Mezqual Limited

Registered number: 08841874

Report and Group Financial Statements

31 December 2016

Report and Group Financial Statements
YEAR ENDED 31 DECEMBER 2016

CONTENTS

STRATEGIC REPORT

The Directors present their strategic report for the year ended December 31, 2016

Mezqual Limited is the holding company of the El Enebro, S.A. Group, and is principally engaged in the management of investment property in El Enebro and subsidiaries.

The objects of the Group are as follows:

- The ownership of all types of rural estates for agriculture, livestock raising and tourism use, and commercial hunting.
- The acquisition, urban development, sub-division, cultivation and marketing of rural and urban estates for property development, farming, livestock raising, tourism and real estate use.
- The acquisition, holding, enjoyment, administration, lease and disposal of securities, property and real estate, excluding, in any event, activities subject to special legislation.
- The rendering of advisory services, assistance and execution of administrative, technical, legal, organizational and computer projects.
- Grape growing and processing, and the preparation, production, marketing and sale of wine.
- The purchase and sale, rearing, selection and reproduction of animals and, particularly, livestock in general.
- The purchase and sale of food products.

Review of the business

Mezqual Group proceeded with its consolidation strategy in 2016 in the midst of market crises, maintaining its status as the long-standing quality leader in Spanish wines and bolstering its privileged position in the industry. The business improved during the year, as heralded by the growth registered in the two previous years (2014 and 2015), driven by a gradual recovery in the domestic market and higher exports.

For the winemaking subgroup, efforts were stepped up to raise the international profile of the corporate TEMPOS *Vega Sicilia* brand, which represents both the wineries and the various products we make. Efforts were also made to increase our digital presence, with a complete overhaul of our websites and new commercial packaging in a bid to enhance the quality of the brand and provide a new image. Meanwhile, staff changes in the wineries have proven to be well aimed.

As in previous years, the Group continued to review the risks of our assets, customers and suppliers in 2016, taking action to minimize the impact of the crisis. At the same time, we paid careful attention to cash flows at times of economic uncertainty, as is the case currently.

Total revenue from operations in 2016 was higher than the year before, at €48,080 thousand, driven by higher sales.

The Group had € 52,647 thousand of property, plant and equipment at December 31, 2016, compared to €53,170 thousand a year earlier, a decrease of 1% mainly explained by depreciation of the year.

Current assets decreased by 3%, from €66,287 thousand in 2015 to €64,581 thousand in 2016.

Non-current liabilities are lower in 2016 than in 2015, due mainly to the partial repayment of bank borrowings.

STRATEGIC REPORT (continued)

Spurred by the gradual recovery of the Spanish economy, consolidated profit looks set to increase steadily in the coming years, making good on the expected return on investment.

Principal risks and uncertainties

The group has established a risk committee that meets quarterly and which evaluates the group's risk appetite. The principal risks and uncertainties facing the group is financial instrument risk.

Financial Instrument Risks

The group has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Use of derivatives

The Group arranges cash flow hedges for funding received at variable interest rates.

The Group's accounting hedges expired in 2015, and no new hedging derivative contracts were entered into during 2016.

Exposure to price, credit, liquidity and cash flow risk

These risks are described in the note 20 to the financial statements.

On behalf of the board

Director: Juan Carlos Álvarez Mezquíriz

Date: September 13, 2017

DIRECTORS' REPORT

The Directors present their report for the year ended December 31, 2016

Directors of the company

The directors who served throughout the year and to the date of this report are as follows:

D. Emilio Alvarez Mezquiriz
D. Juan Carlos Alvarez Mezquiriz
D. Pablo Alvarez Mezquiriz
Da. Elvira Alvarez Mezquiriz
Da. Marta Alvarez Mezquiriz
Mr. Michael Arthur (resigned, 31 May 2016)
Mrs. Susan Elizabeth Lawrence (appointed, 1 June 2016)
Mr. Roy Neil Arthur (resigned, 31 December 2016)

Dividends

The directors recommend no ordinary dividends, proposing to retain the profit for the year in reserves.

Future developments

The directors aim to maintain the management policies which have resulted in the group's substantial growth in recent years. They consider that the next year will show a further significant growth in sales from continuing operations, particularly of wine from new subsidiaries.

Going Concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report and in note 20 to the financial statements.

The group has considerable financial resources together with long-term loans with financial institutions. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

DIRECTORS' REPORT (continued)

Re-appointment of auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

On behalf of the board

Director: Juan Carlos Álvarez Mezquíriz

Date: September 13, 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) adopted by the United Kingdom. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT
to the members of Mezqual Limited

We have audited the financial statements of Mezqual Limited for the year ended 31 December 2016 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flow, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Group Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

INDEPENDENT AUDITORS' REPORT
to the members of Mezqual Limited (continued)

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- based on the work undertaken in the course of the audit
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Ken Griffin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

20 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2016
(thousand of euros)

	Note	2016	2015
Continuing operations			
Revenue		**49,186**	**47,578**
Revenue from operations	17.1	48,080	46,313
Other income		1,106	1,265
Changes in inventories of finished goods and work in progress		**2,272**	2,908
Operating costs		**(36,344)**	**(36,753)**
Consumables used and other external expenses	17.2	(7,990)	(8,958)
Employee benefits expense	17.3	(9,656)	(10,167)
Depreciation and amortization expense	5,6,7	(7,950)	(7,758)
Other operating expenses	17.4	(10,748)	(9,870)
Gains on disposal of fixed assets	6,7	1,300	494
OPERATING PROFIT		**16,414**	**14,227**
Finance revenue		**63**	**643**
Interest earned on loans and other marketable securities		58	625
Exchange gains		5	18
Finance costs		**(3,970)**	**(5,137)**
Interest paid on non-current interest-bearing loans and borrowings	17.5	(3,970)	(5,137)
NET FINANCIAL RESULT		**(3,907)**	**(4,494)**
Share of profit of companies accounted by equity method		(91)	106
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**12,416**	**9,839**
Income tax expense	16	(3,446)	(3,129)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		8,970	6,710
CONSOLIDATED PROFIT FOR THE YEAR---		**8,970**	**6,710**
Attributable to:			
Equity holders of the parent		7,134	5,244
Non-controlling interests		1,836	1,466
		8,970	**6,710**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016
(thousand of euros)

	2016	2015
PROFIT FOR THE YEAR	**8,970**	**6,710**
Exchange differences on retranslation of foreign operations	(541)	(215)
Movement on cash flow hedges	-	525
Tax on items relating to components of other comprehensive income	87	(153)
TOTAL COMPREHENSIVE INCOME	**8,516**	**6,867**
Attributable to:		
Equity holders of the parent	6,775	5,401
Non-controlling interests	1,741	1,466
	8,516	**6,867**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2016
(thousand of euros)

Assets	Note	2016	2015	Equity and liabilities	Note	2016	2015
Property, plant and equipment	6	52,647	53,170	Issued capital	12.1	5	5
Investment Properties	7	40,909	43,121	Share Premium	12.2	90,022	90,022
Intangible assets	5	481	674	Retained earnings		40,486	33,352
Investment in companies accounted by equity method	8	7,823	8,631	Treasury shares	12.3	(39,434)	(39,434)
Non-current financial assets	9	88,789	88,786	Valuation reserve		(4,016)	(3,657)
Deferred tax assets	16	1,785	2,192	**Equity attributable to equity holders of the parent**		**87,063**	**80,288**
Non-current assets		**192,434**	**196,574**				
				Non-controlling interests		22,581	20,840
Inventories	10	57,900	55,385	**Total equity**		**109,644**	**101,128**
Trade and other receivables	9	5,033	6,383				
Other current financial assets	9	108	116	Interest-bearing loans and borrowings	15.1	50,671	54,084
Other current assets	9	202	205	Deferred tax liabilities	16	6,099	7,261
Cash and cash equivalents	11	1,338	4,198	Non-current associate liabilities	15.1	41,635	55,598
Current assets		**64,581**	**66,287**	Grants and donations	13	3,774	4,221
				Provisions	14	83	49
				Non-current liabilities		**102,262**	**121,213**
				Interest-bearing loans and borrowings	15.1	25,386	21,305
				Trade and other payables	15.1	5,759	5,219
				Current associate liabilities	15.1	13.964	13,996
				Current liabilities		**45,109**	**40,520**
TOTAL ASSETS		**257,015**	**262,861**	**TOTAL EQUITY AND LIABILITIES**		**257,015**	**262,861**

The financial statements were approved by the Board and authorised for signature on their behalf by:

Juan Carlos Álvarez Mezquíriz
Director

Date: September 13, 2017

Parent company statement of financial position at 31 December 2016

(thousand of euros)

Assets	Note	2016	2015	Equity and liabilities	Note	2016	2015
Investment in group companies	3	90,027	90,027	Issued capital	12.1	5	5
				Share Preminum	12.2	90,022	90,022
Non-current assets		90,027	90,027	Retained earnings		(263)	-
				Profit attributable to equity holders of the parent		39	(263)
Other current assets	9.2	119	-	Equity attributable to equity holders of the parent		89,803	89,764
Cash and cash equivalents		66	2				
				Total equity		89,803	89,764
Current assets		185	2				
				Non-current related party liabilities	15.2	161	136
				Non-current liabilities		161	136
				Trade and other payables	15.2	230	129
				Tax payable		18	-
				Current liabilities		248	129
TOTAL ASSETS		**90,212**	**90,029**	**TOTAL EQUITY AND LIABILITIES**		**90,212**	**90,029**

The financial statements were approved by the Board and authorised for signature on their behalf by:

Juan Carlos Álvarez Mezquíriz
Director
Date: September 13, 2017

Consolidated statement of changes in equity
for the year ended 31 December 2016
(thousand of euros)

	Share capital	Share premium	Retained earnings	Treasury shares	Valuation reserves	Shareholders' equity	Non-controlling interest	Total equity
As at 1 January 2016	5	90,022	33,352	(39,434)	(3,657)	80,288	20,840	101,128
Total income and expense for the year	-	-	7,134	-	-	7,134	1,836	8,970
Other comprehensive income: valuation adjustments	-	-	-	-	(359)	(359)	(95)	(454)
As at 31 December 2016	**5**	**90,022**	**40,486**	**(39,434)**	**(4,016)**	**87,063**	**22,581**	**109,644**

As at 1 January 2015	-	-	97,436	(6,432)	(3,814)	87,190	40,073	127,263
Total income and expense for the year	-	-	5,244	-	-	5,244	1,466	6,710
Other comprehensive income: valuation adjustments	-	-	-	-	157	157	-	157
Shares issued	5	90,022	(90,027)	-	-	-	-	-
Acquisition of treasury shares from non-controlling interest	-	-	20,699	(33,002)	-	(12,303)	(20,699)	(33,002)
As at 31 December 2015	**5**	**90,022**	**33,352**	**(39,434)**	**(3,657)**	**80,288**	**20,840**	**101,128**

Consolidated statement of cash flows
for the year ended 31 December 2016
(thousand of euros)

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year before tax		**12,416**	**9,839**
Adjustments for:		**10,337**	**12,166**
Amortization and depreciation	5, 6, 7	7,950	7,758
Impairment losses		34	304
Change in provisions		58	310
Grants recognized in the income statement		(312)	(209)
Proceeds from disposals of fixed assets	6	(1,300)	(494)
Finance income		(58)	(624)
Finance expenses	17.5	3,970	5,137
Exchange gains/(losses)		(5)	(16)
Changes in operating assets and liabilities		**(2,228)**	**(1,860)**
(Increase) / decrease in inventories		(2,515)	(2,825)
(Increase) / decrease in trade and other receivables		1,350	338
(Increase) / decrease in other current assets		11	(72)
(Increase) / decrease in trade and other payables		492	420
(Increase) / decrease in other current liabilities		(1,566)	264
(Increase) / decrease in other non-current liabilities		-	15
Other cash flows from operating activities		**(6,445)**	**(7,153)**
Interest paid		(3,970)	(5,137)
Interest received		58	624
Income tax received (paid)		(2,533)	(2,640)
Cash flows from operating activities		**14,080**	**12,992**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		**(7,138)**	**(6,948)**
Associates		-	(1,039)
Property, plant and equipment	6	(6,580)	(5,609)
Investment property	7	(555)	(300)
Other financial assets		(3)	-
Proceeds from sale of investments		**3,467**	**415**
Associates		17	-
Property, plant and equipment		1,106	415
Investment property		2,308	-
Other financial assets		36	-
Cash flows used in investing activities		**(3,671)**	**(6,533)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for equity instruments		**-**	**(33,002)**
Acquisition of equity instruments		-	(33,002)
Proceeds from and payments for financial liability instruments		**(13,269)**	**19,575**
Issue			
Debt with financial institutions		22,032	29,849
Redemption and repayment of			
Debt with financial institutions		(21,305)	(8,614)
Associates		(13,996)	-
Cash flows used in financing activities		**(13,269)**	**(3,153)**
EFFECT OF EXCHANGE RATE FLUCTUATIONS			
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(2,860)**	**3,306**
Cash and cash equivalents at the beginning of the year	11	**4,198**	**892**
Cash and cash equivalents at the end of the year	11	**1,338**	**4,198**

Parent company statement of changes in equity
for the year ended 31 December 2016
(thousand of euros)

	Issued capital (Note 12)	Share Premium (Note 12)	Reserves Retained Earnings	Profit for the year	Total
As at 1 January 2016	5	90,022	-	(263)	89,764
Total income and expense from Previous Year			(263)	263	-
Total income and expense for the Year				39	39
At 31 December 2016	5	90,022	(263)	39	89,803
As at 1 January 2015	-	-	-	-	-
Total income and expense for the year	-	-	-	(263)	(263)
Issue of shares	5	90,022	-	-	90,027
At 31 December 2015	5	90,022	-	(263)	89,764

Parent company statement of cash flows
for the year ended 31 December 2016
(thousand of euros)

	Notes	2016	2015
Profit/(loss) before tax		**39**	**(264)**
Changes in operating assets and liabilities		**1**	**129**
(Increase) / decrease in other current assets		(118)	(-)
Increase / (decrease) in trade and other payables		119	129
Cash flows from operating activities		**40**	**(135)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investing activities		**-**	**(90,027)**
Acquisition of investment in El Enebro, S,A,	3	-	(90,027)
Cash flows used in investing activities		**-**	**(90,027)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for equity instruments		**-**	**90,027**
New equity instruments	11	-	90,027
Proceeds from and payments for financial liability instruments		**25**	**136**
Issue		25	136
Related parties		25	136
Cash flows used in financing activities		**25**	**90,164**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**65**	**1**
Cash and cash equivalents at the beginning of the year		**1**	**-**
Cash and cash equivalents at the end of the year		**66**	**1**

Notes to the group financial statements
for the year ended 31 December 2016

1. CORPORATE INFORMATION

MEZQUAL LIMITED was incorporated as a private limited company on 13 January 2014. Its registered address is 9-10 Staple Inn, 2nd floor, London, WC1V 7QH, United Kingdom.

Mezqual Limited is the holding company of El Enebro's Group, It is principally engaged in the management of investment property in El Enebro and subsidiaries.

At 31 December 2016 shareholders were Emilio Alvarez Mezquiriz (20%), Juan Carlos Alvarez Mezquiriz (20%), Marta Maria Alvarez Mezquiriz (20%), Pablo Manuel Alvarez Mezquiriz (20%) and Maria Elvira Alvarez Mezquiriz (20%).

2. BASIS OF PREPARATION

The consolidated financial statements of the Group and the individual financial statements of the parent company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) adopted by the European Union.

As permitted by Section 408 of the Companies Act 2006, no Income Statement or Statement of Comprehensive Income is presented for the parent company.

The Group prepared the financial statements in accordance with IFRS for the first time as of December 31, 2015. Refer to Note 5 for information on how the Group adopted IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, certain land and buildings classified as property, plant and equipment, derivative financial instruments and available-for-sale financial assets that have been measured at fair value. Non-current assets held for sale have been measured at the lower of carrying amount and fair value less cost to sell.

The figures contained in the consolidated financial statements are presented in thousand of euros (€000), unless stated otherwise.

2.1 Fair presentation

The consolidated financial statements were prepared from the accounting records of the Parent and its subsidiaries. Prevailing accounting legislation was applied to present fairly the Group's consolidated equity, financial position and results. The consolidated statement of cash flows was prepared to present fairly the source and use of the Group's monetary assets, representing cash and cash equivalents.

The accompanying consolidated financial statements were prepared and approved by the directors of the Parent.

2.2 Critical issues concerning the measurement and estimation of uncertainties

In the preparation of the Group's consolidated financial statements, the Parent's directors made estimates to determine the carrying amount of certain of the assets, liabilities, revenue and expenses, and the disclosures of contingent liabilities. These estimates were made on the basis of the best information available at the reporting date. However, given the uncertainty inherent in estimates, future events could require these estimates to be modified in subsequent reporting periods. Any changes in accounting estimates would be made prospectively.

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Taxation

In accordance with prevailing legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the relevant inspection period has elapsed in each tax jurisdiction in which the group operates. The Parent's directors consider that no significant contingencies would arise in the event of inspection that would result in material additional liabilities for the Group.

Impairment of non-current assets

Estimates must be made when measuring non-current assets other than financial assets, especially intangible assets with an indefinite useful life, to determine their fair value in order to assess whether the assets may be impaired. To determine fair value, the directors estimate the expected future cash flows from the assets or the cash-generating units to which they belong.

Impairment of inventories

Estimates must be made when measuring animals ready for sale or being raised, to determine their fair value in order to assess whether the assets may be impaired. To determine fair value, the Parent's directors estimate the price per kilogram of carcass weight in accordance with prices established by the Spanish meat board ("*mesa de contratación*") for beef of similar characteristics, and the average weight of each animal at the time of sale (Note 11).

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses for which it is probable that each company or the tax group will have sufficient future taxable profit available enabling their application. To determine the amount of deferred tax assets that can be recognized, the directors estimate the amounts and dates on which future taxable profits will be obtained, and the period of reversal of taxable temporary differences. The Group recognized deferred tax assets of €1,785 thousand (2015: €2,192 thousand), related mainly to deductible temporary differences (Note 18.2).

2.3 Consolidation of subsidiaries on a going concern basis

As in previous reporting periods, subsidiary Núcleo de Explotaciones Agropecuarias de León, NEAL, S.A. incurred a considerable loss in 2016.

However, the Parent's directors, five of whom are also the company's shareholders, included this company in the consolidated financial statements for 2016 on a going concern basis, as the Parent's shareholders state expressly that:

- There are no plans that could have a material impact on the carrying amounts or the classification of the subsidiary's assets or liabilities at December 31, 2016.
- They have an irrevocable willingness and the ability to provide ongoing financial support to this company so that it can continue in operation for at least one year after the date of authorization for issue of the consolidated financial statements, restore its equity and make the payments arising from its liabilities.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016.

On May 7, 2015 the Parent Company, Mezqual Limited, acquired 66.6% of the issued share capital of El Enebro, S.A., a Company located in Spain. Both entities were managed under common control. This transaction was satisfied by the issuance of new 4,995 shares of Mezqual Limited 1 euro each with a share premium amounting to 90,022 thousand euro.

IFRS 3 provides exemption for business combinations involving entities under common control. After considering all the relevant factors, the Directors concluded that it was appropriate to apply the pooling of interest method in accounting for the transaction.

The pooling of interest method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The only adjustments that are made are to align accounting policies.
- No "new" goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity "acquired" is reflected within equity.
- The income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place.

The Group fully consolidates the subsidiaries over which the Parent has direct and indirect control, and uses the equity method of accounting for those operated jointly with other companies outside the Group.

Subsidiaries included in the scope of consolidation are as follows:

Name and address	Activity	% ownership Direct	% ownership Indirect
Full consolidation			
El Enebro, S.A. Calle Gobelas 25 La Florida, Madrid, Spain	The acquisition, holding, administration, lease and disposal of securities, property and real estate.	79.4%	-
Bodegas Vega Sicilia, S.A. Valbuena de Duero, Valladolid, Spain	Grape growing and processing, and the preparation, production, marketing and sale of wine.	-	79.4%
Bodegas y Viñedos Alión, S.A.U. Peñafiel, Valladolid, Spain	Preparation, production and bottling of wine and the harvest and operation of vineyards.	-	79.4%
El Quexigal, S.A.U. Finca El Quexigal Cebreros, Ávila, Spain	Preparation and packaging of agricultural products, and the operation of rural estates for farming, livestock raising and tourism.	-	79.4%
Tokaj Oremus, KFT Tolcsva, Hungary	Grape growing and processing, and the preparation, production, marketing and sale of wine.	-	79.4%
Núcleo de Explotaciones Agropecuarias de León, NEAL, S.A. Sahelices de Sabero, León, Spain	Production and sale of prime beef and byproducts.	-	79.4%
Bodegas y Viñedos Pintia, S.A.U. San Román de Hornija, Valladolid, Spain	Grape growing and processing, and the preparation, production, marketing and sale of wine.	-	79.4%

Equity method			
Benjamin Rothschild & Vega Sicilia, S.A. Paseo de Eduardo Dato, 15, Madrid, Spain	Grape growing and processing, and the preparation, production, marketing and sale of wine.	-	39.7%
Europvin, S.A.S 65, cours Saint Louis, Bordeaux, France	Sale of wine	-	15.88%

All balances and transactions between fully-consolidated companies are eliminated on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main recognition and measurement standards applied by the Group in the preparation of the accompanying consolidated financial statements are as follows:

4.1 Translation of financial statements denominated in foreign currency

Financial statements in currencies other than the euro were translated at the rates of exchange at the reporting date, whereby all assets, rights and obligations were translated to euros at the exchange rate ruling at that date. Income statement items were translated at the exchange rate prevailing at the date of the related transactions or at the average exchange rate where the difference was immaterial. Equity was translated at the historical exchange rate. Exchange gains and losses arising on translation are recognized through Other Comprehensive Income and held in the Valuation Reserve as a separate component of equity.

The financial statements of subsidiaries used to prepare the Group's consolidated financial statements are for the year ended December 31, 2016, and all are presented in euros except those of Tokaj Oremus, KFT, which are presented in Hungarian forint.

4.2 Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable, directly and indirectly, to the parent company and is presented separately within equity in the consolidated balance sheet, separately from equity attributable to owners of the parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

4.3 Intangible assets

Intangible assets are initially measured at cost, determined as the purchase price or production cost.

After initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment.

The Company assesses whether the useful life of an intangible asset is finite or indefinite.

Intangible assets with a finite useful life are amortized on a systematic basis in accordance with their estimated useful life and residual value. Amortization methods and periods are reviewed at the end of each reporting period, and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at each financial period end and any impairment is recognized.

An intangible asset with an indefinite useful life is not amortized and is tested for impairment at least annually. The assessment of indefinite useful life of these assets is reviewed annually.

Administrative concessions

Administrative concessions are amortized on a straight-line basis over the term of the concession, discounting the years elapsed when the assets belong to the previous owners.

Computer software

This item includes the cost for acquiring computer software from third parties. Computer software is amortized on a straight-line basis over an estimated useful life of four years.

Maintenance costs are recognized in the income statement for the year in which they are incurred.

Development expenses

The Group recognizes research costs as an expense in the reporting period in which they are incurred and capitalizes them from the time they meet the following conditions:

- The costs are itemized by project and clearly defined to enable them to be allocated over time.

- There is evidence of the project's technical success and economic and commercial feasibility.

Since it began operations in May 1997, subsidiary Núcleo de Explotaciones Agropecuarias de León, NEAL, S.A. has incurred certain expenses related to its Proyecto Cárnico Integral (integrated meat project) entailing investment in human and economic capital to achieve long-term profitability from its brand. This expenditure is capitalized in the consolidated balance sheet and amortized on a straight-line basis from the reporting period beginning after its recognition within a 5-year period, provided that a feasibility study is prepared showing that the period of recoverability of the asset and its capacity to generate future economic benefits is five years.

Where there is reasonable doubt as to the technical success and economic and commercial feasibility of the project, any amounts capitalized are recognized directly in consolidated losses for the reporting period.

Expenditure capitalized is recognized according to its nature in the income statement with a balancing entry in income under "Work carried out by the group for assets."

Other intangible assets

This item includes the cost for acquiring replanting rights from third parties. These assets are not amortized and are tested for impairment at least annually.

4.4 Property, plant and equipment

Elements of property, plant and equipment are measured at cost, determined as the purchase price or production cost.

After initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment.

Borrowing costs accrued that meet the requirement for capitalization for assets acquired or produced after January 1, 2008 that need more than one year to be brought into working condition are included in the purchase price or production cost.

Expenses for repairs that do not extend the useful life of the assets, as well as maintenance costs, are taken to the income statement in the year incurred. Costs incurred to renovate, enlarge or improve items of property, plant and equipment which increase capacity or productivity or extend the useful life of the asset are capitalized as an increase in the value of the asset. The carrying amount of items that are replaced are derecognized.

When available for use, property, plant and equipment are depreciated on a straight-line basis over their estimated useful life.

The estimated useful life of property, plant and equipment are as follows:

	Years of useful life
Buildings and constructions	5 – 50
Technical installations and machinery	3 – 12
Information technology equipment	4
Furniture	10
Motor vehicles	8 – 10
Other property, plant and equipment	
Livestock in the breeding age	6
Wine casks and plantations	1 – 16
Works of art and antiques	Indefinite

The Group reviews the assets' residual value, useful lives and depreciation methods at the end of each reporting period and adjusts them prospectively where applicable.

4.5 Investment properties

Buildings, residential real estate and commercial premises leased to third parties are classified as investment properties. The criteria set out for property, plant, and equipment are applied to investment property. Depreciation of investment property is calculated on a straight-line basis over the estimated useful life of the asset, which ranges from 25 to 50 years.

4.6 Impairment of non-financial assets

The Group assesses, at least at the end of each reporting period, whether there is an indication that a non-current asset or, where applicable, a cash-generating unit, may be impaired. If any indication exists, the Group estimates the asset's recoverable amount.

The recoverable amount is the higher of the fair value of the asset less costs to sell and its value in use. The asset is considered impaired when its carrying amount exceeds its recoverable amount. The value in use is the present value of the future cash flows expected to be obtained, discounted at a market risk-free rate and adjusted for any risks specific to the asset. For those assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For works of arts, antiques and planting rights, which are considered to have indefinite useful lives, the Group estimates their fair value at the end of the reporting period and recognizes an impairment loss where this is lower than carrying amount.

Impairment and any reversals thereof are recognized in the consolidated income statement. Impairment losses are reversed only if the circumstances that gave rise to the impairment cease to exist. Impairment is only reversed up to the limit of the carrying amount of the asset that would have been determined had the impairment loss not been recognized.

4.7 Leases

Agreements are classified as finance leases when the economic conditions of the lease arrangement indicate that substantially all the risks and rewards incidental to ownership of the asset are considered to be transferred. All other lease arrangements are classified as operating leases.

Group as lessee

The Group recognizes assets acquired under finance leases according to the nature of the asset, and a financial liability for the same amount, at the lower of the fair value of the leased asset and the present value of the minimum lease payments, including the purchase option. Minimum lease payments exclude contingent rents, costs for services and taxes that may be passed on by the lessor. Lease payments are apportioned between finance charges and reduction of the lease liability. The total finance charge is allocated over the lease term and recognized in consolidated profit and loss for the reporting period in which it is accrued, using the effective interest rate method. The lessee applies the same depreciation, amortization, impairment and derecognition criteria as applied to assets of a similar nature.

Operating lease payments are recognized as expenses in the consolidated income statement when accrued.

Group as lessor

Income from operating leases is recognized in the consolidated income statement when accrued. The carrying amount is increased by the amount of directly attributable contract costs, which are recognized as an expense over the lease term using the same criteria as for the recognition of lease income.

4.8 Financial assets

Classification and measurement

Loans and receivables

The Group recognizes in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not traded in an active market for which the Company expects to recover all of its initial investment, for reasons other than credit deterioration.

Loans and receivables are initially measured at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs. The financial assets included in this category are subsequently measured at amortized cost.

Nonetheless, trade receivables falling due within one year for which there is no contractual interest rate, and loans and advances to personnel, dividends receivable and receivables on called-up equity instruments expected to be collected in the short term are measured initially and subsequently at their nominal amount, provided that the effect of not discounting the cash flows is not material.

In guarantees extended for operating leases, the difference between the fair value (calculated taking the minimum contractual terms as the remaining period) and the amount disbursed is not considered as a prepayment for the lease or taken to the consolidated income statement over the lease term as the Parent's directors consider that the effect is not material.

Available-for-sale financial assets

This item includes equity investments not classified in any of the above categories.

Available-for-sale financial assets are initially measured at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

Available-for-sale assets are subsequently measured at fair value, without deducting any transaction costs incurred on disposal. Changes in fair value are accounted for directly in equity until the financial asset is derecognized or impaired, and subsequently in the consolidated income statement. However, exchange gains and losses on monetary financial assets in foreign currency are recognized in the consolidated income statement.

Investments in equity instruments for which the fair value cannot be estimated reliably are measured at cost less any accumulated impairment.

Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred, provided that substantially all the risks and rewards of ownership have been transferred.

If the Group has neither transferred nor retained substantially all the risks and rewards, it derecognizes the financial asset when it has not retained control over that asset. If the Group retains control over the asset, it continues to recognize the asset at the amount of the exposure to variability in the value of the transferred asset; that is, to the extent of its continuing involvement in the financial asset. The associated liability is also recognized.

Interest and dividends from financial assets

Interest and dividends accrued on financial assets after acquisition are recognized as income in the consolidated income statement. Interest is accounted for using the effective interest rate method, while dividends are recognized when the right to receive payment is established.

Upon initial measurement of financial assets, accrued explicit interest receivable at the measurement date is recognized separately, based on maturity. Dividends declared by the pertinent body at the acquisition date are also accounted for separately. Explicit interest is the interest obtained by applying the financial instrument's contractual interest rate.

4.9 Impairment of financial assets

The Group adjusts the carrying amount of financial assets with a charge to the consolidated income statement when there is objective evidence that the asset is impaired. To determine impairment losses on financial assets, the Group assesses the potential loss of individual as well as groups of assets with similar risk exposure.

Debt instruments and available-for-sale financial assets

The Group classifies as impaired assets (non-performing assets) debt instruments for which there is objective evidence of impairment, which refers basically to the existence of unpaid balances, non-compliance issues, refinancing and data which evidence the possible irrecoverability of total agreed-upon future cash flows or a delay in their collection.

The reversal of an impairment loss is recognized as income in the consolidated income statement. The loss can only be reversed up to the limit of the carrying amount of the financial asset that would have been disclosed at the reversal date had the impairment loss not been recognized.

Equity investments

For equity investments measured at cost and included in available-for-sale financial assets, the impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. When estimating impairment, the investee's equity is taken into consideration, corrected for any unrealized gains existing at the measurement date. The losses are recognized directly in the consolidated income statement through a reduction in equity.

The reversal of an impairment loss on equity investments in group companies, jointly controlled entities, and associates is recognized in the consolidated income statement. The loss can only be reversed up to the limit of the carrying amount of the investment that would have been disclosed at the reversal date had the impairment loss not been recognized.

4.10 Financial liabilities

Classification and measurement

Debts and payables

This category includes financial liabilities arising on the purchase of goods and services in the course of the Group's trade operations, and non-trade payables that are not derivatives.

Financial liabilities included in this category are initially measured at fair value. In the absence of evidence to the contrary, this is the transaction price, which is equivalent to the fair value of the consideration received, adjusted for directly attributable transaction costs.

The financial liabilities included in this category are subsequently measured at amortized cost. Accrued interest is recognized in the consolidated income statement using the effective interest rate method.

Nonetheless, trade payables falling due within one year for which there is no contractual interest rate, and called-up equity holdings expected to be settled in the short term are measured at their nominal amount, provided that the effect of not discounting the cash flows is immaterial.

Guarantees received for operating leases, which are deposited directly at the related public bodies for the legal amount established, are measured at the amount of reimbursement, which does not differ significantly from fair value, taking the minimum contractual term as the remaining period.

Hedging derivatives

These include derivatives classified as hedging instruments.

Financial instruments which have been designated as hedging instruments are measured as indicated in Note 4.14.

Derecognition

The Group derecognizes a financial liability when the obligation is extinguished.

4.10 Accounting hedges

The Group arranges cash flow hedges for funding received at variable interest rates. These are hedges of the exposure to variability in cash flows that is attributable to changes in interest rates on loans received. Interest rate swaps are used to exchange variable for fixed rates. The portion of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity and allocated to the income statement in the reporting period or periods in which the hedged transaction affects profit or loss.

Transactions are only designated as hedges when they eliminate efficiently any risk inherent to the hedged item or position throughout the duration of the hedge, which implies that at the inception of the contract, the hedging item is highly effective (prospective effectiveness) and there is sufficient evidence that the hedge will be effective throughout the life of the hedged item or position (retrospective effectiveness). The Group adequately documents the hedge, including how it intends to achieve and measure its effectiveness under its risk management policy.

The Group measures hedge effectiveness by testing to verify that the differences arising from changes in the value of the hedged item and the corresponding hedging instrument remain within a range of 80% to 125% over the term to maturity, thereby complying with forecasts documented at the related contract dates.

If at any time financial derivatives do not qualify for treatment as hedges, they are reclassified as held-for-trading derivatives.

The Group's accounting hedges expired in 2015.

4.11 Treasury shares

Treasury shares are presented as a reduction in equity when they are acquired. No gain or loss is recognized in the consolidated income statement when treasury shares are sold or cancelled. Income and expenses arising from transactions with treasury shares are taken directly to equity as a reduction in reserves.

The first year in which the Group adopted IFRS, a restatement of previous periods was made. Consequently, treasury shares shown in the attached consolidated statement of financial position at 31 December 2016 and at 31 December 2015 correspond to El Enebro, S.A., not to the Parent Company of the Group, Mezqual Limited. For further information regarding first time adoption of IFRS, see Note 5 below.

4.12 Inventories

Goods included in inventories are measured at purchase price or production cost, including indirect taxes on inventories when these are not directly recoverable from the taxation authorities in accordance with the following criteria:

- Inventories of wine included in work in progress and finished goods are measured at production cost. Production cost includes the costs of raw materials, consumables, labour and direct construction costs, and is calculated using the average cost method for each harvest. Work in progress and finished goods whose average maturity or sale at the end of the reporting period exceeds one year are considered goods undergoing production and aging with a long production cycle.

- Production cost of livestock is determined by adding to the purchase price from third parties (where the animals are acquired from third parties) the costs directly attributable to the product, such as feed and pharmaceuticals. Also included is the proportional amount of indirectly attributable costs, insofar as these relate to the raising period, incurred to bring the livestock into a saleable condition and are based on the level of usage of normal production capacity of the raising facilities.

The purchase price or production cost of inventories that require a period of more than one year to bring them into a saleable condition includes borrowing costs accrued during the construction, aging, raising or preparation period.

Valuation allowances are made and recognized as an expense in the consolidated income statement when the purchase price or production cost of inventories exceeds the net realizable value. No valuation allowances are made for raw materials and other consumables used in the production process if the finished products into which they will be incorporated are expected to be sold above cost.

4.13 Cash and cash equivalents

Cash and cash equivalents include cash, current accounts, short-term deposits and purchases of assets under resale agreements which meet the following criteria:

- They are convertible to cash.

- They have a maturity of three months or less from the date of acquisition.
- There is no significant risk of changes in value.
- They form part of the Group's usual cash management strategy.

4.14 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

4.15 Provisions and contingencies

Liabilities for which the amount and settlement date are uncertain are recognized as provisions when the Group has a present obligation (legal, contractual, constructive or tacit) arising from past events, the settlement of which is expected to result in an outflow of resources and the amount of which can be measured reliably.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party. Adjustments arising from the discounting of the provision are recognized as a finance expense when accrued. Provisions expiring within one year are not discounted where the financial effect is not material. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In addition, contingent liabilities are considered to be possible obligations that arise from past events whose materialization depends on the occurrence of future events not wholly within the Group's control, as well as present obligations arising from past events regarding which it is not probable that an outflow of resources will be required to settle them or which cannot be reliably measured. Contingent liabilities are not recognized in the financial statements, but are disclosed in the accompanying notes, unless the likelihood of an outflow of resources is considered remote.

4.16 Obligations arising from long-term employee benefits

The Group classifies its long-term employee benefits depending on their nature as defined benefit and defined contribution plans. Defined contribution plans are those in which the Group has an obligation to make predetermined contributions into a separate entity (for instance, an insurance company or a pension plan), provided that there is no legal, contractual or constructive obligation to make further contributions if the separate entity were unable to meet its obligations. Obligations that do not entail a defined contribution are considered defined benefit plans.

<u>Retirement benefits under defined contribution schemes</u>

The Group has commitments were certain employees to make contributions to an insurance policy, which are recognized in the income statement on an accrual basis, receivable by these employees if they remain at the company up to their retirement.

4.17 Income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

The Group's principal operating subsidiary in Spain, El Enebro, S.A., together with the fully-consolidated Spanish subsidiaries, files tax returns under the special regime for groups of companies in Spain.

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less deductions and other tax relief, taking into account changes during the year in recognized deferred tax assets and liabilities. The tax expense is recognized in the consolidated income statement, except when it relates to transactions recognized directly in equity, in which case the related tax is likewise recognized in equity, and in the initial accounting of business combinations, in which case it is recognized as with the remaining assets and liabilities of the business acquired.

Deferred taxes are recognized for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes. The tax effect of temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities" on the consolidated balance sheet, as applicable. The Group recognizes deferred tax liabilities for all temporary differences, except where disallowed under prevailing tax legislation.

The Group recognizes deferred tax assets for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses to the extent that it is probable that the related individual company or, where appropriate, the consolidated tax group, will have future taxable profit against which these assets may be utilised, except where disallowed by prevailing tax legislation.

At the end of each reporting period, the Group reassesses recognized and previously unrecognized deferred tax assets. Based on this analysis, a previously recorded deferred tax asset is derecognized when recovery is no longer probable, or a previously unrecorded deferred tax asset is recorded to the extent that it is probable the related individual company or, where appropriate, the consolidated tax group, will have sufficient future taxable profit enabling its application.

Deferred tax assets and liabilities are measured using the tax rates expected to prevail upon their reversal, based on tax legislation approved, and in accordance with the manner in which the assets are reasonably expected to be recovered and liabilities settled.

Deferred tax assets and deferred tax liabilities are not discounted and are classified as non-current assets or non-current liabilities, regardless of the date they are expected to be realized or settled.

4.18 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the consolidated balance sheet as current or non-current. Accordingly, assets and liabilities are classified as current when they are associated with the operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; when they differ from the aforementioned assets and are expected to mature, to be sold or settled within one year; and when they are held for trading or are cash and cash equivalents whose use is not restricted to one year.

The normal operating cycle is less than one year for all the activities, except:

- Wine aging, whose cycle ranges between two and 10 years
- The raising of certain cattle, whose cycle is approximately four years.

Note 11 provides a breakdown of inventories whose aging or raising period before they become available for sale is more than one year.

4.19 Revenue and expenses

In accordance with the accruals principle, revenue and expenses are recognized when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Revenue from sales and the rendering of services is recognized when it is probable that the profit or economic benefits associated with the transaction will flow to the Group and the amount of revenue and costs incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, less any trade discounts, rebates or similar items granted by the Group and interest on the nominal amount of credit extended. Applicable indirect taxes on transactions that the Company must pass on to third parties are not included in revenue.

Rental income is accounted for on a straight-line basis over the lease term.

4.20 Foreign currency translation

The Group's functional and presentation currency is the euro. Foreign currency transactions are translated into euros at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the consolidated balance sheet date. Exchange gains or losses arising on this process and on settlement of these assets and liabilities are recognized in the income statement for the reporting period in which they occur.

The functional currency of Tokaj Oremus is the Hungarian forint. Translation to the presentation currency is carried out as explained in Note 4.4.

4.21 Environmental assets and liabilities

Expenses incurred to comply with environmental protection legislation are recognized in the year in which they are incurred, unless they correspond to purchases of assets incorporated in the Group's equity to be used over an extended period, in which case they are recognized in the corresponding line of "Property, plant and equipment" and depreciated using the same criteria.

4.22 Related party transactions

Related party transactions are measured using the same criteria described above.

The prices of related party transactions are adequately documented; therefore, the Parent's directors consider there are no risks of significant tax liabilities arising.

4.23 Termination benefits

In accordance with prevailing legislation in Spain, the Group is required to pay indemnities to employees whose contracts are terminated under certain circumstances. Reasonably quantifiable termination benefits are recognized as an expense in the year in which the Group has created a valid expectation with respect to third parties that it will assume an obligation.

5. INTANGIBLE ASSETS

The movements in items comprising "Intangible assets" are as follows:

(€000)	Balance at January 1	Additions and allowances	Disposals	Transfers	Translation adjustments	Balance at December 31
for the year ended December 31, 2016						
Cost						
Research	5,688	-	-	-	47	5,735
Concessions	99	-	-	-	-	99
Patents, licenses, trademarks, and similar rights	64	-	-	-	-	64
Computer software	842	-	-	-	1	843
Other intangible assets	109	-	-	-	-	109
	6,802	-	-	-	27	6,850
Accumulated amortization						
Research	(5,131)	(125)	-	(79)	(50)	(5,385)
Concessions	(136)	(4)	-	79	-	(61)
Patents, licenses, trademarks, and similar rights	(46)	(1)	-	-	-	(47)
Computer software	(815)	(53)	-	-	25	(843)
Other assets	-	(33)		-	-	(33)
	(6,128)	(216)	-	-	(25)	(6,369)
Carrying amount	**674**					**481**

(€000)	Balance at January 1	Additions and allowances	Disposals	Transfers	Translation adjustments	Balance at December 31
for the year ended December 31, 2015						
Cost						
Research	5,666	-	-	-	22	5,688
Concessions	99	-	-	-	-	99
Patents, licenses, trademarks, and similar rights	64	-	-	-	-	64
Computer software	841	1	-	-	-	842
Other intangible assets	96	13	-	-	-	109
	6,766	14	-	-	22	6,802
Accumulated amortization						
Research	(5,005)	(126)	-	-	-	(5,131)
Concessions	(75)	(61)	-	-	-	(136)
Patents, licenses, trademarks, and similar rights	(43)	(3)	-	-	-	(46)
Computer software	(797)	(18)	-	-	-	(815)
	(5,920)	(208)	-	-	-	(6,128)
Carrying amount	**846**					**674**

Fully amortized items of intangible assets in use at December 31 are as follows:

(€000)	2016	2015
Research	4,862	4,862
Patents	36	13
Computer software	777	709
	5,675	**5,584**

6. PROPERTY, PLANT AND EQUIPMENT

The movements in items composing "Property, plant and equipment" are as follows:

(€000)	Balance at January 1	Additions and allowances	Disposals	Transfers	Translation adjustments	Balance at December 31
2016						
Cost						
Land and buildings	55,713	167	(537)	394	117	55,854
Technical installations and other items	58,277	3,361	(2,072)	1,280	61	60,907
Under construction and advances	696	3,052	(633)	(1,674)	4	1,445
	114,686	6,580	(3,242)	-	182	118,206
Accumulated depreciation						
Buildings	(24,436)	(2,164)	438	-	(47)	(26,209)
Technical installations and other items	(37,080)	(4,157)	1,928	-	(41)	(39,350)
	(61,516)	(6,321)	2,366	-	(88)	(65,559)
Carrying amount	**53,170**					**52,647**

(€000)	Balance at January 1	Additions and allowances	Disposals	Transfers	Translation adjustments	Balance at December 31
2015						
Cost						
Land and buildings	53,815	786	(143)	1,252	3	55,713
Technical installations and other items	55,544	2,753	(2,553)	2,530	3	58,277
Under construction and advances	1,386	3,383	(291)	(3,782)	-	696
	110,745	6,922	(2,987)	-	6	114,686
Accumulated depreciation						
Buildings	(22,421)	(2,127)	115	-	(3)	(24,436)
Technical installations and other items	(35,655)	(3,923)	2,502	-	(4)	(37,080)
	(58,076)	(6,050)	2,617	-	(7)	(61,516)
Carrying amount	**52,669**					**53,170**

6.1 Significant movements

Additions to "Technical installations and other items" in 2016 related mainly to the construction and refurbishment of the main building of the winery facilities and the acquisition of new casks, and in 2015 to the new offices of a subsidiary and the labeling plant, upgrades to installations and the acquisition of new casks by the wineries.

Disposals of "Technical installations and other items" in 2016 and 2015 related mainly to the sale by the wineries of casks and agricultural vehicles.

Net gains in 2016 for the Group on the disposal of property, plant and equipment amounted to €326 thousand (2015: €494 thousand).

6.2 Note on balance sheet revaluation

On June 17, 2013, the sole shareholder of the subsidiary Bodegas y Viñedos Pintia, S.A.U. approved the balance sheet update and "ad hoc" revaluation proposed by the Company's directors in accordance with Law 16/2012, of December 27, published on December 28, 2012, adopting certain tax measures to consolidate public finances and promote economic activity.

The balance sheet revaluation was carried out pursuant to the instructions set out in Law 16/2012, resulting in an increase in property, plant and equipment of €1,400 thousand and in reserves in consolidated companies of €1,330 thousand (no movements in 2015 and 2016), including the related tax expense of €70 thousand.

6.3 Operating leases

The future minimum payments under non-cancellable operating leases at December 31 are as follows:

(€000)	2016	2015
Within one year	492	604
After one year but not more than five years	924	1,068
	1,416	**1,672**

6.4 Other information

Fully depreciated items of property, plant and equipment in use at December 31 are as follows:

(€000)	2016	2015
Buildings	4,012	4,057
Technical installations and other items	23,181	17,385
	27,193	**21,442**

The Group's policy is to arrange insurance policies to cover potential risks that could affect its items of property, plant and equipment, The carrying amount of these items at December 31, 2016 was reasonably assured by the related insurance policies,

7. INVESTMENT PROPERTY

The movements in items composing "Investment property" are as follows:

(€000)	Balance at January 1	Additions and allowances	Disposals	Transfers	Balance at December 31
2016					
Cost					
Land and buildings	60,290	555	(1,722)	-	59,123
	60,290	555	(1,722)	-	59,123
Accumulated depreciation					
Buildings	(17,169)	(1,433)	388	-	(18,214)
	(17,169)	(1,433)	388	-	(18,214)
Carrying amount	**43,121**				**40,909**

(€000)	Balance at January 1	Additions and allowances	Disposals	Transfers	Balance at December 31
2015					
Cost					
Land and buildings	59,992	298	-	-	60,290
	59,992	298	-	-	60,290
Accumulated depreciation					
Buildings	(15,669)	(1,500)	-	-	(17,169)
	(15,669)	(1,500)	-	-	(17,169)
Carrying amount	**44,323**				**43,121**

The value at December 31, 2016 of the land on which the buildings stand amounted to €17,909 thousand (2015: €17,757 thousand).

7.1 Significant movements

In 2016, El Enebro, S.A. invested €500 thousand to acquire 19.81% of surface rights for a residential development project in Spain. There were no significant additions in 2015.

Disposals in 2016 related mainly to the sale of buildings owned by El Enebro, S.A. in Mexico and Puente Romano. The net gain by the Group on these disposals amounted to €974 thousand. There were no disposals in 2015.

7.2 Finance leases

The net carrying amounts of items of investment property acquired under finance leases at December 31 are as follows:

(€000)	2016	2015
Buildings		
Cost	33,031	33,045
Accumulated depreciation	(7,292)	(6,516)
	25,739	26,529

The cost at which assets held under finance lease were initially recognized was the present value of the minimum lease payments at the inception of the finance lease.

The reconciliation between the total amount of future minimum payments and their present value at December 31 is as follows:

	2016		2015	
(€000)	Future minimum payments	Present value (Note 17,1)	Future minimum payments	Present value (Note 17,1)
Within one year	1,433	1,353	1,470	1,345
After one year but not more than five years	7,393	7,116	8,246	7,807
More than five years	5,445	5,481	6,163	6,108
	14,271	13,950	15,879	15,260

The finance lease arrangements have the following characteristics:

- The remaining terms of the leases range from one to seven years (2015: one to eight years).
- Interest is at variable rates and indexed to the 1-year Euribor rate plus a spread of 0,6% (constant spread throughout the lease term).
- Finance costs accrued in 2016 amounted to €100 thousand (2015: €144 thousand) (Note 19.5).
- Upkeep and maintenance costs are borne by the lessee.
- The amount of purchase options is equivalent to the final payments of the finance leases.
- There are no contingent lease payments.

7.3 Operating leases

The Group's investment properties are leased out to Group companies, associates or third parties under operating leases or are in the process of being leased, The lease terms range from one to eight years and there are no contingent payments.

Income obtained in 2016, mainly from the lease of investment properties, amounted to €4,521 thousand (2015: €4,276 thousand) (Note 19.1).

Expenses related to investment properties and other minor revenue-generating assets in 2016 correspond to the related annual depreciation charge, of €1,359 thousand (2015: €1,321 thousand), and to administration and maintenance, of €1,503 thousand (2015: €1,036 thousand). Meanwhile, costs from unleased properties in 2016 included 21 thousand of depreciation (2015: €63 thousand) and €285 thousand of administration and maintenance (2015: €93 thousand).

The future minimum rentals receivable under non-cancellable operating leases at December 31 are as follows:

(€000)	2016	2015
Within one year	5,034	4,013
After one year but not more than five years	13,122	9,568
More than five years	4,880	4,880
	23,036	**18,461**

7.4 Other information

At December 31, 2016, the Group had fully depreciated buildings amounting to €1,391 thousand (2015: €1,185 thousand).

The following investment properties were mortgaged in guarantee of bank borrowings at the end of the year (Note 17.1):

2016

(€000)	Cost	Accumulated depreciation	Net value
Building at calle I, 5 in the Mutilva Baja industrial park (Valle de Aranguren)	554	(65)	489
Building at c/ Gobelas, 25-27, Urbanización La Florida de Madrid	7,933	(2,404)	5,529
Office, warehouse and garage at calle Quevedo, s/n de Santa Cruz de Tenerife	925	(272)	653
Three commercial premises at c/ Venezuela, 2 de Vigo	1,077	(250)	827
	10,489	**(2,991)**	**7,498**

2015

(€000)	Cost	Accumulated depreciation	Net value
Building at calle I, 5 in the Mutilva Baja industrial park (Valle de Aranguren)	554	(59)	495
Building at c/ Gobelas, 25-27, Urbanización La Florida de Madrid	7,933	(2,286)	5,647
Office, warehouse and garage at calle Quevedo, s/n de Santa Cruz de Tenerife	925	(244)	681
Three commercial premises at c/ Venezuela, 2 de Vigo	1,077	(222)	855
	10,489	**(2,811)**	**7,678**

It is the Group's policy to arrange insure policies to cover the potential risks to which its investment properties are exposed, The carrying amount of these items at December 31, 2016 was reasonably covered by the related insurance policies.

8. INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

The breakdown of and movement in companies accounted for using the equity method is as follows:

(€000)	Balance at January 1	Inclusion in the consolidation scope	Additions	Impairment	Amounts recognized in profit or loss	Disposals	Balance at December 31
2016							
Benjamin Rothschild & Vega Sicilia, S,A,	7,561	-	-	(723)	(39)	-	6,805
Europvin, S,A,S	1,070	-	-	-	(52)	-	1,018
	8,631			**(723)**	**(91)**		**7,823**

(€000)	Balance at January 1	Inclusion in the consolidation scope	Additions	Impairment	Amounts recognized in profit or loss	Disposals	Balance at December 31
2015							
Benjamin Rothschild & Vega Sicilia, S,A,	7,059		-	421	81	-	7,561
Europvin, S,A,S	-	1,039	-	-	31		1,070
	7,059						8,631

In 2015, the Group acquired a package of additional shares of Europvin, S,A,S,, raising its ownership interest to 19,98%, In addition, through its Chief Executive Officer, the Company holds the position of Chairman of the Board of Directors of this investee. Therefore, this investment was accounted for at year-end 2016 and 2015 in the Group's consolidated financial statements using the equity method.

In addition, a provision for impairment of Bodegas Benjamín de Rothschild & Vega-Sicilia, S,A was reversed in 2015 based on an assessment of the company's current situation after obtaining a profit for the year and taking into account its outlook and unrealized gains.

9. FINANCIAL ASSETS

Group

The detail of financial assets, excluding investments in companies accounted for using the equity method (Note 9) is as follows:

(€000)	December 31, 2016 Equity instruments	December 31, 2016 Loans, derivatives and other financial assets	December 31, 2016 Total	December 31, 2015 Equity instruments	December 31, 2015 Loans, derivatives and other financial assets	December 31, 2015 Total
Non-current financial assets						
Available-for-sale financial assets						
Measured at cost	88,084	-	88,084	88,095	-	88,095
Loans and receivables	-	705	705	-	691	691
	88,084	705	88,789	88,095	691	88,786
Current financial assets						
Loans and receivables	-	5,105	5,105	-	5,411	5,411
	-	5,105	5,105	-	5,411	5,411
	88,084	5,810	93,894	88,095	6,102	94,197

These amounts are included in the following balance sheet line items:

(€000)	Equity instruments	Loans, derivatives and other financial assets	Total
31 December 2016			
Non-current financial assets			
Non-current investments	88,084	705	88,789
	88,084	705	88,789
Current financial assets			
Trade and other receivables	-	4,997	4,997
Current investments	-	108	108
	-	5,105	5,105
	88,084	5,810	93,894

31 December 2015			
Non-current financial assets			
Non-current investments	88,095	691	88,786
	88,095	691	88,786
Current financial assets			
Trade and other receivables	-	5,295	5,295
Current investments	-	116	116
	-	5,411	5,411
	88,095	**6,102**	**94,197**

9.1 Available-for-sale financial assets

The breakdown of available-for-sale financial assets is as follows:

(€000)	Cost	Valuation allowance	Net value	Ownership (%)
31 December 2016				
Eulen, S,A,	87,732	-	87,732	39,24%
Sociedad para el Desarrollo Industrial de Castilla y León, SODICAL	332	-	332	2,60%
Other equity instruments	20	-	20	-
	88,084		**88,084**	
31 December 2015				
Eulen, S,A,	87,732	-	87,732	39,24%
Sociedad para el Desarrollo Industrial de Castilla y León, SODICAL	332	-	332	2,60%
Other equity instruments	31	-	31	-
	88,095		**88,095**	

The Group holds these investments for strategic reasons and measures them at cost, as it does not have sufficient available information to determine fair value reliably. They are classified as non-current assets as the Group does not have the intention of selling them in the short term. None of these assets are listed on a stock exchange.

In 2013, the Group increased its investment in Eulen, S.A. by €81,042 thousand. The acquisition was executed in March 2013, with an initial acquisition of 133,263 shares, and completed afterwards with the acquisition of the remaining 19,357 shares included in the offer. The acquisition price was €530 per share. A significant portion of the price will be paid over the long term, at market rates of interest (Note 17.2). The transaction costs amounted to €153 thousand. To guarantee payment of the price, the Group issued a pledge on shares of subsidiary Bodegas Vega Sicilia, S,A. At December 31, 2016, the Group carried the Eulen shares in its books at cost, which amounted to €87,732 thousand in 2015. Eulen, S.A. is not listed on the stock market.

9.2 Loans and receivables

The breakdown of financial assets classified in this category is as follows:

(€000)	31 December 2016	31 December 2015
Non-current financial assets		
Deposits extended	705	691
	705	691
Current financial assets		
Trade and other receivables	5,033	5,295
Other credits	108	116
	5,141	5,411
	5,846	**6,102**

Trade and other receivables

The breakdown of “Trade and other receivables” is as follows:

(€000)	31 December 2016	31 December 2015
Trade receivables	4,994	4,890
Other receivables	39	403
Personnel	-	2
	5,033	5,295

Valuation allowances

The balance of “Trade receivables” is presented net of impairment. The changes in impairment losses during the year are as follows:

(€000)	2016	2015
Balance at January 1 (2016) and January 1 (2015)	1,464	1,160
Allowances, net	9	321
Allowances, applied	(19)	-
Amounts used, net	(21)	(17)
Balance at December 31	**1,433**	**1,464**

10. INVENTORIES

The breakdown of “Inventories” by business is as follows:

(€000)	Winemaking	Food	Livestock	Real Estate	Total
31 December 2016					
Merchandise and finished goods	12,836	-	71	-	12,907
Work in progress and semi-finished goods	39,146	5,183	2	-	44,331
Raw materials and other supplies	929	-	3	-	932
Advances	-	3	-	-	3
Valuation allowances	(273)	-	-	-	(273)
	52,638	**5,186**	**76**		**57,900**
31 December 2015					
Merchandise and finished goods	14,149	-	71	-	14,220
Work in progress and semi-finished goods	35,639	4,955	3	-	40,597
Raw materials and other supplies	796	-	2	-	798
Advances	-	6	-	-	6
Valuation allowances	(236)	-	-	-	(236)
	50,348	**4,961**	**76**		**55,385**

“Work in progress and semi-finished goods” includes wines in the aging process and live animals being raised, the marketing of which is estimated to begin from 2017 as follows:

(€000)	31/12/2016	31/12/2015
Inventories in the aging or raising process with a long production cycle:		
Wine	39,146	35,638
Live animals	5,185	4,959
	44,331	**40,597**

Valuation allowances for inventories are primarily the result of the higher production cost than the market price. The movements in “Valuation allowances” are as follows:

(€000)	2016	2015
Balance at January 1 (2016) and 1 (2015)	(236)	(237)
Allowances	(37)	(33)
Amounts used	-	34
Balance at December 31	**(273)**	**(236)**

11. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" is as follows:

(€000)	31/12/2016	31/12/2015
Cash	33	34
Cash in foreign currency (Notes 20,1 and 20,2)	9	9
Demand current accounts	965	4,065
Demand current accounts in foreign currency (Notes 20,1 and 20,2)	331	90
	1,338	**4,198**

Current accounts earn interest at market rates for this type of account, There are no restrictions on use of the balance.

12. EQUITY – CAPITAL AND RESERVES

12.1 Registered capital

The Parent's share capital at December 31, 2016 and 2015 consisted of 5,000 fully subscribed and paid ordinary registered shares of €1 par value each, all of the same class and carrying the same dividend and voting rights.

On May 7, 2015 the Parent Company made a capital increase of 4,995 shares of €1 par value each with a share premium amounting to 90,022 thousand euro in order to acquire the 66,6% of El Enebro, S,A, shares; as mentioned in Note 5.

There are no guarantees, pledges or encumbrances on the shares comprising share capital.

Capital management policy

The primary objective of the Group's capital management policy is to safeguard its capacity to continue managing its on-going activities and continue expanding through new projects, while maintaining an optimal debt to equity ratio to create value for its shareholders.

The Company finances growth through:

- Internally generated cash flows from ongoing business activities.

- Shareholder contributions which could be by equity or new liabilities.

12.2 Restricted reserves

As described above, during 2015 the Company made a capital increase in order to acquire El Enebro, S.A. shares. This capital increase was performed with a share premium amounting to €90,022 thousand.

The Group has further restricted reserves amounting to €2,390 thousand (2015: €2,390 thousand) as follows:

Legal reserve

In accordance with the Capital Enterprises Act of Spain, until the balance of the legal reserve is equivalent to at least 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses if no other reserves are available, This reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase.

The legal reserve held in the Group's Spanish subsidiaries at December 31, 2016 amounted to €372 thousand (2015: €372 thousand), in line with the legal threshold.

Revaluation reserves Royal Decree-Law 7/1996

In accordance with Spanish R.D. Law 7/1996, of June 7, on urgent tax measures and measures to promote and deregulate economic activity, the Group's Spanish companies revalued certain of their property, plant and equipment, assets held under finance leases and land.

The balance of the revaluation reserve, after verification and acceptance by the the taxation authorities, may be used to offset losses or increase the capital of the related company. After 10 years, the balance may be allocated to unrestricted reserves for fully depreciated assets, for the amount depreciated, and/or assets transferred or derecognized.

At December 31, 2016 and 2015, €446 thousand and €688 thousand of this reserve were restricted until the capital gain is realized.

As indicated in Note 7,1, balance sheet revaluations were carried out in 2013 for €1,330 thousand at subsidiary Bodegas y Viñedos Pintia, S,A,U, in accordance with Law 16/2012, of December 27, published on December 28, 2012, adopting certain tax measures to consolidate public finances and promote economic activity. The related reserve is restricted.

12.3 Treasury shares

Changes in "Treasury shares" in the year are as follows:

(€000)	2016	2015
Balance at January 1 (2016) or 1 (2015)	39,434	6,432
Acquisitions in the year	-	33,002
Balance at December 31	**39,434**	**39,434**

In 2015, a total of 41,433 El 'Enebro, S.A. shares, representing 13,38% of share capital, were acquired by the company free of charges and encumbrances, at a price of €796,50 per share. The acquisition was made in two tranches, 1,33% in July 2015, and 12,05% in November 2015.

As a result, at December 31, 2016 and 2015 the El Enebro, S.A. held 50,064 of its own shares as treasury shares, representing 16,17% of its share capital. Its final destination is to be amortized.

A total of 37,289 treasury shares were pledged in guarantee of the syndicated loan arranged on October 15, 2015 (see Note 17.1).

13. GRANTS AND DONATIONS

The movements in non-refundable capital grants received from official bodies are as follows:

(€000)	Balance at January 1	Additions	Tax effect of additions	Amounts transferred to the income statement	Tax effect of transfers	Translation adjustments	Balance at December 31
2016							
Non-refundable grants	4,221	-	-	(312)	78	(213)	3,774
	4,221						**3,774**
2015							
Non-refundable grants	4,178	-	174	(188)	57	-	4,221
	4,178						**4,221**

In 2010, the construction of a new production warehouse in a winery was completed and used to produce wines for the 2010 harvest. A grant of €3,502 thousand was extended for this investment (40% of an eligible investment of €8,755 thousand) under record number VA/090033/S16 as part of agrarian and food industry aid for diversification in Castilla and León districts affected by the restructuring of the sugar industry (Line S16). The investment was accredited and subsequently verified by the grantor, which considered that the attaching conditions for the grant were fulfilled and accredited.

The Parent's directors consider that the Group has also complied with the attaching conditions for award of the remaining grants not verified by the grantors.

14. PROVISIONS

The changes in "Provisions" in the year are as follows:

(€000)	Balance at January 1	Allowances	Amounts used and paid	Balance at December 31
2016				
Other provisions	49	34	-	83
	49	**34**		**83**
2015				
Other provisions	53	-	(4)	49
	53		**(4)**	**49**

15. FINANCIAL LIABILITIES

15.1 Group

The breakdown of "Financial liabilities" is as follows:

(€000)	31 December 2016			31 December 2015		
	Debt with financial institutions	Derivatives and other	Total	Debt with financial institutions	Derivatives and other	Total
Non-current financial liabilities						
Debts and payables	50,061	42,243	92,304	53,467	56,128	109,595
	50,061	42,243	92,304	53,467	56,128	109,595
Current financial liabilities						
Debts and payables	25,343	17,929	43,272	21,253	17,943	39,196
	25,343	17,929	43,272	21,253	17,943	39,196
	75,404	**60,172**	**135,576**	**74,720**	**74,071**	**148,791**

These amounts are included in the following balance sheet line items:

(€000)	31 December 2016 Debt with financial institutions	Derivatives and other	Total	31 December 2015 Debt with financial institutions	Derivatives and other	Total
Non-current financial liabilities						
Non-current payables	50,061	610	50,671	53,467	617	54,084
Non-current payables to related parties	-	41,633	41,633	-	55,511	55,511
	50,061	42,243	92,304	53,467	56,128	109,595
Current financial liabilities						
Current payables	25,343	43	25,386	21,253	52	21,305
Trade and other payables	-	17,886	17,886	-	17,891	17,891
	25,343	17,929	43,272	21,253	17,943	39,196
	75,404	**60,172**	**135,576**	**74,720**	**74,071**	**148,791**

15.1.1 Debt with financial institutions

The breakdown of "Debt with financial institutions" is as follows:

(€000)	31 December 2016	31 December 2015
Non-current		
Loans with financial institutions	31,335	39,552
Credit lines and facilities with financial institutions	6,129	-
Finance lease payables (Note 8,2)	12,597	13,915
	50,061	53,467
Current		
Loans with financial institutions	8,062	2,007
Credit lines and facilities with financial institutions	15,812	17,805
Finance lease payables (Note 8,2)	1,353	1,344
Accrued interest payable	116	97
	25,343	21,253
	75,404	**74,720**

Loans with financial institutions

The breakdown of "Loans with financial institutions" is as follows:

(€000)	Balance outstanding Current	Non-current	Total	Final maturity	Interest rate
31 December 2016					
Mortgage loans on investment properties	643	2,047	2,690	30.04.2021	Euribor + 0,50%
Banco Santander	29	-	29	03.07.2017	Euribor + 0,60%
Banco Santander	37	421	458	01.08.2021	Euribor + 0,60%
Banesto	70	455	525	01.06.2023	Euribor + 0,60%
Caixa Galicia	491	2,093	2,584	18.02.2022	Euribor + 1,10%
Banco Santander					
Other loans					
Banco Santander syndicated loan	6,000	23,898	29,898	15.10.2020	Euribor + 1,65%
BBVA	792	2,421	3,213	21.07.2020	0,90%
	8,062	**31,335**	**39,397**		

(€000)	Balance outstanding Current	Non-current	Total	Final maturity	Interest rate
31 December 2015					
Mortgage loans on investment properties					
Banco Santander	574	2,646	3,220	30.04.2021	Euribor + 0,50%
Banco Santander	57	29	86	03.07.2017	Euribor + 0,60%
Banesto	36	458	494	01.08.2021	Euribor + 0,60%
Caixa Galicia	65	525	590	01.06.2023	Euribor + 0,60%
Banco Santander	467	2,582	3,049	18.02.2022	Euribor + 1,10%
Other loans					
Banco Santander syndicated loan	(78)	29,824	29,746	15.10.2020	Euribor + 1,65%
BBVA	886	3,488	4,374	21.07.2020	0,90%
	2,007	**39,552**	**41,559**		

Finance costs accrued in 2016 on these loans amounted to €696 thousand (2015: €211 thousand) (Note 19.5).

On October 15, 2015, El Enebro, S,A, arranged a new syndicated loan for €30,000,000, with Banco Santander as the agent bank and Abanca Corporación, BBVA and Bankinter as the remaining banks in the syndicate. The loan matures on October 15, 2020, with an 18-month grace period, and bears interest at the 6-month Euribor rate plus a spread of between 1.25 and 1.65 points. The loan is guaranteed with 37,289 treasury shares acquired in 2015 (Note 13.3).

The breakdown of maturities by nominal amount of loans from financial institutions at December 31 is as follows:

(€000)	2016	2015
2016	-	1,912
2017	8,062	7,994
2018	8,140	7,972
2019	8,140	7,972
2020 and beyond	15,055	23,681
	39,397	**41,183**

<u>Credit facilities and lines</u>

The breakdown of credit policies and facilities with financial institutions is as follows:

(€000)	Amount drawn Current	Non-current	Total	Limit	Maturity	Interest rate
31 December 2016						
Bankinter	2,742	-	2,742	4,000	31.05.2017	Euribor + 1,50%
BBVA	5,752	-	5,752	6,000	23.09.2017	Euribor + 1,50%
Banca March	4,904	-	4,904	5,000	17.03.2018	Euribor + 1,50%
Banco Santander	2,414	-	2,414	5,000	17.03.2017	Euribor + 1,25%
Banco Santander	-	258	258	10,000	25.10.2019	Euribor + 1,15%
Bankinter	-	733	733	3,000	04.03.2020	Euribor + 1,10%
BBVA	-	4,277	4,277	6,000	21.12.2019	Euribor + 1,15%
Banco Santander	-	50	50	3,000	18.12.2019	Euribor + 1,15%
Bankinter	-	811	811	2,000	04.03.2020	Euribor + 1,10%
Bankinter	-	-	-	3,000	04.03.2020	Euribor + 1,10%
	15,812	**6,129**	**21,941**	**47,000**		

(€000)	Amount drawn Current	Non-current	Total	Limit	Maturity	Interest rate
31 December 2015						
Bankinter	3,248		3,248	4,000	4.8.2016	Euribor + 2,00%
BBVA	3,959		3,959	4,000	9.23.2016	Euribor + 1,50%
BBVA	1,889		1,889	2,000	2.12.2016	Euribor + 2,25%
Banca March	5,825		5,824	6,000	3.17.2018	Euribor + 3,00%
Banco Santander	2,885		2,885	3,000	3.17.2016	Euribor + 2,50%
Banco Santander	-	-	-	10,000	10.25.2019	Euribor + 1,15%
Bankinter	-	-	-	4,000	2.12.2017	Euribor + 2,90%
BBVA	-	-	-	6,000	12.21.2019	Euribor + 1,15%
Banco Santander	-	-	-	3,000	12.18.2019	Euribor + 1,50%
Bankinter	-	-	-	2,000	7.12.2017	Euribor + 2,90%
Bankinter	-	-	-	3,000	2.12.2017	Euribor + 2,90%
	17,806	-	**17,805**	**47,000**		

Finance costs accrued in 2016 on these credit facilities and lines amounted to €490 thousand (2015: €759 thousand) (Note 19.5). As the credit facility with Banca March is renewable annually and, accordingly, cancellable in the short term, the Group's directors decided to classify it as current although final maturity is in 2018.

15.1.2 Derivatives and other

The breakdown of financial liabilities classified in this category is as follows:

(€000)	31 December 2016	31 December 2015
Non-current		
Deposits received and advances from lessees	610	617
Payable to related parties	41,633	55,511
	42,243	56,128
Current		
Trade and other payables	3,921	3,895
Payable to associates and related parties	13,965	13,996
Hedging derivatives	-	-
Other financial liabilities	43	52
	17,929	17,943
	60,172	**74,071**

<u>Deposits received and advances from lessees</u>

The annual maturities and nominal amounts of deposits received are as follows:

(€000)	2016	2015
2016	-	279
2017	278	-
2018	-	338
2019 and beyond	332	
	610	**617**

<u>Hedging derivatives</u>

The derivative arranged by the Group expired in 2015. It was not renewed and no similar product was arranged in 2015 or 2016. In 2015 the Group transferred to the income statement an amount of €540 thousand for the effect of the interest rate hedge. The amount was recognized under net finance income/(expense), along with the finance costs attributed to the hedged item.

Payable to related parties

Loans received from related parties at December 31, 2016 relate to the amount payable by the Group to certain former directors of El Enebro S.A. for the acquisition of shares of Eulen, S.A. (Note 10.1). The total amount of the debt in this connection was €80,889 thousand, and at the time of the arrangement of the loans, the Group paid €11,500 thousand. The outstanding amount was instrumented in a number of loans from the former directors maturing in 2020, with a 3-year grace period and bearing annual interest of 5% in the first three years and interest at the Euribor rate plus a spread of 4.5% in the remaining years. As of December 31, 2016 the balance amounts to €55,508 thousand (€69,389 thousand as of December 31, 2015) of which an amount of €13,875 thousand are recorded in the short term (€13,875 thousand in 2015).

The outstanding amount payable at December 31, 2016 was €55,508 thousand (2015: €69,389 thousand), of which €13,875 thousand (2015: €13,875 thousand) was classified as current at December 31, 2016, as it fall dues in 2017. The outstanding amount was instrumented in a number of loans to those directors maturing in 2020, with a 3-year grace period (to 2016) and bearing annual interest of 5% in the first three years and interest at the Euribor rate plus a spread of 4.5% in the remaining years. The breakdown by maturity of the nominal amounts of these loans at December 31 is as follows:

(€000)	31 December 2016	31 December 2015
2016	-	13,875
2017	13,875	13,875
2018	13,875	13,875
2019	13,875	13,875
2020 and beyond	13,883	13,875
	55,508	**69,389**

Trade and other payables

The breakdown of "Trade and other payables" is as follows:

(€000)	31 December 2016	31 December 2015
Suppliers	1,489	1,326
Suppliers, companies accounted for using the equity method	320	624
Other payables	831	1,360
Personnel (salaries payable)	405	402
Advances from customers	876	183
Derivative and other financial liabilities	**3,921**	**3,895**
Current corporation tax payable – foreign	904	338
Other taxation payable	934	857
Other	-	129
Total trade and other payables	**5,759**	**5,219**

15.2 Parent Company

The breakdown of "Financial liabilities" at December 31, is as follows:

	2016			2015		
(€000)	Debt with financial institutions	Derivatives and other	Total	Debt with financial institutions	Derivatives and other	Total
Non-current financial liabilities						
Debts and payables	-	161	161	-	136	136
	-	161	161	-	136	136
Current financial liabilities						
Debts and payables	-	248	248	-	129	129
	-	248	248	-	129	129
		409	**409**		**265**	**265**

These amounts are included in the following lines of the statement of financial position:

(€000)	2016 Debt with financial institutions	2016 Derivatives and other	2016 Total	2015 Debt with financial institutions	2015 Derivatives and other	2015 Total
Non-current financial liabilities						
Non-current payables	-	-	-	-	-	-
Non-current payables to related parties	-	161	161	-	136	136
	-	161	161	-	136	136
Current financial liabilities						
Income tax payable	-	18	18	-	-	-
Trade payables	-	230	230	-	129	129
	-	248	248	-	129	129
	-	**409**	**409**	-	**265**	**265**

Payable to related parties

The non-current related parties' liabilities represent amounts payable to El Enebro, S.A. (Mezqual's subsidiary) for €74 thousand (2015: €50 thousand) and to Directors for €87 thousand (2015: €87 thousand).

Mezqual signed a credit facility agreement at 25th January 2016 with El Enebro which establishes 3% interest rate for the €200 thousand facility.

16. TAXATION

The breakdown of tax assets and tax liabilities at December 31 is as follows:

(€000)	2016	2015
Deferred tax assets (Note 18,2)	1,785	2,192
Public entities, other		
VAT	-	159
Income tax refundable from prior years	-	932
Foreign taxes	-	-
Other	36	47
	36	1,138
	1,821	**3,330**
Deferred tax liabilities (Note 18,2)	(6,099)	(7,261)
Current tax liabilities	(904)	(338)
Public entities, other		
Personal income tax withholdings	(407)	(481)
Social security payable	(104)	(106)
VAT	(364)	-
Foreign taxes	(60)	(25)
Other	-	(245)
	(935)	(857)
	(7,938)	**(8,456)**

In accordance with prevailing legislation in Spain, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed.

The Group is open to inspection of all taxes to which it is liable for the last four years. Due, *inter alia*, to the varying interpretation of prevailing tax legislation, future tax inspection of the years open to inspection could give rise to additional liabilities. In any event, the directors consider that such liabilities would not have a significant effect on the annual financial statements.

16.1 Calculation of income tax expense

El Enebro, S.A., as the principal operating subsidiary in Spain, files income tax for a Group of companies comprising El Enebro, S.A., Bodegas Vega Sicilia, S.A.U., Bodegas y Viñedos Alión, S.A.U., Núcleo de Explotaciones Agropecuarias de León, NEAL, S.A. (merged in 2013 with Valles del Esla, S.A.), El Quexigal, S.A.U. and Bodegas y Viñedos Pintia, S.A.U.

The reconciliation between income tax expense/(income) and the result of multiplying total recognized income and expenses by the tax rates applicable to the principal operating subsidiary in Spain is as follows:

(€000)	Profit/(loss) for the year	Income and expense recognized directly in equity
2016		
Income and expense for the year before tax	12,416	(446)
Tax charge (25% tax rate)	3,104	(112)
Permanent differences	473	25
Deferred tax asset not recognised	(131)	-
Effective tax expense/(income)	**3,446**	**(87)**

(€000)	Profit/(loss) for the year	Income and expense recognized directly in equity
2015		
Income and expense for the year before tax	9,839	310
Tax charge (28% tax rate)	2,755	87
Permanent differences	300	66
Deferred tax asset not recognised	74	
Effective tax expense/(income)	**3,129**	**153**

The breakdown of income tax expense/(income) is as follows:

(€000)	2016 Profit/(loss) for the year	2016 Recognized directly in equity	2015 Profit/(loss) for the year	2015 Recognized directly in equity
Current tax – foreign tax	4,025		4,019	
Deductions				
Applied in the year	(524)			
Generated and pending application	408		(524)	
Changes in deferred taxes	(463)	(87)	(366)	153
	3,446	**(87)**	**3,129**	**153**

Income tax payable was calculated as follows:

(€000)	2016	2015
Current tax – foreign tax	4,025	4,019
Payments on account	(3,121)	(3,681)
Income tax payable (refundable)	**904**	**338**

16.2 Deferred tax assets and liabilities

The movements in items composing "Deferred tax assets" and "Deferred tax liabilities" are as follows:

(€000)	Balance at January 1	Other changes	Changes reflected in Profit/(loss) for the year	Changes reflected in Total equity	Balance at December 31
2016					
Deferred tax assets					
Accelerated depreciation	1,368	-	62	-	1,430
Temporary adjustment to depreciation 2013,2014 (Law 16/2012)	595	-	(22)	-	573
Nondeductible allowances (portfolio, loan losses)	(65)	-	-	-	(65)
Unused deductions	(6)	-	(194)	-	(200)
Hedging transactions	-	-	(116)	-	(116)
Tax inspection adjustment	-	(106)	-	-	(106)
Other	300	1	(10)	(22)	269
	2,192	**(105)**	**(280)**	**(22)**	**1,785**
Deferred tax liabilities					
Tax unrealized gains	135	-	194	-	329
Non-refundable grants	(992)	-	41	69	(882)
Swaps	(90)	-	12	-	(78)
Tax goodwill	(13)	-	(1)	-	(14)
Accelerated tax depreciation	(5,539)	-	637	-	(4,902)
Tax impairment of investments in group companies	(762)	-	204	-	(558)
Other	-	-	6	-	329
	(7,261)	**-**	**1,093**	**69**	**(6,099)**

(€000)	Balance at January 1	Other changes	Changes reflected in Profit/(loss) for the year	Changes reflected in Total equity	Balance at December 31
2015					
Deferred tax assets					
Accelerated depreciation	1,401	-	(33)	-	1,368
Temporary adjustment to depreciation 2013,2014 (Law 16/2012)	595	-	-	-	595
Nondeductible allowances (portfolio, loan losses)	(65)	-	-	-	(65)
Unused deductions	19	(129)	104	-	(6)
Hedging transactions	157	-	-	(157)	-
Other	41	-	259	-	300
	2,148	**(129)**	**330**	**(157)**	**2,192**
Deferred tax liabilities					
Tax unrealized gains	(3)	129	9	-	135
Non-refundable grants	(1,028)	-	98	(62)	(992)
Swaps	(100)	7	3	-	(90)
Tax goodwill	(12)	-	(1)	-	(13)
Accelerated tax depreciation	(6,175)	139	497	-	(5,539)
Tax impairment of investments in group companies	(742)	-	(20)	-	(762)
	8,060	**275**	**586**	**(62)**	**(7,261)**

The Group estimated the tax assets it expects to obtain in the coming years. Based on this estimate, it recognized deferred tax assets related to deductions and deductible temporary differences for which it considered probable that the tax group will generate sufficient future taxable profit.

17 REVENUE AND EXPENSES

17.1 Revenue from operations

The breakdown of revenue from continuing operations by category and geographic market is as follows:

(€000)	2016	2015
Segmentation by category		
Winemaking products	38,819	35,251
Meat, agrarian, livestock and forestry products	4,729	4,700
Lease of properties (Note 8,3)	4,521	4,276
Other	11	2,086
	48,080	**46,313**
By geographical market		
Spain	31,989	31,685
European Union	6,029	6,257
Rest of the world	10,062	8,371
	48,080	**46,313**

17.2 Consumables used and other external expenses

The breakdown of this heading is as follows:

(€000)	2016	2015
Merchandise used		
Purchases	1,133	600
Raw materials and other supplies used		
Purchases	4,813	6,562
Subcontracted work	2,010	1,762
Impairment of merchandise, raw materials and other supplies	34	34
	7,990	**8,958**

17.3 Employee benefits expense

The breakdown of "Employee benefits expense" is as follows:

(€000)	2016	2015
Salaries, wages and similar		
Salaries and wages	8,172	8,602
Termination benefits	80	240
	8,252	8,842
Employee benefits expense		
Social Security payable	1,136	1,092
Other employee benefits expense	210	180
	1,346	1,272
Provisions		
Contributions to retirement benefit insurance (Note 21,1)	58	53
	9,656	**10,167**

17.4 Other operating expenses

"Other operating expenses" includes:

(€000)	2016	2015
Research expenses	1	9
Auditor's remuneration:		
- Audit of the parent company	96	96
- Audit of the group subsidiaries	155	155

17.5 Finance costs

The breakdown of "Finance costs" is as follows:

(€000)	2016	2015
Loans and debts with financial institutions		
Loans (Note 17,1)	696	211
Credit facilities and lines (Note 17,1)	490	759
Finance lease (Note 8,3)	100	144
Interest rate hedge (Note 17,2)	-	540
Loan from former directors (Note 15,2)	2,601	3,483
Other finance expenses	83	-
	3,970	5,137

18 LONG-TERM EMPLOYEE BENEFITS

Defined contribution plans

The contribution to retirement benefit insurance in 2016 amounted to €58 thousand (2015: €53 thousand) (Note 19.3).

19 RELATED PARTY TRANSACTIONS

Related parties with which the Group carried out transactions in the 2016 and 2015 and the nature of the relationship are as follows:

	Nature of the relationship
Instituto Eulen de Formación, S,A,	Related party - Common shareholders with those of the Parent
Eulen, S,A,	Related party - Common shareholders with those of the Parent
Eulen México, S,A, de C,V,	Related party - Common shareholders with those of the Parent
Eulen Seguridad, S,A,	Related party - Common shareholders with those of the Parent
Euelen Servicios Sociosanitarios, S,A,	Related party - Common shareholders with those of the Parent
Flexiplan ETT, S,A,	Related party - Common shareholders with those of the Parent
P,R,O,I,N,S,A,	Related party - Common shareholders with those of the Parent
Administrators	Directors
Senior management	Managers

Related party transactions relate to the Group's normal trade operations and are carried out on an arm's length basis, similar to transactions with unrelated parties.

19.1 Related parties

Balances with related parties are as follows:

(€000)	Related parties 2016	2015
Current and Non-current payables to related parties	(55,508)	(69,389)
Trade receivables	72	157
Suppliers	(320)	(617)

Related party transactions in the year were as follows:

(€000)	Related parties 2016	2015
Sales	286	4,767
Services rendered	574	-
Sale of assets	3	3
Finance expenses	(2,601)	(3,483)
External services	(2,092)	(2,333)

19.2 Directors and senior management

Salaries and wages paid in the year to directors and senior management amounted to €886 thousand and €180 thousand, respectively (2015: €1,176 thousand and €180 thousand, respectively). Remuneration paid to directors for discharging their duties amounted to €1,150 thousand (2015: €1,150 thousand). Meanwhile, the Chairman had the use of two homes in 2015 considered remuneration in kind amounting to €51 thousand). The emoluments of the highest paid director amounted to €357 thousand (2015: €644 thousand).

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Based on its risk management policies, the Group has established a series of procedures and controls that make it possible to identify, measure, and manage the risks arising from financial instrument activity.

Financial instrument activity exposes the Group to credit, market, and liquidity risk.

20.1 Credit risk

Credit risk arises when there is a possible loss caused by the counterparty not meeting its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established time frame.

The maximum exposure to credit risk at December 31 is as follows:

(€000)	2016	2015
Non-current investments	705	693
Trade and other receivables	5,033	6,021
Current investments	108	116
	5,846	6,830

Of these balances in 2016, €705 thousand (2015: €693 thousand) related to deposits at public agencies of guarantees received in respect of leases (Note 8.2) and €36 thousand (2015: €1,338 thousand) to a receivable from the general government. Accordingly, credit risk from operating activities is concentrated in trade and other receivables, amounting to €4,997 thousand in the year (2015: €5,295 thousand), The breakdown of the concentration of credit risk by customer counterparty of trade and other receivables at December 31 is as follows:

	2016		2015	
(€000)	Number of customers	Amount	Number of customers	Amount
With a balance of more than €100 thousand	13	3,292	11	2,556
With a balance between €100 thousand and €50 thousand	16	1,060	7	548
With a balance between €50 thousand and €10 thousand	46	1,057	45	965
With a balance between €10 thousand and €1 thousand	290	909	312	1,007
With a balance of less than €1 thousand	421	116	365	1,683
	786	6,434	740	6,759
Valuation allowance (Note 10.2)		(1,433)		(1,464)
		4,997		5,295

20.2 Market risk

Market risk is the risk of loss caused by fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. Market risk comprises interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk of loss caused by fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its creditor positions in mortgage loans and long-term finance leases, and from credit facilities and lines with financial institutions, the interest rates of which are indexed to the Euribor rate.

To hedge against fluctuations of long-term interest rates, the Group arranged an interest rate swap, which expired in 2015 and was designated as a hedge of payables to financial institutions for mortgage loans and finance leases.

Foreign currency risk

Foreign currency risk is the risk of loss caused by fluctuations in the fair value or cash flows of a financial instrument because of changes in foreign exchange rates. The Group's exposure to foreign currency risk is due mainly to the net investment in the Hungarian subsidiary, which at December 31 2016 amounted to €9,946 thousand (2015: €9,664 thousand).

At December 31, 2016 and 2015 the Group did not have currency hedges on its foreign currency balances.

20.3 Liquidity risk

Liquidity risk is the risk that the Group will have a shortage of funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Group's objective is to maintain sufficient available funds.

The Group obtains funding through mortgage loans, finance lease arrangements and credit facilities with financial institutions, the undrawn balance of which at December 31, 2016 stood at €25,059 thousand (2015: €29,195 thousand).

21 EMPLOYEE INFORMATION

	Average number of employees in the year	Average number of employees in the year
	2016	**2015**
Directors and senior management	3	3
Other managers	10	10
Administrative staff	15	27
Direct personnel	4	1
Technicians and supervisors	10	10
Specialists and unskilled laborers	88	92
Laborers and grape pickers	30	28
	160	**171**

22 SEGMENT INFORMATION

The operating segments identified by the Group are real estate, winemaking and other activities, which include, *inter alia*, the meat business. No material inter-segment transactions take place requiring criteria to be established for setting inter-segment transfer prices. The sales breakdown by geographic area shown in Note 19.1 illustrates that virtually all sales made outside of Spain involve the winemaking segment.

The following table presents the components representing 10% or more of total segment revenue, including inter-group and external sales:

	Segments				
€000	**Real Estate**	**Winemaking**	**Other**	**Adjustments and eliminations**	**Total**
Revenue	6,489	40,755	4,739	(3,903)	48,080
Supplies	-	(6,310)	(3,511)	1,831	(7,990)
Personnel expenses	(1,557)	(6,540)	(1,202)	-	(9,299)
Amortization and depreciation	(1,477)	(6,128)	(365)	-	(7,970)
Other expenses	(3,778)	(5,215)	(766)	-	(9,759)
Losses, impairment and changes in provisio	974	322	4	2,072	3,372
Operating profit/(loss)	651	16,814	(1,101)	-	16,364
Finance income	4,677	3,036	6	(7,659)	60
Finance expenses	(3,739)	(210)	(138)	143	(3,944)
Other expenses	-	-	-	559	559
Profit before tax	913	16,633	(1,232)	(6,957)	12,357
Segment assets	131,172	116,025	10,488	-	257,685
Segment liabilities	(122,456)	(10,520)	(6,653)	-	(139,629)
Net cash flows	142	(2,439)	(627)	-	(2,924)
Acquisitions of non-current assets in the year	566	6,395	174	-	7,135

23 EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders of the parent by the number of ordinary shares outstanding.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders of the parent by the average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive share options into ordinary shares. The Group did not carry out any transactions that led to a difference between basic and diluted earnings per share.

Earnings per share	Euros 2016	2015
Earnings per share from continuing operations		
- basic and diluted, for profit for the year attributable to ordinary shareholders of the parent	1,427	1,049

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Thousand euros 2016	2015
Net profit attributable to ordinary shareholders of the parent from continuing operations	7,134	5,244
Result attributable to ordinary shareholders of the parent from discontinued operations	-	-

	Shares 2016	2015
Weighted average number of ordinary shares for basic and diluted earnings per share	5,000	5,000