2016 (as restated) Euro'000
Trade payables	4,015	4,321
Amounts due to related parties (note 22)	23	13
Other payables and accruals	1,577	1,531
	5,615	5,865

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.

20. DEFERRED INCOME

Deferred income primarily relates to a government grant for the purchase of land. The income generated on the transaction has been deferred and is being released to the income statement using a straight-line method over the lease period of 49 years. The details of the transaction are as follows:

	2017 Euro'000	2016 Euro'000
Government grants	395	429
	395	429

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

21. 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.

It is Group policy not to account for any assets in relation to emission rights certificates held. The Group recognises the value of any surplus emission certificates only upon disposal.

22. RELATED PARTY TRANSACTIONS

The Company is controlled by Betuva 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	
	2017 Euro'000	2016 Euro'000	2017 Euro'000	2016 Euro'000	2017 Euro'000	2016 Euro'000
Other related parties	1,207	1,599	241	166	-	-
	1,207	1,599	241	166	-	-

Purchase of goods and services

	Purchase of goods (incl. fixed assets)		Purchase of services		Amounts owed to related parties	
	2017 Euro'000	2016 Euro'000	2017 Euro'000	2016 Euro'000	2017 Euro'000	2016 Euro'000
Other related parties	-	-	5	30	23	13
	-	-	5	30	23	13

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

23. CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2017 (2016: Euro Nil).

24. CAPITAL COMMITMENTS

The Group had no capital or other commitments as at 31 December 2017 (2016: Euro Nil).

25. EVENTS AFTER THE REPORTING PERIOD

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

26. DISPOSAL OF SUBSIDIARIES

In August 2017, the Group completed the disposal of the subsidiary Krono (Beijing) Wood Panels Co, Ltd for a total consideration of Euro 26.9 million on which a profit of Euro 3.5 million was realised by the Group.

The post-tax gain on disposal of discontinued operations was determined as follows:

	2017 Euro'000	2016 Euro'000
Cash consideration received	26,692	-
Other - Settlement of outstanding payable	218	-
Total consideration	**26,910**	-
Cash disposed of	88	-
Net cash inflow on disposal of subsidiary	**26,822**	-
Net assets / (liabilities) disposed		
Non-current assets	17,317	-
Goodwill (note 10)	13,755	
Current assets (excluding cash and cash equivalents)	2,935	-
Non-current liabilities	(2,209)	-
Current liabilities	(6,116)	-
Minority interest	(3,605)	-
Net assets	**22,077**	-
Pre-tax gain on disposal of subsidiary	4,745	-
Reversal of write off of receivable from subsidiary disposed	(1,225)	-
Related tax expense	-	-
Gain on disposal of subsidiary	**3,520**	-

Result of disposal of subsidiaries

The result of disposal of subsidiaries is determined as follows:

	2017 Euro'000	2016 Euro'000
Revenue	-	-
Expenses	-	-
Profit before tax	-	-
Income tax expense	-	-
Gain on disposal of subsidiary	3,520	-
Profit for the year	**3,520**	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

27. 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 [include investments]:

Financial assets

	Loans and receivables	
	2017	**2016**
	Euro'000	**Euro'000**
Trade, related party and other receivables	2,786	1,984
Cash and cash equivalents	8,975	5,316
Total financial assets	**11,761**	**7,300**

Financial liabilities

	Financial liabilities at amortised cost	
	2017	**2016**
	Euro'000	**Euro'000**
Trade, related party, investment and other payables	4,615	4,920
Loans and borrowings	-	1,982
Loans financed or underwritten by the shareholders	-	600
Total financial liabilities	**4,615**	**7,502**

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.

27. RISK MANAGEMENT (continued)

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 cases may take steps to mitigate such risks if it is sufficiently concentrated.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. These also include certain other liquid non-financial assets with potential credit risk. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 13.

	Carrying value		Maximum exposure	
	2017 Euro'000	2016 Euro'000	2017 Euro'000	2016 Euro'000
Trade and other receivables (note 13)	3,544	2,373	3,544	2,373
Prepayments (suppliers)	777	565	777	565
Cash and cash equivalents	8,975	5,316	8,975	5,316
	13,296	8,254	13,296	8,254

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. 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 that date would, all other variables being held constant, have resulted in an increase of the Group's pre-tax profit for the year of Euro 89.8 thousand (2016: Euro 27.3 thousand). A 1% decrease in the interest rate would, on the same basis, have increased pre-tax profits 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.

27. RISK MANAGEMENT (continued)

(ii) *Currency risk (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.

Add extra tables for additional currencies used as required	2017 Euro'000	2016 Euro'000
1. Denominated in foreign currency		
Denominated in USD		
Monetary financial assets	3,750	3,053
Monetary financial liabilities	-	-
Net assets	**3,750**	**3,053**
Impact on results	**Gain / (loss)**	
5% USD appreciation (Euro depreciation)	188	153
5% USD depreciation (Euro appreciation)	(188)	(153)
Denominated in RMB		
Monetary financial assets	7,763	3,957
Monetary financial liabilities	(4,246)	(5,931)
Net assets / (liabilities)	**3,517**	**(1,974)**
Impact on results	**Gain / (loss)**	
5% RMB appreciation (Euro depreciation)	176	(99)
5% RMB depreciation (Euro appreciation)	(176)	99
2. Denominated in Euro		
Monetary financial assets	248	290
Monetary financial liabilities	(369)	(1,571)
Net liabilities	**(121)**	**(1,281)**

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.

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Year ended 31 December 2017

27. RISK MANAGEMENT (continued)

Maturity of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 December 2017	On demand	Less than 12 months	1 - 5 years	> 5 years	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Trade, related party, investment and other payables	-	4,615	-	-	4,615
	-	4,615	-	-	4,615

As at 31 December 2016	On demand	Less than 12 months	1 - 5 years	> 5 years	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Bank borrowings	-	2,086	-	-	2,086
Loans financed or underwritten by the shareholders	-	615	-	-	615
Trade, related party, investment and other payables	-	4,920	-	-	4,920
	-	7,621	-	-	7,621

Bank and other borrowings include interest calculated at the rate applicable at 31 December.

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 ratio at below 1:1:

	2017	2016
	Euro'000	Euro'000
Total bank debt	-	1,982
Less cash and cash equivalents	(8,975)	(5,316)
Net debt	(8,975)	(3,334)
Total equity	30,893	54,896
Plus loans financed or underwritten by the shareholders	-	600
Adjusted capital	30,893	55,496
Debt to adjusted capital ratio	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

28. OTHER ACCOUNTING POLICIES

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 Group for the first time for the financial year beginning on or after 1 January 2017 that will have a material impact on the Group.

(ii) Standards, amendments and interpretations to published standards not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. With the exception of IFRS 9, none of these are expected to have a significant effect on the consolidated financial statements of the Group. Based on preliminary analysis of the impact of IFRS 9 on the consolidated financial statements, the Group does not expect any significant impact, since most of its assets and liabilities will continue to be recognised at amortised costs.

Consolidated financial statements

The consolidated financial statements include the consolidated 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 except excluded subsidiaries have been consolidated using the acquisition method of accounting. Subsidiaries are excluded on the basis of being dormant and not material during the period under review. Where 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 intra-company transactions and balances between group enterprises are eliminated on consolidation.

Where the group 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.

Goodwill and other Intangibles

Goodwill is initially measured as the excess of the fair value of consideration over the net fair 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.

Intangible assets are shown at cost and are amortised on a straight line basis method over their estimated useful life [normally 5 years] with the exception of land rights, which are amortised over the period these concessions are granted. Intangibles are subject to impairment reviews whenever events or changes in circumstances indicate that their carrying value may not be recoverable. 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:

Land rights	2%
Other	20.0%

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28. OTHER ACCOUNTING POLICIES (continued)

Foreign currency transactions

The books and records of the 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 other 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 statement of financial position date

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

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.

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 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 statement of financial position date and expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

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 the 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

28. OTHER ACCOUNTING POLICIES (continued)

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.

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 of the 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 profit or loss and other 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

28. OTHER ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

The Group's financial liabilities comprise:

(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.

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, 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.