

Company Registration No. 11766110  
Company name Kronospan ApS

## **Report and Financial Statements**

**30 September 2016**


**Kronospan ApS**

**2 Fabriks street, Pindstrup, 8550 Ryomgaard**

**CVR no. 11 76 61 10**

Approved on the Company's annual general meeting on 22.02.2017

**Chairman:**

  
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## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

Spiros Spyrou  
Jörg Lippok  
Henrik Buchleitner  
Peter Fur (resigned on 23.09.2016)  
Kjeld Frederiksen (resigned on 23.09.2016)

### **EXECUTIVE BOARD**

Henning Jensen

### **REGISTERED OFFICE**

Fabriksvej 2  
Pindstrup, 8550 Ryomgaard  
Denmark

### **PRINCIPAL PLACE OF BUSINESS**

Fabriksvej 2  
Pindstrup, 8550 Ryomgaard  
Denmark

### **BANKERS**

Danske Bank A/S

### **AUDITORS**

ERNST& YOUNG  
Godkendt Revisionspartnerselskab  
Værkmestergade 25  
8000 Aarhus  
Denmark

## STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today discussed and approved the annual report of Kronospan ApS for the financial year 5 October 2015 – 30 September 2016.


The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 30 September 2016 and of the results of the Company's operations and cash flows for the financial year 5 October 2015 – 30 September 2016.

Further, in our opinion, the Director's report gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Pindstrup, 10 January 2017  
Executive Board:



Henning Jensen  
CEO

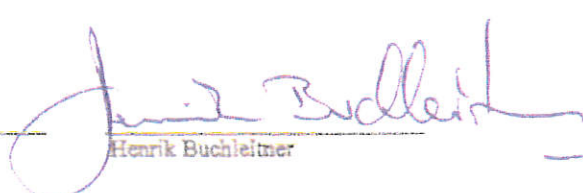
Board of Directors:



Spiros Spyrou  
Chairman



Jörg Lippok



Henrik Buchleitner



## DIRECTORS' REPORT

The Directors submit their annual report and financial statements for the year ended 30 September 2016.

## PRINCIPAL ACTIVITIES

The Principal Activity of the Company is the production and sale of Particleboard ("PB"), Melamine Faced Particleboard ("MF-PB") and Tongue and Groove standard and customized boards ("T&G PB and T&G MF-PB").

## REVIEW OF OPERATIONS

	2016	2015	Change
	Euro'000	Euro'000	%
Revenue	68,128	64,321	5.9
Operating Profit	3,854	732	426.5
EBITDA	5,771	4,913	17.5

Revenue increased due to higher demand and quantities sold despite sales prices remaining at similar levels to prior year.

EBITDA in 2016 improved significantly due to falling raw material prices for resins and production cost savings achieved through the utilisation of a higher proportionate share of recycled timber coupled with a price decrease of the latter.

Revision of Property, plant and equipment useful lives in 2016 resulted in lower yearly depreciation charge and had a further positive impact on operating results.

## INVESTMENT

	2016	2015	Change
	Euro'000	Euro'000	%
Total	328	3,096	(89.4)

## DIRECTORS

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

## DIVIDENDS

On 1 August 2016 the Company declared a final dividend of 6.009 million from accumulated profits of prior years, which was paid to the shareholders of the Company in 4Q15/16 (2015: NIL, 2014: NIL).

## CHANGE OF COMPANY NAME AND LEGAL STATUS

On 22 February 2016 the Board of Directors resolved to convert the Company from a private limited liability company (A/S) into a limited liability company (ApS). Furthermore the Company changed its name from Novopan Træindustri A/S to Kronospan ApS.

## SHARE CAPITAL

Effective from 22 February 2016 and following the above change of legal status, the share capital of the Company was reduced by Euro 1.279 million through annulment of 9,543 treasury shares only with no transaction costs involved.

## DIRECTORS' REPORT (continued)

### OUTLOOK

The Company 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 to further reduce resin, timber and energy consumption;
- Optimise existing technologies to improve efficiency;
- Invest in new technologies and products to increase production capacity;
- The Company has held a number of presentations to key customers within the furniture, home/kitchen and building industry to promote Kronospan full range of products and become a more valuable partner in the future. Management is determined to explore further the sales potential it sees within a specific range of products (OSB, MDF, MF, HPL and Laminate flooring). Other initiatives involve targeting large building supplies retailer chains as potential customers.

### GENERAL RISKS

The demand for particleboard and valued added wood panel products in Denmark is influenced by both local (micro) and global macro-economic factors. The projections are that local and neighbouring countries' demand within the furniture, home/kitchen and building industry will remain stable in the next financial year.

The Company has established a long-term cooperation with a few large buyers which derive a major part of the sales income, primarily through sales of customised boards and this business model is expected to continue. Furthermore management are in the process of renewing environmental permits as required by the relevant local regulations.

Management believes that current financing arrangements can be carried forward and that the Company's financial resources are properly secured for FY16/17. Financial risks are described in detail in Note 25 "Risk Management".

### FINANCIAL HIGHLIGHTS

EUR'000	2015/16	2014/15	2013/14	2012/13	2011/12
<b>Key figures</b>					
Revenue	68,128	64,321	63,562	63,959	65,556
Ordinary operating profit/loss	3,854	732	2,031	19	2,355
Loss from financial income and expenses	32	(415)	(846)	(1,149)	(739)
<b>Profit/loss for the year</b>	<b>3,083</b>	<b>(697)</b>	<b>1,000</b>	<b>(727)</b>	<b>1,090</b>
Non-current assets	19,857	22,260	24,122	25,621	23,319
Additions to tangible and intangible assets	539	3,096	2,573	6,120	3,895
Current assets	15,569	18,194	20,004	22,663	24,188
<b>Total assets</b>	<b>35,426</b>	<b>40,454</b>	<b>44,126</b>	<b>48,276</b>	<b>47,507</b>
Share capital	12,155	13,434	13,434	13,434	13,434
<b>Equity</b>	<b>20,053</b>	<b>22,927</b>	<b>24,292</b>	<b>23,329</b>	<b>23,846</b>
Provisions	-	-	296	479	978
Non-current liabilities other than provisions	2,518	2,245	2,642	2,436	2,966
Current liabilities other than provisions	12,855	15,282	16,896	22,129	19,716
Cash flows from operating activities	10,411	5,835	7,781	3,969	4,119
Net cash flows from investing activities	(139)	(2,601)	(2,491)	(6,063)	(2,975)
Portion relating to investment in property, plant, equipment and software	(328)	(2,699)	-	(2,568)	(6,134)
Cash flows from financing activities	(6,544)	(582)	(5,290)	2,094	(1,143)
<b>Total cash flows</b>	<b>3,728</b>	<b>2,652</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Financial ratios (%)</b>					
Return on investment	11.14	1.84	4.75	0.04	5.09
Solvency ratio	56.61	56.67	55.05	48.32	50.19
Return on equity	14.35	2.33	4.20	-3.08	4.68
<b>Average number of full-time employees</b>	<b>214</b>	<b>215</b>	<b>204</b>	<b>208</b>	<b>209</b>

## **DIRECTORS' REPORT (continued)**

### **FINANCIAL HIGHLIGHTS (continued)**

Financial ratios are calculated based on the guidance "Recommendations and Financial Ratios 2015" as issued by the Danish Finance Society. For terms and definitions refer to Note 2 "Significant accounting policies" and Note 26 "Other Accounting Policies".

Financial highlights and financial ratios for FY11/12 through to FY13/14 are calculated based on Danish GAAP. Financial highlights and financial ratios for FY14/15 and FY15/16 are prepared in accordance with IFRS (See Note 3 "First Time Adoption of IFRS").

### **CORPORATE SOCIAL RESPONSIBILITY (CSR) AND GENDER DIVERSITY**

Corporate Responsibility ("CSR") and Equal Opportunities Statements can be found in the Company's website: <http://www.novopan.dk/Downloads-128.aspx> to be changed to <http://www.kronospan-dk.dk/Downloads-128.aspx> uploaded as CSR.pdf.

### **AUDITORS**

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

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

## INDEPENDENT AUDITORS' REPORT

To the shareholder of Kronospan ApS

### Independent auditors' report on the financial statements

We have audited the financial statements of Kronospan ApS for the financial year 5 October 2015 – 30 September 2016, which comprise income statement and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards.

### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

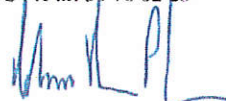
### Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 September 2016 and of the results of its operations and cash flows for the financial year 5 October 2015 – 30 September 2016 in accordance with International Financial Reporting Standards.

### Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 10 January 2017  
Ernst & Young  
Godkendt Revisionspartnerselskab  
CVR-nr. 30 70 02 28



Claus Hammer-Pedersen  
State Authorised  
Public Accountant



Lis Andersen  
State Authorised  
Public Accountant

**STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

**Year ended 30 September 2016**

	Note	2016 Euro'000	2015 Euro'000
<b>Revenue</b>	<b>4</b>	<b>68,128</b>	<b>64,321</b>
Other operating income	5	1,206	1,737
Changes in inventories of finished goods and work in progress		1,052	1,224
Raw materials and consumables used		(39,888)	(40,256)
Employee benefit costs	6	(13,861)	(13,112)
Depreciation and amortisation expense	5,9,10	(2,206)	(3,975)
Other operating expenses	5	(10,577)	(9,207)
<b>Profit from operations</b>	<b>5</b>	<b>3,854</b>	<b>732</b>
Finance income	7	2	9
Finance costs	7	(100)	(424)
Income from investment in join venture		130	-
Written off by-product capitalised value from prior years		-	(1,247)
<b>Profit / (loss) before tax</b>		<b>3,886</b>	<b>(930)</b>
Income tax (expense)/ credit	8	(803)	233
<b>Profit / (loss) for the year</b>		<b>3,083</b>	<b>(697)</b>
<b>Other comprehensive income:</b>			
Foreign currency exchange differences		52	(51)
<b>Other comprehensive income for the year, net of tax</b>		<b>52</b>	<b>(51)</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>3,135</b>	<b>(748)</b>

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

The notes on pages 13 to 42 form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Note	30 September 2016		4 October 2015		6 October 2014	
		Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
<b>ASSETS</b>							
<b>Non current assets</b>							
Property, plant and equipment	9	18,953		21,534		22,777	
Intangible assets	10	176		-		-	
Investments	11	728		726		728	
<b>Total non-current assets</b>			19,857		22,260		23,505
<b>Current assets</b>							
Inventories	12	8,093		7,858		8,917	
Trade and other receivables	13	6,953		10,108		10,972	
Prepayments		407		213		112	
Cash and cash equivalents	14	116		15		3	
<b>Total current assets</b>			15,569		18,194		20,004
<b>TOTAL ASSETS</b>			<u>35,426</u>		<u>40,454</u>		<u>43,509</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
<b>Equity attributable to shareholders of</b>							
Share capital	15	12,155		13,434		13,434	
Other reserves		1		(51)		-	
Retained earnings		7,897		9,544		10,241	
<b>Total equity</b>			20,053		22,927		23,675
<b>Non-current liabilities</b>							
Bank loans	16	1,044		1,458		1,881	
Deferred tax liability	8	1,302		499		732	
Obligations under finance leases	18	172		288		29	
Provisions		-		-		296	
<b>Total non-current liabilities</b>			2,518		2,245		2,938
<b>Current liabilities</b>							
Bank loans and overdrafts	16	1,767		5,402		8,054	
Trade and other payables	17	11,088		9,880		8,842	
<b>Total current liabilities</b>			12,855		15,282		16,896
<b>Total liabilities</b>			<u>15,373</u>		<u>17,527</u>		<u>19,834</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<u>35,426</u>		<u>40,454</u>		<u>43,509</u>

On 10 January 2017 the financial statements of Kronospan ApS were approved by the Board of Directors and authorised for issue.

Signed on behalf of the Board of Directors - Director

The notes on pages 13 to 42 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

Year ended 30 September 2016

	Note	2016 Euro'000	2015 Euro'000
<b>Cash flows from operating activities</b>			
Profit / (loss) for the year		3,083	(697)
<b>Adjustment for:</b>			-
Depreciation and amortisation	5,9,10	2,206	3,975
Finance income	7	(2)	(9)
Finance expense	7	100	424
Dividend income		(130)	-
(Profit) / loss from the sale of property, plant and equipment	5	(9)	217
Income tax expense / (credit)	8	803	(233)
<b>Cash flow from operating activities before changes in working capital and provisions</b>		<b>6,051</b>	<b>3,677</b>
Decrease in inventories		296	1,042
Decrease in trade and other receivables and prepayments		3,005	740
Increase in trade and other payables		1,186	1,087
Decrease in provisions		-	(296)
<b>Cash generated from operations</b>		<b>10,538</b>	<b>6,250</b>
Interest received		2	9
Interest paid		(100)	(424)
Income taxes paid		(29)	-
<b>Net cash from operating activities</b>		<b>10,411</b>	<b>5,835</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of property, plant and equipment		270	98
Purchase of property, plant and equipment		(328)	(2,699)
Purchase of intangible assets [net of disposals]		(211)	-
Dividends received		130	-
<b>Net cash used in investing activities</b>		<b>(139)</b>	<b>(2,601)</b>
<b>Cash flows from financing activities</b>			
Repayments of long term loans		(418)	(418)
Repayment of finance lease obligations		(117)	(164)
Dividends paid to equity holders	24	(6,009)	-
<b>Net cash used in financing activities</b>		<b>(6,544)</b>	<b>(582)</b>
Net increase in cash and cash equivalents		3,728	2,652
Cash and cash equivalents at the beginning of the year		(4,969)	(7,633)
Exchange gains on cash and cash equivalents		8	12
<b>Cash and cash equivalents at the end of the year</b>	14	<b>(1,233)</b>	<b>(4,969)</b>
<b>Cash and cash equivalents are represented by:</b>			
Cash in hand and at bank		116	15
Overdrafts		(1,349)	(4,984)
		<b>(1,233)</b>	<b>(4,969)</b>

The notes on pages 13 to 42 form an integral part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2016

	Share capital	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders of the Company Euro '000
	Euro '000	Euro '000	Euro '000	Euro '000
<b>Changes in equity for 2016</b>				
Balance at 1 October 2015	13,434	(51)	9,544	22,927
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	3,083	3,083
Other comprehensive income	-	52	-	52
<b>Total comprehensive income for the year</b>	-	52	3,083	3,135
Dividends	-	-	(6,009)	(6,009)
Redemption of own shares	(1,279)	-	1,279	-
<b>Balance at 30 September 2016</b>	<b>12,155</b>	<b>1</b>	<b>7,897</b>	<b>20,053</b>
<b>Changes in equity for 2015</b>				
Balance at 1 October 2014	13,434	-	10,241	23,675
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(697)	(697)
Other comprehensive income	-	(51)	-	(51)
<b>Total comprehensive income for the year</b>	-	(51)	(697)	(748)
<b>Balance at 30 September 2015</b>	<b>13,434</b>	<b>(51)</b>	<b>9,544</b>	<b>22,927</b>

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

Reserve	Description and purpose
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 / (loss) for the year and prior years.

The notes on pages 13 to 42 form an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 1. PRINCIPAL ACTIVITIES

The Principal Activity of the Company is the production and sale of Particleboard ("PB"), Melamine Faced Particleboard ("MF-PB") and Tongue and Groove standard and customized boards ("T&G PB and T&G MF-PB").

### 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).

For all periods up to and including the year ended 4 October 2015, the Company prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). The financial statements for the year ended 30 September 2016 are the first set of accounts prepared in accordance with IFRS. The impact on financial results has not been material. Additionally the values have been converted from DKK to Euro. Refer to Note 3 "First Time Adoption of IFRS".

The Directors are of the opinion that preparation of the 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 26.

#### Significant judgements and estimates

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

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

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

- *Financial instruments valuation methods.* Valuation methods based on the discounting of future cash flows (effective interest method) or alternative methods based on analysis of recent like arms-length transactions or financial performance of the same type of investees are used for estimation of the value of certain categories of financial instruments for which there are no generally available market information that is believed to be reasonable under the circumstances. The methods may require assumptions of the management not supported by data which are generally available. As a result, the valuation method falls under level 3 of the fair value hierarchy. If profit or loss, income and expenses, assets and liabilities change significantly followed by the change of assumptions the respective disclosures are made in the financial statements.
- *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 (WACC) of the Company's capital 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 Company evaluates the collectability of trade receivables to assess whether there is any objective evidence that a provision for impairment is required. These provisions for impairment are based on, amongst other things, insurance cover, comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operational results positively or negatively. Further detail of the level of provisions for doubtful receivables is included in note 13.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Significant judgements and estimates (continued)

- *Accounting for provisions and contingencies.* The Company is subject to a number of claims that are incidental to the normal conduct of its business. The Company 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 Company, variations between actual and estimated useful lives could materially 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 Company 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.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment

All property, plant and equipment are 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.

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:

	FY15/16	FY14/15
Buildings	3.3%	4.0%
Plant and equipment	5.0%	5.0% - 8.3%
Vehicles and other	25.0%	16.7%
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 FINANCIAL STATEMENTS

Year ended 30 September 2016

### 3. FIRST TIME ADOPTION OF IFRS

The financial statements for the year ended 30 September 2016 are the first set of accounts prepared in accordance with IFRS. For periods up to and including the year ended 4 October 2015, the Company prepared its financial statements in accordance with the Danish Financial Statements Act (local GAAP).

Furthermore the values have been converted from DKK to EUR and the impact on results was assessed as immaterial.

Accordingly, the Company has prepared financial statements that comply with IFRS applicable at 30 September 2016 together with the comparative period data for the year ended 4 October 2015, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 6 October 2014, which was the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its local GAAP financial statements, including the statement of financial position as at 6 October 2014 and the financial statements for the year ended 4 October 2015.

#### *Estimates*

The estimates at 6 October 2014 and at 4 October 2015 are consistent with those made for the same dates in accordance with local GAAP (after adjustments to reflect any differences in accounting policies).

#### *Company reconciliation of statement of financial position at 6 October 2014*

		Local GAAP	Local GAAP	Remeasure- ments	IFRS as at 6 October 2014
	Notes	DKK'000	EUR'000	EUR'000	EUR'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	A	169,545	22,777	-	22,777
Investments	C	10,011	1,345	(617)	728
<b>Total non-current assets</b>		<b>179,556</b>	<b>24,122</b>	<b>(617)</b>	<b>23,505</b>
<b>Current assets</b>					
Inventories		66,372	8,917	-	8,917
Trade and other receivables		81,668	10,972	-	10,972
Prepayments		831	112	-	112
Cash and cash equivalents	B	22	3	-	3
<b>Total current assets</b>		<b>148,893</b>	<b>20,004</b>	<b>-</b>	<b>20,004</b>
<b>Total assets</b>		<b>328,449</b>	<b>44,126</b>	<b>(617)</b>	<b>43,509</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

*Company reconciliation of statement of financial position at 6 October 2014*

		Local GAAP	Local GAAP	Remeasure- ments	IFRS as at 6 October 2014
	Notes	DKK'000	EUR'000	EUR'000	EUR'000
<b>Liabilities and shareholders' equity</b>					
<b>Equity attributable to shareholders of the Company</b>					
Share capital		100,000	13,434	-	13,434
Other reserves	C	4,591	617	(617)	-
Retained earnings		76,228	10,241	-	10,241
Foreign currency translation reserve		0	0	-	-
<b>Total equity</b>		<b>180,819</b>	<b>24,292</b>	<b>(617)</b>	<b>23,675</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Deferred tax liability		5,446	732	-	732
Provisions		2,200	296	-	296
Bank loans		14,000	1,881	-	1,881
Obligations under finance leases		214	29	-	29
<b>Total non-current liabilities</b>		<b>21,860</b>	<b>2,938</b>	<b>-</b>	<b>2,938</b>
<b>Current liabilities</b>					
Obligations under finance leases		1,232	165	-	165
Bank loans and overdrafts		59,948	8,054	-	8,054
Trade and other payables		54,442	7,314	-	7,314
Payables to joint venture		10,148	1,363	-	1,363
<b>Total current liabilities</b>		<b>125,770</b>	<b>16,896</b>	<b>-</b>	<b>16,896</b>
<b>Total liabilities</b>		<b>147,630</b>	<b>19,834</b>	<b>-</b>	<b>19,834</b>
<b>Total liabilities and shareholders' equity</b>		<b>328,449</b>	<b>44,126</b>	<b>(617)</b>	<b>43,509</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

#### *Company reconciliation of statement of financial position at 4 October 2015*

		Local GAAP	Local GAAP	Remeasure- ments	IFRS as at 4 October 2015
	Notes	DKK'000	EUR'000	EUR'000	EUR'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	A	160,655	21,534	-	21,534
Investments	C	11,461	1,536	(810)	726
<b>Total non-current assets</b>		<b>172,116</b>	<b>23,070</b>	<b>(810)</b>	<b>22,260</b>
<b>Current assets</b>					
Inventories		58,622	7,858	-	7,858
Trade and other receivables		75,413	10,108	-	10,108
Prepayments		1,587	213	-	213
Cash and cash equivalents	B	115	15	-	15
<b>Total current assets</b>		<b>135,737</b>	<b>18,194</b>	<b>-</b>	<b>18,194</b>
<b>Total assets</b>		<b>307,853</b>	<b>41,264</b>	<b>(810)</b>	<b>40,454</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

*Company reconciliation of statement of financial position at 4 October 2015*

		Local GAAP	Local GAAP	Remeasure- ments	IFRS as at 4 October 2015
	Notes	DKK'000	EUR'000	EUR'000	EUR'000
<b>Liabilities and shareholders' equity</b>					
<b>Equity attributable to shareholders of the Company</b>					
Share capital		100,000	13,404	30	13,434
Other reserves	C	6,041	810	(810)	-
Retained earnings		71,044	9,523	21	9,544
Foreign currency translation reserve		0	0	(51)	(51)
<b>Total equity</b>		<b>177,085</b>	<b>23,737</b>	<b>(810)</b>	<b>22,927</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Deferred tax liability		3,712	498	-	498
Bank loans		10,888	1,459	-	1,459
Obligations under finance leases		2,148	288	-	288
<b>Total non-current liabilities</b>		<b>16,748</b>	<b>2,245</b>	<b>-</b>	<b>2,245</b>
<b>Current liabilities</b>					
Obligations under finance leases		1,029	139	-	139
Bank loans and overdrafts		40,295	5,402	-	5,402
Trade and other payables		61,692	8,266	-	8,266
Payables to joint venture		11,004	1,475	-	1,475
<b>Total current liabilities</b>		<b>114,020</b>	<b>15,282</b>	<b>-</b>	<b>15,282</b>
<b>Total liabilities</b>		<b>130,768</b>	<b>17,527</b>	<b>-</b>	<b>17,527</b>
<b>Total liabilities and shareholders' equity</b>		<b>307,853</b>	<b>41,264</b>	<b>(810)</b>	<b>40,454</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

*Company reconciliation of total comprehensive income for the year ended 4 October 2015*

		Local GAAP	Local GAAP	Reclassi- fications	Remeasure- ments	IFRS as at 4 October 2015
	Notes	DKK'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue		479,470	64,321	-	-	64,321
Changes in inventories of finished goods and work in progress		-	-	1,224	-	1,224
Raw materials and consumables used		-	-	(40,256)	-	(40,256)
Production costs		(433,181)	(58,111)	58,111	-	-
Selling and distribution costs		(38,576)	(5,175)	5,175	-	-
Administrative expenses		(15,454)	(2,073)	2,073	-	-
Employee benefit costs		-	-	(13,112)	-	(13,112)
Depreciation and amortisation expense		-	-	(3,975)	-	(3,975)
Other operating income		12,952	1,737	-	-	1,737
Other operating costs		(8,016)	(1,075)	(9,379)	-	(10,454)
<b>Operating profit</b>		<b>(2,805)</b>	<b>(375)</b>	<b>(139)</b>	-	<b>(515)</b>
Income from investment in a joint venture	C	1,450	194	-	(194)	0
Financial income		1,878	252	(243)	-	9
Financial expenses		(5,991)	(806)	382	-	(424)
<b>Loss before tax</b>		<b>(5,468)</b>	<b>(733)</b>	-	<b>(194)</b>	<b>(930)</b>
Tax on loss		1,734	233	-	-	233
<b>Loss for the year</b>		<b>(3,734)</b>	<b>(500)</b>	-	<b>(194)</b>	<b>(697)</b>
<b>Other comprehensive income</b>						
<i>Other comprehensive income which may be reclassified to profit or loss in subsequent periods:</i>						
Equity adjustment on foreign currency translation					(51)	(51)
<b>Other comprehensive income for the year, net of tax</b>					<b>(51)</b>	<b>(51)</b>
<b>Total comprehensive income for the year, net of tax</b>					<b>(51)</b>	<b>(748)</b>

*Notes to the reconciliation of equity as at 6 October 2014 and 4 October 2015 and total comprehensive income for the year ended 4 October 2015*

#### A) Componentization and reassessment of useful lives

Under local GAAP, property and production plant were depreciated at an aggregated level and did not, in all material aspects, reflect the expected economic useful lives.

Under IFRS, the cost of property and production assets is divided into separate components if the cost is significant relative to the total cost of the assets. Subsequently, each component is depreciated separately over its useful life.

Further, under IFRS, the useful life and residual value of each component is reviewed annually and adjusted, if appropriate. The useful life of an asset is the period over which the Company will benefit from the asset, which may differ from the prescribed useful life of the asset.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 3. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

*Notes to the reconciliation of equity as at 6 October 2014 and 4 October 2015 and total comprehensive income for the year ended 4 October 2015 (continued)*

#### A) Componentization and reassessment of useful lives (continued)

The annual review of property and production plant for IFRS purposes revealed differences between the thus estimated IFRS Carrying values and the actual Carrying values under Local GAAP, resulting from the above reassessment of yearly depreciation charge.

Company management has prepared Impairment test on Recoverability of Property, plant and equipment for FY13/14 and FY14/15 comparing the Carrying value of tangible assets under Local GAAP to Value of the business based on Discounted Cash flows. The results from the test revealed that carrying value under local GAAP and discounted values were identical, therefore no adjustments were made for IFRS purposes.

#### B) Statement of cash flows

The transition from local GAAP to IFRS has not had a material impact on the statement of cash flows.

#### C) Investment in joint venture

Under local GAAP, the Company recognised its investment in a joint venture according to the equity method.

Under IFRS, Management has chosen to apply the cost method. The joint venture and the Company are consolidated in the ultimate parent company's financial statements. Consequently, IFRS adjustment C adjusts Income from investment in a joint venture in the Statement of Profit or loss and Other comprehensive income, Investment in the Statement of Financial Position and also from Other reserves.

### 4. REVENUE

	2016 Euro'000	2015 Euro'000
Continuing operations	68,128	64,321
	<u>68,128</u>	<u>64,321</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 5. PROFIT FROM OPERATIONS

	2016 Euro'000	2015 Euro'000
Profit from operations is arrived at after charging / (crediting) among others the following:		
Staff costs (note 6)	14,004	13,112
Depreciation and amortisation expense (note 9 and 10)	2,206	3,975
Impairment of property, plant and equipment (note 9)	-	-
Audit fees	27	67
Currency translation differences	(289)	206
(Profit) / loss on disposal of non-current assets	(9)	217

### 6. EMPLOYEE BENEFIT COSTS

	2016 Euro'000	2015 Euro'000
<b>Cost</b>		
Wages and salaries	12,515	11,803
Employer's social security	375	381
Employer's pension costs – defined contribution plans	971	928
	<b>13,861</b>	<b>13,112</b>

	2016 Number	2015 Number
<b>Average number of employees</b>	<b>214</b>	<b>215</b>

#### Directors' and key management personnel remuneration

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

	2016 Euro'000	2015 Euro'000
Salaries and other short-term employee benefits	235	324
Employer's social security	2	2
Employer's pension costs - defined contribution plans	16	19
	<b>253</b>	<b>345</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 7. FINANCE INCOME AND EXPENSE

	2016 Euro'000	2015 Euro'000
<b>Finance income</b>		
Other	2	9
	<u>2</u>	<u>9</u>
<b>Finance costs</b>		
Bank borrowing	96	417
Finance leases	4	7
	<u>100</u>	<u>424</u>

### 8. TAXATION

	2016 Euro'000	2016 Euro'000	2015 Euro'000	2015 Euro'000
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	755		(233)	
Utilisation of tax losses during the year	<u>48</u>		<u>-</u>	
		803		(233)
<b>Total expense / (credit)</b>		<u>803</u>		<u>(233)</u>

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

	2016 Euro'000	2015 Euro'000
<b>Profit / (loss) before tax</b>	<u>3,886</u>	<u>(930)</u>
Tax at the domestic income tax rate (2016: 22%; 2015: 22%)	855	(205)
Tax effect of (revenues) / expenses that are not (taxable) / deductible in determining taxable profit	<u>(52)</u>	<u>(28)</u>
<b>Tax expense / (credit)</b>	<u>803</u>	<u>(233)</u>
Effective tax rate for the year	<u>21%</u>	<u>N/A</u>

#### Deferred Tax Liability

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

	Accelerated tax depreciation Euro'000	Other Euro'000	Total Euro'000
At 6 October 2014	955	55	1,010
(Credit) / charge to profit and loss	<u>(55)</u>	<u>71</u>	<u>16</u>
At 4 October 2015	900	126	1,026
Charge to profit and loss	<u>790</u>	<u>79</u>	<u>869</u>
At 30 September 2016	<u>1,690</u>	<u>205</u>	<u>1,895</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 8. TAXATION (continued)

#### Deferred Tax Assets

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

	Tax losses	Other	Total
	Euro'000	Euro'000	Euro'000
At 6 October 2014	164	114	278
Credit to profit and loss	-	249	249
At 4 October 2015	<u>164</u>	<u>363</u>	<u>527</u>
(Charge) / credit to profit and loss	(48)	114	66
At 30 September 2016	<u>116</u>	<u>477</u>	<u>593</u>

#### Available Tax losses

At the Statement of financial position date the Company had unused tax losses of Euro 0.529 million (2015: Euro 0.745 million) available for offset against future profits. A deferred tax asset has been recognized in respect of the whole amount of such losses at 30 September 2016 and 2015.

#### Other deferred tax assets and liabilities

Other deferred tax assets relate to indirect production costs deductible in the year of capitalisation.

Other deferred tax liabilities relate to provisions and impairment of stock and trade receivables, borrowing costs and finance lease obligations.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 30 September 2016

#### 9. PROPERTY, PLANT AND EQUIPMENT

##### Year ended 30 September 2016

	Land and buildings Euro'000	Plant and equipment Euro'000	Vehicles and other Euro'000	Construction in progress Euro'000	Total Euro'000
<b>Cost or valuation</b>					
At 4 October 2015	20,557	97,740	3,740	367	122,404
Additions	85	-	232	11	328
Exchange difference	41	196	8	1	246
Transfers	-	342	-	(342)	-
Transfer to inventory	-	(1,014)	-	-	(1,014)
Disposals	-	(342)	(86)	-	(428)
At 30 September 2016	<u>20,683</u>	<u>96,922</u>	<u>3,894</u>	<u>37</u>	<u>121,536</u>
<b>Accumulated depreciation and impairment</b>					
At 4 October 2015	15,254	82,435	3,181	-	100,870
Charge for the year	303	1,604	264	-	2,171
Exchange difference	30	172	6	-	208
Transfers to inventory	-	(499)	-	-	(499)
Disposals	-	(82)	(85)	-	(167)
At 30 September 2016	<u>15,587</u>	<u>83,630</u>	<u>3,366</u>	<u>-</u>	<u>102,583</u>
<b>Carrying amount</b>					
At 30 September 2016	<u>5,096</u>	<u>13,292</u>	<u>528</u>	<u>37</u>	<u>18,953</u>

The Company has elected that after initial asset recognition, all classes of Property, plant and equipment shall be carried at their cost less any accumulated depreciation and any accumulated impairment losses.

There were no borrowing costs capitalised in the current or prior period.

The carrying amount of the Company's [Plant and Equipment and Vehicles and Other] includes Euro 0.367 million (2015– Euro 0.447 million) in respect of assets held under finance leases.

Bank borrowings of Euro 1.46 million (2015– Euro 1.88 million) are secured on Mortgage over buildings.

As a result of the management review during the year ended 30 September 2016 no impairment has been made.

During the year ended 30 September 2016 Company management revised its estimates on Property, plant and equipment useful lives to comply with Group depreciation policy which is in compliance with IFRS practice and the industry norm.

The yearly depreciation under Local accounting regulations amounted to Euro 4.29 million and the depreciation adjustment totalled Euro 2.12 million.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 30 September 2015

	Land and buildings Euro'000	Plant and equipment Euro'000	Vehicles and other Euro'000	Construction in progress Euro'000	Total Euro'000
<b>Cost or valuation</b>					
At 6 October 2014	20,603	96,360	3,731	254	120,948
Additions	-	2,526	456	114	3,096
Exchange difference	(46)	(219)	(9)	(1)	(275)
Disposals	-	(927)	(438)	-	(1,365)
At 4 October 2015	<u>20,557</u>	<u>97,740</u>	<u>3,740</u>	<u>367</u>	<u>122,404</u>
<b>Accumulated depreciation and impairment</b>					
At 6 October 2014	14,756	80,169	3,246	-	98,171
Charge for the year	532	3,261	182	-	3,975
Exchange difference	(34)	(184)	(8)	-	(226)
Disposals	-	(811)	(239)	-	(1,050)
At 4 October 2015	<u>15,254</u>	<u>82,435</u>	<u>3,181</u>	<u>-</u>	<u>100,870</u>
<b>Carrying amount</b>					
At 4 October 2015	<u>5,303</u>	<u>15,305</u>	<u>559</u>	<u>367</u>	<u>21,534</u>
At 6 October 2014	<u>5,847</u>	<u>16,191</u>	<u>485</u>	<u>254</u>	<u>22,777</u>

Property, plant and equipment useful lives were set in accordance with Local accounting regulations which did not differ materially to current Group depreciation policy, IFRS practice and the industry norm.

### 10. INTANGIBLE ASSETS

Year ended 30 September 2016

	Software Euro'000	Total Euro'000
<b>Cost</b>		
At 4 October 2015	-	-
Additions	211	211
At 30 September 2016	<u>211</u>	<u>211</u>
<b>Amortisation</b>		
At 4 October 2015	-	-
Charge for the year	35	35
At 30 September 2016	<u>35</u>	<u>35</u>
<b>Carrying amount</b>		
At 30 September 2016	<u>176</u>	<u>176</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 11. INVESTMENTS

	Investment in joint venture	Total
	Euro'000	Euro'000
At 6 October 2014	728	728
Exchange difference	(2)	(2)
At 4 October 2015	726	726
Exchange difference	2	2
At 30 September 2016	728	728

The details of the joint venture which also acts as the main resin supplier to the Company are as follows:

Name	Country of Incorporation	Principal Activities	Shareholding %		
			2016	2015	2014
Nordalim A/S	Denmark	Manufacture and sale of Urea/Melamin Urea Formaldehyde Resin and Chemicals	50	50	50

### 12. INVENTORIES

	2016 Euro'000	2015 Euro'000	2014 Euro'000
Raw materials	4,489	5,306	7,589
Finished products	3,604	2,552	1,328
	<u>8,093</u>	<u>7,858</u>	<u>8,917</u>

Raw materials valued at Euro 0.816 million (2015: Euro 0.958 million, 2014: Euro 1.288 million) include a provision of Euro 1.244 million (2015: Euro 1.285 million, 2014: Euro 0.917 million) and are therefore carried at fair value less costs to sell.

Finished goods valued at Euro 3.468 million (2015: Euro 2.419 million, 2014: Nil) include a provision of Euro 0.145 million (2015: Euro 0.103 million, 2014: Nil) and are therefore carried at fair value less costs to sell.

### 13. TRADE AND OTHER RECEIVABLES

	2016 Euro'000	2015 Euro'000	2014 Euro'000
Trade receivables	6,924	10,108	10,254
Taxes, subsidies, social insurance	29	-	-
Other accounts receivable	-	-	718
	<u>6,953</u>	<u>10,108</u>	<u>10,972</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 13. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are further analysed as follows:

	2016 Euro'000	2015 Euro'000	2014 Euro'000
Gross value	6,924	10,108	10,254
Impairment	-	-	-
<b>Net value</b>	<b>6,924</b>	<b>10,108</b>	<b>10,254</b>
Analysis of trade receivables:			
Not due	6,660	9,840	9,177
<b>Due and not impaired</b>			
- Insured	263	139	4
- Not insured	1	129	1,073
	264	268	1,077
- Due 0 - 90 days	264	268	1,077
- Due + 90 days	-	-	-
	264	268	1,077
<b>Due and impaired</b>			
- Due 0 - 90 days	-	-	-
- Due + 90 days	-	-	-
	-	-	-
<b>Total</b>	<b>6,924</b>	<b>10,108</b>	<b>10,254</b>

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 6 October 2014	3	(7,636)	(7,633)
Movement for the year	12	2,652	2,664
Balance as at 4 October 2015	15	(4,984)	(4,969)
Movement for the year	101	3,635	3,736
Balance as at 30 September 2016	116	(1,349)	(1,233)



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 15. SHARE CAPITAL

	2016 Number	2015 Number	2014 Number	2016 Euro'000	2015 Euro'000	2014 Euro'000
Authorised ordinary shares of Euro of DKK 1 each	<u>90,457</u>	<u>100,000</u>	<u>100,000</u>	<u>12,155</u>	<u>13,434</u>	<u>13,434</u>
Issued ordinary shares of Euro of DKK 1 each	<u>90,457</u>	<u>100,000</u>	<u>100,000</u>	<u>12,155</u>	<u>13,434</u>	<u>13,434</u>

There are no restrictions attaching to the ordinary shares.

### 16. BANK LOANS AND OVERDRAFTS

	2016 Euro'000	2015 Euro'000	2014 Euro'000
Bank loans and overdrafts	2,811	6,860	9,935
Less: Instalments due after more than one year	(1,044)	(1,458)	(1,881)
Bank loans and overdrafts and other loans due within one year	<u>1,767</u>	<u>5,402</u>	<u>8,054</u>

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

	2016 Euro'000	2015 Euro'000	2014 Euro'000
Instalments due after 1 year but not more than 2 years	418	418	418
Instalments due after 2 years but not more than 5 years	626	1,040	1,463
Instalments due after 5 years	-	-	-
	<u>1,044</u>	<u>1,458</u>	<u>1,881</u>

Bank loans and overdrafts are analysed as follows:

	2016 Euro'000	2015 Euro'000	2014 Euro'000
Current portion of long term loans	418	418	418
Bank overdrafts (note 14)	1,349	4,984	7,636
	<u>1,767</u>	<u>5,402</u>	<u>8,054</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 16. BANK LOANS AND OVERDRAFTS (continued)

The weighted average interest rates paid were as follows:

	2016 %	2015 %	2014 %
Bank loans	3.2	6.6	6.8
Bank overdrafts	2.4	4.5	5.0

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

	2016 Euro'000	2015 Euro'000	2014 Euro'000
Bank loans	1,462	1,876	2,299
Bank overdrafts	1,349	4,984	7,636

- Bank overdrafts are repayable on demand and are subject to renewal on 28 February 2017;
- Long term bank borrowings and bank overdrafts are secured by a joint security over Buildings for a total of DKK 52.25 million (Euro 7.013 million). Any remaining uncovered bank overdraft balance is secured at all times by inventory and trade receivables;
- At 30 September 2016 the Company had available Euro 8.986 million (2015: Euro 5.337 million, 2014: Euro 2.708 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

### 17. TRADE AND OTHER PAYABLES

	2016 Euro'000	2015 Euro'000	2014 Euro'000
Trade payables	5,641	4,762	4,227
Amounts due to related parties (note 20)	607	1,475	1,363
Finance lease payments due within one year (note 18)	139	139	166
Other payables and accruals	4,701	3,504	3,086
	<u>11,088</u>	<u>9,880</u>	<u>8,842</u>

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 FINANCIAL STATEMENTS

Year ended 30 September 2016

### 18. OBLIGATIONS UNDER FINANCE LEASES AND DEFERRED INCOME

	Minimum lease payments			Present value of minimum lease payments		
	2016	2015	2014	2016	2015	2014
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Amounts payable under finance leases	317	437	199	311	427	195
Within one year	140	139	169	139	139	166
In the second to fifth years inclusive	177	288	30	172	288	29
	317	427	199	311	427	195
Less: Future finance charges	(6)	(10)	(4)			
Present value of lease obligations	311	417	195	311	427	195
Less: Amount due for settlement within months (shown under current liabilities)				(139)	(139)	(166)
Amount due for settlement after 12 months				172	288	29

The Company leases two front end loaders under a finance lease with a third party. The average lease term is 3 years (2015: 3 years). For the year ending 30 September 2016, the average effective borrowing rate was 1.55% (2015: 1.55%). Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The lease obligations are denominated in DKK.

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

The Company's obligations under the finance lease are secured by the lessor's charge over the leased assets.

The lease arrangement includes a purchase option upon expiry date on 31 December 2018 for DKK 625,000 (Euro equivalent 83,940).

### 19. ENVIRONMENTAL POLICY

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

### 20. RELATED PARTY TRANSACTIONS

The Company is controlled by Kronospan Baltic Holdings Ltd incorporated in Cyprus which owns 100% of the Company's shares.

The ultimate controlling party of the Company is Betuva Stiftung a discretionary, irrevocable foundation registered in Liechtenstein, which itself owns all the assets and is controlled by the foundation board.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 20. RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties:

#### Sales of goods and services

	Sale of goods		Sale of services		Amounts owed by related parties		
	2016	2015	2016	2015	2016	2015	2014
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Parent	-	-	-	-	-	-	-
Fellow Subsidiaries	-	-	-	-	-	-	-
Other related parties	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Purchase of goods and services

	Purchase of goods (incl. fixed assets)		Purchase of services		Amounts owed to related parties		
	2016	2015	2016	2015	2016	2015	2014
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Parent	-	-	-	-	-	-	-
Fellow subsidiaries	-	-	-	-	-	-	-
Other related parties	9,529	11,033	403	-	607	1,475	1,363
	<u>9,529</u>	<u>11,033</u>	<u>403</u>	<u>-</u>	<u>607</u>	<u>1,475</u>	<u>1,363</u>

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

Other related parties represent entities which are under common control of the ultimate controlling party of the Company.

### 21. CONTINGENT ASSETS AND LIABILITIES

#### *Contingent liabilities*

The Company has extended jointly with its Joint Venture Partner an indefinite guarantee for Euro 1.15 million each to a large supplier in relation to purchases carried out by their Joint venture company Nordalim A/S as part of its operating activity.

### 22. CAPITAL COMMITMENTS

As at 30 September 2016 and 2015 the Company had no capital commitments.

### 23. 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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 24. DIVIDENDS

	2016 Euro'000	2015 Euro'000	2014 Euro'000
Final dividend declared	6,009	-	-
	<u>6,009</u>	<u>-</u>	<u>-</u>

On 1 August 2016 the Company declared a final dividend of 6.009 million from accumulated profits of prior years, which was paid to the shareholders of the Company in 4Q15/16 (2015: NIL, 2014: NIL).

### 25. RISK MANAGEMENT

#### General objectives, policies and processes

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

#### Principal financial instruments

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

#### Financial assets

	Loans and receivables		
	2016 Euro'000	2015 Euro'000	2014 Euro'000
Trade, related party and other receivables (excl. prepayments, VAT, corporate and other taxes, social security)	6,924	10,108	10,918
Cash and cash equivalents	116	15	3
<b>Total financial assets</b>	<u>7,040</u>	<u>10,123</u>	<u>10,921</u>

#### Financial liabilities

#### Financial liabilities at amortised cost

	2016 Euro'000	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)	9,145	8,444	8,093
Loans and borrowings (including overdrafts)	2,811	6,860	9,935
Finance leases	311	427	195
<b>Total financial liabilities</b>	<u>12,267</u>	<u>15,731</u>	<u>18,223</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 25. RISK MANAGEMENT (continued)

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. The major part of trade receivables [normally 80% of each receivable] is covered by credit insurance. Where credit insurance is not available, or is restricted, Company 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 Company 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. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 13.

	Carrying value			Maximum exposure		
	2016	2015	2014	2016	2015	2014
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Trade and other receivables <i>[note 13]</i>	6,924	10,108	10,972	6,924	10,108	10,972
Prepayments (suppliers)	407	213	112	407	213	112
Cash and cash equivalents	116	15	3	116	15	3
	<u>7,447</u>	<u>10,336</u>	<u>11,087</u>	<u>7,447</u>	<u>10,336</u>	<u>11,087</u>

#### Market risk

##### (i) Interest rate risk

As a result of the relevant portion of floating rate borrowings the Company is exposed to interest rate risk, in particular the risk of variation in national currency and Euro interest rates. Whilst the Company 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 a decrease of the Company's pre-tax profit for the year of Euro 0.030 million (2015: Euro 0.073 million). 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 Company 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 FINANCIAL STATEMENTS

Year ended 30 September 2016

### 25. RISK MANAGEMENT (continued)

#### Market risk (continued)

##### (ii) Currency risk (continued)

The following table details the Company'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.

	Impact of DKK		
	2016 Euro'000	2015 Euro'000	2014 Euro'000
<b>1. Denominated in DKK</b>			
Monetary financial assets	7,040	10,123	10,921
Monetary financial liabilities	(10,918)	(14,604)	(16,425)
<b>Net liabilities</b>	<b>(3,878)</b>	<b>(4,481)</b>	<b>(5,504)</b>
<b>Impact on results</b>			
5% DKK appreciation (Euro depreciation)	(194)	(224)	(275)
5% DKK depreciation (Euro appreciation)	194	224	275
<b>2. Denominated in Euro</b>			
Monetary financial assets	-	-	-
Monetary financial liabilities	(1,349)	(1,127)	(1,798)
<b>Net liabilities</b>	<b>(1,349)</b>	<b>(1,127)</b>	<b>(1,798)</b>

#### Liquidity risk

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

For this purpose, liquidity management at the Company comprises:

- consistent financial planning and cash flow forecasting at company levels with different time horizons [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 FINANCIAL STATEMENTS

Year ended 30 September 2016

### 25. RISK MANAGEMENT (continued)

#### Maturity of financial liabilities

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

As at 30 September 2016	On demand	Less than 12 months	1 - 5 years	> 5 years	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Bank overdrafts	1,349	-	-	-	1,349
Bank borrowings		440	1,075	-	1,515
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)		9,145	-	-	9,145
Finance leases	-	143	174	-	317
	<u>1,349</u>	<u>9,728</u>	<u>1,249</u>	<u>-</u>	<u>12,326</u>
As at 4 October 2015	On demand	Less than 12 months	1 - 5 years	> 5 years	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Bank overdrafts	4,984	-	-	-	4,984
Bank borrowings		486	1,512	-	1,998
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)		8,444	-	-	8,444
Finance leases	-	121	316	-	437
	<u>4,984</u>	<u>9,051</u>	<u>1,828</u>	<u>-</u>	<u>15,863</u>
As at 6 October 2014	On demand	Less than 12 months	1 - 5 years	> 5 years	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Bank overdrafts	7,636	-	-	-	7,636
Bank borrowings		559	1,998	-	2,557
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)		8,093	-	-	8,093
Finance leases	-	169	30	-	199
	<u>7,636</u>	<u>8,821</u>	<u>2,028</u>	<u>-</u>	<u>18,485</u>

Bank and other borrowings include interest calculated at the rate applicable at 30 September.

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



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 25. RISK MANAGEMENT (continued)

#### Capital disclosures

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

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

	2016 Euro'000	2015 Euro'000	2014 Euro'000
Total bank debt	3,122	7,287	10,130
Less cash and cash equivalents	(116)	(15)	(3)
<b>Net debt</b>	<b>3,006</b>	<b>7,272</b>	<b>10,127</b>
Total equity	20,053	22,927	23,675
<b>Adjusted capital</b>	<b>20,053</b>	<b>22,927</b>	<b>23,675</b>
<b>Debt to adjusted capital ratio</b>	<b>0.15</b>	<b>0.32</b>	<b>0.43</b>

### 26. 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 Company for the first time for the financial year beginning on or after 1 October 2015 that will have a material impact on the Company.

- (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 2016, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

#### Intangibles

Intangible assets are shown at cost and are amortised on a straight line basis method over their estimated 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. The annual amortisation rates applicable are as follows:

Software	25%
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#### Interests in joint ventures

The Company's share in a joint venture is recorded at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 26. OTHER ACCOUNTING POLICIES (continued)

#### 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).

#### Foreign currency transactions

The books and records of the Company are maintained in local currency to comply with local legal requirements. However, for the purpose of IFRS reporting, the Euro was treated as the reporting currency. Consequently, 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.

#### 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 Company 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 30 September 2016

### 26. OTHER ACCOUNTING POLICIES (continued)

#### 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 Company 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 profit or loss and other 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 Company'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 Company makes provisions for bonuses where contractual obligations exist for payment.

#### Research and development

The Company does not undertake any research and development on its own behalf, but licences appropriate technology when required. The annual licence fees are charged to other operating expenses in the statement of profit or loss and other 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 FINANCIAL STATEMENTS

Year ended 30 September 2016

### 26. OTHER ACCOUNTING POLICIES (continued)

#### Financial assets

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

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

#### (i) *Loans and receivables*

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms 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 Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

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

#### (ii) *Available-for-sale*

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities as well as corporate bonds. They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available-for-sale reserve).

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in profit or loss.

Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available for sale reserve.

On sale, the amount held in the available for sale reserve associated with that asset is removed from equity and recognised in the statement of profit or loss and other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 26. OTHER ACCOUNTING POLICIES (continued)

#### Financial liabilities

The Company's financial liabilities comprise:

(i) *Bank loans and overdrafts*

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.

#### 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.

#### Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### 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.

#### Standards issued but not yet effective

The following standards were issued but not yet effective:

- IFRS 9 'Financial instruments' effective date from January 2018;
- IFRS 15 'Revenue recognition' effective from January 2018;
- IFRS 16 'Leases' effective from January 2019.

Management expects that the new standards will only have minor impact on the statement of financial position or equity. The standard is not adopted by the EU.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 26. OTHER ACCOUNTING POLICIES (continued)

#### Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on investment:	$\frac{\text{Operating profit/loss} \times 100}{\text{Total operating assets less cash at bank and in hand, other interest-bearing assets (incl. shares) and investments in associates}}$
Solvency ratio:	$\frac{\text{Equity at year end}}{\text{Total equity and liabilities at year end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$