Parent Co Acc

for 1476203

Fluval Valves UK Limited

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VALVOSPAIN, S.L. and Dependent Companies

Independent Audit Report

Consolidated Annual Accounts and Consolidated Management Report for the financial year ending on 31 December, 2015

TEST AUDITORES - CONSULTORES, S.L
General Alava, 6-1° 01005
VITORIA-GASTEIZ
Tel 945233416

INDEPENDENT AUDIT REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the shareholders of Valvospain, S.L ·

Report on consolidated annual accounts

We have audited the attached consolidated annual accounts of VALVOSPAIN, S.L. and its dependent companies, comprising the balance sheet to 31 December, 2015, the consolidated profit and loss account, the consolidated statement of changes in net worth, the consolidated cash flow statement and the consolidated annual report for the financial year ending on that date

Responsibility of the administrators in regard to the consolidated annual accounts

The administrators of the Parent Company are responsible for drawing up the attached consolidated annual accounts in a manner that gives a true picture of the consolidated equity, financial situation and consolidated results of Valvospain, S.L. and its dependent companies, in line with the regulations governing financial information applicable to the Group in Spain, which regulations are identified in note 2.a in the attached annual report, and for such in-house control as may be deemed necessary to permit the preparation of consolidated annual accounts free from materially incorrect data due to fraud or error.

Responsibility of the auditor

Our responsibility is to express an opinion on the consolidated annual accounts attached, based on our auditing work. We carried out our audit in line with the regulations currently governing account auditing in Spain The said regulations require us to meet certain conditions regarding ethics, and to plan and implement the audit with a view to obtaining a reasonable guarantee that the consolidated annual accounts are free from materially incorrect data

An audit requires the application of procedures to obtain audit evidence concerning the amounts and information disclosed in the consolidated annual accounts. The procedures selected depend on the decision of the auditor, including the assessment of the risk of material incorrectness in the consolidated annual accounts as a result of fraud or error In making such risk assessments, the auditor takes into account the relevant in-house checks made by the administrators of the Parent Company on drawing up the consolidated annual accounts, with a view to designing audit procedures suited to the circumstances in hand, and not in order to express an opinion concerning the effectiveness of the in-house checks made at the organisation. An audit also includes an assessment of the suitability of the accounting policies applied, of whether the accounting estimates made by the management are reasonable and of the presentation of the consolidated annual accounts taken as a whole

We consider that the audit evidence obtained provides an adequate, sufficient basis on which to issue an opinion as auditors.

Opinion

In our opinion, in all significant aspects the consolidated annual accounts for financial year 2015 attached hereto give a true picture of the equity and the consolidated financial situation of VALVOSPAIN, S.L as of 31 December, 2015, of its results and of its consolidated cash flow in the financial year ending on that date, as per the applicable regulatory framework for financial reporting, and in particular as per the accounting criteria and principles contained therein.

Paragraph on other issues

The audit report on the consolidated annual accounts for the previous tax year was produced by a different auditor A favourable opinion was given on 8 July 2015 The framework of financial information does not require this to be indicated or disclosed in the consolidated annual accounts

Report on other legal and regulatory requirements

The consolidated management report attached for financial year 2015 contains such explanations as the administrators of the parent company consider appropriate concerning the situation of Valvospain S L and its dependent companies, the running of their business and other matters It does not form an integral part of the consolidated annual accounts We have checked that the financial information contained in the said management report matches that contained in the consolidated annual accounts for financial year 2015. Our remit as auditors is limited to checking the management report to the extent indicated herein, and does not extend to checking any information other than that obtained from the accounting records of Valvospain, S.L and its dependent companies

24 May 2016

Test Auditores – Consultores, S L
Entered in the Official Register of Account Auditors under nº S1779

Valvospain, S.L. and dependent companies

CONSOLIDATED BALANCE SHEETS TO 31 DECEMBER 2015 AND 2014 (Notes 1, 2 & 4)

(Thousands of Euros)

ASSETS	Notes to Report	31.12 2015	31.12.2014	NET EQUITY & LIABILITIES	Notes to Report	31 12 2015	31.12.2014
NON-CURRENT ASSETS		19.593	24.573	NET EQUITY	Note 12	29.946	39.043
Intangible fixed assets	Note 5	2.786	3.603	CAPITAL & RESERVES		29.539	38.327
Goodwill on consolidation		1 208	1 209	Capital		10	13
Other intangible fixed assets		1 578	2 394	Issued capital		10	13
Tangible fixed assets	Note 6	12 346	13.105	Issue premium		75	75
Land & buildings		7 573	8 067	Reserves of the parent company		2.881	6.682
Technical facilities & other tangible fixed assets		4 769	4 407	Reserves in consolidated companies		28.790	38.943
Assets under construction & advances		5	631	Reserves in companies consol. via equity method		252	253
Long-term Inv in group & assoc companies	Note 8	3 182	6.685	Shares & holdings of parent company			-2.000
Equity instruments		23	23	Profit/loss for year attrib. to parent company		-2.468	-5 639
Holdings consolidated using the equity method		330	252	ADJUSTMENTS FOR CHANGES IN VALUE		309	310
Loans to private companies	Note 17.a	2 829	6.410	Conversion differences		309	310
Long-term financial investments	Note 9	95	95	SUBS. DONATIONS & BEQUESTS RECVD.		98	162
Deferred tax assets	Note 15	1.184	1.085	EXTERNAL STAKEHOLDERS			244
				NON-CURRENT LIABILITIES		6 754	8.423
				Long-term provisions	Note 13	3.000	4 000
				Long-term debts	Note 14	3.716	4.358
				Debts to banks		3 622	4 276
				Other financial liabilities		94	82
				Deferred tax liabilities	Note 15	38	65
CURRENT ASSETS		78.147	53.755	CURRENT LIABILITIES		61.040	30.862
Stocks	Note 10	30.854	28.435	Short-term provisions	Note 13	1 000	1.000
Trade debtors & other receivables	Note 11	45.634	20.780	Short-term debts	Note 14	29.863	18.206
Customer receivables for sales & services		42 636	17.915	Debts to banks		29.311	17 786
Other debtors		160	690	Financial lease liabilities	Note 7		
Other receivables from public administrations	Note 15	2 838	2 175	Other financial liabilities		323	118
Short-term financial investments	Note 9	128	1.621	Derivatives	Note 14	229	302
Short term accrual accounts		13	35	Trade creditors & other accounts payable		21.779	10.352
Cash & other equivalent liquid assets		1.518	2.884	Suppliers		18 547	7 510
				Sundry creditors		2 076	1 822
				Other debts to the public administration	Note 15	803	927
				Other creditors		353	93
				Customer prepayments		8.398	1.304
TOTAL ASSETS		97.740	78.328	TOTAL NET EQUITY & LIABILITIES		97.740	78.328

Notes 1-20 in the Report and the consolidated annex attached form an integral part of the consolidated balance sheet to 31 December 2015

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Valvospain, S.L. and dependent companies

CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE FINANCIAL YEARS 2015 & 2014

(Notes 1, 2 & 4)

(Thousands of Euros)

	Notes to Report	Fin. Year 2015	Fin Year 2014
ONGOING OPERATIONS			
Net turnover	Note 16.a	**55 355**	**44.723**
Sales		54 226	41 257
Services provided		1.129	3 466
Variation in inventory of finished products & work in progress	Note 10	**-1.576**	**3.819**
Supplies	Note 16.b	**-35.169**	**-28.618**
Consumption of goods		-3.590	-8.902
Raw materials & other consumables used		-19 738	-12.748
Work done for other companies		-11 840	-6.968
Other operating income		**68**	**123**
Non-core & other operating income		-5	77
Operating subsidies incorporated into the profit/loss for the year		73	46
Personnel costs	Note 16.c	**-8.021**	**-9.722**
Wages, salaries & similar		-6.435	-7 675
Social welfare costs		-1.585	-2 047
Other operating costs		**-9.794**	**-6.875**
Other current management costs	Note 16.d	-7 079	-7 072
Losses, impairment & changes in operating provisions	Note 11 & 17.a	-2 715	197
Depreciation of fixed assets	Notes 5 & 6	**-2 692**	**-2.759**
Allocation of subsidies for non-financial fixed assets & others	Note 12.f	**35**	**71**
Other gains/losses	Note 13	**-293**	**-4.864**
OPERATING RESULT		**-2 086**	**-4.102**
Financial income		**64**	**257**
Financial expenditure	Note 14	**-872**	**-1.328**
Change in fair value on financial instruments	Note 14		**-302**
Exchange-rate differences	Note 16	**359**	**-85**
Impairment & gains/losses from disposal of financial instruments		**-49**	
FINANCIAL RESULT		**-498**	**-1.458**
Share in profits of companies consolidated using the equity method	Note 8.b	**78**	**-1**
PRE-TAX PROFIT/LOSS		**-2.507**	**-5.561**
Tax on profits	Note 15	39	-73
PROFIT/LOSS FOR THE YEAR FROM CONTINUED OPERATIONS		**-2.468**	**-5.634**
CONSOLIDATED PROFIT/LOSS FOR THE YEAR		**-2.468**	**-5.634**
Profit/loss allocated to the parent company		**-2 468**	**-5.639**
Profit/loss allocated to external stakeholders			**5**

Notes 1-20 in the Report and the consolidated annex attached form an integral part of the consolidated profit and loss account to 31 December 2015

VALVOSPAIN, S.L. and dependent companies

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY IN FINANCIAL YEARS 2015 & 2014 (Notes 1, 2 & 4)

(Thousands of Euros)

A) CONSOLIDATED STATEMENTS OF INCOME & EXPENDITURE RECOGNISED IN 2015 & 2014

	Notes to Report	Fin. Yr 2015	Fin. Yr 2014*
Consolidated profit/loss for the year (I)		(2.468)	(5.634)
Income & costs attributed directly to net equity			
- Changes in conversion differences	Note 12.e	(1)	12
- Subsidies, donations & bequests received	Note 12.f		38
- Tax effect	Note 15		(40)
TOTAL INCOME & COSTS ATTRIB. DIR. TO CONSOL. NET EQUITY (II)		(1)	10
Transfers to consolidated P&L account			
- Subsidies, donations & bequests received	Note 12.f	(89)	(71)
- Tax effect	Note 15.c	25	20
TOTAL TRANSF TO CONSOLIDATED P&L ACCOUNT (III)		(64)	(51)
TOTAL CONSOLIDATED RECOGNISED INCOME & EXPENSES (I+II+III)		(2 533)	(5.675)
Total income/expenditure allocated to the parent company		(2.533)	(5.680)
Total income/expenditure allocated to external stakeholders			5

B) TOTAL STATEMENTS OF CHANGES IN CONSOLIDATED NET EQUITY IN 2015 Y 2014

	Capital	Issue premium	Legal reserve	Voluntary reserves	Shares & holdings of parent company	Reserves in consolidated companies	Reserves in companies with equity method	Profit/loss for year attributed to parent company	Conversion differences	Subsidies donations & bequests received	External shareholders	TOTAL
INITIAL BALANCE FOR 2014	13	75	4	6.491	-2.000	37 925	185	1.673	298	215	239	45.118
I. Total consolidated recognised income & expenses								-5.639	12	-53	5	-5.675
II. Transactions with stakeholders or owners												
- Increases (reductions) in capital												
III. Other changes in net equity												
- Regularisation of Goodwill (note 5)						-400						-400
- Distribution of profits for financial year 2013				187		1 418	68	-1 673				
FINAL BALANCE FOR 2014	13	75	4	6.678	-2.000	38.943	253	-5.639	310	162	244	39.043
I. Total consolidated recognised income & expenses								-2.468	-1	-84		-2.533
II. Transactions with stakeholders or owners												
- Increases (reductions) in capital	-4			-3 096	3 100							0
III. Other changes in net equity												
- Regularisation of Goodwill (note 5)												0
- Other operations with shareholders & owners					-1 100	-5.220					-244	-6.564
- Distribution of profits for financial year 2014				-705		-4.933	-1	5 639				0
FINAL BALANCE FOR 2015	10	75	4	2.877	0	28.790	252	-2.468	309	98	0	29.946

Notes 1-20 in the Report and the consolidated annex attached form an integral part of the statements of changes in consolidated net equity to 31 December 2015

VALVOSPAIN, S.L. and dependent companies

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CONSOLIDATED CASH-FLOW STATEMENTS FOR FINANCIAL YEARS 2015 & 2014 (Notes 1, 2 & 4)

(Thousands of Euros)

	Notes to Report	Fin. Yr. 2015	Fin. Yr 2014*
CASH FLOW FROM TRADING OPERATIONS		-9 997	7.223
Result for the year before tax		-2 507	-5 561
Adjustments of results:		4.764	8.702
- Depreciation of fixed assets	Notes 5 & 6	2 692	2 759
- Corrections in value due to deterioration	Note 11	2.715	-197
- Changes in provisions	Note 13	-1 000	5.000
- Allocation of subsidies	Note 12 f	-91	-71
- Financial income		-64	-257
- Financial costs	Note 14	872	1 328
- Exchange-rate differences	Note 16	-359	-27
- Change in fair value on financial instruments	Note 14		302
- Other income & expenditure			-136
- Share in (profits)/losses of shareholders via equity method, net of dividends	Note 8.b	-1	1
Changes in working capital		-11.446	5.126
- Stocks	Note 10	-2 419	-2.481
- Debtors & other receivables		-27 569	6.332
- Other current assets		22	-22
- Creditors & other accounts payable		18 520	1.297
Other cash flows from trading operations		-809	-1.044
- Payment of interest		-872	-1.301
- Collection of interest		64	257
CASH FLOW FROM INVESTMENT OPERATIONS		-2.743	-3.751
Payments from investments		-7.739	-3.791
- Group & associated companies		-6 623	
- Intangible fixed assets	Note 5	-90	-292
- Tangible fixed assets	Note 6	-1 026	-1 219
- Other financial assets	Note 9		-1.305
- Loans to private companies	Note 17.a		-975
Receivables from disinvestment		4.996	40
- Other financial assets	Note 9	4 996	40
CASH FLOW FROM FINANCING OPERATIONS		11.015	-4.880
Receivables & amounts payable for equity instruments			38
- Subsidies, donations & bequests received	Note 12.f		38
- Issue of equity instruments			
Receivables & amounts payable for financial liability instruments		11.015	-4.918
- Issue:			
Debts to banks	Note 14	11 657	14.305
- Repayment & amortisation of			
Debts to banks	Note 14	-642	-19.223
EFFECT OF EXCHANGE RATE VARIATIONS		359	0
NET INCREASE/DECREASE IN CASH OR EQUIVALENT		-1.366	-1.408
Cash or equivalent at commencement of year		2 884	4.292
Cash or equivalent at end of year		1 518	2.884

Notes 1-20 in the Report and the consolidated annex attached form an integral part of the consolidated cash flow statements to 31 December 2015

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Valvospain, S.L. & dependent companies

Consolidated annual report for the financial year ending on 31 December, 2015

1. Activities of the Group

Valvospain, S.L (hereinafter called the Parent Company) was incorporated on 2 November, 2004 Its main activity is the provision of technical assistance, advisory and similar services in regard to the administration of companies, their financial and legal structure and their production and sales processes

Its corporate headquarters is at Polígono Industrial Kaltzadako, Saratxo, Amurrio (Álava)

Apart from the operations in which it engages directly, Valvospain, S L. is also the head of a group of companies engaged in various activities with which it forms Grupo VALVOSPAIN, hereinafter called the Group The Parent Company is therefore obliged to draw up not only its own individual annual accounts but also consolidated annual accounts for the group, including holdings in associated companies

The Parent Company deposits its individual and consolidated annual accounts with the Mercantile Register of Alava

2. Basis for the presentation of consolidated annual accounts & principles of consolidation

a) Regulatory framework for financial reporting applicable to the Group

These consolidated annual accounts are drawn up by the administrators of the Parent Company under the regulatory framework for financial reporting applicable to the group, as laid down in

- the Code of Commerce and other mercantile legislation.
- the regulations for the drawing up of consolidated annual accounts approved under Royal Decree 1159/2010 and the General Accounting Plan approved under Royal Decree 1514/2007 and its sectoral adaptations,
- the compulsory regulations approved by the Institute of Accountancy and Account Auditing for the implementation of the General Accounting Plan and its supplementary regulations,
- other applicable Spanish accounting regulations

b) True Picture

These consolidated annual accounts for financial year 2015 are taken from the individual accounting records of Valvospain, S L and those of the companies that make up Grupo Valvospain as of 31 December, 2015 They are presented in accordance with the applicable regulatory framework for financial reporting and the accounting criteria and principles therein, so that they give a true picture of the equity, the financial situation and results of the Group, and of the consolidated cash flows during the year These consolidated annual accounts were drawn up by the Board of Directors of Valvospain, S.L on 31 March, 2016 and, like those of the dependent companies, will be submitted to the relevant stockholders and shareholders for approval. They are expected to be approved with no modifications

The consolidated annual accounts of the Group for financial year 2014 were approved by the General Meeting of Shareholders of Valvospain, S L on 30 September, 2015

c) *Dependent, jointly-controlled and associated companies*

Dependent companies

The full consolidation method was applied at all dependent companies, which are the companies controlled directly or indirectly by the Group, in the sense that it has the power to direct their financial and operational policies to obtain financial profit from their activities. This power generally, though not always, manifests itself in the direct or indirect ownership of 50% of the voting rights of a company or more

The participation of minority shareholders in the equity and in the results of the consolidated dependent companies is shown under the heading "external stockholders" in the "Net Equity" section of the consolidated balance sheet and under "Results allocated to external stockholders" in the consolidated operating accounts, respectively

As from tax year 2013 the companies Valvospain Gulf Trading Co (no longer controlled by the Group as its shareholding is less than 50%), Valvospain México, S.A de C V and MTS Valves Inc (which work in the marketing of the Group's products and are 99 99% and 100% owned by the group respectively) were excluded from the scope of consolidation because, in the opinion of the administrators of the company, the said companies had little activity in the tax years from 2013 to 2015 and were of no significant interest individually or indeed together for the true picture of the equity, the financial situation or the results of the consolidated Group. In the opinion of the administrators of the Parent Group their consolidation would have no significant impact on these consolidated annual accounts. The information on the said companies as of 31 December 2015 is as follows.

		Thousands of Euros			
Company	Corporate HQ	Capital	Reserves	Profit/loss for the year	Net cost of holding (Note 8 a)
MTS Valves Inc	Miami (USA)	75	-45	-	-
Valvospain México, S.A. de C.V	México D F (México)	23	-33	-	23
Valvospain Gulf Trading Co. (*)	Kuwait City (Kuwait)	49	-150	-	-

(*) Balance on 31 December 2013

Moreover, in 2015 the Dubai-based company Fluval Valves FZE, indirectly owned 100%, which marketed the products of the Group, was also excluded from the scope of consolidation

The Annex attached hereto details the dependent companies included in the scope of consolidation. Their financial years all match that of the Group.

Jointly-controlled companies

Jointly-controlled companies are companies that constitute joint businesses They are consolidated by the proportional method, which entails including in the consolidated financial statements the proportional part of the assets, liabilities and incomes of such companies in line with the holdings of the Group in them "Joint businesses" are those which are jointly controlled with other parties. This situation arises when there is an agreement in company articles or via a contract under which strategic decisions concerning financial and operational activities require the unanimous consent of all the parties that share control

At the end of financial years 2015 and 2014 there are no jointly-controlled companies within the scope of consolidation

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Associated companies

Associated companies are accounted for under the equity method (note 8). These are companies in the management of which the Group has a significant influence, understood as the power to intervene in operational and financial policy decisions of the partly owned company, but not sufficient to hold control or joint control. "Significant influence" is understood to exist in companies where the holding is 20% or more

The equity method consists of recording the value of net assets and any goodwill corresponding to the holding in the associated company under "Long-term investment in associated companies – Holdings Consolidated via the equity method" The net result in each financial year corresponding to percentage share in these companies is recorded in the consolidated operating accounts as "Share in profits (losses) of companies consolidated using the equity method"

At the end of financial years 2015 and 2014 there are no associated companies excluded from the scope of consolidation

The Annex attached hereto details the associated companies included in the scope of consolidation. Their financial years all match that of the Group

d) Changes in the scope of consolidation

In addition to the points noted in Note 2 c for companies not included in the scope of consolidation as of 31 December 2015, Fluval Valves FZE was also excluded from the said scope as indicated in note 2 c

In tax year 2014 there were no changes in the scope of consolidation.

e) Non-compulsory accounting principles applied

No non-compulsory accounting principles have been applied Moreover, the Administrators of the parent company have drawn up these consolidated annual accounts taking into consideration all applicable compulsory accounting principles and regulations that may have any significant effect thereon

There are no compulsory accounting principles that have not been applied

f) Critical points of valuation and estimation of uncertainty

The consolidated annual accounts attached are prepared using estimates drawn up by the Administrators of the Parent Company to value some of the assets, liabilities, income, expenditure and commitments recorded herein. These estimates refer basically to

- The assessment of potential losses due to impairment on certain assets such as intangible fixed assets, tangible fixed assets, holdings in associated companies, goodwill, stocks and accounts receivable (notes 5, 6, 8, 10 & 11).
- The useful lifetime of tangible and intangible assets (notes 5 & 6)
- Calculations of impairment on goodwill (note 5).
- The recovery of deferred tax assets (note 15)
- The market value of certain financial is comments (note 9).
- The calculation of provisions (note 13)

Although these estimates are based on the best information available at the end of financial year 2015 it may be necessary to modify them (upward or downward) in future financial years because of future events If necessary, this will be done prospectively.

g) Comparison of information

The information in this consolidated annual report concerning financial year 2014 is presented for the purposes of comparison with the information on 2015 only There have been no changes in accounting criteria or in the way in which information is presented.

h) Grouping of items

Certain items on the consolidated balance sheet, the consolidated profit and loss account, the statement of changes in consolidated net equity and the consolidated cash flow statement are presented grouped together to facilitate their understanding, but insofar as it is significant, a breakdown is included in the relevant notes to the Annual Report

i) Changes in accounting criteria and correction of errors

There have been no changes in accounting criteria with regard to the consolidated annual accounts for 2014, and no significant errors have been detected that would necessitate any reformulation of the amounts included in the consolidated annual accounts for financial year 2014.

j) Operating currency

These consolidated annual accounts are presented in euros, given that the euro is the principal currency in the economic environment in which Grupo Valvospain operates Operations in currencies other than the euro are recorded in line with the policies explained in note 4 a.

3. Distribution of profit

The proposal for the distribution of net profit for financial year 2015 which the Board of Directors of the Parent Company is to put before the General Meeting of Shareholders for approval is as follows

	Thousands of Euros
Basis for distribution	
Profit/Loss for the year	-2 468
Application	
Losses from previous financial years	-2.468

4. Registration and valuation regulations

The main regulations governing registration and valuation used by the parent company in drawing up the consolidated annual accounts for 2015 in accordance with the General Accounting Plan were as follows:

a) Consolidation principles applied

Transactions between companies included in the scope of consolidation -

In the process of consolidation, balances, transactions and results involving companies consolidated by the full consolidation method have been eliminated The percentage of results from operations between Group companies and associated companies corresponding to the holding of the Group in those companies has been eliminated

Uniformity of items -

The accounting procedures and principles used by the member companies of the Group have been brought into line so as to present consolidated financial statements with a uniform valuation basis.

Conversion of financial statements in foreign currency -

Financial statements for partly owned companies that operate in a currency other than the euro have been converted using the following procedures:

- The assets and liabilities on their balance sheets are converted at the exchange rate in force at the end of the closing date of the balance sheet
- Income and expenditure in each item of results are converted at the average cumulative exchange rate for the period in which they arose

- All exchange rate differences arising as a result of the foregoing recorded as a separate item of net equity referred to as "Conversion Differences" under the heading "Adjustments for changes in value"

When control, joint control or significant influence is lost in a company that operates in a currency other than the euro, the exchange rate differences recorded as an item in net equity for that company are accounted for in the operating account at the time when the result of the disposal is recognised. If the partly-owned company operating in a currency other than the euro is an associated company and a partial disposal takes place that does not give rise to any change in the classification of the company in question, only the proportional part of conversion differences are allocated to results If a percentage of a holding in a dependent company with these characteristics is disposed of, and control is not lost, the relevant percentage of the accumulated conversion differences is attributed to holdings by external stockholders

b) Goodwill and business combinations

The acquisition by the Parent Company of a controlling interest in a dependent company constitutes a business combination, to which the acquisition method is applied. In subsequent consolidation processes investments/net equity of dependent companies are eliminated generally on the basis of the values resulting from the application of the acquisition method described below on the date on which control is acquired.

Business combinations are accounted for by applying the acquisition method, for which the date of acquisition is determined and the cost of accommodation is calculated. Identifiable assets acquired and liabilities assumed are recorded at their fair value as of that date

Goodwill or negative differences from combination are determined by the difference between the fair value of the assets acquired and liabilities assumed which are thus recorded and the cost of the combination, always with reference to the date of acquisition

Combination costs are determined as the sum of the following

- The fair value on the date of acquisition of the assets transferred, the liabilities incurred or assumed and the equity instruments issued.
- The fair value of any contingent consideration dependent on future events or on the fulfilment of predetermined conditions

Costs related to the emission of equity instruments and financial liabilities handed over in exchange for elements required do not form part of the combination cost.

As from 1 January 2010, the fees paid to legal advisers and other professionals involved in the combination process and internal costs arising therefrom are also excluded from the combination cost. Such amounts are allocated directly to the P&L

If the business combination is carried out in stages in such a way that there is prior investment before the date of acquisition (date of taking control), the goodwill or negative difference is obtained as the difference between the following:

- The cost of the business combination plus the fair value on the date of acquisition of any previous holding of the acquiring company in the company acquired, and
- The value of the identifiable assets acquired, minus that of the liabilities assumed, determined as indicated above.

Any profit or loss that arises as a result of the valuation at fair value on the date on which control is taken over of the prior holding in the company acquired is accounted for in the consolidated profit and loss account. If the investment in the partly owned company in question was previously valued at fair value, the adjustments for changes in value pending allocation to the results for the year are transferred to the consolidated profit and loss account Moreover, the cost of a business combination is assumed to be the best benchmark for estimating the fair value of any prior holding on the date of acquisition

Goodwill arising from the acquisition of companies that operate in a currency other than the euro is valued in the operating currency of the company acquired and converted to euros at the exchange rate in force on the date of the consolidated balance sheet.

Goodwill is not depreciated, and is subsequently valued at its cost minus impairment losses Corrections in value due to impairment recognized under goodwill are not subject to reversal in subsequent years.

As an exceptional case, should a negative difference arise in the combination it is allocated to the profit and loss account as revenue

If the valuation processes required for the application of the acquisition method described above cannot be completed by the end of the year when the combination takes place, accounting for same is considered as provisional and the relevant provisional values can be adjusted in the period necessary to obtain the information required, which may in no case exceed one year The effects of adjustments made in that period are accounted for on a backdated basis, and comparative information is modified if necessary

Subsequent changes in the fair value of the contingent consideration are adjusted against results, unless that consideration is classed as equity, in which case subsequent changes in fair value are not recognised

Should there be any transactions after the taking of control involving the sale or purchase of holdings in a subsidiary that do not entail the loss of same, the impact of such transactions with no loss of control are accounted for under equity, and the amount of consolidation goodwill is not changed

c) Intangible fixed assets

As a general rule, intangible fixed assets are initially valued at cost, i e. at purchase price or cost of production The cost of intangible fixed assets acquired via business combinations is taken to be their fair value of the date of acquisition

Following initial recognition, intangible fixed assets are valued at cost, minus the relevant acumen they did depreciation and amortisation and, as the case may be, the accumulated amount of any corrections due to impairment according to the criteria described in note 4.e

An analysis is conducted to determine whether each intangible fixed asset has a definite or indefinite useful lifetime

Intangible fixed assets with a predefined life time depreciated/amortised systematically in line with the estimated useful lifetime of goods and their residual value The depreciation/amortisation methods and period is applied reviewed at the end of each financial year and adjusted prospectively if relevant. An impairment test is run at the end of the financial year, and if impairment is deemed to exist the recoverable amounts are estimated and the relevant corrections in value are made

Intangible fixed assets with indefinite lifetimes are not depreciated/amortised, but are checked for impairment at least once a year Their "indefinite useful lifetime" status is reviewed each year As of 31 December 2015 and 2014 the Group had no intangible fixed assets classed as having indefinite useful lifetimes on its books

Research and development expenditure

The Group registers research expenditure over the course of the financial year in its consolidated profit and loss account.

Development costs basically comprise payments made for the acquisition of commercial, technical, organisational and financial information needed to develop new products, and the cost of personnel attached to research and development departments. The set costs are activated when the following conditions are met.

- When they are specifically broken down project by project and costs are clearly defined so that they can be distributed over time
- When there is good reason to believe that the projects implemented will be technically successful and financially/commercially profitable

The assets thus generated are depreciated in a linear fashion over the course of their useful lifetimes (up to a maximum of five years).

Should there be any reasonable doubt concerning the technical success or financial/commercial profitability of a project, the amounts recorded under assets are attributed directly to the consolidated profit and loss account for the financial year.

Work done by the Group for its own fixed assets is recorded at the accumulated cost that results from adding external and internal costs determined in accordance with in-house consumption of materials, direct labour costs incurred and general manufacturing costs calculated according to absorption rates similar to those applied for the valuation of stocks

Industrial property

Under this heading the Group records patents and trademarks that are fully depreciated, and the costs incurred in obtaining approvals for products at customers and in markets

Concessions, patents, licences, brands & similar are depreciated over five years

IT applications

In this account the Group records the costs of acquiring, adapting and developing computer programs IT application maintenance costs are recorded in the consolidated P&L account for the year in which they are incurred IT applications are depreciated/amortised over 5 years using the linear method

Repairs that do not constitute an extension of useful lifetime and maintenance costs are charged to the consolidated profit and loss account for the year when they are incurred.

d) Tangible fixed assets

Tangible fixed assets are initially valued at their acquisition price or cost of production. Subsequently their value is reduced by accumulated amortisation and depreciation and by impairment losses, if any, as per the criteria set out in note 4.e

Upkeep and maintenance costs for the items that make up the tangible fixed assets are attributed to the consolidated profit and loss account for the year when they are incurred By contrast, investments in improvements that increase the capacity or efficiency or extend the useful lifetime of such assets are recorded as increased costs thereof

Repairs that do not constitute an extension of useful lifetime and upkeep & maintenance costs are charged to the consolidated profit and loss account for the year when they are incurred By contrast, the costs of increases and improvements that give rise to greater production capacity or extend the useful lifetime of goods are recorded as increases in value.

Tangible fixed assets are depreciated linearly over their estimated useful lifetimes as from the time when they become available for entry into operation

The estimated useful lifetimes in years of the various tangible fixed assets are as follows.

	Percentage of depreciation
Constructions	5%
Technical facilities & machinery	10% - 15%
Other facilities, toolings & furnishings	15% - 33%
Data processing equipment	25%
Transport equipment	20%

At the close of each financial year the group reviews the useful lifetimes and depreciation methods of its tangible fixed assets and adjusts them prospectively if necessary

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e) Impairment losses on non-financial assets

At the end of each financial year (in the case of goodwill and intangible assets with indefinite lifetimes) and whenever there is evidence of loss of value (four remaining non-financial assets) the Group applies an impairment test to check for losses in value that may reduce the recoverable value of assets to amounts lower than their book value

Recoverable value is defined as fair value minus sale costs or value in use, whichever is the greater

When the book value is grey to them the recoverable value, impairment losses are said to exist.

"Value in use" is the current value of expected future cash flows, using a risk-free market interest rate, adjusted for any specific risks associated with each asset. For assets that do not generate significant cash flows, other than those deriving from other assets or groups of assets, the recoverable amount is determined for the cash generating units to which those assets belong.

Corrections in value due to impairment and its reversal (which is not permitted in the specific case of goodwill) accounted for in the consolidated profit and loss account Corrections in value due to impairment reversed when the circumstances under which they were made cease to apply Reversal of impairment is limited to the book value of the asset that would be recorded if there had been no prior impairment.

f) Leases

Leases are classed as financial leases provided that their terms and conditions involve the transfer in substance to the lessee of the risks and benefits inherent in the ownership of the assets in question All other leases are classed as operational leases

Financial leases

In financial lease operations in which the Group is the lessee, the cost of the assets leased is shown on the consolidated balance sheet in line with the nature of the asset in question, with a liability entry for the same amount also being included The amount shown is the lower of the following. the fair value of the assets leased or the current value at the commencement of the lease of the minimum amounts agreed, including purchase options, when there are no reasonable doubts that they will be exercised Contingent quotas, service costs and taxes that may be passed on by the lessor are not included in these calculations. The total financial burden of contracts is allocated to the consolidated profit and loss account for the year in which it is accrued, applying the effective interest rate method Contingent quotas are recognized as expenses in the year in which they are incurred.

Assets recorded under operations of this type are depreciated with criteria similar to those applied to tangible fixed assets as a whole, depending on their nature

Operational leases

Income and expenditure deriving from operational lease agreements are attributed to the consolidated profit and loss account in the year in which they are accrued.

Any amount collected or paid on entering into an operational lease is treated as advance receipts or payments and attributed to results during the lease period as the benefits of the asset leased are assigned or received

g) Financial assets

Classification:

The financial assets of the Group are classified under the following headings

a) Loans and receivables: Financial assets arising from the sale of assets or the provision of services for trading operations of the Company, or those originating from commercial operations that do not entail equity instruments or derivatives, for which fixed or determinable amounts are received and which are not traded on an active market (note 11).

b) Bonds and deposits provided Deposits provided to guarantee fulfilment of the obligations undertaken mainly by lease agreements entered into by the Group (note 7)

c) Financial assets held for trading: Assets acquired with the intention of disposing of them in the short-term, or which form part of a portfolio in which there is evidence of recent operations with that purpose This category also includes financial derivatives which are not financial guarantee agreements (e.g guarantees per aval) and have not been designated as hedging instruments

d) Financial assets available for sale. These include securities that represent debt and equity instruments of other companies not classified under any of the foregoing headings

Initial valuation

Financial assets are initially recorded at the fair value of the consideration handed over plus directly attributable transaction costs

In particular, bonds and deposits provided are initially recorded for the amounts actually handed over.

Subsequent valuation

Loans, collectables and bonds and deposits provided are valued at their amortised cost.

Financial assets held for trading are valued at their fair value and the result of any variations in the said fair value is recorded in the profit and loss account.

However, loans for commercial operations maturing after no more than one year which do not entail any contractual interest rate, and repayments and loans to personnel the amount of which is expected to be received in the short term are valued both initially and subsequently at their face value provided that the effect of not updating cash flows is not significant.

Specifically, as regards bonds provided for operational leases or services provided, the difference between fair value and the amount paid out due, for instance, to the bond being established in the long-term with no remuneration, is recognised as advance payment made or collected under the lease or service provided in question, and must be allocated to the consolidated profit and loss account during the lease period or during the period in which the service is provided, in line with the regulations covering income from sale and services provided.

Finally, financial assets available for sale are valued at their fair value, and the result of any variations in that fair value is recorded under net equity until such time as the asset is disposed of or its value deteriorates (in a stable or permanent fashion), at which time the accumulated results accounted for previously under net equity are transferred to the profit and loss account Equity instruments whose fair value cannot be determined reliably are valued at cost minus, as the case may be, the accumulated amount of any corrections in value due to impairment. In this context, it is presumed that impairment (permanent loss) exists if the trading value of the assets in question falls by more than 40% or if there is a prolonged decrease therein over a period of 18 months, with no recovery in value

The Group runs an impairment test on those financial assets which are not recorded at fair value at least at the end of the financial year Objective evidence of impairment is considered to exist if the recoverable value of the financial asset is lower than its book value When impairment is deemed to exist, it is recorded in the profit and loss account and is limited to the book value of the financial asset that would have been recorded on the date of reversal if there had been no impairment

In corrections in value concerned with trade debtors and other accounts receivable the Group follows the criteria of impairing those loans that, after individual analysis of their recoverability and in line with their age and other aspects such as irregular circumstances, bankruptcies and insolvencies, may reasonably be classed as troubled assets Specifically, for trade debtors and other accounts receivable the Group classes as troubled assets balances corresponding to companies that have filed for bankruptcy or that, following individual analysis, give rise to doubts as to their recoverability (note 11)

The Group writes off financial assets when they expire or when the rights to the cash flow from the corresponding financial asset has been transferred and the risks and benefits inherent in ownership thereof have also been transferred in substance, e.g. in firm agreements for the sale of assets, assignment of commercial loans in factoring operations where the Company does not retain any credit risk or interest, sales of financial assets with repurchase agreements for fair value and securitisation of financial assets when the assigning company does not retain any subordinated debt, provide any guaranteed or assume any other risk.

By contrast, the Group does not write off financial assets, and records a financial liability for an amount equivalent to the consideration received in transfers of financial assets in which it retains in substance the risks and benefits inherent in ownership, e g. in the discounting of bills, factoring with recourse, sales of financial assets with repurchase agreements at fixed prices or at the sale price plus interest and securitisation of financial assets when the assigning company retains subordinated debt or any other guaranteed that may substantially take up all the expected losses

As of 31 December 2015 there were with-recourse factoring contracts for the amount of 461 thousands of euros (950 thousands of euros at 31 December 2014).

h) Financial liabilities

Financial liabilities are debits and accounts payable held by the Group arising from the purchase of goods and services for trading operations, and non-commercial operations that cannot be considered as financial derivatives

Such debits and accounts payable are initially valued at the fair value of the consideration received, adjusted for directly attributable transaction costs. Subsequently, these liabilities are valued in accordance with their amortised cost The interest accrued is recorded in the consolidated profit and loss account, with the effective interest rate method being applied

However, debits for commercial operations maturing after no more than one year which do not entail any contractual interest rate, and capital calls on holdings the amount of which is expected to be paid in the short term are valued at their face value provided that the effect of not updating cash flows is not significant.

The Group writes off financial liabilities when the obligations from which they arise are cancelled

i) Hedging instruments

The Group uses financial derivatives to hedge the risks to which its activities, operations and future cash flows are exposed These are mainly exchange rate risks In the context of such operations, the Group arranges financial hedging instruments (note 14).

For such instruments to be classed as hedging instruments in the accounts, they must be initially designated as such, and the hedging relationship must be documented The method used to account for any resulting profit and loss depends on whether the derivative is designated as a hedging instrument or not and if so on the type of hedging involved

The group applies cash-flow hedging Such hedging covers exposure to changes in cash flows attributable to a specific risk associated with recognised assets or liabilities or to an envisaged transaction which is deemed to be highly likely, provided that it can affect the consolidated profit and loss account. Hedging for exchange-rate risks on a firm commitment can be accounted for as cash flow hedging That part of the profit or loss on the hedging instrument that is classed as effective hedging is accounted for provisionally in the consolidated net equity, and allocated to the consolidated profit and loss account in the year(s) in which the operation covered affects results, unless the hedging in question is for a transaction envisaged that results in the recognition of a non-financial liability or asset, in which case the amounts recorded in the consolidated net equity are included in the cost of the asset or a liability when it is acquired or taken on.

Accounting for hedging ceases when the hedging instrument matures or is sold, completed or exercised, or when it ceases to meet the criteria established for it to be accounted for as hedging. At that time any cumulative profit or loss corresponding to the hedging instrument that has been recorded in net equity is maintained within net equity until the operation envisaged takes place. When the operation hedged is not expected to take place, the cumulative net profit or loss accounted for in net equity is transferred to the net results for the period

j) Equity Instruments

An equity instrument represents a residual holding in the equity of the Group once all liabilities have been deducted

Capital instruments issued by the Group are recorded in net equity for the amount received, net of issue costs

Any of its own shares acquired by the Group during the financial year are registered for the value of the consideration provided in return, as a direct decrease in value in the consolidated net equity

The results of purchases, sales, issues and amortisations of its own equity instruments are recognised directly by the Group in the consolidated net equity In no case is any such result recorded in the consolidated profit and loss account.

k) Stocks

Stocks are valued at their price of acquisition, cost of production or net realisable value, whichever is the lowest Trade discounts, reductions obtained, other similar items and interest incorporated into the face value of debits are deducted when determining acquisition prices (Note 10)

Merchandise is valued at the price of acquisition, net of any discounts or price reductions. This price is determined by applying the average cost method, including all additional costs incurred up to receipt of the merchandise

Cost of production includes direct material costs and, if relevant, direct labour costs and such general manufacturing costs incurred up to the year end

Net realisable value means the estimated selling price minus all the estimated costs for completion of manufacture and the costs that will be incurred in marketing, sale and distribution.

In assigning values to its stocks, the Group uses the weighted average cost method.

The Group makes such corrections in value as may be appropriate, accounting for them as expenses on the profit and loss account when the net realisable value of stocks is lower than their acquisition price (or their production cost).

l) Cash & other equivalent liquid assets

This heading on the consolidated balance sheet covers cash on hand, current accounts at banks and, if relevant, short-term asset acquisitions and deposits that meet the following requirements.

- They are convertible into cash
- They mature no more than three months after the time of the acquisition.
- They are not subject to any significant exchange rate risk.
- They form part of the Group's ordinary treasury management policy

m) Foreign currency transactions

The operating currency of most of the member companies of the Group is the euro Therefore any operations in currencies other than the euro are considered as foreign currency operations and recorded at the exchange rates in force on the date of each operation (note 16 d)

At the year end monetary assets and liabilities denominated in foreign currency are converted at the exchange rate in force on the date of the consolidated balance sheet. Any profit or loss that results is attributed directly to the consolidated profit and loss account for the year when it is incurred.

n) Tax on profits

The Parent Company and certain subsidiary companies of (note 15) are based in the Basque Country and are subject to regional regulations on corporation tax. They pay such taxes under the Special Tax Consolidation Framework envisaged in Regional Regulation 37/2013 of 13 December on Corporation Tax in the Historical Territory of Alava (which has superseded Article 71 of Regional Regulation 3/1996 of 26 July of the Historical Territory of Alava governing corporation tax) (note 1) Valvospain, S.L is the parent company of the group Companies registered for this special framework apply the criteria envisaged in an ICAC Resolution dated 9 October 1997 for purposes of recording the effects of tax consolidation for accounting purposes

The remaining dependent companies of the Group pay corporation tax individually under the various tax frameworks applicable to the locations where they have their headquarters.

Expenses and income attributable to tax on profits include a part relative to spending or income due to current taxes and a part corresponding to spending or income due to deferred taxes

Current taxes are the amount that the Group pays as a result of the settlement of tax on profit for one financial year Any deductions and other tax breaks in regard to the amount payable in tax, excluding with holdings and payments on account, and any tax loss carried forward from previous years and effectively applied in the current year are recorded as decreases in the amount of current taxes.

Deferred tax expenses or income refer to the recognition and cancellation of deferred tax assets and liabilities These include timing differences, identified as amounts expected to be paid for recovered as a result of differences between the book values of assets and liabilities and their fiscal value, negative taxable incomes pending offsetting and credits from tax deductions not yet fiscally applied The said amounts are recorded by applying to the time difference or credit in question the tax rate at which they are expected to be recovered or settled

Deferred tax liabilities are recognised in regard to all taxable timing differences except those arising from initial recognition of goodwill for other assets and liabilities in operations that affect neither the tax result nor the accounting result and do not constitute a business combination

Deferred tax assets are only recognised insofar as it is considered likely that the Group will have future tax earnings against which they can be made effective

On a consolidated level, any differences between the consolidated value of a partly owned company and its tax bases are also considered In general, such differences arise from the accumulated results generated from the date of acquisition of the partly owned company, from tax deductions associated with investment and from conversion differences in the case of firms that operate in a currency other than the euro. Deferred tax assets and liabilities arising from these differences are recognised in the accounts unless, in the case of taxable differences, the investor can control the time when the differences are reversed; and in the case of deductible differences is decided to wait until the differences are reversed in the foreseeable future, and it is considered probable that the company will have future tax earnings in sufficient quantity

Deferred tax assets and liabilities arising from operations directly debited or credited to equity accounts are also accounted for by an offsetting amount under net equity

At the end of each accounting period the deferred tax assets recorded reconsidered and any appropriate corrections are made to the extent that doubts may exist concerning their future recovery Also at the close of each accounting period, deferred tax assets not recorded on the balance sheet assessed and recognized to the extent that there is any likelihood of their recovery with future taxable profit.

o) Income and expenditure

Income and expenditure are accounted for in accordance with the accrual criteria, i e when the actual flow of assets and services that they represent is incurred, regardless of when the financial or monetary flow deriving therefrom is incurred Such income is valued at the fair value of the consideration received, minus discounts and taxes

Income from sales is accounted for at the time when the significant risks and benefits inherent in the ownership of the item sold are transferred to the purchaser and the company no longer handles the day-to-day management of the item in question nor holds any effective control over same Indirect taxes levied on operations that can be passed on to third parties are not considered as income.

Income from the provision of services is accounted for by taking into account the extent to which the service has been provided on the date of the balance sheet, provided that the result of the operation can be estimated reliably

Interest received on financial assets is recognised at the effective interest rate Dividends are recognised when the right of stockholders to receive them is announced. In any event, interest and dividends on financial assets accrued after the time of acquisition at accounted for as income in the consolidated profit and loss account.

p) Provisions and contingencies

The Administrators draw the following distinctions in preparing the consolidated annual accounts

a) Provisions Credit balances that cover current obligations deriving from past events the cancellation of which will probably result in the outgoing of resources, but the amount and/or time of cancellation of which are indeterminate

b) Contingent liabilities. Possible obligations arising as a result of past events the future materialisation of which depends on whether one or more future events independent of the will of the Group occur

The consolidated annual accounts include all provisions for which it is deemed more likely than not that the obligation will have to be met. Unless they are considered as remote, contingent liabilities are not recognised in the consolidated annual accounts, but reported in the notes to the consolidated annual report.

Provisions are valued at the current value of the best possible estimate of the amount required to cancel or transfer the relevant obligation, taking into account the information available on the event and its consequences, and with such adjustments being made as may arise from the updating of provisions such as financial expenses as they are accrued.

The compensation payable from third parties when the obligation is settled, provided that there are no doubts that payment will be made, is recorded as an asset, except if there is a legal bond by which part of the risk has been externalised, by virtue of which the Group is not answerable, in such cases compensation is taken into account in estimating the amount of the relevant provision, as the case may be

The Administrators of the Parent Company consider that there are no significant contingent liabilities for the member companies of the Group as 31 December 2015.

q) Compensation for dismissals

Under current legislation, the Group is obliged to pay compensation to employees whose employment contracts are terminated under certain circumstances Any reasonably quantified compensation for dismissal payable is recorded as expenditure in the financial year in which the dismissal decision is made Under current legislation, the Company is obliged to pay compensation to employees whose employment contracts are terminated under certain circumstances Total compensation registered in the consolidated P&L for 2015 is €145 thousands (€158 thousands in 2014) (note 15 c), fully paid out at the end of the financial year. No provisions are recorded for this item in the consolidated annual accounts attached, as no situations of this kind are envisaged

r) Assets of an environmental nature

"Assets of an environmental nature" means those assets which are used over a prolonged period in relation to the operations of the Group whose main purpose is to minimise environmental impact and to protect and enhance the environment, including the reduction or elimination of future pollution

Given their nature, the operations of the Group have no significant environmental impact

s) Subsidies, donations & bequests received

The criteria applied by the group in accounting for subsidies, donations and bequests received are as follows.

a) Subsidies, donations and bequests in capital which are non-refundable: These are valued at the fair value of the amount or the asset handed over, depending on whether they are monetary in nature or otherwise, and are attributed to results in proportion to the provision for amortisation and appreciation made in the period for the elements subsidised or, as the case may be, when they are disposed of or their value is corrected due to impairment, except for those received from stockholders and owners, which are recorded directly under capital and reserves and not considered as income.

b) Refundable subsidies For so long as they are considered as refundable, these are accounted for as liabilities

c) Operational subsidies: These are credited to results when they are granted, unless they are used to finance losses from operations in future years, in which case they are accounted for in those years If they are granted to fund specific spending, they are accounted for as the costs financed are accrued

t) Related party transactions

The Group conducts all its operations with related parties at market value. Transfer prices are currently sufficiently provided for, so the administrators of the Parent Company considered that there are no significant risks concerning this item that could lead to substantial liabilities in the future

u) Classification of assets and liabilities as current and non-current

Assets are considered as current when they are linked to the normal business cycle, which is generally considered to mean one year Other assets whose maturity, disposal or realisation is expected to take place in the short term as from the closing date of the financial year are also considered as current, as financial assets held for trading, with the exception of financial derivatives whose settlement period is longer than one year and cash and other equivalent liquid assets Assets which fail to meet these requirements are classed as non-current.

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Similarly, current liabilities are those linked to the normal business cycle, financial liabilities held for trading, with the exception of financial derivatives whose settlement period is longer than one year and, in general, obligations due to mature or be cancelled in the short term All others are considered as non-current

*v) **Consolidated cash flow statement***

The consolidated cash flow statement is drawn up in accordance with the indirect method, and uses the following expressions with the meanings indicated below.

- Cash flow· Income and outgoings in cash and its equivalents, understanding this to mean high liquidity short-term investments with no significant risk of alteration in value.
- Operational activities Activities typical of the bodies that make up the Group, and other activities that cannot be classed as investment or financing
- Investment activities Activities for the acquisition or disposal of assets in the long term and other investments not included in cash and its equivalents.
- Financing activities Activities that may result in changes in the size and make up of the consolidated net equity and of the consolidated liabilities that are not classed as operational activities

5. Intangible fixed assets

The movements of the various items that make up this heading on the consolidated balance sheets for financial years 2015 and 2014 are as follows (in thousands of euros)·

Financial year 2015

	Initial balance	Additions/(provisions)	Final Balance
Cost			
Goodwill	1.609		1.609
Development	2.231	80	2.311
Patents, licences, trademarks & the like	6 688	1	6.689
IT applications	1 924	12	1 936
Other intangible fixed assets	128		128
Total cost	**12.580**	**93**	**12.673**
Amortisation & depreciation	0		0
Development	-1 072	-446	-1.518
Patents, licences, trademarks & the like	-6.160	-134	-6 294
IT applications	-1.345	-330	-1 675
Total amortisation & depreciation	**-8.577**	**-910**	**-9.487**
Impairment	0		0
Goodwill	-400	-1	-401
Total impairment	**-400**	**-1**	**-401**
Net book value	**3.603**		**2.785**

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Financial year 2014

	Initial balance	Additions/(provisions)	Final Balance
Cost			
Goodwill	1.609		1 609
Development	2 086	145	2.231
Patents, licences, trademarks & the like	6 651	37	6 688
IT applications	1 814	110	1 924
Other intangible fixed assets	128		128
Total cost	**12.288**	**292**	**12.580**
Amortisation & depreciation			
Development	-640	-432	-1 072
Patents, licences, trademarks & the like	-6.028	-132	-6.160
IT applications	-985	-360	-1 345
Total amortisation & depreciation	**-7.653**	**-924**	**-8.577**
Impairment			
Goodwill		-400	-400
Total impairment		**-400**	**-400**
Net book value	**4.635**		**3.603**

The additions in 2015 and 2014 under the heading "Intangible Fixed Assets – IT applications" are new ERP modules used in the management of the Group.

During financial year 2015 the Group acquired new valve developments corresponding to integrated experimental industrial research and development projects conducted by an external consultant, to the tune of 80 thousands of euros (172 thousands of euros in 2014)

Goodwill

Goodwill originated in financial year 2006 in the Group member company MTS Valves and Technology, S L as a result of the transfer of the industrial and commercial activities of MTS Técnica y Control de Fluidos, S.A.U . The technology and the customer portfolio received continued to generate profits that contribute to the growth and consolidation of the said company.

At the end of financial year 2015, following an analysis of the fair value of goodwill, the Sole Administrator decided not to impair it

As of 31 December 2014 an analysis of fair value of the remaining goodwill was drawn up in line with the profits obtained in 2014 and those envisaged in line with the portfolio for the coming financial years The Company regularised the recorded book value of its goodwill, recording an impairment of 400 thousands of euros charged to "Reserves" Thus, the flow of profits from the relevant customer portfolio in the coming ten years exceeds the book value of goodwill at December 31, 2014.

The recoverable amount is calculated on the basis of cash flow forecasts (approved by the top management), which represent best estimates for a period of four years, using a residual value estimated on the basis of perpetual income of one year, with no cyclical or seasonal information being taken into account. The growth rates used are between 1% and 1 5%.

The hypotheses used to calculate value in use include discount rates based on the weighted average cost of capital (WACC) widely used in the sector, which include the value of money over time and risks associated with cash generating units.

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The main parameters are·

- Net turnover
- Operating result
- Working capital
- Investment in fixed assets

In accordance with the estimates and forecasts available to the administrators, future income is expected to be sufficient to support the value of the goodwill recorded, so no recoverability problems are envisaged. From a sensitivity analysis viewpoint, variations of 10% in the discount rate or forecast residual value do not entail the need to record any further impairment. There are no other circumstances that could affect the value or classification of intangible fixed assets

At the end of financial years 2015 and 2014 the Group had intangible fixed assets which were fully depreciated but remained in use Those assets are detailed below (in thousands of euros):

	2 015	2 014
Patents, licences, trademarks & the like*	8 742	6 010
IT applications	631	631
Total	**9.373**	**6.641**

(*) entirely made up of industrial property rights

There is no evidence of any deterioration in the intangible fixed assets as of December 31, 2015 and 2014, so no corrections in value have been made

6 Tangible fixed assets

The movements of the various items that make up this heading on the consolidated balance sheets for financial years 2015 and 2014 are as follows (in thousands of euros):

	Initial balance	Additions/ (provisions)	Final balance
Cost			
Land & buildings	12.189	69	12.258
Technical facilities	463	100	563
Machinery	7.381	806	8.187
Toolings	7.112	332	7.444
Other facilities	902	220	1.122
Furnishings	332		332
Other fixed assets	505	116	621
Assets under construction & advances	631	-617	14
Total cost	**29.515**	**1.026**	**30.541**
Amortisation & depreciation			
Land & buildings	-3.577	-473	-4.050
Technical facilities	-299	-35	-334
Machinery	-4.194	-126	-4.320
Toolings	-5.888	-863	-6.751
Other facilities	-595	-207	-802
Furnishings	-229		-229
Other fixed assets	-1.083	-81	-1.164
Total amortisation & depreciation	**-15.865**	**-1.785**	**-17.650**
Total impairment	**-545**		**-545**
Net book value	**13.105**		**12.346**

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Financial year 2014

	Initial balance	Additions/ (provisions)	Final balance
Cost			
Land & buildings	12.154	35	12 189
Technical facilities	434	29	463
Machinery	7.300	81	7.381
Toolings	6.682	430	7 112
Other facilities	902		902
Furnishings	332		332
Other fixed assets	492	13	505
Assets under construction & advances		631	631
Total cost	**28.296**	**1.219**	**29.515**
Amortisation & depreciation			
Land & buildings	-3 114	-463	-3.577
Technical facilities	-273	-26	-299
Machinery	-3 972	-222	-4 194
Toolings	-5 288	-600	-5.888
Other facilities	-514	-81	-595
Furnishings	-229		-229
Other fixed assets	-640	-443	-1 083
Total amortisation & depreciation	**-14.030**	**-1.835**	**-15.865**
Total impairment	**-545**		**-545**
Net book value	**13.721**		**13.105**

At the end of financial years 2015 and 2014 the Group had tangible fixed assets which were fully depreciated but remained in use. Those assets are detailed below (in thousands of euros)

	2.015	2.014
Technical facilities & machinery	7 917	7.915
Other facilities, toolings & furnishings	395	433
Other fixed assets	172	193
Total cost	**8.484**	**8.541**

The main additions in 2015 refer to toolings for the manufacture of valves, in the amount of approximately 332 thousands of euros (430 thousands of euros in 2014). Also in 2014 and 2015 a new machining centre was purchased which was brought on line in 2015, thus completing the Company assets involved in production operations, to the tune of €1018 thousands between the two financial years

There are no significant tangible fixed assets of the Group at the end of financial year is 2015 and 2014 which are not directly involved in the business, except for plots of land valued at a gross amount of 1909 thousand euros, which were impaired to the tune of 545 thousand euros in 2013, with the impairment being recorded under the heading "Impairment and gain/losses on disposals of fixed assets" in the consolidated profit and loss account attached According to the Administrators of the Parent Company, the recoverable value (calculated on the basis of an appraisal in 2013 by an independent expert) is lower than the theoretical book value at the year-end In the opinion of the Sole Administrator of the Group, as of 31 December 2015 there is no need to register any further impairment on the said assets, given that the value resulting from the said appraisal remains valid as of that time

As of 31 December 2015 and 2014 the Group had no significant investments in tangible fixed assets located abroad

The Group had no significant investment commitments at the end of the year

The land on which the plant of the dependent company Lázaro Ituarte Internacional, S.A. stands, which was valued at 31 December 2015 and 2014 at 2708 thousands of euros, is affected by the following encumbrances (note 14):

- Mortgages with Caja Rural de Navarra, Banco Sabadell Guipuzcoano and Kutxabank as collateral for various loans to the tune of 1100 thousands of euros in capital, the outstanding amount of which at the end of financial year 2015 stands at 391 thousands of euros (634 thousands of euros at the end of 2014) (note 12)

- A mortgage in favour of Elkargi S G R as collateral for two loans with a capital amount of 400 thousands of euros, the outstanding amount of which at the end of financial year 2015 stands at 175 thousands of euros (237 thousands of euros in 2014) (note 12)

- A mortgage in favour of Banco Santander as collateral for a loan with a capital amount of 800 thousands of euros, the outstanding amount of which at the end of financial year 2015 stands at 33 thousands of euros (233 thousands of euros at the end of 2014) (note 12).

The dependent company MTS Valves and Technology, S L. also has a mortgage with banks as collateral for three loans with initial amounts of 2484 thousands of euros, the outstanding balance of which at the end of 2015 was 672 thousands of euros (863 thousands of euros in 2014) (note 14) The book value of the assets mortgaged as of 31 December 2015 stood at 958 thousands of euros (1040 thousands of euros as of 31 December 2014).

It is Group policy to take out insurance policies to cover the risks to which its various tangible fixed assets may be subject At the end of financial year is 2015 and 2014 there was no shortfall in coverage in regard to those risks

7 Leases

a) *Financial leases (with the Company as lessee)*

At the end of financial years 2015 and 2014 the Group as the lessee in financial leases recognises leased assets as follows (in thousands of euros)

Financial year 2015

	Machinery
Cost	443
Accumulated depreciation	-291
Net	**152**

Financial year 2014

	Machinery
Cost	443
Accumulated depreciatin	-246
Net	**197**

The Group leases various machines (note 6), which are accounted for initially under assets at their fair value, on the contracts for which purchase options were exercised in financial year 2014

Payment of the financial lease instalments was completed in 2014

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b) Operational leases

At the end of financial years 2014 and 2015 the Group had no current lease agreements.

At the end of financial years 2015 and 2014 the Group as a lessee had the following minimum lease quotas in place with its lessors, under the contracts currently in force This figure does not take into account any common expenses passed on, future increases in line with the consumer price index or future updating of rent under contract terms and conditions (in thousands of euros).

Operational leases	Face value	
Minimum quotas	2 015	2 014
Less than 1 year	2	839
1-5 years		103
Total	**2**	**942**

The amounts of the operational lease quotas accounted for as expenditure in financial years 2015 and 2014 under "Other operating expenses – Other current management expenses" in the consolidated profit and loss account attached (note 15.d) are as follows (in thousands of euros).

	2.015	2 014
Minimum payments in leases	8	187
Total	**8**	**187**

The operational leases of the Group mainly involved production and warehousing facilities.

The main operational lease agreement maintained by the Group, which was cancelled in financial year 2014, was a lease on a building on the Baklola industrial estate (Vizcaya) maturing in April 2017 The lessor was the related company Chinameca Inversiones, S.L. (note 17), and the facility was used as part of the day-to-day operations of the Company.

8. Investments in associated & Group companies (long term)

a) Equity instruments

As indicated in note 2.c to the consolidated annual report, in drawing up the consolidated annual accounts for 2013 two companies controlled by the Group and one no longer controlled by it were excluded from the scope of consolidation, because in the opinion of the administrators of the Parent company their consolidation would have no significant effect. As a result of the headings "Investments in Group and associated companies – Equity instruments" in the non-current assets on the consolidated balance sheet to 31 December 2015 attached includes the net value of the stakes held in the said companies. The movements and breakdown of the items under this heading in financial years 2015 and 2014 were as follows (in thousands of euros)

Financial year 2015

Group company	Balance at 01.01 15	Balance at 31 12 15
Valvospain México, S.A. de C V	23	23
Total	**23**	**23**

Financial year 2014

Group company	Balance at 01 01 14	Balance at 31 12.14
Valvospain México, S.A. de C.V	23	23
Total	**23**	**23**

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b) ***Holdings consolidated using the equity method***

The movements under this heading of the consolidated balance sheet in 2015 and 2014, corresponding to holdings consolidated using the equity method, are as follows (in thousands of euros):

Associated company	Balance at 01.01.14	Profit/loss for the year	Balance at 31.12.14	Profit/loss for the year	Balance at 31.12.15
TTV Fluval (Pty) Limited	**253**	-1	**252**	78	**330**

The main figures for this associated company are as follows (in thousands of euros):

Associated company	% of direct holding	31.12.15				31.12.14			
		Assets	Liabilities	Ordinary income	Profit/loss for the year	Assets	Liabilities	Ordinary income	Profit/loss for the year
TTV Fluval (Pty) Limited	33%	1 076	503	3 094	234	1 108	703	2.301	-3

The activities and registered headquarters of this partly owned company are as follows

Company	Headquarters	Activity
TTV Fluval (Pty) Ltd. (*)	Bedfordview (S Africa)	Manufacturing & distribution of valves

(*) Audited by Boake Incorporated

9 Long- and short-term financial investments

The details of the headings "Long-term financial investments" and "Short-term financial investments" on the consolidated balance sheet to 31 December 2015 and 2014 attached are as follows (in thousands of euros).

Financial year 2015

	Equity instruments	Loans, derivatives & others	Total
Non-current			
Securities portfolio	110		110
Financial assets available for sale	51		51
Other financial assets		44	44
Impairment	-110		-110
	51	**44**	**95**
Current			
Other financial assets		128	128
		128	**128**
Total	**51**	**172**	**223**

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Financial year 2014

	Equity instruments	Loans, derivatives & others	Total
Non-current			
Securities portfolio	110		110
Financial assets available for sale	51		51
Other financial assets		44	44
Impairment	-110		-110
	51	**44**	**95**
Current			
Other financial assets		1.621	1 621
		1.621	**1.621**
Total	**51**	**1.665**	**1.716**

The balance registered under "Securities Portfolio" is made up mainly of 831 shares in Bankia acquired by the Group in previous years, for an amount of 110 thousands of euros, which were fully provisioned at the end of 2015.

Financial assets available for sale

The heading "Financial assets available for sale" comprises mainly holdings in mutual guarantee societies

Other financial assets

The heading "Short-term financial investments" covers mainly treasury investment funds and fixed-term deposits maturing at more than 3 months and less than one year.

10. Stocks

This heading on the consolidated balance sheet as of 31 December 2015 and 2014 attached comprises the following (in thousands of euros)

	2015	2014
Commercial inventories		1 663
Work in progress & semi-finished goods	14.137	19.718
Finished products	9 838	4.256
Advances to suppliers	6.879	2.798
Total	**30.854**	**28.435**

Group policy is to take out insurance to provide proper cover for its stocks. As of 31 December 2015 and 2014 reinsurance policies held cover of the net book value of the stocks on those dates

As of 31 December 2015 there were no firm commitments for the purchase of raw materials for any significant amounts. As of 31 December 2015 there were stocks for an amount of approximately 2248 thousands of euros physically located abroad

The "Stocks" heading on the consolidated balance sheet attached is shown net of corrections in value due to impairment, though no impairment was recorded at the end of financial years 2015 and 2014

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11. Trade debtors & other receivables

This heading on the consolidated balance sheet as of 31 December 2015 and 2014 comprises the following (in thousands of euros)

	2015	2014
Customer receivables for sales & services	42.636	17 915
Other receivables from public administrations (note 15)	2.838	2.175
Other debtors	160	690
Doubtful trade debts	2.329	1 987
Total	**47.963**	**22.767**
Corrections in value due to impairment	-2.329	-1.987
Total net of corrections	**45.634**	**20.780**

The "Customer receivables for sales and services" account is shown on the consolidated balance sheet net of corrections in value due to impairment The corrections made in financial years 2015 and 2014 are as follows (in thousands of euros):

	2015	2014
Initial balance	**1.987**	**2.204**
Provisions (*)	912	171
Reversals (*)	-570	-368
Application		-20
Final balance	**2.329**	**1.987**

(*) These variations are registered under "Other operating costs - Losses, Impairment and Variations in Provisions for Trade Operations" in the attached P&L account.

12. Net equity

a) Capital and issue premiums

The shareholding structure at 31 December 2015 and 2014 was as follows

	Percentage holding	
	2015	2014
Leimotiv Holding 2007, S.L.		21,73%
Corporación Lorpen, S.A.	31,31%	22,63%
Participaciones y Futuros, S.L.	22,14%	16,00%
Treasury shares		6,00%
Amberamy XXI, S.L.	46,55%	33,64%
Total	**100,00%**	**100,00%**

The shares of the Parent Company are not traded on the stock exchange.

b) Reserves

At the end of financial years 2015 and 2014 the reserves stood as follows.

	Thousands of euros	
	2015	2014
Reserves of the Parent Company		
Legal reserve	4	4
Voluntary reserves	2 877	6.678
Total reserves of the Parent Company	**2.881**	**6.682**
Reserves in consolidated companies under full consolidation	28 790	38 943
Reserves in companies consolidated via the equity method (Note 8)	252	253
Total consolidated reserves	**29.042**	**39.196**
Total Reserves	**31.923**	**45.878**

Legal reserve

In accordance with the Spanish Corporations Act, limited liability companies must set aside the equivalent of 10% of their profits for the financial year as provision for legal reserves until such reserves reach at least 20% of the capital stock Legal reserves may be used only to increase stock capital Other than for that purpose, so long as they do not exceed 20% of the stock capital legal reserves may only be used to offset losses, and even then only when no other reserves are available in sufficient amount for that purpose The legal reserves of the Parent Company were fully constituted as of 31 December 2015 and 2014

Reserves at fully consolidated companies

The balance of the reserves at fully consolidated companies at the end of financial years 2015 and 2014 is as follows (in thousands of euros)

Company	2015	2014
Lázaro Ituarte Internacional, S.A.	23 767	23.571
MTS Valves and Technology, S.L.	7.135	7 083
Fluval Spain, S L.	-3.472	1.976
Fluval Valves UK Limited	-51	-85
MTS Colombia, S.A.S.	-41	-26
Valvospain Logística, S.L.	66	113
Fluval Valves FZE		5.387
Valvospain Shanghai Co. Ltd.	1.386	924
Total	**28.790**	**38.943**

As of 31 December 2015 reserves at fully consolidated companies were all available except for the net amount of development expenses activated, to the tune of 793 thousands of euros (note 5) (1159 thousands of euros at 31 December 2014) and the amount of the legal reserves of the respective member companies of the Group, which stood at 1056 thousands of euros at 31 December 2015 (1057 thousands of euros at 31 December 2014)

Reserves in companies consolidated via the equity method

The balance of the reserves at companies consolidated via the equity method (note 8) at the end of financial years 2015 and 2014 is as follows (in thousands of euros).

Company	2015	2014
TTV Fluval (Pty) Limited	252	253
Total	**252**	**253**

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c) Own shares and equity holdings of the Parent Company

On 11 April 2012 the General Meeting of Shareholders of the Parent Company resolved to acquire 134 shares in the Parent Company for a total of 2000 thousands of euros In addition, on 15 December 2015 a further 485 shares in the parent company were acquired for 1100 thousands of euros

On 17 December 2015 the shareholders in the Parent Company met in an Extraordinary general meeting with all capital represented and resolved to reduce the capital stock of the Parent Company by 3,714 euros by writing off the 619 shares with a face value of 6 euros each which were held as treasury stock.

Following this reduction in capital, on 31 December 2015 the capital stock of the Parent Company stands at 9,678 euros, represented by 1613 shares with a face value of 6 euros each

d) Contribution to consolidated results

The contribution of each member company of the Group to the consolidated results for 2015 and 2014 is as follows (in thousands of euros)

	2015	2014
Profit/(Loss) of the Parent Company	**-2.535**	**-705**
Profit/(Loss) of Group member companies		
Lázaro Ituarte Internacional, S A.	397	496
MTS Valves and Technology, S L.	-182	53
Fluval Spain, S.L.	141	-5 441
Fluval Valves UK Limited	-390	-117
Valvospain Logística, S.L.	80	-48
Valvospain Shanghai Co Ltd.	-4	305
Fluval Valves FZE		-176
MTS Colombia, SAS	-52	0
Total for Group companies	**-2.546**	**-5.633**
Profit/(Loss) of associated companies		
TTV Fluval (Pty) Limited (Note 8 b)	78	-1
Total for associated companies	**78**	**-1**
Consolidated profit/(loss) for the year	**-2.468**	**-5.634**
Allocation of profit to external stockholders (Note 12.g)		-5
Total profit/loss for the year	**-2.468**	**-5.639**

e) Conversion differences

The breakdown per company of the "Conversion differences" heading in the consolidated net equity at the end of financial years 2015 and 2014 is as follows (in thousands of euros)

	2015	2014
Valvospain Shanghai, Co Ltd	106	106
Fluval Valves, UK Ltd	195	196
MTS Colombia, SAS	8	8
Total	**309**	**310**

f) Subsidies, donations & bequests received

The movements of the "Subsidies, donations & bequests received" heading in the consolidated net equity for financial years 2015 and 2014 are as follows (in thousands of euros):

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	2015	2014
Initial balance	**162**	**215**
Additions		38
Transfers to P&L account	-89	-71
Tax effect (Note 15.h)	25	20
Regularisation of tax effect (Note 15.h)		-40
Final balance	**98**	**162**

The subsidies received take the form of aid granted by the Basque Government under the Etorgai programme for promoting the development of new products At the end of financial year 2015 the member companies of the Group met all the terms and conditions for the receipt & enjoyment of the aforesaid subsidies

g) External stockholders

The movements under the "External stockholders" heading in the consolidated net equity in financial years 2015 and 2014 are as follows (in thousands of euros):

	Balance at 01 01 14	Profit/loss for the year	Balance at 31 12 14	Share purchases	Balance at 31 12 15
Lázaro Ituarte Internacional, S.A	239	5	244	-244	0
Total	**239**	**5**	**244**	**-244**	**0**

In financial year 2015 Valvospain S.L acquired the shares or holdings in Group companies held by external shareholders, so at the end of 2015 there are no external shareholders in the consolidated accounts for the Group.

13 Provisions and contingencies

The details of the movements under the heading "Long-term provisions" on the liabilities side of the consolidated balance sheet for financial years 2015 and 2014 are as follows (in thousands of euros).

Financial year 2015

Provisions	Initial balance	Application	Final balance
Provisions for other liabilities	4.000	-1 000	3 000
Long-term total	**4.000**	**-1.000**	**3.000**
Provisions for other liabilities	1 000		1.000
Short-term total	**1.000**		**1.000**

Financial year 2014

Provisions	Initial balance	Provisions	Final balance
Provisions for other liabilities	0	4 000	4.000
Long-term ytotal	**0**	**4.000**	**4.000**
Provisions for other liabilities	0	1 000	1.000
Short-term total	**0**	**1.000**	**1.000**

In 2013 the company Fluval Spain, S L appeared as a party in preliminary proceedings 2803/2012 brought under a court order dated 9 January 2013 issued by court of first instance nº 5 of Bilbao as a result of a deposition brought by the Directorate General for the Police in relation to a sales operation which it was intended to carry out early in January 2013, destined for Dubai After due legal processing in 2014, on 18 February 2015 the said company's attorneys reached an agreement with the affected parties to bring these proceedings to an end That agreement entailed the payment by the company of a fine amounting to €5 million As a result the Group the heading "Other Results" in the consolidated P&L account for 2014 shown here recorded an amount of 5 million euros payable to the heading "Provisions for Other Liabilities". In financial year 2015, following the payment calendar set, the amount of 1000 thousands of euros was paid, and the provision made was decreased accordingly

14 Long & short-term debts

Details of the "Short-term debts" heading on the consolidated balance sheet as of the end of financial years 2015 and 2014 are as follows (in thousands of euros):

	Long-term debts					
	Bank debts & financial leasing		Derivatives & others		Total	
	2015	2014	2015	2014	2015	2014
Debts to banks	3.622	4 276			3.622	4.276
Other financial liabilities	94			82	94	82
Total	**3.716**	**4.276**		**82**	**3.716**	**4.358**

Details of the "Short-term debts" heading on the consolidated balance sheet as of the end of financial years 2015 and 2014 are as follows (in thousands of euros)

	Short-term debts					
	Bank debts & financial leasing		Derivatives & others		Total	
	2015	2014	2015	2014	2015	2014
Debts to banks	29 311	17 786			**29.311**	**17.786**
Financial leases (Note 7)						
Other financial liabilities			323	118	**323**	**118**
Derivatives			229	302	**229**	**302**
Total	**29.311**	**17.786**	**552**	**420**	**29.863**	**18.206**

Debts to banks are broken down by maturity dates as follows (in thousands of euros).

Financial year 2015

	Short-term	Long-term					
	2016	2017	2018	2019	2020	2021 & later	Total
Debts to banks	29 311	1 496	1.100	748	278		32.933
Total	**29.311**	**1.496**	**1.100**	**748**	**278**		**32.933**

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Financial year 2014

	Short-term	Long-term					
	2015	2016	2017	2018	2019	2020 & later	Total
Debts to banks	17.786	1 836	1 087	699	637	17	22 062
Total	**17.786**	**1.836**	**1.087**	**699**	**637**	**17**	**22.062**

Details of the long-term and short-term loans granted and recorded on the attached consolidated balance sheet as 31 December 2015 and 2014 are as follows (in thousands of euros)

Financial year 2015

Loan	Date granted	Maturity date	Nominal amount	Short-term maturity	Long-term maturity	Collateral
Loan 1	2008	2018	300	33	59	Mortgage
Loan 2	2008	2015	450			Mortgage
Loan 3	2008	2018	300	30	53	Mortgage
Loan 4	2008	2018	200	40	80	-
Loan 5	2008	2015	300			Mortgage
Loan 6	2008	2015	450			Mortgage
Loan 7	2008	2018	300			Mortgage
Loan 8	2008	2018	200	40	80	-
Loan 9	2011	2020	500	50	167	Mortgage
Loan 10	2010	2020	750	156	464	-
Loan 11	2010	2020	500	100	400	-
Loan 12	2011	2016	800	33		Mortgage
Loan 13	2010	2015	500			-
Loan 14	2011	2015	800			Mortgage
Loan 15	2013	2016	1.000	333		-
Loan 16	2012	2017	650	130	76	-
Loan 17	2014	2017	900	175	552	-
Loan 18	2007	2019	942	86	256	Mortgage
Loan 19	2007	2019	942	86	266	Mortgage
Loan 20	2008	2018	600	86	150	Mortgage
Loan 21	2013	2019	700	140	292	-
Loan 22	2014	2017	1 750	583	292	-
Loan 23	2015	2016	100	100		-
Loan 24	2015	2017	100		92	-
Loan 25	2015	2021	345		345	-
Total			**14.379**	**2.101**	**3.622**	

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Financial year 2014

Loan	Date granted	Maturity date	Nominal amount	Short-term maturity	Long-term maturity	Collateral
Loan 1	2008	2015	300	44		Mortgage
Loan 2	2008	2015	450	66		Mortgage
Loan 3	2008	2018	300	32	93	Mortgage
Loan 4	2008	2018	200	40	120	-
Loan 5	2008	2015	300	43		Mortgage
Loan 6	2008	2015	450	64		Mortgage
Loan 7	2008	2018	300	30	82	Mortgage
Loan 8	2008	2018	200	40	120	-
Loan 9	2011	2020	500	50	217	Mortgage
Loan 10	2010	2015	750	50		-
Loan 11	2010	2015	500	63		-
Loan 12	2011	2016	800	179	46	-
Loan 13	2010	2015	500	137		-
Loan 14	2011	2015	800	200	33	Mortgage
Loan 15	2013	2016	1.000	333	333	-
Loan 16	2012	2017	650	130	206	-
Loan 17	2014	2017	900	173	727	-
Loan 18	2007	2018	942	58	369	Mortgage
Loan 19	2007	2018	942	52	384	Mortgage
Loan 20	2008	2019	600	86	237	-
Loan 21	2013	2019	700	140	433	-
Loan 22	2014	2017	1 750	583	876	-
Total			13.834	2.593	4.276	

The Group also has discount lines, factoring, advances and credit accounts for a total of 34,700 thousands of euros (26,630 thousands of euros in 2014), of which 27,210 thousands of euros had been drawn down as of 31 December 2015 (15,119 thousands of euros in 2014)

There follows a breakdown by type of financing of the amounts drawn down as of 31 December 2015 in regard to short-term debts to banks (in thousands of euros)

	2015
Prepayment of invoices	506
Factoring (Note 4 e)	461
Domestic credits	1.111
Export/import financing	25 132
Total	**27.210**

Other financial liabilities

Under this heading the Group includes on the one hand a zero-interest loan received for the development of new products, referred to as the "Competitiveness Plan", and on the other bonds pending payment associated with the activity of the Group itself. Details are as follows (in thousands of euros).

Financial year 2015

Other debts	Short-term	Long-term
Competitiveness plan	11	83
Other debts	312	11
Total	**323**	**94**

Financial year 2014

Other debts	Short-term	Long-term
Bonds	91	
Competitiveness plan		71
Other debts	27	11
Total	**118**	**82**

Hedging derivatives

At the end of 2015 the company held various derivatives for hedging forward currency sale and purchase transactions. These are registered under "Short-Term Debts – Derivatives" on the attached balance sheet, for amount of 229 thousands of euros (302 thousands in 2014) The details of these agreements are as follows

Date of contracting	Maturity date	Nominal amount	ing
22/01/2015	22/01/2016	2 300.000	-79
13/07/2015	15/07/2016	3 000 000	-150
Total		**5.300.000**	**-229**

The Group has not applied hedge accounting as it does not meet the requirements set under current accounting regulations (note 4 d), so the changes in fair value of the derivatives contracted are registered under "Change in Fair Value of Financial Instruments" in the consolidated P&L

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15 Tax situation

a) Balances payable to/receivable from public authorities

	2015	2014
Non-current		
Deferred tax assets	1 184	1 085
Total non-current balances	**1.184**	**1.085**
Current (Note 11)		
Value added tax	2.636	1 983
Others	202	192
Total current balances	**2.838**	**2.175**
Total debit balances	**4.022**	**3.260**
Non-current		
Deferred tax liabilities	38	65
Total non-current balances	**38**	**65**
Current		
Personal income tax	132	379
Social security bodies	102	223
Others	569	325
Total current balances	**803**	**927**
Total credit balances	**841**	**991**

The details of the balances for tax assets & liabilities as of 31 December 2015 and 2014 are as follows (in thousands of euros)·

b) Reconciliation of book results & taxable income

Valvospain, S.L and some of its dependent companies pay their taxes under the special framework for tax consolidation provided for in Chapter VI of Section VI of Regional Regulation 37/2013 of 13 June on corporation tax in the Historical Territory of Álava Valvospain, S.L is the parent company of tax group 06/07/A

The other consolidated companies submit their tax returns individually.

The reconciliation of the consolidated book profit before tax and the aggregate taxable income for the respective corporation taxes is as follows (in thousands of euros)·

	2015	2014
Consolidated profit/loss before tax	**-2.507**	**-5.561**
Permanent differences & consolidation adjustments		
Non-deductible expenses (Note 13)	2372	5 000
Valuation adjustments (Note 14)	229	302
Holdings consolidated using the equity method	-78	1
Consolidation adjustments		-1
	16	**-259**
Aggregate tax base (taxable income)	**16**	**-259**

The various foreign dependent companies consolidated using the full consolidation method calculates the corporation tax and the resulting quotas applicable in line with their own legislations, at the tax rates in force in each country.

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c) Tax recognised directly in equity

Amounts in tax recognised directly in net equity for financial years 2015 and 2014 are as follows (in thousands of euros)

	31.12.15			31.12.14		
	Increases	Decreases	Total	Increases	Decreases	Total
Deferred taxes						
Originating within the financial year:						
Subsidies (Note 12 f)		-25	-25		-20	-20
Origiating from previous financial years						
Subsidies (Note 12 f)				40		40
Total deferred taxes		-25	-25	40	-20	20
Total taxes recognised directly in equity			-25			20

d) Consolidation of book result and spending/(income) from corporation tax

The consolidation of the result for financial years 2015 and 2014 and the spending/(income) from corporation tax is as follows (in thousands of euros):

	2015	2014
Consolidated book result before tax - profit/loss	-2.507	-5.561
Non-deductible expenses (Note 13)	2.372	5.000
Valuation adjustments (Note 14)	229	302
Share in profits/losses of companies consolidated using the equity method (Note 8)	-78	1
Consolidation adjustments		-1
Adjusted book profit/loss	16	-259
Gross taxes calculated at the tax rate applicable	4	-73
Deductions for consolidation purposes	-18	-38
Tax credits not activated		269
Temporary differences (Note 14)	-25	-85
Total spending/(income) from corporation tax	-39	73

The deductions for the acquisition of new fixed assets, R&D&I, job creation, training and exports.

The companies belonging to the tax group (note 4 n) pay taxes under the provisions established in Regional Regulation 37/2013 of 13 December on Corporation Tax in the Historical territory of Alava, applicable as from 1 January 2014. This regulation simplifies calculation of the tax by reorganising the precepts for correcting book results to obtain the taxable base. Among other measures, it reduces the fiscal costs of micro-companies, strengthens the taxation on the exploitation of patents, limits the deductibility of certain expenses and changes the rights of deductions on the tax

Out of the regulatory changes approved which applied to the companies in the tax group, special attention must be paid to the time limit set on the offsetting of tax loss carryforwards in subsequent years and on the application of deductions from the tax quota that could not initially be made because the quota was not large enough A maximum of 15 years is given for the offsetting and application of such amounts, applicable as from 1 January 2014.

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e) Breakdown of spending/(income) from tax on profits

Spending/(income) from tax on profits for financial years 2015 and 2014 breaks down as follows (in thousands of euros, and entirely due to ongoing operations).

	2015	2014
Current taxes	-9	37
Deferred taxes	-25	36
Total	**-34**	**73**

f) Deferred tax assets

The Group takes the following points into account in registering deferred tax assets

- The Group considers it highly likely that sufficient profits will be made in the future to offset the tax losses activated, and accordingly the plan drawn up at Group level envisages increasing the productivity, the volume of sales and therefore the profitability of its core business

- The business plan used by the group to arrive at the estimates that underpin this confidence in the recovery of its deferred tax assets is in line with the reality of the market and with the specifications of the Group

- Based on the foregoing, the top management of the Group consider that the recognition of tax credits is justified, and estimates that recovery will take place within a time-frame of no more than 10 years

- The administrators of the Group consider this criterion to be appropriate

Details of the movements of the various items that make up deferred tax assets are as follows (in thousands of euros)

	Balance at 01 01 14	Additions	Withdrawal	Balance at 31.12.14	Additions	Withdrawal	Balance at 31.12.15
Temporary differences in assets (Note 14)		85		85	74	-85	74
Tax losses pending application	1 121		-121	1.000	186	-76	1.110
Total	**1.121**	**85**	**-121**	**1.085**	**260**	**-161**	**1.184**

At the end of financial years 2015 and 2014 the tax losses outstanding as recorded on the consolidated balance sheet attached hereto are as follows (thousands of euros).

	2015	2014
Tax losses generated in		
Financial year 2004	624	526
Financial year 2005	474	474
Financial year 2014	86	
Total	**1.184**	**1.000**

g) ***Deferred tax assets***

Details of the movements of the various items that make up deferred tax liabilities are as follows (in thousands of euros):

	Balance at 01 01 14	Regularisation (Note 12.f)	Withdrawals	Balance at 31 12 14	Withdrawals	Balance at 31 12 15
Freedom of depreciation	2			2		2
Tax effect of subsidies (Note 12.f)	43	40	-20	63	-27	36
Total	**45**	**40**	**-20**	**65**	**-27**	**38**

h) ***Years open to inspection and actions***

According to current legislation, taxes may not be considered as finally settled until the tax returns submitted have been inspected by the tax authorities or until the limitation period of four years has elapsed.

As of 31 December 2015, the member companies of the Group based in Spain, in general, open to inspection in regard to financial years 2011 and onwards for corporation tax, and in regard to the last four financial years for the other taxes applicable to them

Given that the tax regulations applied by the member companies of the Group may be subject to different interpretations and disputes on the part of the tax authorities, there could be contingent tax liabilities in the years open to inspection It is not possible to objectively quantify those liabilities However, it is estimated that the likelihood of any such contingent liability materialising is remote, and in any case would have no significant effect on the consolidated annual accounts of the Group as a whole.

16 Income and expenditure

a) ***Net turnover***

The net turnover of the Group for ongoing operations, broken down by categories of activity and geographical markets in financial years 2015 and 2014 is distributed as follows (in thousands of euros)

	Financial year 2015				Financial year 2014			
	Domestic	European Union	Other foreign markets	Total	Domestic	European Union	Other foreign markets	Total
Sales & services provided	7 134	5 525	42.696	55 355	6.107	9 243	29.372	44 723
Total	**7.134**	**5.525**	**42 696**	**55.355**	**6 107**	**9.243**	**29 372**	**44.723**

The consolidated net turnover in financial years 2015 and 2014 breaks down by categories of activity as follows (in thousands of euros):

	2015	2014
Sales of valves	54.226	41.257
Services provided	1.129	3.466
Total	**55.355**	**44.723**

The management of the Group estimates that sales of valves and services provided do not constitute to different operating segments under the rules laid down in Article 84 of Royal Decree 1159/2010 NOFCAC. Segmented information in this regard is therefore not given in these consolidated annual accounts

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b) Supplies

The "Supplies" headings in the consolidated profit and loss accounts to 31 December 2015 and 2014 are as follows (in thousands of euros)

	2015	2014
Purchases of goods	1.928	7 048
Changes in stocks (Note 10)	1.663	1.854
Purchazses of raw materials & other consumables	19 738	12 748
Work done for other companies	11.840	6.968
Total	**35.169**	**28.618**

The purchases made by the Group in financial years 2015 and 2014 are as follows, broken down by origins and including work done for other companies (in thousands of euros)

	2015				2014			
	Domestic	EU	Imports	Total	Domestic	EU	Imports	Total
Purchases	18.877	2 765	11 864	33.506	9 252	3 177	13 984	26 413

c) Personnel costs

The "Personnel costs" headings in the consolidated profit and loss accounts to 31 December 2015 and 2014 are as follows (in thousands of euros)

	2015	2014
Wages, salaries & similar		
Wages & salaries	6.290	7.517
Compensation payments	145	158
	6.435	7.675
Social welfare costs		
Social security	1.529	2.039
Other social welfare	57	8
	1.586	**2.047**
Total	**8.021**	**9.722**

The workforce of the Group in financial years 2015 and 2014 is as follows, broken down by job category and gender:

Financial year 2015

	Nº of employees at the year end			Average Nº of employees in the year
	Men	Women	Total	
Management staff	16	2	18	18
Skilled technicians & similar	43	19	62	65
Clerical staff	2	7	9	9
Other skilled workers	58	0	58	61
Total	**119**	**28**	**147**	**153**

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Financial year 2014

	Nº of employees at the year end			Average Nº of employees in the year
	Men	Women	Total	
Management staff	17	1	18	22
Skilled technicians & similar	36	11	47	67
Clerical staff	2	5	7	9
Other skilled workers	45	0	45	82
Total	**100**	**17**	**117**	**180**

As all 31 December 2015, the Company has 1 employee belonging to the category "Other skilled workers" (1 at the end of financial year 2014) with a degree of disability assessed as 33% or more.

d) Balances and transactions in foreign currency

The Group carried out the following transactions in foreign currency in financial years 2015 and 2014 (in thousands of euros).

	2015	2014
Sales & services provided	21.637	10.431
Purchases & services received	2.058	12.818

Details of the main foreign currency balances, valued at the exchange rate in force at the year end, are as follows (in thousands of euros)

	2015	2014
Accounts receivable	3.450	1 753
Treasury	1.343	1.578
Accounts payable	3.781	2.143

The amount recorded in the results for the year under exchange rate differences is as follows, broken down by type of financial instrument (in thousands of euros)

	Transactions settled within the year		Balances pending maturity		Total	
	2015	2014	2015	2014	2015	2014
Financial assets						
Others	293	148	31	44	324	192
Total financial assets	**293**	**148**	**31**	**44**	**324**	**192**
Financial liabilities						
Others	35	-260		-17	35	-277
Total financial liabilities	**35**	**-260**	**0**	**-17**	**35**	**-277**
Total net exch. rate diff.	**328**	**-112**	**31**	**27**	**359**	**-85**

17. Related party transactions

"Related companies" means and stockholders of the Parent Company plus all those companies in the stock capital of which the stockholders have a significant direct or indirect holding.

"Related parties" also means the administrators of the Parent Company and its top management.

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Details of related party transactions and balances in financial years 2015 in 2014 are shown below (in thousands of euros)

a) Related party operations (balances and transactions)

The regular goods and services of the Group are required and provided under normal market terms and conditions

All significant balances held at the year end between consolidated companies and the effects of transactions between them during the year have been eliminated in the consolidation process. The transactions with associated companies classed as related parties that have not been eliminated in the consolidation process for financial years 2015 and 2014 as follows (in thousands of euros).

Financial year 2015

Related party transactions	Long-term receivables	Debit balances	Sales & services provided	Purchased & services rec.
Loans to related parties (Note 9)	2.829			
TTV Fluval (Pty) Limited (Nota 8)				
Fluval UK Ltd.				10
Chinameca Inversiones, S L. (Nota 7)				
Total	**2.829**	**0**	**0**	**10**

Financial year 2014

Related party transactions	Long-term receivables	Debit balances	Sales & services provided	Purchases & services rec.
Loans to related parties (Note 9)	6 410			
TTV Fluval (Pty) Limited (Nota 8)		1		
Fluval UK Ltd.		132		34
Chinameca Inversiones, S.L. (Nota 7)				83
Total	**6.410**	**133**	**0**	**117**

As of 31 December 2015, the amount recorded by the Group under the heading "Long-term investments in Group, associated & related companies - Loans to third parties" was 2829 thousands of euros (6410 thousands in 2014), corresponding to loans to related parties maturing in 2032, accruing interest at the market rate In 2015 a loss of 2372 thousands of euros was accounted for under Losses, Impairment & Variation in Provisions for Trade Operations for non-recoverability of loans granted to a former partner

b) Administrators and top management

The top management of the Group comprises three directors (two in 2014). Details of the remuneration accrued in financial years 2015 and 2014 by the members of the Board of Directors of the Group, who do not receive any per diem allowances, are as follows (in thousands of euros)

	2015	2014
Directors		
Salaries	264	308
Total for directors	**264**	**308**

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d) Information on conflicts of interest on the part of administrators of the Parent Company

In financial year 2015 the Administrators of the Parent Company conducted no operations with Group companies other than ordinary trading operations, and no operations under non-market conditions.

As of the end of 2015 neither the Administrators nor any persons associated with same as per the Capital Companies Act have any links with other companies that might, in view of their activities, represent a conflict of interest for them or for the Company pursuant to Article 229 These consolidated annual accounts therefore do not include any itemisation of such activities

18. Information on the nature and level of risk from financial instruments

The risk management policies of the Group are established by its General Management. On the basis of those policies, the Group's Financial Department may manage risks arising from business activities via financial instruments.

Operations involving financial instruments expose the Group to credit, market and liquidity risks.

a) Credit risk

Credit risk arises due to potential losses caused by nonfulfilment of contractual obligations on the part of the counterparties of Group member companies, i e the possibility that financial assets might not be recovered in the amounts recorded or in the periods indicated.

Maximum exposure to credit risk is as follows (in thousands of euros)

	2015	2014
Long-term financial investments (Note 8)	217	6 545
Trade debtors & other receivables (Note 11)	48 627	20.780
Short-term financial investments (Note 9)	128	1 621
Total	**48.972**	**28.946**

For the purpose of credit risk management a distinction is drawn between financial assets arising from business activities and from investment activities.

The short-term financial investments of the Group at 31 December 2015 are fully available.

Business activities

"Business activities" refers to the balance under the heading "Trade debtors and other receivables" shown above

Investment activities

Group companies may invest available funds in bank deposits, short-term acquisitions of assets, listed government debt and private fixed-income funds. All such investments are made with Spanish financial institutions

Loans and credits granted to group companies and third parties, and the acquisition of shares in unlisted companies must be approved by the General Management of the Parent Company

b) Market risk

Interest rate risk stems from potential losses caused by changes in fair value or in future cash flows from financial instruments in the wake of changes in market prices. Market risk includes interest rate risk, exchange-rate risk and other price-related risks

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Interest rate risk

Interest rate risk stems from potential losses caused by changes in fair value or in future cash flows from financial instruments in the wake of changes in market prices The exposure of Group companies to risks arising from changes in interest rates originates mainly from short and long-term loans and credits received at variable interest rates

Details of non-current net financing classified on the basis of interest rate structures are as follows (in thousands of euros).

	2015	2014
Non-current fin. of 3rd parties at variable int. Rates (Note 14)	3 716	4 358
Current fin. Of 3rd parties at variable int Rates (Note 14)	29 634	17 904
Total	**33.350**	**22.262**

Variable interest rate financing is linked to the EURIBOR

Exchange rate risk

Exchange-rate risk stems from potential losses caused by changes in fair value or in future cash flows from financial instruments in the wake of fluctuations in exchange rates.

The relevant accounts receivable and payable items in the assets and liabilities of Group member companies that include balances in currencies other than the operating currency.

Group companies follow the policy of, in general, taking out exchange-rate insurance to cover highly probable future transactions

Other price-related risks

Listed and unlisted shares and investment funds are subject to variations in fair value as a result of their market prices The Group makes no investments in listed shares or investment funds. Any acquisition of shares in unlisted companies must be approved by the General Meeting of the Parent Company.

c) Liquidity risk

Liquidity risk arises from the possibility that Group member companies may not have access to liquid funding in sufficient amounts and at an affordable cost to cover their payment obligations at any given time. The objective of Group companies is to maintain sufficient availability of liquid funding, and minimum limits for liquidity are established that must be maintained at all times

19. Further information

a) Audit fees

In financial years 2015 and 2014 the fees paid for account auditing and other services provided by the auditor of the Group or by companies related to that auditor through controlling interests, common ownership or management were as follows (in thousands of euros)

Description	2015	2014
Auditing services	42	74
Total auditing & related services	**42**	**74**
Other services	2	4
Total	**44**	**78**

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b) Information relating to the environment

The operations of the member companies of the Group have no significant repercussions for the environment so no significant investments or costs are recorded in this regard for the year.

The administrators of the Parent company considered that there are no significant contingencies in regard to the protection and improvement of the environment, and therefore do not consider it necessary to record any provisions in that regard.

c) Third-party guarantees and contingent liabilities

The member companies of the Group provided guarantees in favour of third parties as of the end of financial years 2015 and 2014 to the tune of 12 203 and 11798 thousands of euros respectively, mainly in the form of technical guarantees for products.

The administrators of the Parent Company consider that no significant liabilities for Group companies will arise from these guarantees.

d) ***Information on the average payment period for suppliers as per Additional Provision Three ("Duty to Inform") in Act 15/2010 of 5 July:***

Information on payments to suppliers for trade operations is as follows

	2015
	Days
Avge Supplier payment period	139
Ratio of transactions paid	163
Ratio of transactions pending payment	59
	Amount
Total payments made	34 094
Total payments pending	10 679

As from the date of its application, Act 11/2013 of 26 July establishes a maximum legal payment date of 30 days unless a longer period is stipulated by contract, which longer period may not exceed 60 days

The data in the table above concerning payments to suppliers refer to those which by nature are considered as trade creditors on the supply of goods and services, so the relevant data are recorded under "Suppliers", "Suppliers, companies consolidated using the equity method" and "Sundry creditors" in current liabilities on the consolidated balance sheet, including only those Group companies subject to the relevant legislation.

Given that there are large volumes of purchases from foreign suppliers and administrative shortcomings which attempts are being made to correct, the Group's average payment period exceeds the period set in law for domestic suppliers

20. Events subsequent to the year-end

Up to the date of preparation of these consolidated annual accounts, no significant events worthy of being detailed herein took place in 2016.

ANNEX – MEMBER COMPANIES OF GRUPO VALVOSPAIN AS OF 31 DECEMBER 2015

Company	Headquarters	Auditor	Activity	% of direct or indirect holding	Thousands of Euros				
					Subscribed capital	Reserves	Total net equity	Operating profit/(loss) for 2015	Operating profit/(loss) for 2015
FULLY CONSOLIDATED COMPANIES (*)									
Lázaro Ituarte Internacional, S.A.	Amurrio (Álava)	Test Auditores Consultores	Manufacture and sale of products destined for and related to the handling of fluids.	100%	3 606	20 703	24 484	605	12[illegible]
MTS Valves and Technology, S L.	Arrankundiaga (Vizcaya)	Test Auditores Consultores	Manufacture and sale of products destined for and related to the handling of fluids.	100%	1 000	8 330	9 198	30	(182)
Fluval Spain, S L.	Amurrio (Álava)	Test Auditores Consultores	Manufacture and sale of products destined for and related to the handling of fluids.	100%	297	0	437	219	141
Valvospain Logística, S.L.	Amurrio (Álava)	(**)	Valve inspection, painting, packaging and shipping services for the companies in the group	100%	3	66	149	80	80
Valvospain Shanghai Co Ltd	Shanghai (PR China)	(**)	Manufacture and sale of products destined for and related to the handling of fluids.	100%	391	1.351	1 738	(63)	(4)
Valvospain División Internacional, S L.	Amurrio (Álava)	(**)	Holding company	100%	3	-	3	-	-
MTS Valves División Internacional, S L.	Arrankundiaga (Vizcaya)	(**)	Holding company	100%	3	-	3	-	-
Fluval Valvez División Internacional, S L.	Amurrio (Álava)	(**)	Holding company	100%	3	-	3	-	-
Fluval Valves UK Limited (****)	Colchester (UK)	(**)	Sale of products destined for and related to the handling of fluids	100%	1	143	(247)	(390)	(390)
MTS Colombia, S.A.S	Colombia	(**)	Sale of products destined for and related to the handling of fluids	100%	55	(20)	(17)	(52)	(53)
COMPANIES CONSOLIDATED USING THE EQUITY METHOD (*)									
TTV Fluval (Pty) Limited (***)	Meadowdale (S. Africa)	Boake Incorporated	Sale of products destined for and related to the handling of fluids	33%	-	573	808	316	235

(*) Figures for individual companies once the reservations quantified are taken into account. The consolidated figures are detailed in the consolidated annual accounts
(**) Companies not legally obliged to have their annual accounts audited.
(***) Annual accounts in IFRS
(****) Annual Accounts according to UK GAAP – The Company is exempt from the requirement to audit the individual Annual Accounts under Section 479a Companies Act 2006 relating to subsidiary companies

ANEXO – MEMBER COMPANIES OF THE VALVOSPAIN GROUP AS OF 31 DICIEMBER 2014

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Company	Headquarters	Auditor	Activity	% of Direct or Indirect Holding	Thousands of Euros				
					Subscribed Capital	Reserves	Net Equity	Operating Profit/(Loss) Year 2014	Profit/(Loss) Year 2014
FULLY CONSOLIDATED COMPANIES (*):									
Lázaro Ituarte Internacional, S A.	Amurrio (Álava)	Deloitte	Manufacture and sale of products destined for and related to the handling of fluids	99%	3 606	20.207	24.397	1 640	496
MTS Valves and Technology, S L.	Arrankundiaga (Vizcaya)	Deloitte	Manufacture and sale of products destined for and related to the handling of fluids	99,99%	1 000	8 279	9 406	222	53
Fluval Spain, S L.	Amurrio (Alava)	Deloitte	Manufacture and sale of products destined for and related to the handling of fluids	99,99%	503	3 436	(1 502)	(4 848)	(5 441)
Valvospain Logística, S L.	Amurrio (Alava)	(**)	Manufacture and sale of products destined for and related to the handling of fluids	100%	3	113	69	(47)	(47)
Valvospain Shangai Co. Ltd.	Shangai (R.P China)	(**)	Manufacture and sale of products destined for and related to the handling of fluids	100%	318	1 043	1 632	240	204
Valvospain División Internacional, S L.	Amurrio (Alava)	(**)	Holding Company	100%	3	-	3	-	-
MTS Valves División Internacional, S L.	Arrankundiaga (Vizcaya)	(**)	Holding Company	100%	3	-	3	-	-
Fluval Valvez División Internacional, S L.	Amurrio (Alava)	(**)	Holding Company	100%	3	-	3	-	-
Fluval Valves UK Limited (****)	Colchester (Inglaterra)	(****)	Sale of products destined for and related to the handling of fluids	100%	1	79	80	1	1
Fluval Valves FZE	Dubai	(**)	Sale of products destined for and related to the handling of fluids	100%	30	5 356	5 225	(176)	(176)
MTS Colombia, SAS	Colombia	(**)	Sale of products destined for and related to the handling of fluids	100%	68	(26)	41	(2)	1
COMPANIES CONSOLIDATED USING THE EQUITY METHOD (*):									
TTV Fluval (Pty) Limited (***)	Meadowdale (Sudáfrica)	Boake Incorporated	Sale of products destined for and related to the handling of fluids	33%	-	408	405	(6)	(3)

(*) Figures for individual companies once the reservations quantified are taken into account. The consolidated figures are detailed in the Consolidated Annual Accounts.
(**) Companies not obliged to have their Annual Accounts audited.
(***) Annual Accounts according to IFRS.
(****) Annual Accounts according to UK GAAP – The Company is exempt from the requirement to audit the individual Annual Accounts under Section 479a Companies Act 2006 relating to subsidiary companies.

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Consolidated management report for the financial year ending on 31 December, 2015

The strategic partnership between Fluval and Lázaro Ituarte Internacional, S.A established in 2005 was extended in 2006 to MTS Valves and Technology, S L , another highly reputable firm in the valve business Between them, the three companies set up Valvospain, S L as a holding company to direct the implementation of joint policies in the member companies of the group with a view to taking advantage of synergies in costs and financial terms and conditions as a result of the greater volume of contracting with customers and suppliers alike This also made it easier to absorb structural costs and thus improve results

In the second half of 2013 Grupo Valvospain underwent a functional reorganisation The previous approach of operating on the level of individual companies was superseded by a new form of organisation based on business units at group level This change is enabling better use to be made of the Group's resources, thus improving efficiency and customer satisfaction It will also enable the group to opt for larger, more profitable projects.

All these factors have helped palliate the effects of the highly unfavourable international economic situation. As regards results, 2015 is seriously hampered by the loss accounted for as a result of failure to recover a number of loans given to a former partner, to the tune of 2.4 million euros Leaving aside this matter, net turnover in 2015 was 55 million euros, with an EBITDA of 3 million euros

There are also various factors conducive to optimism in regard to the business of the Group in the coming year

Grupo Valvospain expects to invoice around 51 million euros in financial year 2016, with the order book at more than 60% of capacity, an EBITDA of €4 5 million and pre-tax profits of €0 7 million.

It must also be noted that work is ongoing for the merger of the Group companies Lázaro Ituarte Internacional, S A U , MTS Valves and Technology, S.L U , Fluval Spain, S L U and Valvospain Logística, S.L.U This process is expected to be completed by the end of financial year 2016 and to take effect for accounting purposes as from 1 January 2016.

This process and the increase in activity expected in financial year 2016 will strengthen the equity situation of the Group and enable new R&D projects to be undertaken for the development of new, higher value-added products which are more profitable for the Group

The Group faces three main business risks

- Competition in the manufacturing of smaller valves from Asian countries with much lower wage costs;
- Technical risks arising from product guarantees, and
- Financial risks arising from the need to fund acquisitions from suppliers and to guarantee operations with customers

To deal with these risks the Group has opted firmly to reinforce product quality, diversify its operations via the manufacture of a new family of valves and implement a strategy of outsourcing under which tasks in which we are less competitive are subcontracted and the member companies of the Group concentrate on tasks with higher added value (design, engineering, coordination, logistics, assembly and quality control)

We are unaware of any further risks or uncertainties that could affect the present and future situation of the Group

Moreover, the policy of insuring customer receivables and exchange rate fluctuations enable us to reduce the financial risks inherent in these operations

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Act 31/2014 of 3 December amends the Corporations Act, seeking to improve corporate governance In regard to the obligation under that Act to include further information in the management report, the company reports that the average payment periods of Group member companies exceed the maximum set in law (by Act 11/2013 of 26 July) due to the fact that they have foreign suppliers to whom the said legislation does not apply

Finally, on 11 April 2012 the General Meeting of Shareholders of the Parent Company resolved to acquire 134 shares in the Parent Company for a total of 2000 thousands of euros

In addition, on 15 December 2015 a further 485 shares in the parent company were acquired for 1100 thousands of euros

On 17 December 2015 the shareholders in the Parent Company met in an Extraordinary general meeting with all capital represented and resolved to reduce the stock capital of the Parent Company by 3,714,000 euros by writing off the 619 shares with a face value of 6 euros each which were held as treasury stock.

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The Administrators of the Parent Company Valvospain, S L. drew up the consolidated annual accounts on 27 April 2016 (comprising the consolidated balance sheet, the profit and loss account, a consolidated statement of changes in net equity, a consolidated statement of cash flow and the consolidated annual report) along with the management report for the financial year ended on 31 December 2015

Amurrio, 27 April 2016

Corporación Lorpen S.A represented by Gorka Arregui Abendivar

Amberamy XXI, S.L , represented by José Ignacio Arana Aguirre

Participaciones y Futuros, S L represented by José Benito Apalategui

Juan Carlos Povato Luque