GREENALIA, S.L. (formerly, Grupo García Forestal, S.L.) AND SUBSIDIARIES

Consolidated Financial Statements at 31 December 2016
and Consolidated Directors' Report for 2016

oGREENALIA, S.L. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015
(Expressed in Euros)

ASSETS	Note	2016	2015
A) Non-current assets		**6,993,552**	**5,150,461**
I. Intangible assets	**5**	**735,602**	**655,628**
1. Goodwill		63,603	-
2. Other intangible assets		671,999	655,628
II. Property, plant and equipment	**6**	**3,843,459**	**2,264,817**
1. Land and buildings		235,694	235,694
2. Plant and other items of property, plant and equipment		2,367,377	1,433,090
3. Property, plant and equipment in the course of construction and advances		1,240,388	596,033
IV. Non-current financial assets	**7, 8**	**2,361,606**	**2,196,798**
1. Equity instruments		780,838	732,003
2. Loans to third parties		1,580,142	1,458,669
3. Other financial assets		626	6,126
V. Deferred tax assets	**13**	**52,885**	**33,218**
1. Deferred tax assets		52,885	33,218
B) Current assets		**10,122,310**	**10,504,438**
I. Inventories	**9**	**2,033,723**	**2,887,483**
1. Goods held for resale		1,616,980	2,392,730
2. Raw materials and other supplies		-	13,253
4. Advances to suppliers		416,743	481,500
II. Trade and other receivables	**7, 8**	**4,792,664**	**5,571,836**
1. Trade receivables for sales and services		4,371,589	4,991,972
2. Sundry accounts receivable		-	18,808
3. Current tax assets		162,851	114,305
4. Other accounts receivable from public authorities		258,224	446,751
IV. Current financial assets	**7, 8**	**1,680,584**	**501,496**
1. Loans to third parties		253,026	175,385
2. Other financial assets		1,427,558	326,111
V. Current prepayments and accrued income		**26,629**	**22,803**
VI. Cash and cash equivalents	**10**	**1,588,710**	**1,520,820**
1. Cash		1,588,710	1,520,820
Total assets (A + B)		**17,115,862**	**15,654,899**

oGREENALIA, S.L. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015
(Expressed in Euros)

EQUITY AND LIABILITIES	Note	2016	2015
A) Equity		**1,966,105**	**1,916,608**
A-1) Shareholders' equity	**11**	**1,420,727**	**1,341,751**
I. Share capital		**307,206**	**307,206**
1. Registered share capital	a)	307,206	307,206
II. Share premium	b)	**514,415**	**514,415**
III. Reserves	c)	**520,130**	**114,478**
1. Legal and bylaw reserves		19,805	163
2. Other reserves		500,325	114,315
VI. Profit for the year	d)	**78,976**	**405,652**
A-2) Grants, donations or gifts and legacies received	e)	**72,666**	**42,538**
A-3) Non-controlling interests	f)	**472,712**	**532,319**
B) Non-current liabilities		**5,772,632**	**5,827,111**
I. Non-current payables	**7, 12**	**5,704,819**	**5,767,078**
1. Bank borrowings		2,557,549	2,536,853
2. Obligations under finance leases		9,686	21,906
3. Other financial liabilities		3,137,584	3,208,319
II. Deferred tax liabilities	**13**	**67,813**	**60,033**
C) Current liabilities		**9,377,125**	**7,911,180**
I. Current payables	**7, 12**	**5,908,104**	**4,468,192**
1. Bank borrowings		5,326,782	3,963,075
2. Obligations under finance leases		2,612	17,640
3. Other financial liabilities		578,710	487,477
II. Trade and other payables	**7, 12**	**3,469,021**	**3,442,555**
1. Payable to suppliers		2,333,121	2,699,966
2. Sundry accounts payable		580,663	566,199
3. Staff costs		13,762	-
4. Current tax liabilities			103,318
5. Other accounts payable to public authorities		44,475	60,572
6. Customer advances		497,000	12,500
III. Current accrued expenses and deferred income		**-**	**433**
Total equity and liabilities (A + B + C)		**17,115,862**	**15,654,899**

GREENALIA, S.L. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(Expressed in Euros)

	Note	2016	2015
A) Continuing operations:			
1. Revenue:	**14**	**29,668,980**	**29,747,761**
a) Sales		26,762,516	28,238,908
b) Services rendered		2,906,464	1,508,853
2. Changes in inventories of finished goods and work in progress		**-**	**21,230**
3. In-house work on non-current assets		**26,560**	**-**
4. Procurements:	**14**	**(23,103,111)**	**(22,238,298)**
a) Cost of goods held for resale used		(19,732,362)	(19,075,050)
b) Cost of raw materials and other consumables used		(485,805)	(612,452)
c) Work performed by other companies		(2,884,944)	(2,550,796)
5. Other operating income:		**178,744**	**246,467**
a) Non-core and current operating income		178,744	246,467
6. Staff costs:	**14**	**936,779**	**858,250**
a) Wages, salaries and similar payments		(669,335)	(690,801)
b) Employee benefit costs		(267,444)	(167,449)
7. Other operating expenses		**(4,828,097)**	**(5,774,933)**
a) Outside services		(4,775,748)	(5,716,361)
b) Taxes other than income tax		(42,558)	(22,730)
c) Losses on, impairment of and change in allowances for trade receivables	**8**	(9,791)	(35,842)
d) Other current operating expenses		-	-
8. Depreciation and amortisation charge	**5, 6**	**(439,627)**	**(289,407)**
a) Amortisation of intangible assets		(166,431)	(101,682)
b) Depreciation of property, plant and equipment		(273,196)	(187,725)
9. Allocation to profit or loss of grants related to non-financial non-current assets and other grants	**11**	**31,649**	**15,468**
10. Impairment and gains or losses on disposal of non-current assets		**83,403**	**349,706**
a) Gains or losses on disposals and other		83,403	349,706
11. Other losses		**(32,054)**	**(18,253)**
a) Extraordinary income		3,651	4,636
b) Extraordinary expenses		(35,705)	(22,889)
A.1) PROFIT FROM OPERATIONS (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11)		**649,668**	**1,201,491**
12. Finance income:		**63,165**	**111,138**
a) From marketable securities and other financial instruments		63,165	111,138
1) From third parties		63,165	111,138
13. Finance costs		**(523,352)**	**(486,798)**
a) On debts to third parties		(523,352)	(486,798)
14. Impairment and gains or losses on disposals of financial instruments		**-**	**6,749**
a) Impairment and other losses		-	6,749
A.2) FINANCIAL LOSS (12 + 13 + 14)		**(460,187)**	**(368,911)**
A.3) PROFIT BEFORE TAX (A.1 + A.2)		**189,481**	**832,580**
15. Income tax	**15**	**(51,951)**	**(263,594)**
A.4) PROFIT FOR THE YEAR (A.3 + 15)		**137,530**	**568,986**
Profit attributable to the Parent		**78,976**	**405,652**
Profit Attributable to non-controlling interests		**58,554**	**163,334**

GREENALIA, S.L. AND SUBSIDIARIES

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(Expressed in Euros)

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(Expressed in Euros)

	Note	2016	2015
A) Profit per income statement		**137,530**	**568,986**
I. Grants, donations or gifts and legacies received		66,851	85,817
II. Tax effect		(15,513)	(21,454)
B) Total income and expense recognised directly in equity	**14**	**51,338**	**64,363**
I. Grants, donations or gifts and legacies received		(31,649)	(15,468)
II. Tax effect		4,278	4,278
C) Total transfers to profit or loss	**14**	**(27,371)**	**(11,190)**
TOTAL RECOGNISED INCOME AND EXPENSE (A + B + C)		**161,497**	**622,159**
Total income and expense attributable to the Parent		**109,104**	**448,190**
Total income and expense attributable to non-controlling interests		**52,393**	**173,969**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015 (Expressed in Euros)

	Share Capital	Share Premium	Reserves	Profit for the Year	Non-Refundable Grants	Non-Controlling Interests	Total
Adjusted balance at 13 August 2015	**2,615,369**	**514,415**	**-**	**206,130**	**-**	**-**	**3,335,914**
I. Total recognised income and expense	-	-	-	405,652	42,538	173,969	622,159
II. Transactions with shareholders or owners	(2,308,163)	-	(91,652)	-	-	358,350	(2,041,465)
III. Other changes in equity		-	206,130	(206,130)	-	-	-
B. 2015 ENDING BALANCE	**307,206**	**514,415**	**114,478**	**405,652**	**42,538**	**532,319**	**1,916,608**
I. Total recognised income and expense	-	-	-	78,976	30,128	52,393	161,497
II. Transactions with shareholders or owners - dividends	-	-	-	-	-	(112,000)	(112,000)
III. Other changes in equity	-	-	405,652	(405,652)			-
C. 2016 ENDING BALANCE	**307,206**	**514,415**	**520,130**	**78,976**	**72,666**	**472,712**	**1,966,105**

GREENALIA, S.L. AND SUBSIDIARIES

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015
(Expressed in Euros)

A) CASH FLOWS FROM OPERATING ACTIVITIES	Note	2016	2015
1. Profit for the year before tax.		**189,481**	**832,581**
2. Adjustments to profit.		**794,553**	**328,986**
a) Depreciation and amortisation (+).	**5, 6**	439,627	289,407
b) Impairment losses (+/-).	**8**	9,791	35,842
c) Allocation of grants to profit or loss (-)		(31,649)	(15,468)
d) Gains/losses on derecognition and disposals of non-current assets (+/-).		(83,403)	(349,706)
e) Gains/losses on derecognition and disposals of financial instruments (+/-).		-	(6,749)
f) Finance income (-).		(63,165)	(111,138)
g) Finance costs (+).		523,352	486,798
3. Changes in working capital.		**1,653,245**	**881,008**
a) Inventories (+/-).		853,760	(315,817)
b) Trade and other receivables(+/-).		901,228	308,993
c) Trade and other payables (+/-).		(101,743)	887,832
4. Other cash flows from operating activities.		**(588,396)**	**(547,998)**
a) Interest paid (-).		(523,352)	(486,798)
c) Interest received (+).		63,165	111,138
c) Income tax recovered (paid) (+/-)		(128,209)	(172,338)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		**2,048,883**	**1,494,577**
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Payments due to investments (-).		**(3,521,601)**	**(3,174,993)**
a) Total Group companies, associates and related companies.		(1,343,895)	(729,564)
b) Intangible assets.	**5**	(183,282)	(301,455)
c) Property, plant and equipment.	**6**	(1,994,424)	(1,591,711)
d) Other financial assets.		-	(552,263)
7. Proceeds from disposals (+).		**228,092**	**1,045,592**
a) Property, plant and equipment.		228,092	1,045,592
8. Cash flows from investing activities (7-6)		**(3,293,509)**	**(2,129,401)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Proceeds and payments relating to equity instruments.		**(65,136)**	**85,817**
a) Dividends paid (-).		(112,000)	**-**
b) Grants, donations or gifts and legacies received (+).		46,864	85,817
10. Proceeds and payments relating to financial liabilities.		**1,377,652**	**208,427**
a) Issues		1,377,652	1,693,785
1. Bank Borrowings (+).		*1,384,403*	*1,670,681*
2. Other borrowings (+).		*(6,751)*	*23,104*
b) Repayment		-	(1,485,358)
1. Bank borrowings (-).		-	*(1,485,358)*
11. Cash flows from financing activities (+/-9+/-10)		**1,312,516**	**294,244**
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-11+/-D)		**67,890**	**(340,580)**
Cash and cash equivalents at beginning of year.	**10**	1,520,820	1,861,400
Cash and cash equivalents at end of year.	**10**	1,588,710	1,520,820

GREENALIA, S.L. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2016

1. Subsidiaries

1.1 Parent

Greenalia, S.L. (hereinafter, "the Company" or "the Parent") was incorporated on 13 December 2013 as a limited liability company under the name Grupo García Forestal, S.L., which was changed to Greenalia, S.L. on 2 September 2016. Its company object is the acquisition and disposal of shares and ownership interests of all manner of companies, as well as financing investee companies, providing them with the management support services they require in order to properly manage and administer their business, either through Company staff or third parties.

The Group's object is the purchase and sale, import, export, manufacture and general processing of all types of wood, as well as its transport.

The Company's registered office was located at Avda. Zumalacárregui, 35, piso bajo, Cedeira, A Coruña. On 2 September 2016, the Company changed its registered office to Plaza de María Pita, 10 planta 1ª, A Coruña.

In 2014 the shareholders of Greenalia, S.L. agreed to restructure the group in order to adopt an organisational structure separating the Company's various activities. Thus, on 13 August 2014, a group was incorporated in the sense of Article 42 of the Spanish Commercial Code [*Código de Comercio*]. These decisions were adopted by the shareholders in the General Meeting and filed at the Mercantile Registry of A Coruña and qualify for the special tax regime provided for in Chapter VIII, Title VII of Royal Legislative Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Act [*Texto Refundido de la Ley del Impuesto sobre Sociedades*].

The company is the parent of the Group and files its consolidated financial statements at the Mercantile Registry of A Coruña. 2014 was the first year that the Company filed consolidated financial statements.

For the purpose of preparing these consolidated financial statements, a group is considered to exist when the parent has one or more subsidiaries over which this parent has a direct or indirect control. The accounting principles applied in preparing the Group's consolidated financial statements are detailed in Note 3.1.

The transactions performed in 2015 were as follows:

- Partial spin-off in Greenalia, S.L. in which all of the shares of García Forestal Gestión del Patrimonio, S.L. were spun-off to a non-investee company of Greenalia, S.L. As a result of this transaction, the share capital of Grupo García Forestal was reduced by EUR 798,075.

- The share capital of Greenalia Forest, S.L. was increased through the non-monetary contribution of the shares of Greenalia, S.L. owned by José García López. 342,083 Greenalia, S.L. shares amounting to EUR 590,891 were contributed, creating 1,881 new Greenalia Forest, S.L. shares, of EUR 60.10 par value each and applying a share premium of EUR 477,843.

- Greenalia, S.L. acquired treasury shares that it retired through a capital reduction of EUR 1,510,088, decreasing reserves by an additional EUR 718,545 and recognising a net financial effect in relation to the implicit interest on the transaction amounting to EUR 394,350.

All of the above-described transactions where subject to the special regime for mergers, spin-offs, asset contributions, share exchanges and change of registered office of a European company or a European cooperative entity from one EU Member State to another EU Member State established in Chapter VII of Title VII of Spanish Law 27/2014, of 27 March, on Spanish Corporation Tax [*Ley de Impuesto sobre Sociedades*].

The competent authorities were notified that the aforementioned transactions qualified for the Special Tax Neutrality Regime.

1.2 Subsidiaries

Subsidiaries are all of the entities, including special purpose vehicles, over which the Group has or may have, directly or indirectly, control, which is understood as the power to govern the financial and operating policies of a business so as to obtain economic benefits from its activities. When assessing whether the Group controls another entity, the existence and effect of any potential voting rights that may be exercised or converted are taken into account. Subsidiaries are consolidated from the date on which control passes to the Group, and are excluded from consolidation on the date on which control ceases to exist.

The detail of the Group's subsidiaries at 31 December 2016 is as follows:

Company	Registered Office	Ownership Interest		Share Capital	Reserves	Profit/(Loss) for the year	Other items
		Direct	Indirect				
GREENALIA FOREST, S.L	Plaza de María Pita, nº 10 planta 1ª A Coruña	80.00%	-	565,241	1,441,897	292,772	63,651
GREENALIA INDUSTRY, S.L.U.		100.00%	-	1,130,000	-	(1,295)	-
GREENALIA POWER, S.L.U.		100.00%	-	580,000	-	-	-
GREENALIA WIND POWER, S.L.U.		-	100.00%	520,000	(65,234)	(5,354)	-
GREENALIA LOGISTICS, S.L.U		100.00%	-	312,500	(128,700)	121,226	106,479
GREENALIA WOODCHIPS, S.L.U		-	100.00%	430,000	(10,906)	(46,991)	-
GREENALIA HEATING, S.L.U		100.00%	-	3,000	(1,939)	178	-

The changes in the scope of consolidation in 2016 were as follows:

On to September 2016, the Parent incorporated Greenalia Industry, S.L. through the contribution of shares of Greenalia Goodchips, S.L.U. and Biomasa Forestal, S.L.

On 27 September 2016, the Parent acquired Greenalia Wind Power, S.L. (formerly, Kaekias Eolicas, S.A.) for EUR 520 thousand and contributed it to Greenalia Power, S.L. on its incorporation the same day.

The detail of the Group's subsidiaries at 31 December 2015 is as follows:

Company	Registered Office	Ownership Interest		Share Capital	Reserves	Profit/(Loss) for the year	Other items
		Direct	Indirect				
GREENALIA FOREST, S.L	Av. Zumalacárregui, 35 bajo - Cedeira. A Coruña	80.00%	-	565,241	1,185,230	816,667	94,456
GREENALIA LOGISTICS, S.L.U		100.00%	-	312,500	23,167	(151,867)	51,706
GREENALIA WOODCHIPS, S.L.U		100.00%	-	343,000	-	(10,906)	-
GREENALIA HEATING, S.L.U		100.00%	-	3,000	248	(2,187)	-

The reasons why these companies are consolidated correspond to the situations included in Article 2 of the Rules for the Preparation of Consolidated Financial Statements that are indicated below:

1. When, in relation to another company (subsidiary), the parent finds itself in one of the following situations:

a) The parent owns the majority of voting rights.
b) The parent has the power to appoint or dismiss the majority of members of the managing body.
c) The parent can control, pursuant to the agreements reached with other shareholders, the majority of voting rights.
d) The parent, exercising its votes, has appointed the majority of the members of the managing body at the time the consolidated financial statements must be prepared and during the two immediately preceding years. This is presumed to be the case when the majority of the members of the investee's managing body are members of the managing body or senior executives of the parent or of another company of which it is the parent.

2. When a parent owns half or less of the voting rights, even when it barely has an ownership interest or does not have an ownership interest in another company, or when the management power has not been specified (special-purpose vehicles), but participates in the risks and rewards of the company, or is able to take part in the decision-making process for operating and financial matters.

The financial year of all the subsidiaries ends on 31 December.

The changes in the scope of consolidation in 2015 were as follows:

- The merger of Greenalia Logistics, S.L. and García Forestal Transportes, S.L. was subject to the special regime for mergers, spin-offs, asset contributions, share exchanges and change of registered office of a European company or a European cooperative entity from one EU Member State to another EU Member State established in Chapter VII of Title VII of Spanish Law 27/2014, of 27 March, on Corporation Tax.

- Partial spin-off in Greenalia, S.L. in which all of the shares of García Forestal Gestión del Patrimonio, S.L. were spun-off to a non-investee company of Greenalia, S.L. As a result of this transaction, the share capital of Greenalia was reduced by EUR 798,075 (Note 1.1).Prior to the transaction Greenalia had subscribed a capital increase at García Forestal Gestión del Patrimonio of EUR 600,000.

- Greenalia WoodChips, S.L.U., was incorporated on 23 January 2015 through the subscription of 3,000 shares of EUR 1 par value each.

2. Basis of presentation of the consolidated financial statements

2.1 Fair presentation

The consolidated financial statements were prepared from the accounting records of Greenalia, S.L. and subsidiaries (hereinafter, the Group) and include the required adjustments and reclassifications to recognise the related timing and measurement unifying entries in accordance with the accounting methods adopted by the Group.

These consolidated financial statements are presented in accordance with Spanish corporate law in force, codified in the Spanish Commercial Code amended in accordance with Spanish Law 16/2007, of 4 July, reforming and adapting Spanish corporate law on accounting matters for international harmonisation based on European Union regulations, Royal Decree 1514/2007, of 20 November, approving the Spanish National Chart of Accounts and Royal Decree 1159/2010, of 17 September approving the rules for the preparation of consolidated financial statements and its subsequent amendments (including Royal Decree 602/2016), in all matters that do not contravene the provisions of the aforementioned corporate law reform, to present fairly the Group's equity, financial position and results, as well as the accuracy of the cash flows included in the statement of cash flows.

2.2 Non-obligatory accounting principles

No non-obligatory accounting principles were applied.

2.3 Key issues in relation to the measurement and estimation of uncertainty

The preparation of the financial statements requires that the Group use certain estimates and judgements with respect to the future that are continuously evaluated and that are based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the current circumstances.

The resulting accounting estimates, *per se*, rarely match the corresponding outcomes in real life, however, the Company's Sole Director considers that there are no significant accounting estimates that could give rise to material adjustments to the carrying amounts of the assets and liabilities in the coming year.

Income tax

The legal situation of the tax legislation applicable to the Group means there are estimated calculations and a final quantification for tax that are uncertain. Tax is calculated based on Management's best estimate according to the legal situation of the tax legislation and taking into account how this situation might change (Note 15).

When the taxable profit (tax loss) is different than the amounts initially recognised, the related tax effect is recognised in the year in which such determination is made.

The useful lives of property, plant and equipment and intangible assets

These estimates relate to the useful lives of property, plant and equipment (Note 3.3) and intangible assets (Note 3.2).

<u>Recoverability of trade receivables</u>

Management periodically assesses the recoverability of the Group's trade receivables. The Parent's Sole Director considers that the risk is low given that the Company works with a small number of customers who do not have a significant history of default. The Group does not have significant balances receivable that are more than one year old that have not been provisioned.

2.4 Comparative information

The information relating to 31 December 2016 included in these notes to the consolidated financial statements is presented for comparison purposes with that relating to 31 December 2015.

2.5 Grouping of items

In order to facilitate comprehension of the balance sheet, the income statement, the statement of changes in equity and the statement of cash flows, certain items included in these financial statements have been presented grouped together, with the required analysis included in the corresponding notes to the financial statements.

2.6 Changes in accounting policies

There were no significant changes in accounting policies in 2016.

2.7 Correction of errors

In preparing the accompanying consolidated financial statements no significant errors were detected that would have made it necessary to restate the amounts from prior years.

3. Accounting policies and measurement bases

3.1 Subsidiaries

<u>Acquisition of control</u>

Acquisition by the parent (or another Group company) of control of a subsidiary constitutes a business combination that is recognised in accordance with the acquisition method. The acquisition cost is the fair value of the assets acquired, of the equity instruments issued and of the liabilities incurred or assumed at the date of exchange, the fair value of any additional consideration that depends on future events (provided that it is probable and can be measured reliably) plus any costs directly attributable to the acquisition.

The excess, on the date of acquisition, of the cost of the business combination, over the proportional part of the value of the identifiable assets acquired less the liabilities assumed representing the ownership interest in the company acquired is recognised as goodwill.

<u>Consolidation method</u>

The assets, liabilities, income and expense, cash flows and other items in the Group's financial statements are fully consolidated in the Group's consolidated financial statements. This method requires the following:

1. Reporting date uniformity. The consolidated financial statements are prepared on the same date and for the same period as the financial statements for the company that must be consolidated. Companies whose balance sheet date differs are included through interim financial statements at the

same date and for the same period as the consolidated financial statements.

2. Valuation uniformity. The assets, liabilities, income and expenses and other items in the financial statements for the Group companies were measured following uniform methods. Assets, liabilities, income or expenses that have been measured using criteria that are not consistent with those used on consolidation have been measured again, making the necessary adjustments, for the sole purpose of consolidation.

3. Aggregation. The various items in the individual financial statements — previously standardised — are aggregated according to their nature.

4. Investment-equity elimination. The fair values representing the equity instruments of the subsidiary owned, directly or indirectly, by the Parent, are offset with the proportional part of the equity items of the aforementioned subsidiary attributable to the said ownership interests, generally, based on the values obtained from applying the acquisition method described above. On consolidation in years following the acquisition of control, the excess or lack of equity generated by the subsidiary from the date of acquisition attributable to the parent is recognised on the consolidated balance sheet under reserves or valuation adjustments based on its nature. The portion attributable to non-controlling interests is recognised under "Non-Controlling Interests".

5. Elimination of intragroup items. All receivables, payables, income, expenses and cash flows between Group companies are eliminated. Likewise, all results arising from internal transactions are eliminated and deferred until they are performed vis-à-vis third parties unrelated to the Group.

<u>Change in ownership interest without loss of control</u>

Once control of the subsidiary is obtained, the subsequent transactions that give rise to a change in the Parent's ownership interest in the subsidiary, without loss of control, are treated as a treasury share transaction in the consolidated financial statements, and the following rules apply:

a) Neither the amount of goodwill or negative difference recognised nor the other assets and liabilities recognised are changed;

b) The profit or loss recognised in the individual financial statements is eliminated on consolidation, and the corresponding adjustment is made to the reserves of the company whose ownership interest is reduced;

c) “Valuation Adjustments" and "Grants, Donations or Gifts and Legacies Received" are adjusted to reflect the Group companies' share of the subsidiary.

d) Non-controlling interests in the equity of the subsidiary will be recognised based on the percentage of ownership that third parties unrelated to the Group hold in the subsidiary once the transaction is performed, including the share in the goodwill recognised in the consolidated financial statements associated with the change made;

e) The adjustment necessary based on points a), b) and c) above will be recognised under reserves.

3.2 Intangible assets

a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess, on the date of acquisition, of the cost of the business combination over the proportional part of the fair value of the identifiable assets acquired less that of the liabilities assumed representing the ownership interest in the company acquired.

At the date of acquisition, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination on which the aforementioned goodwill arose.

At the date of initial recognition, goodwill is measured in accordance with that indicated in Note 3.1. After initial recognition, goodwill is measured at cost less any accumulated depreciation and any recognised accumulated impairment losses. The useful life is determined separately for each of the cash-generating units to which it has been allocated and is estimated to be 10 years (unless proven otherwise). At least annually, the Company tests the cash-generating units to which goodwill has been assigned for impairment and, if there are indications of impairment, its possible impairment is verified.

Impairment losses recognised for goodwill must not be reversed in a subsequent periods.

b) Computer software

Licences for computer software acquired from third parties are capitalised on the basis of the costs incurred to acquire and prepare the licences to use the specific program. These costs are amortised over their estimated useful lives (4 years).

The expenses related to maintaining the computer programs are recognised when they are incurred. The costs directly related to producing unique, identifiable computer programs controlled by the Company, and that are likely to generate economic benefits that will exceed their costs for more than one year, are recorded as intangible assets. These direct costs include the staff costs for the computer program developers and a proportional percentage of general expenses.

The development costs of computer programs recorded as assets are amortised over their estimated useful lives (which do not exceed 4 years).

3.3 Property, plant and equipment

Property, plant and equipment is recognised at its acquisition or production cost less any accumulated depreciation and recognised accumulated impairment losses.

In-house work on non-current assets is calculated by adding the acquisition cost of the consumables and the direct or indirect costs allocable to the said assets.

Costs incurred to expand, modernise or improve items of property, plant and equipment that increase the capacity or productivity or extend the useful life of the asset are capitalised as part of the cost of the related asset, provided that the carrying amount of the assets replaced and derecognised from inventories is known or can be estimated.

Major repair costs are capitalised and depreciated over their estimated useful life, while maintenance expenses are charged to the income statement in the year in which they are incurred.

The depreciation of property, plant and equipment, with the exception of land that does not depreciate, is calculated systematically, using the straight-line method, on the basis of the estimated useful life, based on the actual decline in value caused by their use and by wear and tear. The estimated useful lives are:

	Years of estimated useful life
Buildings	33
Machinery	8
Tools	10 - 2.5
Furniture	10 - 4
Computer hardware	4
Other items of property, plant and equipment	8 - 338.33
Transport equipment	10 - 2.5

The residual value and useful life of the assets is reviewed, adjusting them if necessary, on each balance sheet date.

If an asset's carrying amount is greater than its estimated recoverable value, its value is immediately reduced to its recoverable value (Note 3.5).

Gains and losses on the disposal of property, plant and equipment are calculated by comparing the income obtained from the disposal and the carrying amount that is then recognised in the income statement.

Expenses incurred by a company engaging in the forestry business

Its measurement comprises the acquisition or production cost of the items necessary to prepare land owned by the Company for agricultural operation; this may include, among other items, trunks, roots, grafts, posts and wire fencing to support the vine, etc. and the items that are closely linked to the plantation and are permanent in nature. Costs incurred prior to the first productive harvest, i.e., from the moment the plantation is ready to produce regular income, are capitalised, including, where applicable, the inherent finance costs, however, it may not, under any circumstances, exceed the market price. The value of the agricultural land is not capitalised to the value of the plantation, which is treated as a separate asset.

The amounts allocated to the acquisition of trees must be recognised as property, plant and equipment, in accordance with the criteria described. Likewise, the direct costs incurred prior to the plantation being ready to produce regular income are capitalised to the plantation, and are depreciated when it is ready for operation.

3.4 Borrowing Costs

The finance costs directly attributable to the acquisition or construction of non-current assets that require more than twelve months to be ready for use are added to their cost until they are brought into operating condition.

3.5 Impairment losses on non-financial assets

Assets with undefined useful lives (e.g., goodwill) are not subject to amortisation or depreciations and undergo annual tests for impairment. Assets subject to amortisation or depreciation undergo annual impairment tests whenever an event or change in their circumstances indicates that their carrying amount may not be recoverable. An impairment loss is recognised for the excess of the carrying amount of the asset over its recoverable amount, where the latter is understood as the greater of fair value of the asset less costs to sell and value in use. For the purpose of evaluating their impairment losses, assets are grouped at the lowest level with separate identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered an impairment loss are reviewed at each balance sheet date, to see if the losses have been reversed.

3.6 Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They are considered current assets, except for those maturing within more than 12 months from the balance sheet date, which are classified as non-current assets. Loans and receivables are included under “Loans to Companies” and “Trade and Other Receivables” in the balance sheet.

These financial assets are initially measured at their fair value, including any directly attributable transaction costs, and subsequently at amortised cost, whereby the interest income is recognised on the basis of the effective interest rate, which is considered to be the discount rate that matches the carrying amount of the instrument to all its estimated cash flows until maturity. However, trade receivables maturing within twelve months are measured, both on initial recognition and subsequently, at their nominal value when the effect of not discounting the cash flows is not material.

At least at each reporting date, the necessary impairment losses are taken if there is objective evidence that not all amounts owed will be collected.

The amount of impairment losses on these assets are measured as the difference between their carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate calculated upon initial recognition. Impairment losses and any subsequent reversal are recognised in the income statement.

Held-for-trading financial assets and other financial assets at fair value through profit or loss.

Financial assets classified as at fair value through profit or loss are held-for-trading assets acquired for the purpose of selling them in the short-term or that are part of a portfolio of identified financial instruments that are managed jointly for short-term profit-taking, as well as financial assets thus designated by the Company upon initial recognition because more relevant information will be provided.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. When the net realisable value of the inventories is lower than their cost, the appropriate write-downs will be made and recognised as an expense in the income statement. If the circumstances causing the valuation adjustment no longer exist, the amount is reversed and recorded as income in the income statement.

The cost is determined by using the weighted average cost formula. The cost of finished goods and work in progress includes design costs, raw materials, direct labour, other direct costs, and production overheads (based on the normal capacity of the production facilities). The net realisable value is the estimated selling price of the inventories in the ordinary course of business, less the estimated costs required to make the sale and, in the case of raw materials and work in progress, the costs of completion.

Inventories that require more than a year to be ready for sale, include their finance costs under the same terms as those established for non-current assets (Note 3.4).

3.8 Equity

Share capital is represented by ordinary shares.

The cost of issuing new shares is recognised directly against equity, as a reduction in reserves.

Treasury shares are recognised at the value of the consideration paid, including any directly attributable incremental cost, and are deducted from equity until their redemption, re-issue or disposal. When these shares are sold or are later re-issued, any proceeds received, net of any directly attributable incremental cost of the transactions, is included in equity.

3.9 Financial liabilities

Accounts payable

This heading includes trade payables and non-trade payables. These borrowed funds are classified as current liabilities, unless the Company has the unconditional right to defer settlement at least 12 months after the balance sheet date.

These borrowings are initially recognised at fair value, adjusted by any directly attributable transaction costs, and subsequently recognised at cost using the effective interest method. This effective interest rate is the discount rate that matches the carrying amount of the instrument to its expected future cash flows until the liability matures.

However, trade payables maturing within twelve months where there is no contractual interest rate are measured, both initially and subsequently, at their nominal value when the effect of not discounting the cash flows is not material.

If existing debts are renegotiated, no substantial changes to financial liabilities are considered to exist when the lender of the new loan is the same as the one who arranged the initial loan and the present value of the cash flows, including net fees and commissions, does not differ by more than 10% of the present value of the cash flows payable from the original liability calculated using this same method.

3.10 Grants received

Refundable grants are recognised as liabilities until they meet the conditions to become non-refundable, whereas non-refundable grants are recognised as income directly in equity and are taken to income on a systematic and rational basis in proportion to the expenses arising from the grant.

For these purposes, a grant is considered non-refundable grant when there is a specific agreement relating to the award of the grant, the conditions established for the award of the grant have been met and there are no reasonable doubts as to its effective collection.

Monetary grants are measured at the fair value of the amount received, and non-monetary grants are measured at the fair value of the good received, with both values referring to the moment they were recognised.

Non-refundable grants related to the acquisition of property, plant and equipment and investment property are credited to income for the year in proportion to the depreciation taken on these assets in that year or, if applicable, on disposal of the asset or on the recognition of an impairment loss. On the other hand, non-refundable grants related to specific expenses are credited to income in the same year in which their corresponding expenses are incurred, and those that are issued to offset losses from operations in the year they are granted, unless their purpose is to offset losses from operations in future years, in which case they are allocated to income in those years.

3.11 Current and deferred taxes

The income tax expense (income) is the amount accrued in this connection during the year, comprising both the current and deferred tax expense (income).

Both the current and the deferred tax expense (income) are recognised in the income statement. However, the tax effect related to items that are recognised directly in equity is likewise recognised in equity.

Current tax assets and liabilities are measured according to the amounts expected to be paid to (recovered from) the tax authorities, in accordance with current legislation or legislation approved but pending publication at the end of the reporting period.

Deferred taxes are calculated, in accordance with the balance sheet liability method, based on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts. However, if deferred taxes arise from the initial recognition of an asset or a liability in a transaction other than a business combination that, at the time of the transaction, does not affect either the carrying amount or the taxable base for the tax, they are not recognised. Deferred taxes are determined by applying the regulations and tax rates that have been enacted or substantially enacted by the balance sheet date and that are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is considered probable that future taxable profit will be available against which the temporary differences can be offset.
Deferred taxes are recognised on temporary differences that arise in investments in subsidiaries, associates and joint ventures, except for those cases in which the Group is able to control the moment when the temporary differences are reversed and it is also likely that they will not be reversed in the foreseeable future.

3.12 Employee benefits

Employee termination benefits that might arise as a result of staff restructuring or for other reasons not attributable to the employees are calculated based on years of service. Any related expenses are recognised in the income statement for the year in which they are incurred.

3.13 Other provisions and contingent liabilities

Provisions for environmental restorations, restructuring costs and litigation are recognised when the Group has a present obligation (legal or constructive) as a result of past events, where an outlay of resources will likely be needed to settle the obligation and the amount can be reliably estimated. The provisions for restructuring costs include lease cancellation fees and employee severance pay. No provisions are recognised for future losses from operations.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Adjustments made to provisions due to updates are recognised as finance costs on an accrual basis.

Provisions maturing within one year or less and for which the financial effect is not material, are not discounted.

When the portion of the payment necessary for settling the provision is refunded by a third party, the refund is recognised as an independent asset, as long as it is practically certain to be received.

On the other hand, contingent liabilities are considered to be any obligations arising from past events, the occurrence of which is conditional upon whether one or more future events occur that are beyond the Company's control. These contingent liabilities are not recognised for accounting purposes, but rather are disclosed, where applicable, in the notes to the financial statements.

3.14 Revenue recognition

Revenue is recognised on an accrual basis and at the fair value of the consideration receivable and represents the amounts receivable for the goods and services provided in the Company's normal course of business, net of any refunds, rebates, discounts and value added tax.

The Group recognises revenue when the amount thereof can be reliably measured, when it is likely that the Group will receive future economic benefits and when the specific conditions for each of the activities are met, as detailed below. Income cannot be considered to be reliably measured until all contingencies related to the sale have been resolved. The Group bases its estimates on past results, taking into account the type of customer, type of transaction and specific terms of each agreement.
Interest income is recognised using the effective interest method. When an account receivable suffers an impairment loss, the Group reduces its carrying amount to its recoverable amount, discounting the estimated future cash flows at the financial asset's original effective interest rate, and the discount is maintained as reduction to interest revenue. Interest revenue earned on loans that have suffered impairment loss are recognised using the effective interest method.

3.15 Leases

a) When a Group company is a lessee – Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the start of the lease at the fair value of the leased asset or at the current value of the minimum payments from the lease agreement, whichever is less. In order to calculate the present value, the implicit interest rate from the contract is used, however if this rate cannot be determined, the interest rate the Company uses for similar transactions is used.

Each lease payment is distributed between the liability and the finance charges. The total finance charges are distributed over the term of the lease and are allocated to the income statement for the year in which they are incurred using the effective interest method. Contingent rent is an expense in the year in which it is incurred. The corresponding lease obligations (less finance charges) are recognised under "Obligations Under Finance Leases". Non-current assets acquired under finance leases are depreciated over their useful life or over the term of the lease, whichever is less.

a) When a Group company is a lessee – Operating lease

Leases in which the lessor substantially retains the risks and rewards arising from ownership of the asset are classified as operating leases. Payments relating to operating leases (less any incentives received from the lessor) are charged to the income statement for the year in which they are paid on a straight-line basis during the lease term.

3.16 Related party transactions

In general, transactions between Group companies are recognised initially at fair value. In the event that the price agreed upon in a transaction differs from its fair value, the difference is recognised in accordance with the economic substance of the transaction. The subsequent valuation is made in accordance with the provisions of the corresponding regulation.

Notwithstanding the foregoing, in transactions in which the object is a business, which include ownership interests in the equity that confer control over a company that constitute a business, the Group follows the following criteria:

a) Non-monetary contributions

In non-monetary contributions to a Group company, both the contributing company and the acquirer recognise the investment at the fair value of the assets and liabilities delivered in the consolidated financial statements at the date the transaction is carried out. For such purposes, the Group uses the consolidated financial statements of the group or largest subgroup to which the assets and liabilities belong and the parent of which is Spanish.

b) Mergers and spin-offs

In transactions between Group companies involving the parent (or parent of a subgroup) and its, direct or indirect, subsidiary, the assets and liabilities acquired are measured at their corresponding amounts in the group or subgroup's consolidated financial statements. Any differences that arise are recognised against reserves.

For transactions with other Group companies, the assets and liabilities acquired are measured according to their carrying amount in the consolidated financial statements of the group or largest subgroup to which the assets and liabilities belong and the parent of which is Spanish.

The date for accounting purposes of mergers and spin-offs between group companies is the beginning of the year in which the transaction is approved provided that it is after the date of incorporation of the Group. If one of the companies involved in the transaction joined the Group in the year in which the merger or spin-off occurs, the date for accounting purposes will be the date of acquisition.

The comparative information for the preceding year is not restated to reflect the effects of the merger or spin-off even when the companies involved in the transaction had formed part of the Group in that year.

c) Capital reductions, dividend payments and dissolution

In cases in which the company that carries out a capital reduction, resolves a dividend payment or cancels the shareholder liquidation payment, remains in the Group, the assignor will recognise the difference between the debt to the shareholder and the carrying amount of the business delivered in reserves. The assignee recognises the business in accordance with the rules for mergers and spin-offs indicated in Note 3.16.b.

3.17 Environment

Costs incurred to prevent, reduce or repair damage to the environment are recognised, where applicable, when they are incurred. Investments in equipment used to prevent environmental damage are recognised under property, plant and equipment and are depreciated in accordance with their useful lives.

3.18 Foreign currency transactions

a) Functional and presentation currency

The consolidated financial statements are presented in euros, which is the Group's presentation and functional currency.

b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Gains and losses on foreign currencies that arise from settling these transactions and from translating the monetary assets and liabilities denominated in foreign currencies at the year-end exchange rates are recognised in the income statement, except where they differ in equity, such as qualified cash flow hedges or qualified hedges of a net investment.

Changes in the fair value of monetary assets denominated in foreign currencies classified as available for sale are analysed between the exchange differences resulting from changes in the amortised cost of the asset and other changes in its carrying amount. Translation differences are recognised in profit or loss for the year and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equity instruments classified as at fair value through profit or loss, are presented as part of gains or losses in fair value. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included under equity.

3.19 Segment reporting

In 2015 one segment is identified with regard to the Group's main activity: the purchase and sale, import, export, manufacture and processing of all types of wood.

Transactions are performed at market value.

4. Financial risk management

4.1 Financial risk factors

The Group's activities are exposed to various financial risks: market risk, credit risk and liquidity risk. The Group’s global risk management programme focuses on the uncertainty of financial markets and attempts to minimise the potential adverse effects on its profitability.

Risk management is controlled by the Group's Financial Management that identifies, assesses and hedges the financial risks pursuant to the policies approved by the Sole Director.

a) Market risk

i) Foreign currency risk:

The Group's sole director considers that there are no significant foreign currency risks since the Company performs the majority of its transactions and euros and does not make investments in foreign currency.

ii) Price risk

The Group's sole director considers that the Company is not exposed to price risk because it does not have investments classified in the balance sheet as available-for-sale or significant investments in securities.

iii) Cash flow and fair value interest rate risk

Since the Group does not have any significant interest-earning assets, most of the income and cash flows from its operating activities are largely unaffected by changes in market interest rates.

Therefore, the Group's interest rate risk would be limited to non-current borrowings. Debt issued at floating rates exposes the Group to cash flow interest rate risk. Fixed-rate borrowings expose the Group to fair value interest rate risk. Because the non-current borrowings are subject to market interest rates, no significant interest rate risks are considered to exist.

b) Credit risk

Credit risk is managed by groups. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits at banks or other financial institutions, as well as customers, including unsettled accounts receivables and committed transactions. As the Group does not have significant investments, or derivatives, the risk is considered to be limited to accounts receivable.

The Group does not have significant balances receivable more than one year old that have not been provisioned.

c) Liquidity risk

Prudent management of liquidity risk entails the maintenance of sufficient cash and marketable securities, availability of financing through a sufficient level of committed credit facilities and the capacity to settle market positions.

4.2 Estimate of fair value

The fair value of financial instruments that are not listed on an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions based on the market conditions existing at each of the balance sheet dates. Quoted market prices or agent quotes are used for non-current borrowings. In order to determine the fair value of the remaining financial instruments, other techniques, such as estimated discounted cash flows, are used.

It is assumed that the carrying amount of trade receivables and trade payables is similar to their fair value. The fair value of financial liabilities for the purposes of presenting financial information is estimated by discounting future contractual cash flows at the current market interest rate the Company may have for similar financial instruments.

5. Intangible assets

The detail of "Intangible Assets" is as follows:

2016	Goodwill -	Computer Software	Total
Cost of the items			
Balance at 31 December 2015	-	**829,097**	**829,097**
Additions	65,234	181,171	246,405
Write-downs	-	-	-
Balance at 31 December 2016	**65,234**	**1,010,268**	**1,075,502**
Amortisation			
Balance at 31 December 2015	-	**(173,469)**	**(173,469)**
Additions or charge for the year	(1,631)	(164,800)	(166,431)
Write-downs	-	-	-
Balance at 31 December 2016	**(1,631)**	**(338,269)**	**(339,900)**
Carrying amount	**63,603**	**671,999**	**735,602**

The goodwill generated on consolidation arose from the acquisition of Greenalia Wind Power, S.L.U. (formerly, Kaekias Eólica, S.A.).

The additions in 2016 and 2015 correspond to the improvements related to the SAP project and the specific development for the logistics and production portion of Greenalia Forest, S.L. and Greenalia WoodChips, S.L.U.

Likewise, the breakdowns in 2015 correspond to the non-current assets of Garcia Forestal Gestión del Patrimonio S.L (the timberland of Villabona) that ceased to be a subsidiary of the group in 2015 (Note 2.4).

2015	Goodwill -	Computer Software	Total
Cost of the items			
Balance at 31 December 2014	**-**	**668,045**	**668,045**
Additions	-	393,432	393,432
Write-downs	-	(232,380)	(232,380)
Transfers	-	-	-
Balance at 31 December 2015	-	**829,097**	**829,097**
Amortisation			
Balance at 31 December 2014	**-**	**(73,284)**	**(73,284)**
Additions or charge for the year	-	(101,682)	(101,682)
Write-downs	-	(1,497)	(1,497)
Balance at 31 December 2015	-	**(173,469)**	**(173,469)**
Carrying amount	-	**655,628**	**655,628**

a) Fully amortised intangible assets

At 31 December 2016, there were no fully amortised intangible assets still in use.

b) Assets pledged as security and restrictions on ownership

At 31 December 2016 and 2015, the Group had no assets pledged as security.

c) Other

In 2016 no impairment losses were recognised, there were no intangible assets not being used in operations and there were no intangible assets located outside of Spain. There were no intangible assets the useful lives of which were considered indefinite.

6. Property, plant and equipment

The detail of property, plant and equipment is as follows:

2016	Land	Plant and other items of property, plant and equipment	Property, plant and equipment in the course of construction and advances on assets	Total
Cost of the items				
Balance at 31 December 2015	**235,694**	**1,796,113**	**596,033**	**2,627,840**
Additions or charge for the year	-	1,252,170	744,355	1,996,525
Disposals	-	(201,525)	-	(201,525)
Transfers	-	100,000	(100,000)	-
Balance at 31 December 2016	**235,694**	**2,946,758**	**1,240,388**	**4,422,840**
Depreciation				
Balance at 31 December 2015	**-**	**(363,023)**	**-**	**(363,023)**
Additions or charge for the year	-	(273,196)	-	(273,196)
Disposals	-	56,838	-	56,838
Balance at 31 December 2016	-	**(579,381)**	-	**(579,381)**
Carrying Amount	**235,694**	**2,367,377**	**1,240,388**	**3,843,459**

2015	Land and buildings	Plant and other items of property, plant and equipment	Property, plant and equipment in the course of construction and advances on assets	Total
Cost of the items				
Balance at 31 December 2014	**494,561**	**1,215,677**	**59,342**	**1,769,580**
Additions or charge for the year	235,694	760,044	596,033	1,591,771
Disposals	(494,561)	(179,608)	(59,342)	(733,511)
Balance at 31 December 2015	**235,694**	**1,796,113**	**596,033**	**2,627,840**
Depreciation				
Balance at 31 December 2014	**(150,571)**	**(293,235)**	**-**	**(443,806)**
Additions or charge for the year	-	(187,725)	-	(187,725)
Disposals	150,571	117,937	-	268,508
Balance at 31 December 2015	**-**	**(363,023)**	**-**	**(363,023)**
Carrying Amount	**235,694**	**1,433,090**	**596,033**	**2,264,817**

In 2015 the additions to land amounting to EUR 235,694, as well as property, plant and equipment in the course of construction at 31 December 2016 amounting to EUR 834 thousand (EUR 338 thousand in additions in 2016) and plant amounting to EUR 543 thousand (EUR 65 thousand in additions in 2016), correspond to the purchase of a plot in the Sigueiro industrial park, the execution of the works and the installation of the machinery at the wood chip drying plant carried out by Greenalia WoodChips, S.L.U.

The additions due to the inclusion of Greenalia Wind Power, S.L.U. in the scope of consolidation in 2016 amounted to EUR 94 thousand in other items of property plant and equipment and EUR 406 thousand in facilities in progress associated with electricity production.

In 2016 the Group also acquired specialised forestry and loading machinery amounting to EUR 1,060 thousand (EUR 138 thousand in 2015).

a) Impairment losses

In 2016 no valuation adjustments were recognised for impairment of any property, plant and equipment.

b) Fully depreciated items

At 31 December 2016 and 2015, the cost of the fully depreciated items of property, plant and equipment in use amounted to EUR 1,530.

c) Property, plant and equipment pledged as security

The items of property, plant and equipment are not pledged as security except for the land corresponding to the plot located in the Sigueiro industrial park that has been pledged as collateral for the mortgage granted by Banco Pastor maturing in 2027 and in relation to which EUR 150 thousand remain outstanding (Note 12).

d) Assets under finance leases

"Plant and Other Items of Property, Plant and Equipment" includes the following amounts for machinery where the Group is the lessee under a finance lease:

	2016			2015		
Description	**Cost**	**Depreciation**	**Carrying amount**	**Cost**	**Depreciation**	**Carrying amount**
Transport equipment	-	-	-	54,073	(31,110)	22,963
	-	**-**	**-**	**54,073**	**(31,110)**	**22,963**

e) Insurance

The Company has taken out various insurance policies to cover the risks to which its property, plant and equipment are subject. The cover these policies provide is considered adequate. No property, plant or equipment is located outside of Spain.

7. Analysis of financial instruments

7.1 Analysis by categories

The carrying amount of each of the categories of financial instruments established in the accounting standard for recognising and measuring financial instruments is as follows:

	Euros					
	Non-current financial assets					
	Equity instruments		**Debt securities**		**Loans, derivatives and other**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Equity instruments (Note 8)	780,838	732,003	-	-	-	-
Loans and receivables (Note 8)	-	-	-	-	1,580,142	1,458,669
Other financial assets (Note 8)	-	-	-	-	626	6,126
	780,838	**732,003**	**-**	**-**	**1,580,768**	**1,464,795**

	Euros					
	Current financial assets					
	Equity instruments		**Debt securities**		**Loans, derivatives and other**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Loans and receivables (Note 8)	-	-	-	-	4,624,615	5,186,165
Other financial assets (Note 8)	-	-	-	-	1,427,558	326,111
Cash and cash equivalents (Note 10)	-	-	-	-	1,588,710	1,520,820
	-	-	-	-	**7,640,883**	**7,033,096**

Euros

	Non-current financial liabilities					
	Bank borrowings		Debt instruments and other marketable securities		Loans, derivatives and other	
	2016	2015	2016	2015	2016	2015
Accounts payable (Note 12)	2,567,235	2,558,759	-	-	3,137,584	3,208,319
	2,567,235	**2,558,759**	**-**	**-**	**3,137,584**	**3,208,319**

	Euros					
	Current financial liabilities					
	Bank borrowings		Debt instruments and other marketable securities		Loans, derivatives and other	
	2016	2015	2016	2015	2016	2015
Accounts payable (Note 12)	5,329,394	3,980,715	-	-	3,506,256	3,753,643
	5,329,394	**3,980,715**	**-**	**-**	**3,506,256**	**3,753,643**

Accounts receivable from and payable to public authorities are not included in this category because they are not considered financial instruments.

7.2 Analysis by maturities

The amounts of financial instruments with fixed or determinable maturities classified by year of maturity are as follows:

							Euros
	Financial assets						
	2017	2018	2019	2020	2021	Subsequent years	Total
Loans to third parties	253,026	216,482	209,424	203,078	179,361	771,797	1,833,168
Loans and receivables	7,387,857	-	-		-		7,387,857
	7,640,883	**216,482**	**209,424**	**203,078**	**179,361**	**771,797**	**9,221,025**

							Euros
	Financial liabilities						
	2017	2018	2019	2020	2021	Subsequent years	Total
Bank borrowings	5,329,394	491,911	433,087	338,196	272,512	1,031,529	7,896,629
Accounts payable	3,506,256	969,447	316,370	305,895	295,632	1,250,240	6,643,840
	8,835,650	**1,461,358**	**749,457**	**644,091**	**568,144**	**2,281,769**	**14,540,469**

8. Loans and receivables

	Euros	
	2016	**2015**
Non-current loans and receivables:		
- Equity instruments	780,838	732,003
- Loans to related companies	1,479,223	1,308,629
- Loans to third parties	100,919	150,040
- Other financial assets	626	6,126
	2,361,606	**2,196,798**
Current loans and receivables:		
- Trade receivables	4,481,170	5,091,762
- Sundry accounts receivable	-	18,808
- Current tax assets	162,851	114,305
- Other accounts receivable from public authorities	258,224	446,751
- Loans to third parties	253,026	175,385
- Impairment losses	(109,581)	(99,790)
- Other financial assets	1,427,558	326,111
	6,473,248	**6,073,332**
	8,834,854	**8,270,130**

On 24 July 2015, the Company acquired 14.42% of Biomasa Forestal, S.L. for EUR 700 thousand recognised under "Equity Instruments". The aforementioned company is not listed and the following is the most salient information at 31 December 2015:

Company	Registered Office	Ownership Interest	Share Capital	Reserves and prior years' losses	Loss for the year	Other items
BIOMASA FORESTAL S.L (*)	As Pontes de García Rodriguez, Polígono Penapurreira, A Coruña.	14.42%	4,853,261	(3,231,730)	(1,754,697)	1,920,271

(*) Unaudited figures.

The Company's sole director, taking into account that established in Article 5, "Associates" of RD 1159/2010 of 17 September, approving the rules for the preparation of consolidated financial statements, considers that, although the Company has a 14.42% ownership interest in Biomasa Forestal, S.L. it does not have a significant influence over the company and, consequently, it cannot be considered an associate. This is because it has less than a 20% ownership interest and, in general, does not fulfil the other indicators established in the aforementioned Article 5.

"Non-Current Loans to Related Parties", includes a loan granted to Noroeste de Inversión y Desarrollo, S.L., the parent's main shareholder, maturing in 2027 and in relation to which EUR 1,479 thousand remain outstanding. This loan bears interest at a floating market rate.

"Current Assets - Other Financial Assets" includes a loan granted to the related company Toxo Invest S.L. maturing in 2017.

Since they are current items measured based on a market interest rate, the Group considers that there are no significant differences between the fair value and the nominal value at which they are measured.

All of the carrying amounts of loans and receivables are denominated in euros.

The changes in provisions for impairment losses on accounts receivable are as follows:

	Euros	
	2016	**2015**
Beginning balance	**(99,790)**	**(63,948)**
Provision for impairment on accounts receivable	(9,791)	(35,842)
Ending balance	**(109,581)**	**(99,790)**

9. Inventories

	Euros	
	2016	**2015**
Goods held for resale	1,616,980	2,392,730
Raw materials and other supplies	-	13,253
Advances to suppliers	416,743	481,500
	2,033,723	**2,887,483**

Insurance

The Company has not taken out insurance policies to cover the risks to which its inventories are exposed because it believes the risk is limited given that the wood is spread out across various locations.

Other

There are no firm purchase and sale commitments or futures contracts on inventories. There are no circumstances that affect the ownership or availability of the Company's inventories.

10. Cash and cash equivalents

The balance of "Cash and Cash Equivalents" at 31 December 2016 is as follows:

	Euros	
	2016	**2015**
Cash	1,588,710	1,520,820
Cash equivalents	-	-
Total	**1,588,710**	**1,520,820**

The cash balance at 31 December 2016 relates to the available balance in current accounts that accrue interest at market rates.

11. Equity

a) Share capital

	Euros	
	2016	2015
Registered share capital	307,206	307,206
(Uncalled capital)	-	-
	307,206	**307,206**

The share capital of the parent at 31 December 2016 and 2015 consisted of 307,206 fully paid shares of EUR 1 par value each.

At 30 June 2015, a partial spin-off was performed in Grupo García Forestal in which all of the shares of García Forestal Gestión del Patrimonio, S.L. were spun-off to a non-investee company of Grupo García Forestal, S.L. As a result of this transaction, the share capital of Grupo García Forestal was reduced by EUR 798,075.

At 30 November 2015, the shareholders at the General Meeting resolved to reduce the share capital by retiring the treasury shares acquired on 30 October 2015 when the company acquired 1,510,088 treasury shares. At 31 December 2016, EUR 1,326 thousand had not yet been paid in relation to the shares acquired (Note 1.1).

All the shares carry the same rights and there are no bylaw restrictions on the transfer of such shares, nor are the admitted to listing.

The detail of shareholder structure at 31 December 2016 and 31 December 2015 is as follows:

2016	% of Ownership	Share par value
Noroeste Inversión y Desarrollo, S.L.	74.00%	227,332
Noroeste Inversión y Desarrollo II, S.L.	26.00%	79,874
	100.00%	**307,206**

2015	% of Ownership	Share par value
Noroeste Inversión y Desarrollo, S.L.	74.00%	227,332
Manuel García Pardo	26.00%	79,874
	100.00%	**307,206**

b) Share premium

	2016	2015
Share premium	**514,415**	**514,415**

The Spanish Corporate Enterprises Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

c) Reserves

	Euros	
	2016	**2015**
Legal and bylaw reserves:		
- Legal reserve	19,805	163
	19,805	**163**
Other reserves		
- Voluntary reserve	176,777	-
- Reserves of consolidated companies	323,548	114,315
	500,325	**114,315**
Total	**520,130**	**114,478**

Legal reserve

Under Article 274 of the Spanish Corporate Enterprises Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

d) Proposed distribution of the profit of the Parent of the Group.

The proposed distribution of the profit and reserves of the Parent that will be presented to the shareholders at the General Meeting, is as follows:

	Euros	
	2016	**2015**
Basis of distribution		
Profit for the year	248,700	196,419
	248,700	**196,419**

	Euros	
	2016	**2015**
Amounts used		
Legal reserve	31,136	19,642
Capitalisation reserve	22,841	-
Voluntary reserve	194,723	176,777
	248,700	**196,419**

Contribution to consolidated profit of loss

Company	2016			2015		
	Profit/(Loss) attributable to the Parent	Profit attributable to non-controlling interests	**Profit/(Loss) for the year**	Profit/(Loss) attributable to the Parent	Profit attributable to non-controlling interests	**Profit/(Loss) for the year**
Greenalia, S.L.	(260,352)	-	**(260,352)**	6,118	-	**6,118**
Greenalia Forest, S.L.	234,218	58,554	**292,772**	578,393	163,334	**741,727**
Greenalia Logistics, S.L.U.	157,526	-	**157,526**	(168,202)	-	**(168,202)**
Greenalia Heating, S.L.U.	1,224	-	**1,224**	249	-	**249**
Greenalia WoodChips, S.L.U.	(46,991)	-	**(46,991)**	(10,906)	-	**(10,906)**
Greenalia Industry, S.L.U.	(1,295)	-	**(1,295)**	-	-	**-**
Greenalia Wind Power, S.L.U.	(5,354)	-	**(5,354)**	-	-	**-**
	78,976	**58,554**	**137,530**	**405,652**	**163,334**	**568,986**

e) Grants, donations or gifts and legacies received

Non-refundable grants related to assets are recognised under this heading. The changes in grants were as follows:

	Euros	
	2016	**2015**
Beginning balance	**42,538**	**-**
Increases	61,777	53,728
Amount taken to profit or loss	(31,649)	(11,190)
Ending balance	**72,666**	**42,538**

The detail of non-refundable grants related to assets that appears in the balance sheet under "Grants, Donations or Gifts and Legacies Received" is as follows:

			Euros		
			Net amount pending transfer		
Granting entity	**Use**	**Gross amount granted**	**2016**	**2015**	**Year granted**
Consellería do Medio Rural (D.X. Montes)	Acquisition biomass platform	39,120	9,314	14,304	2015
Consellería do Medio Rural (D.X. Montes)	Montes software design	47,057	21,805	28,234	2015
Consellería do Medio Rural (D.X. Montes)	Improvements SAP logistics	20,918	11,700	-	2016
Consellería do Medio Rural (D.X. Montes)	FOGA wooden clamp	61,250	29,847	-	2016

f) Non-controlling interests

On 30 October 2015, a former shareholder of Greenalia, S.L. acquired 1,881 shares of the subsidiary Greenalia Forest, S.L., subscribing 100% of the share capital increase of the subsidiary that amounted to EUR 113,048 through the contribution of Greenalia, S.L. shares.

As a result of this transaction, the Parent's ownership interest in Greenalia Forest, S.L. fell from 100% to 80% since the aforementioned reduction entailed the loss of control.

The detail of “Non-Controlling Interests” at 31 December 2016 is as follows:

	2016	2015
Share capital	113,048	113,048
Reserves	288,379	245,302
Profit for the year	58,554	163,334
Grants	12,731	10,635
Total	**472,712**	**532,319**

The detail of and changes in this heading is as follows:

	2016
Balance at 01 January 2015	**-**
Acquisition	358,350
Profit for the year	163,334
Grants	10,635
Balance at 31 December 2015	**532,319**
Profit for the year	58,544
Dividends paid	(112,000)
Grants	(6,151)
Balance at 31 December 2016	**472,712**

12. Accounts payable

	Euros	
	2016	**2015**
Non-current accounts payable:		
- Bank loans	2,557,549	2,536,853
- Long-term obligations under finance leases	9,686	21,906
- Other non-current liabilities	3,137,584	3,208,319
	5,704,819	**5,767,078**

	Euros	
Current accounts payable:	**2016**	**2015**
- Bank loans	618,151	979,674
- Portfolio of stock	2,218,985	1,117,070
- Credit facilities	2,489,646	1,866,331
- Current payables to non-current asset suppliers	-	91,977
- Current obligations under finance leases	2,612	17,640
- Other current payables	-	-
- Suppliers and accounts payable	2,913,784	3,266,165
- Income tax payable	-	103,318
- Staff costs	13,762	-
- Other accounts payable to public authorities	44,475	60,572
- Other financial liabilities	578,710	395,500
- Customer advances	497,000	12,500
	9,377,125	**7,910,747**

There are no significant differences between the fair value and the carrying amount of the non-current bank borrowings recognised in accordance with their outstanding principal that are settled applying a market interest rate.

The carrying amount of the Company's payables is denominated in euros.

a) Bank loans

This heading mainly contains various loans from banks with the following characteristics:

			Thousands of euros
Entity	**Current**	**Non-current**	**Maturing in**
Abanca	44	166	2021
Banco Popular	64	270	2021
Bankia	44	136	2020
Banco Popular	36	18	2018
CaixaBank	8	4	2017
Sabadell	17	20	2020
Banco Popular	25	84	2019
Sabadell	7	74	2023
Sabadell	87	-	2017
Triodos Bank	-	153	2024
Banco Popular	60	-	2017
BBVA	-	1,231	2027
Banco Pastor	-	150	2027
Banco Popular	14	83	2024
CaixaBank	100	168	2020
Banco Pastor	112	-	2017
Total	**618**	**2,557**	

The aforementioned loans bear interest at a floating rate, consisting of EURIBOR plus a market spread. No assets have been pledged as security for these loans except for the loan from Banco Pastor for EUR 150 thousand maturing in 2027 in relation to which land owned by the Group has been pledged as collateral (Note 6).

Management believes that in the future the Company will be able to meet all of its contractual obligations arising from the loans in a timely manner.

The Company had the following undrawn credit facilities and discount facilities in 2016 and 2015:

						Euros
		2016			**2015**	
	Balance drawn down	**Limit**	**Undrawn balance**	**Balance drawn down**	**Limit**	**Undrawn balance**
Credit facilities	2,489,646	4,050,000	1,560,354	1,866,331	2,000,000	133,669
Discount facilities	2,218,985	4,531,300	2,312,315	1,117,070	1,400,000	282,930
	4,708,631	**8,581,300**	**3,872,669**	**2,983,401**	**3,400,000**	**416,599**

The credit facilities bear interest at a floating interest rate equal to EURIBOR plus a market spread.

b) Non-current and current payables to non-current asset suppliers

They correspond mainly to the amounts payable in relation to intangible asset development expenditure.

c) Other non-current liabilities

They correspond to the loans granted by Empresa Nacional de Innovación, the Centro para el Desarrollo Tecnológico Industrial, which is part of the Ministry of Industry, amounting to EUR 1,823 thousand, which accrue interest at a floating and market rate.

This section also includes the liabilities assumed by the Group with former shareholders amounting to EUR 1,138 thousand (EUR 188 thousand under other current financial liabilities) for the purchase of its shares in Greenalia, S.L. (Note 1.1) and a liability amounting to EUR 175 thousand with Gestan Medioambiental, S.L., which the Company has secured by pledging the shares it owns in Biomasa Forestal.

d) Disclosures on the average payment period to suppliers Additional Provision Three "Disclosure Obligation" of Spanish Law 15/2010, of 5 July

In accordance with Additional Provision Three "Disclosure Obligation" of Spanish Law 15/2010, of 5 July, on information to be included in the notes to the financial statements in relation to payments to suppliers in commercial transactions provides information related to the average payment period to suppliers, the ratio of transactions paid, the ratio transactions payable, total payments made and total payments pending at 2016 year end.

	2016	**2015**
	Days	**Days**
Average payment period to suppliers.	(9.711)	(9.44)
Ratio of transactions paid.	(11.33)	(8.25)
Ratio of transactions payable.	15.48	23.23
	Amount (euros)	**Amount (euros)**
Total payments made.	26,143,521	32,021,642
Total payments pending.	1,559,449	2,769,523

13. Deferred taxes

The detail of "Deferred Taxes" is as follows:

DEFERRED TAX ASSETS	**Euros**	
	2016	**2015**
Temporary differences	30,142	33,218
Tax loss carryforwards	22,743	-
	52,885	**33,218**

DEFERRED TAX LIABILITIES	**Euros**	
	2016	**2015**
Temporary differences	67,813	60,033
	67,813	**60,033**

The changes in deferred tax assets and liabilities were as follows:

DEFERRED TAX ASSETS		Euros
	2016	2015
Beginning balance	**33,218**	**36,908**
Charged to the income statement	(3,076)	(3,444)
Tax loss carryforwards due to changes in the scope of consolidation	22,743	-
Tax credits used	-	(246)
Ending balance	**52,885**	**33,218**

DEFERRED TAX LIABILITIES		Euros
	2016	2015
Beginning balance	**60,033**	**90,986**
Charged to the income statement (Note 15)	-	(21,918)
Taxes charged directly to equity	7,780	(9,035)
Ending balance	**67,813**	**60,033**

The sole shareholder considers that the tax assets are recoverable based on estimates and, therefore, they are only capitalised to the extent that they are considered recoverable.

The deferred taxes charged or credited to the income statement in the year correspond to temporary differences in assets amounting to EUR 3,076 corresponding to the reversal of the 30% of amortisations that were non-deductible in prior years. 10% of each amount is used annually.

The deferred taxes charged or credited to equity in the year correspond to the tax effect of grants related to assets.

14. Revenue and expense recognition

a) Revenue

The revenue from the Company's ordinary operations is distributed geographically as follows:

		%
Geographical market	**2016**	**2015**
Spain	86%	62%
Intra-Community	13%	36%
Rest of the world	1%	2%
	100%	**100%**

Likewise, revenue can be analysed by type of activity as follows:

	%	
Activity	**2016**	**2015**
Trading	93%	95%
Transport	7%	5%
	100%	**100%**

b) Cost of goods held for resale, raw materials and other materials used

	Euros	
Cost of raw materials and other consumables used	**2016**	**2015**
Purchases:		
- Purchases in Spain	22,314,108	21,528,776
Change in inventories	789,003	709,522
	23,103,111	**22,238,298**

c) Staff costs

	Euros	
Staff costs	**2016**	**2015**
Wages, salaries and similar payments	666,859	586,030
Termination benefits	2,476	104,771
Employee benefit costs:		
- Other employee benefit costs	267,444	167,449
	936,779	**858,250**

The average number of Group employees in the year, by professional category, was as follows:

	Average staff	
	2016	**2015**
Administrative	10	8
Marketing, sales and similar staff	18	13
Unqualified workers	-	3
	28	**24**

Likewise, at year end the breakdown of the Company's staff by category and gender was as follows:

	Staff at year end					
	2016			**2015**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Administrative	10	5	15	3	5	8
Marketing, sales and similar staff	18	-	18	19	-	19
	28	**5**	**33**	**22**	**5**	**27**

15. Income tax and tax matters

The reconciliation of net income and expenses for the year to the taxable profit for income tax purposes is as follows:

			Euros
	2016		
	Income statement		
	Increases	Decreases	TOTAL
Income and expenses for the year			**137,530**
Income tax	51,951		51,951
Adjustment to taxable profit (Permanent D.)	16,872		16,872
Adjustment to taxable profit (Temporary D.)	-	(12,303)	(12,303)
Capitalisation reserve:		(22,841)	(22,841)
Taxable profit			**171,209**

The permanent differences relate to various non-deductible expenses.

The temporary differences relate to reversals for non-deductible amortisations in prior years.

Income tax expense for the year is comprised of:

	Euros
	2016
Current taxes	48,875
Deferred taxes	3,076
	51,951

Current income tax is obtained by applying a tax rate of 25% (2015: 28%) to taxable profit. The tax credits used in 2016 amounted to EUR 615 and the tax withholdings and prepayments amounted to EUR 128 thousand. The amount refundable from the tax authorities amounted to EUR 29 thousand.

The Group companies have the last four years open for review by the tax authorities for the main taxes applicable to them, with the exception of the companies that were incorporated in 2015 and 2016.

As a result of the different possible interpretations of current tax legislation in force, inter alia, additional liabilities may arise as a result of these new tax audits. In any case, the Company's Sole Director considers that these liabilities, should they arise, will not have a material effect on the financial statements.

Greenalia, S.L., incorporated in 2013, requested that as of 1 January 2015 the tax authorities register the tax group headed by the Parent and the subsidiaries Greenalia Forest, S.L., Greenalia Logistics, S.L.U., García Forestal Transportes, S.L., Greenalia Heating, S.L.U. and García Forestal Gestión del Patrimonio, S.L. On 16 January 2015, the tax authorities announced that the group number is 67/15. After the spin-off of García Forestal Gestión del Patrimonio S.L. and the merger of García Forestal Transportes, S.L. on 16 October 2015, at 31 December the tax group is comprised of the following companies: Greenalia Forest, S.L., Greenalia Logistics, S.L.U., Greenalia Heating, S.L.U., Greenalia Industry, S.L.U., Greenalia Woodchips, S.L.U. and Greenalia, S.L.

16. Contingencies

At 18 December 2008, the tax authorities commenced tax audits at García Forestal, S.L. (a subsidiary of the group) in relation to VAT for 2005 and 2006. As a result of the aforementioned tax audit, on 25 February 2010 a tax assessment was issued for EUR 238,201 (all for assessment, no penalty was applied), which the Company signed on a contested basis. Subsequently, on 24 February 2011, the tax authorities issued an assessment amounting to EUR 247,241 (the difference between the tax assessment signed on a contested basis corresponds to the calculation of interest between the date of the assessment and settlement). Subsequently, on 5 February 2014, the Regional Economic-Administrative Tribunal partially upheld the claim, handing down a decision and reducing the amount claimed to EUR 45,000 pending a new assessment by the tax authorities. In any event, the aforementioned decision has been appealed again to a higher administrative body, the Central Economic-Administrative Tribunal. The aforementioned assessment and settlement are being appealed through economic-administrative channels before the Central Economic-Administrative Tribunal and are are awaiting a decision. There has been a stay of the assessment as a bank guarantee has been provided (Note 23).

On the same date, tax audits were also commenced in relation to income tax for 2005 and 2006. As a result of the aforementioned tax audit, on 28 February 2013 a tax assessment was issued for EUR 915,323 (EUR 553,058 for assessment and EUR 362,265 as a penalty), which the Company signed on a contested basis. Subsequently, on 3 May 2013, the tax authorities issued an assessment amounting to EUR 389,557, correcting the amount of EUR 553,058, ultimately resulting in a tax charge EUR 751,822. The aforementioned assessment and settlement are being appealed through economic-administrative channels before the Regional Economic-Administrative Tribunal and are awaiting a decision. There has been a temporary stay of the penalty until the Regional Economic-Administrative Tribunal hands down its decision. Likewise, there has been a stay of the assessment as a bank guarantee has been provided (Note 23).

In both proceedings, the sole director considers that the aforementioned assessments and penalties are unfounded in accordance with the criteria of the tax advisors who consider that it is highly probable that the appeals filed through the economic-administrative channel will be favourable and, consequently, no provision has been recognised in this connection in these consolidated financial statements.

17. Remuneration of Joint Directors and Senior Executives

a) Remuneration of the Sole Director and Senior Executives

No remuneration was paid to the Sole Director in 2015 or 2016. The total remuneration earned by senior executives in 2016 amounted to EUR 150,000 (2015: EUR 133,425).

There are no pension or life insurance obligations to the Sole Director or senior executives.

The Company granted loans to the Sole Director amounting to EUR 1,479 thousand maturing in 2027 that accrue interest at a floating market rate.

b) Information required by Article 229 of the Spanish Corporate Enterprises Act

In 2016 the directors that held positions on the Board of Directors, in their duty to avoid conflicts with the interests of the Company, complied with the obligations stipulated in Article 228 of the Consolidated Spanish Corporate Enterprises Act. Likewise, they as well as individuals related to them have abstained from becoming involved in the conflicts of interest envisaged in Article 229 of the aforementioned Act.

18. Information on the environment

At 31 December 2016 and 2015, the carrying amount of environmental assets was as follows:

	2016			2015		
Description	**Cost**	**Depreciation**	**Carrying amount**	**Cost**	**Depreciation**	**Carrying amount**
Machinery	150,000	(37,500)	112,500	150,000	(7,500)	142,500
Transport equipment	-	-	-	27,950	(13,153)	14,797
	150,000	**(37,500)**	**112,500**	**177,950**	**(20,653)**	**157,297**

In 2016 and 2015 no expenses related to environmental protection and improvement were incurred and there were no environmental contingencies.

19. Related-party transactions

a) Balances arising from loans:

Related party	**2016**			
	Loans granted	**Receivables**	**Advances**	**Payables**
Toxo Invest,S.L (Note 8)	1,194,847	-	-	-
Noroeste Forestal, S.L. (Note 8)	1,479,223	-	-	-
Biomasa Forestal S.L.	-	426,346	-	(127,417)
Renova Generación de Energías Renovables, S.L.	-	-	(497,000)	-
Total	**2,674,070**	**426,346**	**(497,000)**	**(127,417)**

Related entity	**2015**		
	Loans granted	**Receivables**	**Payables**
Noroeste Forestal, S.L.	1,308,629	-	-
Biomasa Forestal S.L.	-	1,138,292	(292,951)
Total	**1,308,629**	**1,138,292**	**(292,951)**

b) Transactions:

Euros

Related company	2016			
	Services received	Services rendered	Purchases of goods	Finance income
Noroeste Forestal, S.L.	(150,000)	-	-	-
Biomasa Forestal S.L.	-	3,367,321	(146,164)	-
Total	**(150,000)**	**3,367,321**	**(146,164)**	**-**

Euros

Related company	2015			
	Services received	Services rendered	Purchases of goods	Finance income
Noroeste Forestal, S.L.	(133,425)	-	-	38,403
Biomasa Forestal S.L.	-	3,354,093	(515,887)	-
Total	**(133,425)**	**3,354,093**	**(515,887)**	**38,403**

The transactions with group companies and related parties were performed within the company's normal business activities and on an arm's length basis.

20. Events after the reporting period

There have not been any significant events with an effect on the Group's equity after the reporting period.

21. Segment reporting

The Group's financial information broken down by operating segments is as follows:

Euros

At 31 December 2016	Trading	Transport	Consolidation adjustments and reclassifications	Total
Revenue:	27,197,050	3,262,121	(790,191)	29,668,980
Procurements	(21,939,310)	(1,196,186)	32,385	(23,103,111)
Staff costs	(670,866)	(265,913)	-	(936,779)
Depreciation and amortisation charge	(191,404)	(246,593)	(1,630)	(439,627)
Other operating expenses	(4,265,910)	(1,383,865)	821,678	(4,828,097)
Other income/(expenses)	268,951	105,300	(85,949)	288,302
Profit/(Loss) from operations	**398,511**	**274,864**	**(23,707)**	**649,668**
Financial loss	**(398,643)**	**(61,544)**	**-**	**(460,187)**
Tax expense	**33**	**(51,984)**	**-**	**(51,951)**
Profit/(Loss)	**(99)**	**161,336**	**(23,707)**	**137,530**
Segment assets	14,345,941	2,790,920	(23,707)	17,113,154
Segment liabilities	12,803,933	2,345,824	-	15,149,757

The sales made with external customers that the Group invoiced an amount equal to 10% or more of revenue in 2016 and 2015 were as follows:

	Thousands of Euros	
	2016	2015
Ence Energía y Celulosa, S.A.	8,120	9,514
Altri Abastecimiento de Madeira	6,259	7,942
Biomasa Forestal, S.L.	2,488	3,354
	16,867	**20,810**

22. Fees paid to auditors

The fees earned in 2016 and 2015 by PricewaterhouseCoopers Auditores, S.L., the auditor of Grupo García Forestal, S.L. and subsidiaries, is detailed below:

2016	Euros			
Description	**PricewaterhouseCoopers Auditores, S.L.**	**Other companies from the PwC network**	**Other auditors**	**Total**
Audit services	34,600	12,694	-	**47,294**
Other attest services	-	-	-	**-**
Total	**34,600**	**12,694**	**-**	**47,294**

2015	Euros			
Description	**PricewaterhouseCoopers Auditores, S.L.**	**Other companies from the PwC network**	**Other auditors**	**Total**
Audit services	**16,665**	-	-	**16,665**
Other attest services	-	-	-	**-**
Total	**16,665**	**-**	**-**	**16,665**

23. Commitments

The Group has provided the tax authorities bank guarantees amounting to EUR 540,137 to stay the execution of the two assessments appealed through economic-administrative channels corresponding to the assessments for VAT and income tax for 2005 and 2006 (Note 15).

On the other hand, the Group is also the guarantor for two bank guarantee agreements corresponding to a loan for EUR 600,000 granted to the related company Renova Generación de Energías Renovables S.L. and it is a guarantor for Toxo Investments' agreement with Banco Santander amounting to EUR 1,000,000.

The sole director considers that the aforementioned Bank guarantees will not be enforced since the risk has been assessed and is limited. Therefore, they consider that no economic loss will arise for the Company in relation to the aforementioned Bank guarantees.

GREENALIA, S.L. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT OF THE FINANCIAL STATEMENTS FOR 2016

a) Business performance

Given the country's current economic situation, as well as the complexity and competitiveness of the timber industry, the estimates made at the beginning of the year have been reasonably met. In this regard, the stability of the business' is reflected in its consolidated results for 2016 that amounted to a net profit of EUR 137,530.

The Company is expected to overcome the aforementioned difficulties by optimising management and improving productivity with the goal of reducing costs to prepare for a possible drop in demand.

The Company is expected to overcome this potential downturn in the market by following the aforementioned guidelines with the expectation of a quick reactivation of the economy.

b) Research and development

In 2016 no research and development activity was carried out.

c) Events after the reporting period

At the date of preparation of the financial statements there are no significant events after the reporting period that significantly affect the Group's equity and bring to light situations that could potentially affect the fair presentation of the consolidated financial statements.

d) Treasury shares

There were no changes in the Parent's treasury shares in 2016.

e) Environmental management.

There were environmental items in 2016 that have been included in Note 18 to the financial statements.

f) Use of financial instruments.

The Group does not use financial derivatives. The financial risk management objectives and policies, as well as the Company's exposure to the various risks, are detailed in Note 4 to the financial statements.

g) Average payment period to suppliers.

As indicated in Note 12.d to the accompanying financial statements, the Group's average payment period calculated in accordance with that set forth in the aforementioned note, ais (9) days.

In A Coruña, at 31 March 2017

GRUPO GARCÍA FORESTAL, S.L. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2016

In Cedeira, the Sole Director prepared the 2016 consolidated financial statements and consolidated directors' report of GRUPO GARCÍA FORESTAL, S.L. and Subsidiaries comprised of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements. The Sole Directors also prepared the Directors' Report for the year ended 31 December 2016.

Noroeste de Inversión y Desarrollo, S.L.
Represented by Manuel García Pardo
Sole Director