Company Registration No. 87980

Oxnard Enterprises Limited

OXNARD ENTERPRISES LIMITED

Consolidated Report and Financial Statements

30 September 2015

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Christina Sarris
Clive Stanford
Lambros Hajigeorghi

COMPANY SECRETARY

Christina Sarris

REGISTERED OFFICE

9 Tagmatarchou Pouliou
GRAYOAK HOUSE
1101 Agios Andreas
Nicosia, Cyprus

PRINCIPAL PLACE OF BUSINESS

9 Tagmatarchou Pouliou
GRAYOAK HOUSE
1101 Agios Andreas
Nicosia, Cyprus

BANKERS

BNP Paribas Bank Polska S.A.
Raiffeisen Bank Polska S.A.
UBS AG
ECCM Bank PLC

INDEPENDENT AUDITORS

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

DIRECTORS REPORT

The Board of Directors presents its report together with the audited consolidated financial statements of Oxnard Enterprises Limited and its subsidiaries (the Group) for the year ended 30 September 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the supply of wood-based panels, timber and the provision of related transport and logistics services. The Group also has extensive industrial land holdings, including port facilities, which provide rental and service income.

REVIEW OF OPERATIONS

	2015	2014	Change
	Euro'000	Euro'000	%
Revenue	474,679	465,891	1.9
Operating Profit	13,893	12,530	10.9
EBITDA	28,329	24,912	13.7

Revenue for the year ended 30 September 2015 at Euro 475 million, is 1.9% higher compared to 2014 (Euro 466 million). The increase in revenue was driven by the Group's timber trading, transportation and logistics operations as a direct result of the significant investments that have been made in the financial years ending 30 September 2014 and 2015.

The Group achieved an operating profit of Euro 13,9 million which is 11% higher compared to 2014 (Euro 12,5 million).

INVESTMENT

	2015	2014	Change
	Euro'000	Euro'000	%
Total	38,608	24,951	54.7

Investments in property, plant and equipment during the year at Euro 38,61 million is 54.7 % higher compared to 2014 (Euro 24,95 million). Major projects in the year include the acquisition of land (Poland), vehicles for timber transportation and machinery for recycling of timber (Belarus and Poland), construction of a 3rd melamine facing production line (Italy) and investments in new distribution centres (Russian and Poland).

SHARE CAPITAL

There were no changes in the share capital during the year.

DIRECTORS REPORT (continued)

DIRECTORS

The members of the Board of Directors as at the date of this report are shown on page 3. All directors were members of the board throughout the year ended 30 September 2015.

In accordance with the Articles of Association all directors who are presently members of the Board will continue in office.

OUTLOOK

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

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

AUDITORS

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

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

Approved by the Board of Directors
and signed on behalf of the Board

Director
Nicosia, Cyprus,
Date: 11 March 2016

Deloitte.

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Deloitte Limited
24 Spyrou Kyprianou Avenue
CY-1075 Nicosia, Cyprus
Mail: P.O.Box 21675
CY-1512 Nicosia, Cyprus

Tel: +357 22 36 03 00
Fax: +357 22 36 04 00
infonicosia@deloitte.com
www.deloitte.com/cy

Independent auditor's report

To the Members of Oxnard Enterprises Ltd

Report on the consolidated financial statements

We have audited the consolidated financial statements of Oxnard Enterprises Ltd (the "Company") and its subsidiaries (together with the Company, the "Group") on pages 8 to 42 which comprise the consolidated statement of financial position as at 30 September 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Deloitte.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 September 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.

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 consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated 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.

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

Nicosia, 11 March 2016

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

	Note	2015 Euro'000	2014 Euro'000
Revenue	3	474,679	465,891
Other operating income		13,384	9,613
Changes in inventories of finished goods and work in progress		(9,295)	(102)
Raw materials and consumables used		(391,902)	(405,554)
Employee benefit costs	4,5	(20,429)	(17,092)
Depreciation and amortisation expense	4,8,9	(13,269)	(12,070)
(Impairment expense) / reversal of impairment	4,8	(96)	62
Other operating expenses		(39,179)	(28,218)
Profit from operations	4	13,893	12,530
Finance income	6	1,136	166
Finance costs	6	(8,054)	(7,102)
Profit before tax		6,975	5,594
Income tax expense	7	(671)	(1,617)
Profit for the year		6,304	3,977
Other comprehensive income		-	-
Total comprehensive income for the year		6,304	3,977
Total comprehensive income attributable to:			
Equity holders of the parent		6,346	3,989
Non controlling interests		(42)	(12)
		6,304	3,977

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

The notes on pages 12 to 42 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2015

	Note	30 September 2015 Euro'000	30 September 2015 Euro'000	30 September 2014 Euro'000	30 September 2014 Euro'000
ASSETS					
Non current assets					
Property, plant and equipment	8	252,883		226,477	
Intangible assets	9	10,675		10,851	
Investments	10	607		584	
Long term loans advanced	11	8,937		3,617	
Deferred tax asset	7	4,612		2,997	
			277,714		244,526
Current assets					
Inventories	12	29,210		27,886	
Trade and other receivables	13	47,090		45,512	
Prepayments		822		746	
Loans advanced	11	430		215	
Cash and cash equivalents	14	11,144		11,306	
			88,696		85,665
TOTAL ASSETS			366,410		330,191
LIABILITIES AND SHAREHOLDERS' EQUITY					
Equity attributable to equity shareholders of the Company					
Share capital	15	104		104	
Preference share capital	16	16		16	
Share premium	15, 16	44,144		44,144	
Merger capital reserve		10,285		10,285	
Other reserves		(746)		(901)	
Retained earnings		22,523		16,132	
			76,326		69,780
Non controlling interests			1,670		1,712
Total Equity			77,996		71,492
Non-current liabilities					
Loans financed or underwritten by the shareholders	18	122,609		120,084	
Long-term loans	17	30,126		6,000	
Deferred tax liability	7	5,047		4,442	
Obligations under finance leases	21	6,051		7,434	
Other long-term liabilities	26	5,145		4,904	
			168,978		142,864
Current liabilities					
Loans financed or underwritten by the shareholders	18	38,828		40,327	
Bank loans and overdrafts	17	23,160		17,059	
Trade and other payables	19	57,020		57,987	
Current tax payable		428		462	
Total current liabilities			119,436		115,835
Total liabilities			288,414		258,699
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			366,410		330,191

On 11 March 2016 the consolidated financial statements of Oxnard Enterprises Limited were approved by the Board of Directors and authorised for issue.

Signed on behalf of the Board of Directors

Lambros Hajigeorghi
Director

Christina Sarris
Director

The notes on pages 12 to 42 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 September 2015

	Note	2015 Euro'000	2014 Euro'000
Cash flows from operating activities			
Profit for the year		6,304	3,977
Adjustment for:			
Depreciation and amortisation		13,269	12,070
Impairment of non-current assets		96	(62)
Finance income		(1,136)	(166)
Finance expense		8,054	7,102
Profit from the sale of non-current assets		(146)	(329)
Income tax expense		671	1,617
Cashflow from operating activities before changes in working capital and provisions		27,112	24,209
Increase in inventories		(1,227)	(2,382)
(Increase) / decrease in trade and other receivables and prepayments		(231)	6,395
Decrease in trade and other payables		(11,010)	(8,137)
Cash generated from operations		14,644	20,085
Interest received		727	860
Interest paid		(8,514)	(7,790)
Income taxes paid		(1,048)	(580)
Net cash generated from operating activities		5,809	12,575
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment		1,864	2,485
Purchase of property, plant and equipment		(26,789)	(34,223)
Purchase of intangible assets		(55)	(41)
Previously non consolidated subsidiary		(1,800)	1,033
Acquisition of investments		(4)	-
Net cash used in investing activities		(26,784)	(30,746)
Cash flows from financing activities			
Proceeds from shareholders' loans		40,341	40,957
Repayments of shareholders' loans		(24,602)	(10,483)
Decrease in long term financial liabilities		(84)	(303)
Loans granted		(5,750)	(3,832)
Repayment of loans granted		215	-
Proceeds from long-term loans		18,356	-
Repayments of long-term loans		(9,258)	(1,903)
Repayment of finance lease obligations		(3,278)	(2,133)
Net cash from financing activities		15,940	22,303
Net (decrease) / increase in cash and cash equivalents		(5,035)	4,132
Cash and cash equivalents at the beginning of the year		(4,081)	(8,236)
Effect of exchange rates changes		105	23
Cash and cash equivalents at the end of the year	14	(9,011)	(4,081)
Cash and cash equivalents are represented by:			
Cash in hand and at bank		11,144	11,306
Bank Overdrafts		(20,155)	(15,387)
		(9,011)	(4,081)

The notes on pages 12 to 42 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2015

Changes in equity for 2015	Share Capital Euro '000	Preference Share Capital Euro '000	Share Premium Euro '000	Merger Capital Reserve Euro '000	Foreign currency translation Euro '000	Other Reserve Euro '000	Retained Earnings Euro '000	Total Euro '000	Non controlling interest Euro '000	Total Equity Euro '000
Balance at 1 October 2014	104	16	44,144	10,285	(883)	(18)	16,132	69,780	1,712	71,492
Translation of foreign operations	-	-	-	-	192	-	8	200	-	200
Transfer between reserves	-	-	-	-	-	(37)	37	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	6,346	6,346	(42)	6,304
Balance at 30 September 2015	**104**	**16**	**44,144**	**10,285**	**(691)**	**(55)**	**22,523**	**76,326**	**1,670**	**77,996**
Changes in equity for 2014										
Balance at 1 October 2013	104	16	44,144	10,285	(41)	(27)	11,919	66,400	1,724	68,124
Translation of foreign operations	-	-	-	-	(842)	-	-	(842)	-	(842)
Transfer between reserves	-	-	-	-	-	9	(9)	-	-	-
First time consolidation	-	-	-	-	-	-	233	233	-	233
Total comprehensive income for the year	-	-	-	-	-	-	3,989	3,989	(12)	3,977
Balance at 30 September 2014	**104**	**16**	**44,144**	**10,285**	**(883)**	**(18)**	**16,132**	**69,780**	**1,712**	**71,492**

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

Reserve	**Description**
Share premium	Amount subscribed for any categories of share capital in excess of nominal value.
Merger capital reserve	Consists of capital reserve arising from merger.
Foreign currency translation reserve	Gains/losses arising on re-translating the net assets prior to adoption of the Euro as measurement currency
Retained earnings	Profit/losses for the year and prior years.
Other reserve	These consist of compulsory legal reserves.
Non-controlling interest	This consist of the portion of subsidiaries net assets that do not belong to the equity holders.

The notes on pages 12 to 42 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

1. PRINCIPAL ACTIVITIES

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

The Directors are of the opinion that preparation of the consolidated financial statements on the 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 the years presented, unless otherwise stated.

A complete list of other accounting policies is included in note 29.

Significant judgements and estimates

The preparation of consolidated 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.

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

- 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 CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

2. ACCOUNTING POLICIES (continued)

- *Accounting for provisions and contingencies.* The Group is subject to a number of claims incidentals 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 for which 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 exist 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 both positively and negatively, although few changes to estimated useful lives have been required historically.

- *Impairment of assets.* At each reporting date, the Group is required to assesses whether there is an indication that, in management's judgment, 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 8.Movements on intangible assets during the year have been included within note 9.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

2. ACCOUNTING POLICIES (continued)

Revenue and profit from operations

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

Property, plant and equipment

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

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

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

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

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

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

Buildings and structures	3 % - 3.3%
Machinery and technical equipment	4.7% - 6.7 %
Transportation equipment and other	10 - 25%

Land is not depreciated.

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

Repairs and maintenance costs are charged directly to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

3. REVENUE

	2015 Euro'000	2014 Euro'000
Continuing operations	474,679	465,891
	474,679	465,891

4. PROFIT FROM OPERATIONS

	2015 Euro'000	2014 Euro'000
Profit from operations is arrived at after charging/(crediting) the following:		
Staff costs (note 5)	20,429	17,092
Depreciation and amortisation expense (note 8,9)	13,269	12,070
Impairment /(reversal of impairment) of property, plant and equipment (note 8)	96	(62)
Audit fees	158	119
Currency translation differences	1,071	374
Profit on disposal of non-current assets	(146)	(329)
Payments under operating leases - plant & machinery	87	150
Payments under operating leases - property	1,026	794

5. EMPLOYEE BENEFIT COSTS

	2015 Euro'000	2014 Euro'000
Cost		
Wages and Salaries	16,669	13,860
Employer's Social Security	3,316	2,772
Employer's Pension Costs – defined contribution plans	444	460
	20,429	17,092

	2015 Number	2014 Number
Average Number of Employees	1,074	936
	1,074	936

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.

	2015 Euro'000	2014 Euro'000
Salaries and other short-term employee benefits	1,252	1,081
	1,252	1,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

6. FINANCE INCOME AND EXPENSE

	2015 Euro'000	2014 Euro'000
Finance income		
Bank interest	44	50
Interest from related parties	239	47
Other	853	69
	1,136	166
Finance costs		
Bank borrowing	669	632
Loans from related party	6,685	5,817
Finance leases	277	266
Other borrowings	423	387
	8,054	7,102

7. TAXATION

	2015 Euro'000	2015 Euro'000	2014 Euro'000	2014 Euro'000
Current tax expense				
Corporation tax / income tax on profits for the year	1,098		921	
Other movements	(141)		-	
Adjustment for under provision in prior periods	-		33	
Withholding tax	48		52	
		1,005		1,006
Deferred tax expense				
Origination and reversal of temporary differences	873		535	
Benefit arising from a previously unrecognised tax loss and/ or tax credit of a prior period that is used to reduce deferred tax expense	(566)		(57)	
Benefit arising from a previously unrecognised tax loss and/ or tax credit of a prior period that is used to reduce current tax expense	(639)		-	
Deferred tax expense arising from the write-down or reversal of a previous write-down of a deferred tax asset	(47)		(112)	
Accelerated tax depreciation	47		112	
Other movements	(2)		133	
		(334)		611
Total expense		671		1,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 September 2015

7. TAXATION (continued)

The tax expense for the period can be reconciled to the profit per the Statement of Profit or Loss and Comprehensive Income as follows:

	2015 Euro'000	2014 Euro'000
Profit before tax	6,614	5,594
Tax at the domestic income tax rate	2,139	1,103
Tax effect of income or expenses that are not taxable or deductible in determining taxable profit	63	706
Tax effect of current year's tax losses	34	138
Tax effect of utilisation of tax losses not previously recognised	(403)	(402)
Deferred tax asset recognised on tax credits and exemptions	(1,216)	-
Adjustment for under provision in prior periods	11	33
Withholding tax suffered at source	48	52
Effect of tax relief	(5)	(13)
Tax expense	671	1,617

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

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

Deferred Tax Liability

	Accelerated tax depreciation Euro'000	Other Euro'000	Total Euro'000
At 1 October 2013	4,026	494	4,520
Credit to profit and loss	(8)	(70)	(78)
At 30 September 2014	4,018	424	4,442
Charge to profit and loss	553	52	605
At 30 September 2015	4,571	476	5,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

7. TAXATION (continued)

Deferred Tax Assets

	Tax losses	Tax credits and exemptions	Other	Total
	Euro'000	Euro'000	Euro'000	Euro'000
At 1 October 2013	1,363	1,975	393	3,731
(Charge) / credit to profit and loss	(369)	(432)	67	(734)
At 30 September 2014	994	1,543	460	2,997
(Charge) / credit to profit and loss	934	(23)	14	925
Acquisitions of subsidiaries	690	-	-	690
At 30 September 2015	2,618	1,520	474	4,612

At the Statement of financial position date the Group had unused tax losses of Euro 19,990 million (2014: Euro 18,901 million) available for offset against future profits. A deferred tax asset has been recognised in respect of Euro 11,290 thousand (2014: Euro 7,557 million) of such losses. No deferred tax asset has been recognised in respect of the remaining Euro 8,700 million (2014: Euro 11,344 million) due to the unpredictability of available future taxable profits.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 September 2015

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Euro'000	Plant and equipment Euro'000	Vehicles and other Euro'000	Construction In progress Euro'000	Total Euro'000
Cost or valuation					
At 1 October 2014	203,371	18,398	42,078	14,103	277,950
Additions	246	435	276	37,586	38,543
Acquisition of Subsidiary	769	4,900	-	-	5,669
Exchange difference	-	(924)	(3,383)	(35)	(4,342)
Transfers to /(from) other fixed assets	10,986	2,533	13,776	(27,295)	-
Transfers to intangible assets	-	(6)	-	(6)	(12)
Disposals	(74)	(192)	(1,198)	-	(1,464)
At 30 September 2015	215,298	25,144	51,549	24,353	316,344
Accumulated depreciation and impairment					
At 1 October 2014	24,548	7,746	18,779	400	51,473
Charge for the year	5,333	1,675	6,010	-	13,018
Acquisition of Subsidiary	466	1,925	-	-	2,391
Impairment loss	37	-	59	-	96
Disposals	(13)	(221)	(3,283)	-	(3,517)
At 30 September 2015	30,371	11,125	21,565	400	63,461
Carrying amount					
At 30 September 2015	184,927	14,019	29,984	23,953	252,883

	Land and buildings Euro'000	Plant and equipment Euro'000	Vehicles and other Euro'000	Construction In progress Euro'000	Total Euro'000
Cost or valuation					
At 1 October 2013	179,060	15,031	37,047	16,062	247,200
Additions	1,662	1,593	262	21,395	24,912
First time consolidation	10,644	-	143	2,928	13,715
Exchange difference	-	-	-	(2,469)	(2,469)
Transfers to /(from) other fixed assets	12,115	1,876	9,751	(23,742)	-
Transfers to intangible assets	-	-	-	(4)	(4)
Disposals	(110)	(102)	(5,125)	(67)	(5,404)
At 30 September 2014	203,371	18,398	42,078	14,103	277,950
Accumulated depreciation and impairment					
At 1 October 2013	20,087	6,412	15,288	399	42,186
Charge for the year	4,565	1,396	5,834	1	11,796
Impairment reversal	(62)	-	-	-	(62)
Transfers	(1)		1		-
Disposals	(42)	(62)	(2,343)	-	(2,447)
At 30 September 2014	24,547	7,746	18,780	400	51,473
Carrying amount					
At 30 September 2014	178,824	10,652	23,298	13,703	226,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 September 2015

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Borrowing costs capitalised in the period amounted to Euro 797 thousand (2014: Euro 306 thousand).

The carrying amount of the plant and equipment includes Euro 1,5 million (2014: 0,5 million) in respect of assets held under finance leases.

The carrying amount of the Vehicles includes Euro 12,057 million (2014: Euro 13,517 million) in respect of assets held under finance leases.

Bank borrowings of Euro 13,991 million (2014: Euro 7,5 million) are secured on property, plant and equipment.

Land and Buildings with a net book value of Euro 66,9 million (2014: Euro 66,9 million) were pledged as a security for loans financed or underwritten by the shareholders.

9. INTANGIBLE ASSETS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

9. INTANGIBLE ASSETS (continued)

	Goodwill	Land Concession	Other intangibles	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Cost				
At 1 October 2013	5,681	9,358	1,347	16,386
Additions	-	-	39	39
First time consolidation	1,152	-	2	1,154
Transfers from property, plant and equipment	-	-	4	4
At 30 September 2014	6,833	9,358	1,392	17,583
Amortisation				
At 1 October 2013	3,764	1,563	1,131	6,458
Charge for the year	25	215	34	274
At 30 September 2014	3,789	1,778	1,165	6,732
Carrying amount				
At 30 September 2014	3,044	7,580	227	10,851

Land concessions of Euro 9,358 million are amortised over 43 years and 5 months. The concessions were granted for 50 years and amortisation commenced in July 2006, when the asset started to generate revenues. The expiry date of the concession is November 2049. The remaining useful life of the concession as at 30 September 2015 is 34 years and 2 months.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

10. INVESTMENTS

	Trading investments
	Euro'000
At 1 October 2013	584
At 30 September 2014	584
Additions	23
At 30 September 2015	607

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

The details of significant consolidated subsidiaries are:

Name	Country of incorporation	Principal activities	Holding % 2015	Holding % 2014
Malta Trading Sp. z o.o.	Poland	Distribution of wood based products	100%	100%
Silva Sp. z o.o.	Poland	Transportation services, timber trading & waste wood recycling	100%	100%
Kronoplus Sp. z o.o.	Poland	Distribution of wood based products	100%	100%
Kronotex Sp. z o.o	Poland	Management and rental of industrial real estate	100%	100%
Kronospan Investment Sp. z o.o	Poland	Real estate management and rental services	100%	100%
Kronospan Trading Ltd	United Kingdom	Distribution of wood based products	100%	100%
Kronospan Zona Libera Srl	Romania	Port warehouse storage and stevedoring	99%	99%
Megastor LLC	Russia	Distribution of wood based products	100%	-
Kronocentr LLC	Russia	Ownership and rental of distribution centers	100%	100%
Kronodrev LLC	Russia	Purchase & resale of timber	100 %	100 %
Kronologistic LLC	Ukraine	Transportation services & timber trading	100 %	100 %
Kronospan Trading Ltd	Cyprus	Distribution of wood based products	100%	100%
UAB Kronospan Trading	Lithuania	Distribution of wood based products	100%	100%
Silva CZ s.r.o	Czech Republic	Transportation services & purchase & resale of timber	100%	100%
Kronospan Italia S.r.l.	Italy	Melamine facing of particleboard & distribution of wood based panel products	100%	100%
Desarollo Hortofruticola de la Safor S.A.	Spain	Port warehouse storage and stevedoring	100%	-
Kronotex SAS	France	Management and rental of industrial real estate	100%	100%
Kronospan Trading SAS	France	Distribution of wood based products	100 %	-
Wald and Grundbesitz GmbH	Germany	Forestry and timber sales	94.90%	94.90%
Belecenter FLLC	Belarus	Purchase and resale of timber and transportation services	100%	100%
Kronospan BR FLLC	Belarus	Real estate management and rental services	100%	100%
Kronospan Trading NV	Belgium	Distribution of wood based products	100%	-

During the year ended 30 September 2015, the Group acquired 100% of Desarollo Hortofruticola de la Safor S. A. (Spain). The total cash consideration was Euro 20 thousand. The transaction has been accounted for by the acquisition method and was concluded with effect on 16 March 2015. Negative goodwill on acquisition amounting to Euro 361 thousand was recognised in group consolidated income statement, in other operating income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

11. LONG TERM LOANS ADVANCED

	2015 Euro'000	2014 Euro'000
Loans - unsecured (note 23)	9,367	3,832
Less instalments due after more than one year	(8,937)	(3,617)
Loans due within one year	430	215

	2015 Euro'000	2014 Euro'000
Instalments due after 1 year but not more than 2 years	6,180	430
Instalments due after 2 years but not more than 5 years	1,290	1,290
Instalments due after 5 years	1,467	1,897
	8,937	3,617

The book value of loans equals their fair value.

12. INVENTORIES

	2015 Euro'000	2014 Euro'000
Raw materials	2,065	1,422
Work in progress	456	990
Finished products	1,456	1,520
Trade goods	24,820	23,452
Goods in transit	413	502
	29,210	27,886

Inventories valued at Euro 10,437 million (2014: Euro 7,641 million) include a provision of Euro 1,880 million (2014: Euro 2,172 million) and are therefore carried at fair value less costs to sell.

13. TRADE AND OTHER RECEIVABLES

	2015 Euro'000	2014 Euro'000
Trade receivables	39,686	38,555
Amounts due from related parties (note 23)	309	152
Taxes, subsidies, social insurance	4,071	3,000
Other accounts receivable	3,024	3,805
	47,090	45,512

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 September 2015

13. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are further analysed as follows:

	2015 Euro'000	2014 Euro'000
Gross value	39,715	38,612
Impairment	(29)	(57)
Net value	39,686	38,555
Analysis of trade receivables:		
Not due	38,968	37,422
Due and not impaired		
- Insured	648	883
- Not insured	70	250
	39,686	38,555
- Due 0 - 90 days	522	789
- Due + 90 days	185	344
	707	1,133
Due and impaired		
0 - 90 days		19
+ 90 days	29	38
	29	57
Total	39,715	38,612

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'000	2014 Euro'000
Gross value	309	152
Impairment	-	-
Net value	309	152
Analysis of trade receivables:		
Not due	-	-
Due and not impaired		
- Insured	-	-
- Not insured	309	152
	309	152
- Due 0 - 90 days	-	-
- Due + 90 days	-	-
	-	-
Total	309	152

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

14. CASH AND CASH EQUIVALENTS

	Cash Euro'000	Bank overdrafts Euro'000	Net Euro'000
Balance at 1 October 2013	7,261	(15,497)	(8,236)
	4,045	110	4,155
Balance as at 30 September 2014	11,306	(15,387)	(4,081)
Movement for the year	(162)	(4,768)	(4,930)
Balance as at 30 September 2015	11,144	(20,155)	(9,011)

15. SHARE CAPITAL

	2015 Number	2014 Number	2015 Euro' 000	2014 Euro' 000
Authorised ordinary shares of Euro 1.71 each	61,000	61,000	104	104
Issued ordinary shares of Euro 1.71 each	61,000	61,000	104	104
Share premium			34,160	34,160

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

16. PREFERENCE SHARE CAPITAL

	2015 Number	2014 Number	2015 Euro' 000	2014 Euro' 000
Authorised redeemable preference shares of Euro 1 each	16,000	16,000	16	16
Issued redeemable preference shares of Euro 1 each	16,000	16,000	16	16
Share premium			9,984	9,984

Preference Share Capital

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

17. BANK LOANS AND OVERDRAFTS

	2015 Euro'000	2014 Euro'000
Bank loans and overdraft	53,286	23,059
Less instalments due after more than one year	(30,126)	(6,000)
Bank loans and overdrafts and other loans due within one year	23,160	17,059

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

	2014 Euro'000	2014 Euro'000
Instalments due after 1 year but not more than 2 years	3,955	1,500
Instalments due after 2 years but not more than 5 years	13,057	4,500
Instalments due after 5 years	13,114	-
	30,126	6,000

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

	2015 Euro'000	2014 Euro'000
Current portion of long term loans	3,005	1,672
Other short term borrowings (note 14)	20,155	15,387
	23,160	17,059

The weighted average interest rates paid were as follows:

	2015 %	2014 %
Bank loans	2.78	1.25
Bank overdrafts	2.54	3.59

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

	2015 Euro'000	2014 Euro'000
Bank overdrafts	20,155	15,387
Bank loans	33,131	7,672

Bank overdrafts are repayable on demand and are secured on the inventories and trade receivables. The bank overdraft facilities are subject to renewal in December 2016, and in March, April and June 2017.

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

At 30 September 2015, the Group had available Euro 5,045 million (2014: Euro 2,708 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

18. LONG TERM LOANS FINANCED OR UNDERWRITTEN BY THE SHAREHOLDERS

	2015 Euro'000	2014 Euro'000
Total loans	161,437	160,411
Less Instalments due after more than one year	(122,609)	(120,084)
Loans due within one year	38,828	40,327

Repayment of loans are analysed as follows:

	2014 Euro'000	2013 Euro'000
Due within 1 year	38,828	40,327
Instalments due after 1 year but not more than 2 years	17,132	27,240
Instalments due after 2 years but not more than 5 years	69,118	72,023
Instalments due after 5 years	36,359	20,821
	161,437	160,411

The interest rate on the loans ranges between 3% and 6.18% (2014: between 1,22% and 6.42%).

Rental income of Euro 14,34 million (2014: Euro 13,39 million) and Land and Buildings amounting to Euro 66,9 million (2014: Euro 66,9 million) is pledged as security of the respective Group companies to which loans are granted.

19. TRADE AND OTHER PAYABLES

	2015 Euro'000	2014 Euro'000
Trade payables	31,643	39,629
Investment payables	1,255	459
Amounts due to related parties (note 23)	789	1,545
Finance lease payments due within one year (note 21)	3,788	3,088
Other payables and accruals	19,429	13,163
Concession contracts (note 26)	116	103
	57,020	57,987

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

20. OPERATING LEASES

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	2015 Euro'000	2014 Euro'000
Within one year	631	487
Between 2-5 years	1,422	1,163
	2,053	1,650

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

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2015 Euro'000	2014 Euro'000	2015 Euro'000	2014 Euro'000
Amounts payable under finance leases				
Within one year	3,845	3,152	3,788	3,088
In the second to fifth years inclusive	6,281	7,863	6,051	7,434
	10,126	11,015	9,839	10,522
Less: future finance charges	(287)	(493)	-	-
Present value of lease obligations	9,839	10,522	9,839	10,522
Less: Amount due for settlement with 12 months (shown under current liabilities)			(3,788)	(3,088)
Amount due for settlement after 12 months			6,051	7,434

The Group leases vehicles under finance leases. The lease terms are 5 and 6 years. For the year ending 30 September 2015, the average effective borrowing rate for the 5 year lease was 2.3% (2014: 2.8%) and for the 6 year lease was 3.52% (2014: 3.52%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The lease obligations are denominated in EUR or PLN.

The Groups obligation under finance leases are secured by the lessors charge over the leased assets.

The fair value of the Group's lease obligations approximates their carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

22. 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.

23. RELATED PARTY TRANSACTIONS

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

The following transactions were carried out with related parties:

Sales of goods and services

	Sale of Goods		Sale of Services		Amounts owed by related parties	
	2015	2014	2015	2014	2015	2014
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Other related parties	3,853	3,401	303	552	309	152
	3,853	3,401	303	552	309	152

Purchase of goods and services

	Purchase of Goods (including fixed assets)		Purchase of Services and other fees		Amounts owed to related parties	
	2015	2014	2015	2014	2015	2014
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Other related parties	20,776	25,352	680	766	789	1,545
	20,776	25,352	680	766	789	1,545

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

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

Details of directors and key management personnel remuneration are given in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 September 2015

23. RELATED PARTY TRANSACTIONS (continued)

Loans from related parties

	2015 Euro'000	2014 Euro'000
At beginning of year		
- Principal	160,411	130,857
- Interest	1,151	994
	161,562	131,851
Movement during the year		
Loan principal received	40,341	39,957
Loan principal paid	(24,602)	(10,482)
Loans assigned	(15,067)	-
Interest assigned	(53)	-
Interest charged	6,316	5,937
Interest paid	(6,611)	(5,671)
Withheld taxes	(62)	-
Capitalised interest	354	79
	616	29,820
At year end		
- Principal	161,437	160,411
- Interest	387	1,151
	161,824	161,562

Loans to related parties

	2015 Euro'000	2014 Euro'000
At beginning of year		
- Principal	3,832	-
- Interest	-	-
	3,832	-
Movements during the year		
Loan advanced	-	3,832
Loan principal received	(215)	-
Interest accrued	209	26
Interest received	(209)	(26)
	(215)	3,832
At year end		
- Principal	3,617	3,832
- Interest	-	-
	3,617	3,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

24. CONTINGENT LIABILITIES

As at 30 September 2015, the Group had provided guarantees of a total amount of Euro 12.65 million (2014:12.82 million) to long term finance providers of its subsidiary Wald-und Grundbesitz GmbH & Co. KG.

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

Claim against the Group

As at 30 September 2015, there is currently a claim against the Group for an amount of Euro 370 thousand. The Group is currently contesting the entire amount in court. Base on legal advice the Directors believe that adequate defences exists against any claim sought. Accordingly no provision has been made in the financial statements in respect of this matter.

25. CAPITAL COMMITMENTS

At the statement of financial position date, the Group had capital commitments of Euro 207 thousand relating to the office building in Nicosia, Cyprus.

During the year the Group had also entered into a promise of sale agreement and a contract of works agreement relating to the acquisition of a prestigious sea front property which is currently under construction and is located in Sliema, Malta. The promise of sales agreement was concluded for a consideration of Euro 15 million and is payable upon transfer of deed. The contract of work agreement covered the finishing of the property and amounts to Euro 1,150,000.

In February 2016, the transfer of deed was concluded and the Euro 15 million, consideration was paid.

26. OTHER LONG TERM LIABILITIES / CONCESSION CONTRACTS

	2015 Euro'000	2014 Euro'000
Land concession and retention payables on construction contracts	3,963	3,690
Other long term liabilities	1,298	1,317
Less: Installments due within one year (note 19)	(116)	(103)
	5,145	4,904

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

The land concession payable represents future instalments payable under a land concession contract in Romania for a total of 50 years which expires in November 2049. Refer also to Note 9 Intangible assets.

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

27. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 14 December 2015 the Company increased it's share capital in order to facilitate the Groups investment plans, Share Capital was increased by the issue of 10,000 ordinary shares of Euro 1.71 at a premium of Euro 448.29.

On 23 February 2016, the Group concluded the acquisition of a prestigious sea front property located in Sliema, Malta, for a consideration of Euro 15 million, the acquisition was partially financed by a Euro 9 million bank loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 September 2015

28. RISK MANAGEMENT

General objectives, policies and processes

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

Principal financial instruments

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

Financial assets

	Loans and receivables	
	2015 Euro'000	2014 Euro'000
Loans advanced	9,367	3,832
Trade, related party and other receivables (excl. prepayments, VAT, corporate and other taxes, social security)	40,205	39,384
Cash and cash equivalents	10,953	11,306
Total financial assets	60,525	54,522

Financial liabilities

	Financial liabilities at amortised cost	
	2015 Euro'000	2014 Euro'000
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	43,153	45,132
Loans and borrowings	53,286	23,059
Loans financed or underwritten by the shareholders	161,437	160,411
Finance leases	9,839	10,522
Other long-term liabilities	5,145	4,904
Total financial liabilities	272,860	244,028

28. 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. Fair value is equivalent to book value.

	Book value 2015 Euro'000	Book value 2014 Euro'000	Fair value 2015 Euro'000	Fair value 2014 Euro'000
Bank overdrafts	20,155	15,387	20,155	15,387
Bank borrowings	33,131	7,672	33,131	7,672
Loans financed or underwritten by the shareholders	161,437	160,411	161,437	160,411
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	43,153	45,132	43,153	45,132
Other long term liabilities	5,145	4,904	5,145	4,904
Finance leases	9,839	10,522	9,839	10,522
	272,860	244,028	272,860	244,028

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

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

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

Credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

28. RISK MANAGEMENT (continued)

Credit risk (continued)

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 13.

	Carrying value		Maximum exposure	
	2015 Euro'000	**2014 Euro'000**	**2015 Euro'000**	**2014 Euro'000**
Loans advanced	9,367	3,832	9,367	3,832
Trade and other receivables	47,090	45,512	47,090	45,512
Prepayments	822	746	822	746
Cash and cash equivalents	11,144	11,306	11,144	11,306
Total financial assets	68,423	61,396	68,423	61,396

Market risk

(i) Interest rate risk

As a result of the relevant portion of floating rate bank borrowings the Group is exposed to interest rate risk, in particular the risk of variation in national currency and Euro interest rates. In line with Group policy this risk is not covered. Whilst the Group takes steps to minimise its exposure to cash flow interest rate risk, changes in interest rates will have an impact on profit. Management continually monitor interest rate movements to assess the impact that this will have upon interest costs. The annualised effect of a 1% increase in the interest rate at the statement of financial position date on variable rate debt carried at 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 520 thousand (2014: 223 thousand). A 1% decrease in the interest rate would, on the same basis, have decreased post-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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

28. 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.

	2015				2014			
Impact of	**PLN**	**CZK**	**RUR**	**GBP**	**PLN**	**CZK**	**RUR**	**GBP**
	Euro'000	**Euro'000**	**Euro'000**	**Euro'000**	**Euro'000**	**Euro'000**	**Euro'000**	**Euro'000**
Monetary financial assets	35,282	5,136	2,414	1,137	32,422	5,503	2,328	691
Monetary financial liabilities	(42,582)	(5,697)	(2,146)	(1,299)	(36,138)	(8,040)	(1,984)	(105)
Net (liabilities)/assets	(7,300)	(561)	268	(162)	(3,716)	(2,537)	344	586
Impact on results - Gain/(Loss)								
5% of foreign currency appr. (Euro depr.)	(365)	(28)	13	(8)	(186)	(127)	17	29
5% of foreign currency depr. (Euro appr.)	365	28	(13)	8	186	127	(17)	(29)
Denominated in Euro								
Monetary financial assets	1,583	305	6,503	1,046	2,542	18	2,500	545
Monetary financial liabilities	(4,411)	(878)	(6,397)	(227)	(11,056)	-	(5,137)	-
Net (liabilities)/assets	(2,828)	(573)	106	819	(8,514)	18	(2,637)	545

Liquidity risk

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

For this purpose, Liquidity management at the Group comprises:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 September 2015

28. 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 30 September 2015	On demand Euro'000	less than 12 months Euro'000	1 - 5 years Euro'000	> 5 years Euro'000	Total Euro'000
Bank overdrafts	20,155	-	-	-	20,155
Bank borrowings	-	3,953	19,594	13,777	37,324
Loans financed or underwritten by the shareholders	-	44,585	117,427	33,824	195,836
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	-	43,153	-	-	43,153
Other long term liabilities	-	-	464	5,012	5,476
Finance leases	-	3,823	6,281	-	10,104
	20,155	95,514	143,766	52,613	312,048

As at 30 September 2014	On demand Euro'000	less than 12 months Euro'000	1 - 5 years Euro'000	> 5 years Euro'000	Total Euro'000
Bank overdrafts	15,387	-	-	-	15,387
Bank borrowings		1,756	6,150	-	7,906
Loans financed or underwritten by the shareholders	-	57,669	113,159	21,780	192,608
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	-	45,132	-	-	45,132
Other long term liabilities	-	55	413	4,837	5,305
Finance leases	-	3,152	7,863	-	11,015
	15,387	107,764	127,585	26,617	277,353

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

28. RISK MANAGEMENT (continued)

Capital disclosures

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

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

	2015 Euro'000	2014 Euro'000
Total bank debt	63,125	33,581
Less cash and cash equivalents	(11,144)	(11,306)
Net debt	51,981	22,275
Total equity	77,996	71,492
Plus loans financed or underwritten by the shareholders	161,437	160,411
Adjusted capital	239,433	231,903
Debt to adjusted capital ratio	0.22	0.10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

29. 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 October 2014 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 October 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

Consolidated financial statements

The consolidated financial statements include the financial statements of the holding company and its subsidiaries which are collectively referred to as the "Group". The results of the companies acquired are accounted for from the date of their acquisition to the date of their disposal. All subsidiaries 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 significant intra-company transactions and balances between group enterprises are eliminated on consolidation.

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

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.

Other Intangible assets are shown at historical 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 and the cost of new technologies on acquired assets are amortised on a straight line basis over their expected useful life. Intangibles are subject to impairment reviews whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Where the carrying value is more than the recoverable value, the asset's carrying value is reduced to the recoverable value.

Land concessions	2%
Other	20 - 25%

29. 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.

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

i) Statement of profit or loss and other comprehensive income items were translated into Euro at the average monthly exchange rate for the year.
ii) All assets and liabilities were translated into Euro at the exchange rate prevailing on the statement of financial position date.

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

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).

29. OTHER ACCOUNTING POLICIES (continued)

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.

Leasing and sale and leaseback

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

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

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

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

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.

Research and Development

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

Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

29. OTHER ACCOUNTING POLICIES (continued)

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.

(ii) *Trade payables and other short term liabilities*

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

(iii) *Other long-term liabilities*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 September 2015

29. OTHER ACCOUNTING POLICIES (continued)

Provisions

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

Net finance costs

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

Comparatives

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

Non-GAAP financial measures

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

EBITDA refers to Earnings Before Interest, Tax, Depreciation, Amortization 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.