Toly Group International ApS

CVR-nr. 25 69 57 47

Annual Report - 31 December 2015

The Annual Report was presented and adopted at the Board Meeting of the Company on 31 May 2016

Chairman

Contents

Management's Statement on the Annual Report

The Executive Board has today considered and adopted the Annual Report of Toly Group International ApS for the financial year 2015.

The Annual Report was prepared in accordance with the Danish Financial Statements Act.

We consider that accounting policies have been appropriately applied, and in our opinion the Annual Report gives a true and fair view of the financial position and the results of operations and cash flows of the Company.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 30 May 2016

Executive Board

Andrew Imre Gatesy

Joseph John Vella

William Wait

Jørgen Kvist Hansen

pwc

Independent Auditor's Report

To the Shareholders of Toly Group International ApS

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Toly Group International ApS for the financial year 1 January to 31 December 2015, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company, as well as consolidated cash flow statement. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company 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 the Consolidated and Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements in accordance with Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements.

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

Our audit has not resulted in any qualification.

Auditor's Responsibility - continued

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Company at 31 December 2015 and of the results of the Group and Company operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, 30 May 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

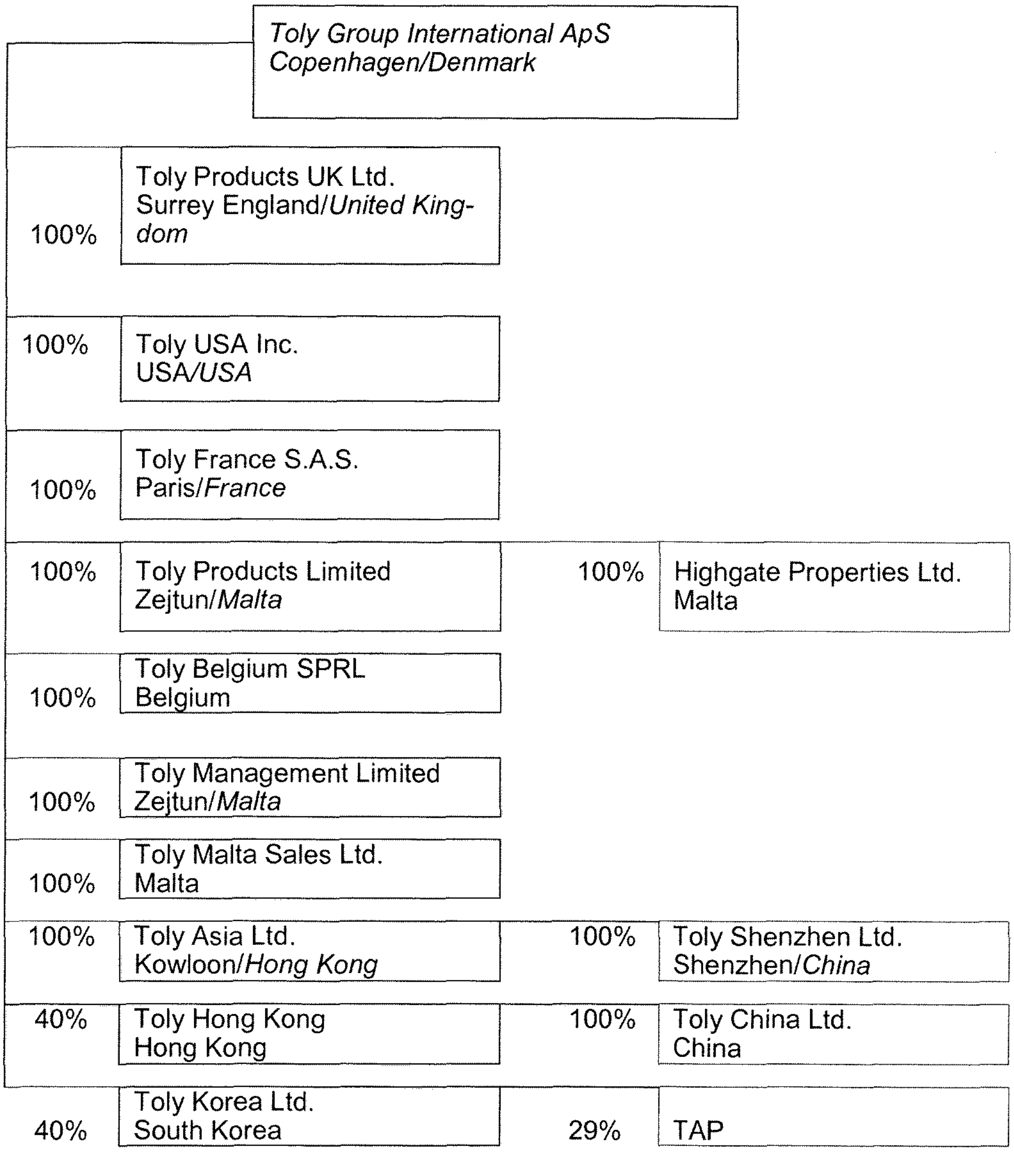
Jens Otto Damgaard
State Authorised Public Accountant

Company Information

The Company	Toly Group International ApS Nordeq Management A/S Nyhavn 16, 3rd Floor, DK-1051, København K CVR-nr. 25 69 57 47 *Financial year: 1 January - 31 December* *Municipality of reg. office: Copenhagen*
Executive Board	Andrew Imre Gatesy Joseph John Vella William Wait Jørgen Kvist Hansen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Group Chart

Parent Company



Financial Highlights of the Group

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	2015	**2014**	2013	2012	2011
	EUR'000	**EUR'000**	EUR '000	EUR '000	EUR '000
Key figures					
Profit/loss					
Revenue	63,924	52,502	52,982	56,166	49,969
Operating profit/(loss)	377	170	(111)	(211)	110
Profit/loss before financial income and expenses	713	583	292	323	670
Net financial income and expenses	533	273	385	95	154
Net profit/(loss) for the year	1,690	899	33	460	446
Balance sheet					
Balance sheet total	41,834	35,604	32,768	33,659	31,975
Equity	11,955	9,986	8,228	8,436	7,209
Cash flows					
Cash flows from:					
- operating activities	1,883	2,610	3,375	1,791	1,620
- investing activities	(2,088)	(3,918)	(1,053)	(1,654)	(1,147)
- financing activities	(582)	1,844	(632)	(571)	(497)
Change in cash and cash equivalents for the year	(787)	536	1,690	(434)	(24)
Number of staff	379	357	372	473	511

Financial Highlights of the Group - continued

	2015	**2014**	2013	2012	2011
Ratios %					
Gross margin	13,8	13,4	15,6	16,3	17,6
Profit margin	1,1	1,1	0,6	0,6	1,3
Return on net assets	1,7	1,6	0,9	1,0	2,1
Solvency ratio	28,6	28,0	25,1	25,1	22,5
Return on equity	15,4	9,9	0,4	5,9	6,4

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, refer to accounting policies.

REVIEW

Preface

The Executive Board is pleased to present its 13th Annual Report and the Financial Statements for the year ending 31st December 2015.

Toly Group International ApS (TGI or Toly) is the Parent Holding Company of a Group spanning the globe, from North America through Europe up to South Korea. Toly has built itself to be a world leading packaging solutions provider for the beauty industry and other selected market niches.

The Group's shareholding interests vary from minority status to full ownership of the Toly Companies.

Market development

The Group's milestone is to reach revenues of €100M by 2020. Toly registered revenue amounting to €64M for 2015, a growth of 22% over 2014. During 2015, the Group strengthened the front facing part of the business, splitting the Chief Commercial Officer into two roles, with one role focusing on Europe and the other role concentrating on the US and Asia. This has helped the Group to start the process of unleashing Toly's potential and take Toly to the next level.

This growth of €11.4M, was registered in a number of key markets - US, France and Scandinavia. These results are being driven through a stronger bench strength in these markets as the sales forces continue to be enhanced as part of the €100M milestone.

The Board of directors have the pleasure to present a positive financial performance for 2015, with a Profit after tax amounting to €1.7M, an increase of €0.8M or 88% over 2014. The positive result was driven by a number of key factors. Firstly, the improved profit was driven by the 22% sales growth, together with a financial improvement in the Malta factory and through better results from the associated companies in Hong Kong and Korea. The Group's customer base continues to increase and in 2015 Toly added a total of 73 new customers to the already large customer base of the Group.

The past year

Developments in the year

The main challenges remain principally in manufacturing and the Group believes that retaining a core manufacturing structure is critical in meeting its growth objectives. The Korea and Chinese factories continue to perform well. However, the factory in Malta still faces a cost competitiveness challenge and has undergone a number of initiatives in order to reduce its cost base.

As reported in 2014, the Group entered into a Memorandum of Understanding with Indian investors in late 2013, to take over 100% of the share capital of Toly Products India Private Ltd, with initial payments effected in late May 2014. The balance is currently in Escrow, awaiting final clearance from the authorities in India. The directors are confident that this will be finalised within a reasonable time-frame in 2016.

The Group has further decided to exit the 20% investment in Toly Mascara Division, Srl in Italy. Following the decision to exit this investment, the other shareholders have agreed to liquidate this company.

As reported in 2014, a new Corporate Office and Inovation Centre was inaugurated by the Prime Minister of Malta. This Centre, which is in Malta, houses all Group functions in a modern office, including marketing, concept design, product design, finance and IT, logistics, group quotations and back office sales administration. This project was financed through a soft loan by Malta Enterprise and local bank financing.

REVIEW – continued

Outlook

The Group has a clear vision and strategy for the next three to five years. The milestone is to be a €100M business by 2020. The strategy of the Group has been built around this objective with specific yearly themes being set. In 2015 the theme was "Bull's eye – hit the target" in a drive to improve measurement and accountability across the business. For 2016, the theme is "Step-up 100", with a drive for each person within the Toly organisation to "step-up" their game.

From a financial perspective, the Group's focus has translated itself into significant growth in 2015 of 22%, with sales increasing from €52.5M to €64M. The budget approved from the different businesses across the Group, is to reach €75M in 2016, as a stepping stone to reach €100M by 2020. The business has restructured the main sales offices in the largest two markets, specifically US and France, as the foundation to take the Group to the next level. At the same time, investments have been made and planned in all three manufacturing locations – Malta, China and South Korea.

The Group is confident that the targets set for 2016 are achieveable, and the Group aims to meet the same levels of profitability as 2015. At the same time, the financing of the Group, made up of bank financing and re-invested profits, has also been put in place, to ensure that the Group has a strong financial foundation.

At the same time, the executive management team continues to invest in people, technology and equipment, as part of the ingredients necessary to meet the Group's milestones.

Capital base and going concern

The Group has continued to strengthen its financial position. This can be demonstrated through a further €2M/20% increase in the equity base, following a similar increase in 2014, bringing the equity base of the Group to €12M. The Group's gearing ratio at 31 December 2015 was at 40% when compared to 43% in 2014.

The cash flow statement shows a slight reduction in cash generated from operations, albeit, cash flow generated from operations was just under €2M. The Group invested just over €2M in plant and equipment with the financing cash outflow registering a net increase of €0.6M.

Investments made in the two associated companies in South Korea and China were significant, with over €6M spent on a brand new factory in South Korea and just under $1M in new equipment in the China factory, made up of new injection machines and a state of the art lacquering and metallising line.

The Group continues to maintain focus on working capital and has managed to retain a relatively balanced working capital position throughout 2015. Through the better use of KPIs across the business, greater focus has been placed on stronger cash flow management, through better debt collection, increased credit risk assessment and improved reporting.

The Group continues to place a certain level of dependence on its bankers, HSBC, Bank of Valletta, Lombard Bank, and Banif Bank. All four banks continue to be partners to the business and have been very supportive of the Group's strategic direction.

It is the view of the Directors that there is a reasonable expectation that the company and the Group are able to continue in operational existence for a period of at least 12 months from the end of the reporting period. Accordingly, the directors continue to adopt the going concern basis in preparing the Financial Statements.

Special risks – operating risks and financial risks

Operating and market risks

Toly is an international group. Whilst the geographical spread of both its operations and its customers help hedge against particular circumstances in specific markets, Toly will monitor carefully the economic and financial scenarios across the world. The four banks which support Toly have shown their willingness to continue their support and to demonstrate this, in 2015, new financing from the existing bankers, was secured.

Foreign exchange risks

The Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures primarily with respect to GB Pound and US Dollar. The currency exposure mainly arises on export sales, imported purchases and foreign currency borrowing.

The main challenges remain principally in manufacturing and the Group believes that retaining a core manufacturing structure is critical in meeting its growth objectives. The Korea and Chinese factories continue to perform well. However, the factory in Malta still faces a cost competitiveness challenge and continues to carry out various initiatives in order to reduce its cost base. The Group is optimistic for 2016 as a number of new projects were awarded to the Malta factory. The weakness of the Euro against the US dollar has put the Malta factory into a considerably better competitive position against the Dollar-based manufacturing companies in Asia.

As well as manufacturing, the Group also has a number of strategic partnerships with complementary manufacturers and also has a trading division, both in Hong Kong and South Korea to be able to offer customers products which are not manufactured in the Group's manufacturing plants.

Interest rates

The Group is predominantly financed through bank borrowings, mainly bearing floating rates of interest. The Group continues to negotiate the lowest possible interest rates as part of the overall focus on managing costs.

Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and interest-bearing borrowings. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations. Management monitors liquidity risk by means of forecasts on the basis of expected cash flows over a twelve month period and assesses that the necessary financing options are available over the coming year.

The positive results over the last three years and the actions taken, as mentioned earlier, have maintained a relatively stable working capital position, facilitating the liquidity management of the Group. The shareholders have also shown continuous support of the business and intend to continue to do that if the need arises.

Special risks – operating risks and financial risks - continued

Strategy and objectives and expectations for the coming year

The Group's milestone continues to be to reach a Group turnover of EUR 100 million by 2020 with at least 5% net profit and a positive cash flow in the short to medium term. With this milestone in mind, the Group Strategy is being built around this key objective.

Several activities continue to take place to meet this objective with the new corporate offices opened in Malta, together with a dedicated Innovation Centre. This has already had a major impact on customers, who have visited the Innovation Centre and subsequently partnered with Toly on several new projects. The Group continues to focus on enhancing the strength of its people, through highly powered training programmes and setting clear and focused KPI targets. In addition, the back end IT infrastructure is being enhanced in order to have a platform to run the business on sound and data driven decisions.

Toly is very active in a "red ocean" market. However, with measured but determined steps, Toly will move more towards "blue ocean" markets, improving prices and margins. In order to achieve, this, the Group will target customers through innovation and solutions rather than commodity products.

Basis of earnings

Research & Development

Within the group's available resources and limitations, Toly is focused on being ahead of competition in finding alternative solutions for our customers. The Concept and Product Designers, Marketing and Development, work closely with institutions all over the world to keep abreast of what is available in the market and what the market expects. The R & D activity is done with a clear focus on adding value to existing customers and to entice potential customers to trust Toly with their developments.

External environment

The Group remains focused on eliminating any harm towards the environment. Toly has dedicated personnel to ensure that all national legislation is adhered to and in most cases exceeded. Toly strives hard to replicate the standards in our European operation in all the countries that Toly operates; this in line with the Group's policy of promoting a high standard of environmental awareness wherever Toly is operating.

Toly also works closely with all stakeholders to ensure that all products used in Toly's processes and all products manufactured by Toly are of the highest quality in terms of environmental protection for our future generations.

Intellectual capital

Toly's core value statement is very clear on how as an organisation, the Group places emphasis on people. Toly is a people company and Toly is a way of life. Toly has a strong corporate spirit and teamwork is an integral part of the Group's everyday activities. Management believe that people will make the difference.

Toly is on the constant look out for the best people who can take this Group forward, ensuring that customers are given a total solution for their needs. The Group has therefore added key personnel to help support Toly's growth ambitions.

REVIEW – continued

Basis of earnings - continued

Corporate social responsibility

The Group has not prepared any policies for corporate social responsibility as yet. However, Toly continues to sponsor charitable institutions and activities in the communities where the Group is located. Toly is very active in the field of Corporate Social responsibility, particularly in Malta, where it plays an active role in society, contributing to chairites and supporting the economy.

In 2012, Toly Products Limited was awarded the Environment Certification ISO14001, a certification that the company holds until today.

Gender distribution in management

The Toly Board of directors aims as a separate target in gender equality to have a female member on the board of directors by the end of 2020. At this point in time, there are no female board members and the process to achieve this target has only just started.

For executive management and the remaining management team and management levels, so far, no target for gender equality has been set, but it will be evaluated by the Board of Directors and executive management at a later stage. The evaluation will include a review of the different equality requirements in the different levels of the organisation in order to determine the appropriate levels of female participation, thereby achieving an adequate level of equality among the workforce.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Accounting Policies

Basis of Preparation

The Annual Report of Toly Group International ApS has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Company's accounting policies are unchanged compared to last year. The Annual Report is presented in EUR thousands.

Recognition and measurement

All revenues are recognised in the income statement as earned based on the following criteria:

- delivery has been made before year end,
- a binding sales agreement has been made,
- the sales price has been determined, and
- payment has been received at the time of sale or may with reasonable certainty be expected to be received.

Based on the above, revenues are recognised in the income statement as earned, which includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. Furthermore, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Group, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Group, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Accounting Policies – continued

Basis of consolidation

The Annual Report comprises the Parent Company, Toly Group International ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The financial statements used for the purpose of the Annual Report of the Group have been prepared in accordance with the accounting policies of the Group. The Annual Report of the Group has been prepared on the basis of the financial statements of the Parent Company and subsidiaries by combining accounting items of a uniform nature.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

On acquisition of subsidiaries, the difference between cost of acquisition and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method) and allowing for the recognition of any restructuring provisions relating to the enterprise acquired. Any remaining positive differences (goodwill) are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straight-line basis over its estimated useful life, but not exceeding 10 years. Any remaining negative differences (negative goodwill) corresponding to an expected unfavourable development of the subsidiaries in question are recognised in deferred income in the balance sheet as negative goodwill and recognised as income in the income statement as the affairs and conditions to which the difference in value relates materialise. Negative goodwill not related to an expected unfavourable development is recognised in the income statement immediately.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted for a period of up to one year following the time of acquisition.

Amortisation and impairment of goodwill is allocated in the Consolidated Financial Statements to other operating expenses.

Investments in subsidiaries and associates

Investments in subsidiaries are recognised and measured under the equity method in the Annual Report of the Parent Company.

The item "Income from investments in subsidiaries after tax" in the income statement of the Parent Company includes the proportionate share of the subsidiaries' profit after tax less goodwill amortisation.

The item "Investments in subsidiaries" in the balance sheet of the Parent Company includes the proportionate ownership share of the net asset value of the enterprises calculated under the accounting policies of the Parent Company with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of any remaining value of positive or negative differences (goodwill or negative goodwill).

Accounting Policies – continued

Investments in subsidiaries and associates – continued

The item "Income from investments in associates after tax" in the income statement of the Group and the Parent Company includes the proportionate share of the associates' profit after tax less goodwill amortisation.

The item "Investments in associates" in the balance sheet of the Group includes the proportionate ownership share of the net asset value of the associates calculated under the accounting policies of the Parent Company with deduction or addition of share of unrealised intercompany profits or losses and with addition or deduction of the remaining value of positive or negative differences (goodwill or negative goodwill).

Subsidiaries and associates with a negative net asset value are recognised at EUR 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

In the Parent Company, the total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity.

Positive and negative differences in connection with the acquisition of investments in subsidiaries and associates are calculated and treated under the same methods as stated under basis of consolidation; however, any differences in the balance sheet of the Parent Company are recognised in the item "Investments in subsidiaries".

Gains or losses on disposal or liquidation of subsidiaries are calculated as the difference between the sales sum or the liquidation amount and the carrying amount of net assets at the time of sale or liquidation, including unamortised goodwill and expected sales or liquidation expenses. Gains or losses are recognised in the income statement.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in the income statement.

The foreign subsidiaries of the Group are separate legal entities. Thus on recognition income statements are translated at average exchange rates, whereas balance sheet items are translated at the exchange rates at the balance sheet date.

Exchange adjustments of loans in foreign currencies contracted for the hedging of investments in foreign subsidiaries and associates or loans considered to be derived from the investment are recognised directly in equity. If the hedge is not effective, the ineffective portion is reported immediately in net profit or loss.

Accounting Policies – continued

Corporate income tax and deferred tax

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity entries is recognised directly in equity.

Deferred tax is measured under the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes or other – items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Adjustment is made for deferred tax concerning eliminations made in respect of unrealised intercompany gains and losses.

Deferred tax is measured on the basis of the tax rules and tax rates of the respective countries that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Income Statement

Revenue

Revenue is recognised in the income statement provided that it meets the general criteria, including that delivery has taken place before the end of the financial year, the amount can be stated reliably and is expected to be received. Revenue is stated exclusive of VAT, duties and less price reductions in the form of discounts.

Production costs

Production costs comprise expenses incurred to generate the revenue for the year. The cost comprises raw materials, consumables, direct labour and factory overheads such as maintenance and depreciation, etc, as well as factory operation, administration and management of factories.

Research expenses, development costs that do not meet the capitalisation criterion and amortisation of capitalised development costs are also recognised under product expenses. Amortisation of goodwill is furthermore recognised to the extent that goodwill relates to manufacturing activities. Moreover, recognition is made of provisions for bad debts in respect of contract work in progress.

Distribution expenses

Distribution expenses comprise expenses such as salaries for sales personnel and distribution staff, advertising and marketing expenses, as well as motor vehicles depreciation and amortisation, etc.

Accounting Policies – continued

Administrative expenses

Administrative expenses include expenses for Management, the administrative staff, office expenses, telephone, travel expenses, maintenance, amortisation, depreciation, etc. Amortisation and depreciation, including amortisation of goodwill, are also included with the share relating to the administration activity.

Other operating income/expenses

Other operating income and other operating expenses comprise items of a secondary nature compared to the core activities of the companies.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Balance Sheet

Intangible assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience with the individual business areas. The maximum amortisation period is 10 years, the longest period applying to enterprises acquired for strategic purposes with a strong market position and a long earnings profile.

Development costs

Development costs are capitalised and amortised using the straight-line method over their useful life, generally over a period of five to ten years. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using the fair values at the balance sheet date. All other property, plant and equipment are subsequently stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve under equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the income statement) and depreciation based on the historical cost of the asset, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

Accounting Policies – continued

Property, plant and equipment – continued

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

U.V. machinery, new plant and machinery and computer equipment are depreciated using the straight-line method. All other assets are depreciated using the reducing balance method. The principal annual rates used for this purpose are:

Buildings	2%
Investment properties	2%
Plant and machinery	7.5% - 20%
Office furniture and equipment	10%
Computer equipment	20%
Motor vehicles	20%

Gains and losses on current replacement of property, plant and equipment are charged in the income statement.

Impairment of fixed assets

The carrying amounts of both property, plant and equipment and fixed asset investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by normal depreciation. If so, the asset is written down to the lower recoverable amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where it is not possible to determine the recoverable amount for the individual asset, the smallest group of assets for which it is possible to state the recoverable amount is reviewed for impairment.

Leases

Leases in respect of property, plant and equipment in terms of which the individual group enterprises assume substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the fair value of the leased asset, if measurable. Alternatively, the net present value, if lower, of future lease payments at the inception of the lease is applied. When computing the net present value, the interest rate implicit in the lease is applied as the discount rate or an approximated value. Assets acquired under finance leases are depreciated and written down for impairment like the other property, plant and equipment of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement over the lease term.

Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields or for capital appreciation or both, and is not occupied by the group. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made.

Accounting Policies - continued

Investment property – continued

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually by professional valuers. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the group decides to dispose of an investment property without development, the group continues to treat the property as an investment property. Similarly, if the group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Accounting Policies - continued

Investment property – continued

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The net realisable value of inventories is calculated as the total of future sales revenues expected, at the balance sheet date, to be generated by inventories in the process of normal operations and determined allowing for marketability, obsolescence and development in expected sales sum less the estimated expenses necessary to make the sale.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Any borrowing expenses in the period of construction are not recognised.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on experience.

Equity

Dividend

Dividends that are expected to be paid for the year are recognised in the balance sheet as a liability at the balance sheet date.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Financial debts

Fixed-interest loans, such as mortgage loans and loans from credit institutions, intended to be held to maturity are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost equal to the capitalised value using the effective interest method, so that the difference between the proceeds and the nominal value (the capital loss) is recognised in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Accounting Policies - continued

Prepayments and deferred income

Prepayments include expenses incurred in respect of subsequent financial years, including fair value adjustments of derivative financial instruments with a positive fair value. Such expenses are typically prepaid expenses concerning rent, insurance premiums, acquisition of tooling not yet commissioned and interest.

Deferred income includes payments received in respect of income in subsequent years as well as fair value adjustments of derivative financial instruments with a negative fair value.

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the consolidated profit/loss for the year adjusted for non-cash operating items such as depreciation, amortisation and impairment losses, provisions as well as changes in working capital, interest received and paid, payments relating to extraordinary items and corporation tax paid. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand less short term bank overdraft facilities.

The cash flow statement cannot be immediately derived from the published financial records.

Accounting Policies - continued

Definition of financial ratios

Gross profit	$= \dfrac{\textit{Gross profit/loss x 100}}{\textit{Revenue}}$
Profit margin	$= \dfrac{\textit{Profit/loss before financials x 100}}{\textit{Revenue}}$
Return on net asset	$= \dfrac{\text{Profit/loss before financials x 100}}{\text{Total assets}}$
Solvency ratio	$= \dfrac{\textit{Equity at year end x 100}}{\textit{Total assets}}$
Return on equity	$= \dfrac{\text{Net profit/loss for the year x 100}}{\text{Average equity}}$

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2015 EUR '000	2014 EUR '000	**2015 EUR '000**	2014 EUR '000
Revenue	2	63,924	52,502	-	-
Production costs		(55,120)	(45,460)	-	-
Gross profit		**8,804**	**7,042**	**-**	**-**
Selling and distribution expenses		(1,665)	(1,505)	-	-
Administrative expenses		(6,762)	(5,367)	(90)	(62)
Loss/(profit) on ordinary activities		**377**	**170**	**(90)**	**(62)**
Other operating income		566	483	132	8
Other operating expenses		(230)	(70)	(154)	(116)
Profit/(loss) before financial income and expenses		**713**	**583**	**(112)**	**(170)**
Profit/(loss) on disposal of investment in subsidiary		-	127	-	127
Profit/(loss) on investments in subsidiaries after tax	3	-	-	720	224
Profit on investments in associates after tax		1,082	718	1,082	718
Other financial income		17	35	-	-
Other financial expenses	4	(566)	(480)	-	-
Profit before tax		**1,246**	**983**	**1,690**	**899**

Income Statement 1 January - 31 December - continued

	Note	Group **2015** **EUR '000**	 2014 EUR '000	Parent Company **2015** **EUR '000**	 2014 EUR '000
Profit before tax *(continued)*		1,246	983	1,690	899
Corporation tax	5	444	(84)	-	-
Net profit for the year		**1,690**	**899**	**1,690**	**899**
Proposed distribution of profit					
Retained earnings				3	(1,630)
Reserve for net revaluation under the equity method				1,687	2,529
Retained earnings				1,690	899

Balance Sheet at 31 December

Assets

	Note	Group		Parent Company	
		2015 **EUR '000**	2014 EUR '000	**2015** **EUR '000**	2014 EUR '000
Patents etc		186	108	-	-
Intangible assets	6	**186**	**108**	**-**	**-**
Land and buildings including assets in the course of construction		1,756	1,736	-	-
Plant and machinery		5,249	5,086	-	-
Fixtures and fittings, tools and equipment		502	530	-	-
Property, plant and equipment	7	**7,507**	**7,352**	**-**	**-**
Investment properties					
Investment properties	8	**5,318**	**5,176**	**-**	**-**
Investments in subsidiaries	9	-	-	12,310	11,690
Investments in associates	10	3,942	2,879	3,901	2,837
Other financial assets	11	11	11	-	-
Other investments		21	21	-	-
Fixed asset investments		**3,974**	**2,911**	**16,211**	**14,527**
Fixed assets		**16,985**	**15,547**	**16,211**	**14,527**

Balance Sheet at 31 December *- continued*

Assets

	Note	Group 2015 EUR '000	Group 2014 EUR '000	Parent Company 2015 EUR '000	Parent Company 2014 EUR '000
Inventories	12	**5,373**	**4,185**	**-**	**-**
Trade receivables		12,758	9,323	-	-
Receivables from associates		354	312	409	259
Due from related parties		18	13	-	-
Corporation tax receivable		214	227	-	-
Other receivables		1,427	1,446	467	467
Prepaid expenses		1,549	1,442	-	4
Receivables		**16,320**	**12,763**	**876**	**730**
Cash at bank and in hand	19	**3,156**	**3,109**	**57**	**240**
Current assets		**24,849**	**20,057**	**933**	**970**
Assets		**41,834**	**35,604**	**17,144**	**15,497**

Balance Sheet at 31 December *- continued*

Liabilities and equity

	Note	Group 2015 EUR '000	Group 2014 EUR '000	Parent Company 2015 EUR '000	Parent Company 2014 EUR '000
Share capital		800	800	800	800
Share premium account (unrestricted reserve)		5,684	5,684	5,684	5,684
Revaluation reserve		1,082	852	-	-
Reserve for net revaluation under the equity method		-	-	9,569	7,882
Retained earnings		4,389	2,650	(4,098)	(4,380)
Equity		**11,955**	**9,986**	**11,955**	**9,986**
Other provisions		47	11	331	424
Deferred tax	13	379	370	-	-
Provisions		**426**	**381**	**331**	**424**
Bank loans	14	4,266	4,552	-	-
Finance lease payables	15	10	32	-	-
Long-term debt		**4,276**	**4,584**	**-**	**-**

Balance Sheet at 31 December - continued

Liabilities and equity

	Note	Group 2015 EUR '000	Group 2014 EUR '000	Parent Company 2015 EUR '000	Parent Company 2014 EUR '000
Overdraft facilities	19	5,260	4,364	-	-
Bank loans		1,509	1,764	-	-
Other loans		121	-	-	-
Finance lease payables	15	22	41	-	-
Trade payables		6,033	5,812	-	-
Payables to subsidiaries		-	-	4,658	4,858
Payables to associates		8,652	6,099	-	-
Debt to related parties		224	243	161	182
Other payables		1,409	791	23	28
Accrued expenses		1,782	1,394	16	19
Corporation tax		165	145	-	-
Short-term debt		**25,177**	**20,653**	**4,858**	**5,087**
Debt		**29,453**	**25,237**	**4,858**	**5,087**
Liabilities and equity		**41,834**	**35,604**	**17,144**	**15,497**

Balance Sheet at 31 December - continued

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Statement of Changes in Equity

Group	*Share capital*	*Share premium (unrestricted reserve)*	*Revaluation reserve*	*Retained earnings*	*Total*
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Equity at 1 January 2014	800	5,684	2	1,742	8,228
Exchange adjustment	-	-	242	9	251
Revaluation of investment property	-	-	608	-	608
Net profit for the year	-	-	-	899	899
Equity at 31 December 2014	**800**	**5,684**	**852**	**2,650**	**9,986**
Equity at 1 January 2015	800	5,684	852	2,650	9,986
Exchange adjustment	-	-	230	49	279
Net profit for the year	-	-	-	1,690	1,690
Equity at 31 December 2015	**800**	**5,684**	**1,082**	**4,389**	**11,955**

Statement of Changes in Equity *- continued*

Parent Company	*Share capital*	*Share premium (unre-stricted reserve)*	*Reserve for net revalua-tion under the equity method*	*Retained earnings*	*Total*
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Equity at 1 January 2014	800	5,684	4,745	(3,001)	8,228
Exchange adjustments	-	-	-	251	251
Revaluation of investment property, net of tax	-	-	608	-	608
Net profit for the year	-	-	2,529	(1,630)	899
Equity at 31 December 2014	**800**	**5,684**	**7,882**	**(4,380)**	**9,986**
Equity at 1 January 2015	**800**	**5,684**	**7,882**	**(4,380)**	**9,986**
Exchange adjustments	-	-	-	279	279
Revaluation of investment property, net of tax	-	-	-	-	-
Net profit for the year	-	-	1,687	3	1,690
Equity at 31 December 2015	**800**	**5,684**	**9,569**	**(4,098)**	**11,955**

Cash Flow Statement

	Note	Group 2015	Group 2014
		EUR '000	EUR '000
Income before net financials		713	583
Adjustments	18	2,082	1,910
Change in working capital	18	(820)	1,006
Cash flows from operating activities before net financials and tax		**1,975**	**3,499**
Interest paid	4	(566)	(480)
Interest received		17	35
Tax paid		457	(444)
Cash flows from operating activities		**1,883**	**2,610**
Purchase of intangible assets	6	(134)	(48)
Purchase of property, plant and equipment	7	(2,118)	(3,866)
Sale of intangibles and property, plant and equipment		-	4
Sale/(purchase) of investment in associate		3	15
Acquisition of investment property		-	(23)
Dividends received		161	-
Cash flows used in investing activities		**(2,088)**	**(3,918)**

Cash Flow Statement - continued

	Group	
	2015	2014
	EUR '000	EUR '000
Increase/(decrease) in borrowings	(582)	1,844
Cash flows used in financing activities	**(582)**	**1,844**
Change in cash and cash equivalents	**(787)**	**536**
Exchange adjustment	(62)	58
Cash and cash equivalents, beginning of year	(1,255)	(1,849)
Cash and cash equivalents, end of year	**(2,104)**	**(1,255)**

Notes to the Annual Report

1 Liquidity risk

The Group was able to improve working capital bring its current assets almost equal to current liabilities. The net working capital deficiency amounted to EUR 328K as at 31 December 2015 (2014: EUR 596k), representing 1.5% of current assets. Management continues to undertake a number of initiatives to improve the Group's liquidity and financial position. These initiatives include:

- Addressing the profitability of some key companies within the Group and closing down of unprofitable entities, such as Toly Italy srl.

- The Group continues to focus on working capital management, in a drive to improve collectability of receivables and improve credit terms with suppliers.

- Further focus on cost mitigation and cash generation measures.

- Further loans by the shareholders and financial institutions to support the Group as may be required.

Management is satisfied that the above measures, coupled with the general recovery of the global economy and the development of emerging markets, are expected to improve on the liquidity position reported as at 31 December 2015. Management further acknowledges the Group's dependence on its bankers, and has reasonable expectations for these existing facilities to be renewed.

It is the view of the directors that there is a reasonable expectation that the Company and the Group are able to continue in operational existence for a period of at least 12 months from the end of the reporting period, after considering the Group's liquidity risk. Accordingly, the directors continue to adopt the going concern basis in preparing the Financial Statements.

2 Segment information - revenue

	Group	
	2015	2014
By geographical area	**EUR '000**	EUR '000
United Kingdom	3,785	7,361
France	18,461	15,103
Other European countries	23,468	14,010
USA	12,956	9,128
Other countries	5,254	6,900
	63,924	**52,502**

Notes to the Annual Report - continued

3 Profit/(loss) on investments in subsidiaries

	Parent Company	
	2015	2014
	EUR '000	EUR '000
Share of profit/(loss) in subsidiaries after tax	778	272
Movements in intercompany gains and losses	(58)	(48)
	720	224

4 Other financial expenses

	Group		Parent Company	
	2015	2014	**2015**	2014
	EUR '000	EUR '000	**EUR '000**	EUR '000
Bills, discounting charges	79	89	-	-
Bank loans and overdraft facilities	386	308	-	-
Bank charges	96	80	-	-
Finance leases	5	3	-	-
	566	480	-	-

5 Corporation tax

	Group		*Parent Company*	
	2015	2014	**2015**	2014
	EUR '000	EUR '000	**EUR '000**	EUR '000
Share of tax of subsidiaries	444	84	-	-
Total tax for the year	**444**	**84**	**-**	**-**

Notes to the Annual Report - continued

5 Corporation tax - continued

The tax on the Group and Parent Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of 23.5% (2014: 25%) as follows:

	Group		Parent Company	
	2015	2014	**2015**	2014
	EUR '000	EUR '000	**EUR '000**	EUR '000
Profit on ordinary activities before tax	1,24(	983	1,690	899
Tax on profit for the year	293	246	397	225
Tax effect of:				
Different tax rates in other countries	(46)	7	-	-
Expenses not deductible for tax purposes	16	15	26	11
Unrecognised deferred tax asset	264	176	-	-
Government grant	(660)	(138)	-	-
Exempt income	(304)	(182)	(423)	(236)
Other differences	(7)	(40)	-	-
Total tax for the year	**(444)**	**84**	**-**	**-**

In 2015, the Government of Malta granted a subsidy to Toly Products Limited in the form of a cash contribution of EUR 660,314 (2014: EUR138,490), through a conversion into cash of part of the investment tax credits to which the Maltese subsidiary is entitled. The subsidy has been recognised as a tax credit in the income statement. The entitlement to this subsidy is subject to certain conditions and Management finds that the relevant criteria has been met.

Notes to the Annual Report - continued

6 Intangible assets

Group	Patents etc EUR '000	Goodwill EUR '000
Cost at 1 January 2014	181	1,450
Additions	48	-
Disposals	(4)	-
Cost at 31 December 2014	**225**	1,450
Amortisation at 1 January 2014	81	1,450
Amortisation for the year	36	-
Amortisation at 31 December 2014	117	1,450
Carrying amount at 31 December 2014	**108**	-
Cost at 1 January 2015	225	1,450
Additions	134	-
Cost at 31 December 2015	**359**	1,450
Amortisation at 1 January 2015	117	1,450
Amortisation for the year	56	-
Amortisation at 31 December 2015	173	1,450
Carrying amount at 31 December 2015	**186**	-

Notes to the Annual Report - continued

7 Property, plant and equipment

Group	Land and buildings, including assets in progress EUR '000	Plant and machinery EUR '000	Fixtures and fittings, tools ar equipment EUR '000
Cost			
At 1 January 2014	917	33,876	2,275
Exchange adjustments	-	268	33
Additions	1,580	2,231	55
Transfer to investment property	(98)	-	-
Disposals	-	(2)	(161)
Cost transferred to investment property	(614)	-	-
At 31 December 2014	**1,785**	**36,373**	2,202
Revaluation			
At 1 January 2014	730	-	-
Revaluation transferred to investment property	(730)	-	-
At 31 December 2014	-	-	-

Notes to the Annual Report - continued

7 Property, plant and equipment

Group	Land and buildings, including assets in progress EUR '000	Plant and machinery EUR '000	Fixtures and fittings, tools ar equipment EUR '000
At 1 January 2015	1,785	36,373	2,202
Exchange adjustments	-	289	23
Additions	122	1,870	126
At 31 December 2015	**1,907**	**38,532**	**2,351**
Revaluation			
At 31 December 2015	**-**	**-**	**-**

Notes to the Annual Report - continued

7 Property, plant and equipment - continued

Group	Land and buildings, in cluding assets in progress EUR '000	Plant and machinery EUR '000	Fixtures and fit tings, tools and equipment EUR '000
Depreciation and impairment losses			
At 1 January 2014	34	29,401	1,644
Exchange adjustments	-	266	20
Depreciation	58	1,622	136
Reversal of depreciation on disposals for the year	(43)	(2)	(128)
At 31 December 2014	**49**	**31,287**	**1,672**
Carrying amount at 31 December 2014	**1,736**	**5,086**	**530**
At 1 January 2015	49	31,287	1,672
Exchange adjustments	-	289	18
Depreciation	102	1,707	159
At 31 December 2015	**151**	**33,283**	**1,849**
Carrying amount at 31 December 2015	**1,756**	**5,249**	**502**

Notes to the Annual Report - continued

7 Property, plant and equipment - continued

Leased assets included above where the Group is a lessee under a finance lease comprise:

	Fixtures and fittings, tools ai equipment
	EUR '000
At 31 December 2014	
Cost	308
Accumulated depreciation	(164)
Carrying amount	**144**
At 31 December 2015	
Cost	191
Accumulated depreciation	(120)
Carrying amount	**71**

In 2014, additions of €1,580k included in land and buildings, including assets in progress, and corresponding depreciation of €58k, relate to leasehold improvements.

	Group	
	2015	2014
	EUR '000	EUR '000
Depreciation of property, plant and equipment is charged to expense under the following items:		
Cost of sales	1,759	1,626
Administrative expenses	209	190
	1,968	**1,816**

Notes to the Annual Report - continued

8 Investment properties

Investment properties are properties which the Group holds in order to gain rental income or appreciation of assets.

	Group 2015 EUR '000	Group 2014 EUR '000
Cost		
At 1 January	3,275	2,377
Exchange adjustments	152	163
Transfer from property, plant and equipment	-	98
Additions	-	23
Cost transferred from property, pland and equipment	-	614
At 31 December	**3,427**	**3,275**
Revaluation		
At 1 January	2,246	737
Exchange adjustments	48	53
Revaluation transferred from property, plant and equipment	-	730
Fair value gains	-	726
At 31 December	**2,294**	**2,246**
Depreciation and impairment losses		
At 1 January	345	287
Depreciation	58	58
At 31 December	**403**	**345**
Carrying amount at 31 December	**5,318**	**5,176**

Notes to the Annual Report - continued

8 Investment properties – continued

	Group	
	2015	2014
	EUR '000	EUR '000
At 31 December		
Cost or valuation	5,721	5,521
Accumulated depreciation	(403)	(345)
Carrying amount	5,318	5,176
Revaluation net of depreciation at 31 December	**1,891**	**1,901**

Income recognised through profit/loss included in other operating income:

	Group	
	2015	2014
	EUR '000	EUR '000
Rental income from investment properties	121	105

Notes to the Annual Report - continued

9 Investments in subsidiaries

Parent Company

	EUR '000
Cost at 1 January 2014	7,280
Disposals	(27)
Cost at 31 December 2014	**7,253**
Revaluation at 1 January 2014	3,168
Exchange adjustment	202
Share of profit for the year before tax	954
Share of tax in subsidiaries	(122)
Transfer to provisions	(376)
Dividends	(250)
Effect of disposal of subsidiaries	861
Revaluation at 31 December 2014	**4,437**
Carrying amount at 31 December 2014	**11,690**
Carrying amount at 31 December 2013	**10,448**

Notes to the Annual Report - continued

9 Investments in subsidiaries

Parent Company

	EUR'000
Cost at 1 January 2015	7,253
Disposals	-
Cost at 31 December 2015	**7,253**
Revaluation at 1 January 2015	4,437
Exchange adjustment	124
Share of profit for the year before tax	286
Share of tax in subsidiaries	444
Transfer to provisions	(93)
Dividends	(141)
Revaluation at 31 December 2015	**5,057**
Carrying amount at 31 December 2015	**12,310**
Carrying amount at 31 December 2014	**11,690**

Notes to the Annual Report - continued

9 **Investments in subsidiaries** - continued

Investments in group enterprises are specified as follows (EUR '000):

As at 31 December 2014					Toly Group International ApS' share		
Name	Address	Ownership in %	Equity	Profit/loss for the year	Equity	Profit/ loss before tax	Profit/loss for the year
Toly Products UK Limited	United Kingdom	100	1,423	165	1,423	189	165
Toly Products (France) SA	France	100	1,309	55	1,309	88	55
Toly Products Limited	Malta	100	7,396	(300)	7,396	(396)	(300)
Toly Management Limited	Malta	100	44	29	44	44	29
Toly Products USA Inc.[1]	USA	100	(352)	(2)	(352)	(2)	(2)
Toly USA Inc.	USA	100	161	67	161	126	67
Toly Asia Limited	Hong Kong	100	329	258	329	320	306
Toly Belgium SPRL	Belgium	100	(30)	44	(30)	44	44
Highgate Properties Limited[2]	Malta	100	-	-	-	-	-
Toly Italy s.r.l. [1]	Italy	100	(482)	(131)	(482)	(131)	(131)
Toly Malta Sales Limited	Malta	100	71	39	71	64	39
					9,869	346	272
Movements in intercompany gains and losses					563	-	(48)
[1]Effect of disposal of subsidiaries (liquidated during 2014)					834	-	-
Transferred to provisions					424	-	-
					11,690	346	224

[2]Transferred to Toly Products Limited

Notes to the Annual Report - continued

9 Investments in subsidiaries - continued

Investments in group enterprises are specified as follows (EUR '000):

As at 31 December 2015					Toly Group International ApS' share		
Name	Address	Ownership in %	Equity	Profit/loss for the year	Equity	Profit/ loss before tax	Profit/loss for the year
Toly Products UK Limited	United Kingdom	100	1,540	147	1,540	181	147
Toly France SAS	France	100	1,519	210	1,519	315	210
Toly Products Limited	Malta	100	8,079	72	8,079	(588)	72
Toly Management Limited	Malta	100	35	(9)	35	(9)	(9)
Toly USA Inc.	USA	100	(106)	109	(106)	119	109
Toly Asia Limited	Hong Kong	100	629	227	629	237	227
Toly Belgium SPRL	Belgium	100	(22)	7	(22)	7	7
Toly Malta Sales Limited	Malta	100	85	15	85	24	15
					11,759	286	778
Movements in intercompany gains and losses					86	-	(58)
Transferred to provisions					331	-	-
					12,176	286	720

Notes to the Annual Report - continued

10 Investments in associates

Group

	EUR '000
Cost at 1 January 2014	452
Disposals	(15)
Cost at 31 December 2014	**437**
Revaluation at 1 January 2014	1,508
Exchange adjustment	216
Share of associates' profit before tax	962
Share of associates' tax	(244)
Revaluation at 31 December 2014	**2,442**
Carrying amount at 31 December 2014	**2,879**
Carrying amount at 31 December 2013	1,960

Notes to the Annual Report - continued

10 Investments in associates - continued

Group

	EUR '000
Cost at 1 January 2015	437
Impairment	(3)
Cost at 31 December 2015	**434**
Revaluation at 1 January 2015	2,442
Exchange adjustment	145
Share of associates' profit before tax	1,368
Share of associates' tax	(286)
Dividends	(161)
Revaluation at 31 December 2015	**3,508**
Carrying amount at 31 December 2015	**3,942**
Carrying amount at 31 December 2014	2,879

Notes to the Annual Report - continued

10 Investments in associates - continued

Investments in associates are specified as follows (EUR '000):

As at 31 December 2014

Name	Address	Ownership in %	Equity	Profit/loss before tax	Toly Group International ApS' share: Equity	Toly Group International ApS' share: Profit/loss before tax	Toly Group International ApS' share: Profit/loss for the year
D - Square Limited	Malta	-	-	-	-	(15)	(15)
Toly Korea	Korea	40	4,440	1,997	1,776	799	611
Toly (Hong Kong) Limited	Hong Kong	40	2,758	445	1,103	178	122
Carrying amount at 31 December 2014					**2,879**	**962**	**718**

All foreign group enterprises and associates have been recognised and measured as independent entities.

Notes to the Annual Report - continued

10 Investments in associates - continued

Investments in associates are specified as follows (EUR '000):

As at 31 December 2015

					Toly Group International ApS' share		
Name	Address	Ownership in %	Equity	Profit/loss before tax	Equity	Profit/loss before tax	Profit/loss for the year
Toly Korea	Korea	40%	6,890	2,925	2,756	1,170	935
Toly (Hong Kong) Limited	Hong Kong	40%	2,965	495	1,186	198	147
Carrying amount at 31 December 2015					**3,942**	**1,368**	**1,082**

All foreign group enterprises and associates have been recognised and measured as independent entities.

Notes to the Annual Report - continued

10 Investments in associates - continued

	EUR '000
Parent Company	
Cost and carrying amount	
Cost at 1 January 2014	333
Disposals	(15)
Cost at and at 31 December 2014	**318**
Revaluation at 1 January 2014	1,577
Profit before tax	962
Share of associated tax	(244)
Exchange differences	209
Effect of disposal of associate	15
Revaluation at 31 December 2014	**2,519**
Carrying amount at 31 December 2014	**2,837**
Carrying amount at 31 December 2013	**1,910**

Notes to the Annual Report - continued

10 Investments in associates - continued

	EUR '000
Parent Company	
Cost and carrying amount	
Cost at 1 January 2015	318
Disposals	(3)
Cost at and at 31 December 2015	**315**
Revaluation at 1 January 2015	2,519
Profit before tax	1,368
Share of associated tax	(286)
Exchange differences	146
Dividends	(161)
Revaluation at 31 December 2015	**3,586**
Carrying amount at 31 December 2015	**3,901**
Carrying amount at 31 December 2014	**2,837**

The Company has a direct investment of 40% of the share capital of Toly (Hong Kong) Limited and Toly Korea Inc. During 2013, the company was involved in the setting up of Toly Mascara Division s.r.l and currently holds 20% of the share capital. During 2015, the investment in Toly Mascara Division s.r.l was disposed of and during 2014, the Company also disposed of its investment in D – Square Limited.

Notes to the Annual Report - continued

11 Other financial assets

	EUR '000
Group	
Cost and carrying amount	
At 1 January 2014 and 1 January 2015	11
At 31 December 2014 and 31 December 2015	**11**

12 Inventories

	Group	
	2015	2014
	EUR '000	EUR '000
Raw materials and consumables	1,651	1,157
Work in progress	63	236
Finished goods and goods for resale	3,659	2,792
	5,373	**4,185**

Notes to the Annual Report - continued

13 Deferred tax

The changes in deferred tax are specified as follows:

	Group	
	2015	2014
	EUR '000	EUR '000
At 1 January	**370**	323
Exchange rate adjustments	**9**	10
Recognised in equity	**-**	37
At 31 December	**379**	**370**

The balance includes:

Investment property	379	370
At 31 December	**379**	**370**

Deferred income tax assets are recognised based on tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profit is probable. The Group has tax credits available for carry forward against future taxable profit. A deferred tax asset of EUR 6,711 thousand (2014: EUR 5,910 thousand) in relation to tax credits available for carry forward against future taxable profit has not been recognised in the Financial Statements.

Notes to the Annual Report - continued

14 Borrowings

	Group 2015 EUR '000	Group 2014 EUR '000
Current	**1,509**	**1,764**
Non-current	**4,266**	**4,552**

Maturity of long-term borrowings (excluding finance lease liabilities):

	2015	2014
Between 1 and 2 years	847	733
Between 2 and 5 years	3,171	3,262
Over 5 years	248	557
	4,266	**4,552**

Weighted average effective interest rates:

	2015 %	2014 %
Overdraft facilities	4.4	4.3
Bank loans	4.1	4.3

15 Finance lease liabilities

	Group 2015 EUR '000	Group 2014 EUR '000
Within 1 year	22	41
Between 1 year and 5 years	10	32
Carrying amout of finance lease obligations	**32**	**73**

Notes to the Annual Report - continued

15. Finance lease liabilities - continued

Weighted average effective interest rates:

	2015	2014
	%	%
Finance lease obligations	9.0	9.0

The group leases various vehicles and machinery under non cancellable finance lease agreements. The lease terms are between 1 and 3 years, and ownership of the asset lies within the group.

16 Fee to auditors appointed at the General Meeting

	Group		Parent Company	
	2015	2014	**2015**	2014
	EUR '000	EUR '000	**EUR '000**	EUR '000
Audit fee	111	114	14	14
Non-audit fee	70	68	-	-
	181	**182**	**14**	**14**
The total fee is specified as follows on audit firms:				
PricewaterhouseCoopers	51	51	14	14
Other audit firms	130	131	-	-
	181	**182**	**14**	**14**

17 Staff

	Group	
	2015	2014
	EUR '000	EUR '000
Wages and salaries	7,001	5,859
Social security expenses	788	633
Other pension expenses	277	318
	8,06€	6,810
This amount comprises remuneration to the Executive Board	465	406

Notes to the Annual Report - continued

17. **Staff** - continued

Average number of persons employed, including executive directors, by the Group during the year:

	Group **2015**	2014
Direct	153	145
Indirect	123	119
Administrative	101	91
Executive directors - holding company	2	2
	379	357

18 **Notes to the Cash Flow Statement**

	Group **2015** **EUR '000**	2014 EUR '000
Deprication of intangible assets (note 6)	56	36
Depreciation of property, plant and equipment (note 7)	1,968	1,816
Depreciation of investment properties (note 8)	58	58
Adjustments	2,082	1,910
Changes in working capital:		
Trade and other receivables	(3,570)	1,100
Inventories	(1,188)	60
Payables	3,938	(154)
Change in working capital	(820)	1,006

Notes to the Annual Report - continued

19 Cash and cash equivalents

For the purposes of the cash flow statement, the period end cash and cash equivalents comprise the following:

	Group	
	2015	2014
	EUR '000	EUR '000
Cash at bank and in hand	3,156	3,109
Overdraft facilities	(5,260)	(4,364)
	(2,104)	**(1,255)**

20 Related parties and ownership

Controlling interest

Worlea Trust Consolium Treuhand AG, Triesenberg, Bergstrasse 398, FL-9497, Liechtenstein	Controlling shareholder

Other related parties

Complas "A" Trust, Liechtenstein	Shareholder
Complas "B" Trust, Liechtenstein	Shareholder
Andrew Imre Gatesy	Member of the Executive Board
Joseph John Vella	Member of the Executive Board
William Wait	Member of the Executive Board
Jørgen Kvist Hansen	Member of the Executive Board

Subsidiaries and associates

Transactions

Transactions with related parties have been effected at an arm's length basis.

Notes to the Annual Report - continued

20 Related parties and ownership - continued

Ownership

The following shareholders are recorded in the Company's register of shareholders to hold at least 5% of the votes and share capital:

Complas "A" Trust, Liechtenstein
Complas "B" Trust, Liechtenstein
Worlea Trust, Liechtenstein

21 Financial instruments

Credit risk

Financial assets that potentially subject the Company and the Group to concentrations of credit risks consist principally of cash at bank and receivables. The Group's cash is placed with recognised financial institutions. The Group's exposure to credit risks is limited due to the large number of customers which comprise the basis of receivables.

Foreign exchange and interest rate risks

The Group operates internationally and is exposed to foreign exchange risks primarily with respect to GBP and USD. The currency exposure mainly arises on export sales, imported purchases and foreign currency borrowings.

The Group's operating income and cash flows are substantially independent of changes in market interest rates. The Group's significant interest-bearing financial instruments comprise mainly bank borrowings, which are predominantly floating rate instruments and other loans, which are a mixture of fixed and floating rate instruments. Interest rate and related maturity information is disclosed in note 14 to this Annual Report. During 2015 the Group used two forward exchange contracts to hedge it currency risk with one contract maturing during the current reporting period and the other contract maturing within 1 year from the reporting date. Both forward exchange contracts related to USD as Management considered the exposure to such risks to be significant.

22 Contingencies

The Company and its shareholders have undertaken to continue to provide support to a number of subsidiary undertakings and related parties and have committed to refrain from requesting repayment of outstanding balances unless alternative funds are available.