



Plásticos Compuestos, S.A.

Annual Accounts
31 December 2018

Directors' Report
2018

(With Independent Auditor's Report Thereon)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.
Torre Realia
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(Barcelona)

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of Plásticos Compuestos, S.A.

Opinion

We have audited the annual accounts of Plásticos Compuestos, S.A. (the "Company"), which comprise the balance sheet at 31 December 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



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Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Recognition and recoverability of assets for research and development expenses (see notes 4(b) and 5)

The recognition and recoverability of assets for research and development expenses is an area of significance, particularly in relation to meeting the criteria for initial recognition included in the financial reporting framework applicable to the Company, as well as the evaluation at reporting date of the technical success or financial and commercial feasibility of the respective projects.

As part of our audit procedures, for a sample thereof, we assessed that all of the criteria were met for the initial recognition of research and development expenses as an intangible asset at reporting date, we checked the supporting documentation justifying the capitalisation of these expenses and we analysed the supporting documentation justifying the existence of sound reasons to expect the technical success and financial and commercial feasibility of the projects, which at 31 December 2018 are fully amortised. We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

Valuation of inventories (see notes 4(g) and 12)

The balance of inventories is considerable and the Company's main raw materials are assets that could be subject to price volatility. Because the Company uses a weighted average cost as a basis for the valuation of inventories, variations in prices and production levels cause fluctuations in the valuation of raw materials and finished goods which, if not correctly accounted for, could give rise to misstatements in the value of inventories at reporting date.

Our audit procedures included checking the Company's controls over the monitoring of variations in purchase prices and in order to determine the value of inventories at reporting date. We checked, for a sample of items, that the costs comprising the basis for valuing raw material inventories and finished goods have been determined based on supporting documentation. We assessed the calculation of overheads absorbed into inventories of finished goods, with an analysis at reporting date to justify the production costs originating during the production period. We performed an analysis to evaluate that the net realisable value of inventories is not lower than their carrying amount at reporting date. We also assessed whether the disclosures in the annual accounts on inventories meet the requirements of the financial reporting framework applicable to the Company.



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Other Information: Directors' Report

Other information solely comprises the 2018 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2018 and the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.



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As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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From the significant risks communicated to the Directors of Plásticos Compuestos, S.A., we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the most significant risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Carlos Ibáñez Turmo
On the Spanish Official Register of Auditors ("ROAC") with No. 20155
29 March 2019

PLÁSTICOS COMPUESTOS, S.A.

Balance Sheet

31 December 2018

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

<i>Assets</i>	<i>Note</i>	<i>2018</i>	<i>2017</i>
Intangible assets	Note 5	2,653,054	1,897,459
Research and development		2,277,980	1,816,661
Patents, licences, trademarks and similar rights		152,329	8,349
Computer software		222,745	72,449
Property, plant and equipment	Note 6	18,060,532	17,166,817
Buildings		220,697	233,188
Technical installations, machinery, equipment, furniture and other items		17,441,031	16,835,106
Under construction and advances		398,804	98,523
Non-current investments	Note 10	137,910	128,995
Other financial assets		137,910	128,995
Deferred tax assets	Note 18	212,039	380,001
Total non-current assets		21,063,535	19,573,272
Inventories	Note 12	6,675,595	5,352,265
Raw materials and other supplies		2,000,698	1,027,655
Finished goods		4,647,913	4,131,463
Advances to suppliers		26,984	193,147
Trade and other receivables	Note 11	5,791,497	5,468,258
Trade receivables – current		3,753,634	4,661,621
Trade receivables from Group companies and associates – current		726,154	714,632
Personnel		29,044	32,875
Current tax assets	Note 18	43,211	4
Public entities, other	Note 18	1,239,454	59,126
Current investments	Note 10	44,938	74,650
Equity instruments		34,938	13,985
Debt securities		-	29,711
Other financial assets		10,000	30,954
Prepayments for current assets		160,331	207,263
Cash and cash equivalents		2,184,872	274,607
Cash		2,184,872	274,607
Total current assets		14,857,233	11,377,043
Total assets		35,920,768	30,950,315

PLÁSTICOS COMPUESTOS, S.A.

Balance Sheet

31 December 2018

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

<i>Equity and Liabilities</i>	<i>Note</i>	<i>2018</i>	<i>2017</i>
Capital and reserves	Note 13	12,094,992	9,871,746
Capital			
Registered capital		6,089,032	5,231,405
Share premium		4,988,421	3,946,048
Reserves			
Legal and statutory reserves		286,140	276,696
Other reserves		350,888	353,101
Prior years' profit and loss		(96,527)	
Retained earnings			(31,950)
Profit for the year		477,038	96,446
Grants, donations and bequests received	Note 14	61,438	214,721
Total equity		12,156,430	10,086,467
Non-current provisions		42,081	-
Other provisions		42,081	-
Non-current payables	Note 16	7,666,858	6,164,893
Loans and borrowings		1,771,675	3,178,176
Finance lease payables	Note 7	898,021	1,086,717
Other financial liabilities	Note 16	4,997,162	1,900,000
Deferred tax liabilities	Note 18	107,700	212,696
Total non-current liabilities		7,816,639	6,377,589
Current payables	Note 16	8,544,883	8,739,459
Loans and borrowings		7,955,226	8,220,036
Finance lease payables	Note 7	589,657	519,423
Group companies and associates, current	Note 16	-	106,814
Trade and other payables	Note 16	7,402,816	5,639,986
Current payables to suppliers		5,584,630	4,320,388
Suppliers, Group companies and associates, current		-	120,311
Other payables		1,515,270	881,905
Personnel (salaries payable)		135,727	163,752
Current tax liabilities	Note 20	-	6,006
Public entities, other	Note 20	167,189	147,624
Total current liabilities		15,947,699	14,486,259
Total equity and liabilities		35,920,768	30,950,315

PLÁSTICOS COMPUESTOS, S.A.

**Income Statement
for the year ended
31 December 2018**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<i>Note</i>	<i>2018</i>	<i>2017</i>
Revenues	Note 21	41,386,085	36,577,162
Sales		41,386,085	36,574,384
Services rendered		-	2,778
Changes in inventories of finished goods and work in progress.		516,450	(1,581,601)
Self-constructed assets	Notes 5 & 6	1,243,000	1,387,180
Supplies	Note 21	(29,963,494)	(24,963,674)
Raw materials and consumables used		(29,961,315)	(24,924,969)
Subcontracted work		(2,179)	(38,705)
Other operating income		-	67,937
Non-trading and other operating income		-	67,937
Personnel expenses	Note 21	(3,419,282)	(3,464,029)
Salaries and wages		(2,655,598)	(2,722,128)
Employee benefits expense		(763,684)	(741,901)
Other operating expenses		(6,176,004)	(5,909,961)
External services		(6,136,768)	(5,871,284)
Taxes		(39,236)	(38,677)
Amortisation and depreciation	Notes 5 & 6	(2,327,733)	(1,736,628)
Non-financial and other capital grants	Note 14	269,541	279,465
Other income/expenses		(103,506)	16,038
Results from operating activities		1,425,057	671,889
Finance income		3,481	357
Marketable securities and other financial instruments			
Other		3,481	357
Finance costs		(827,651)	(546,641)
Group companies and associates	Note 22	(274,937)	(133,364)
Other		(552,714)	(413,277)
Exchange gains/(losses)		(8,614)	9,156
Net finance cost		(832,784)	(537,128)
Profit before income tax		592,273	134,761
Income tax	Note 18	(115,235)	(38,315)
Profit for the year		477,038	96,446

PLÁSTICOS COMPUESTOS, S.A.

**Statement of Changes in Equity
for the year ended
31 December 2018**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<i>Note</i>	2018	2017
Profit for the year		477,038	96,446
Income and expense recognised directly in equity			
Grants, donations and bequests	Note 14	65,164	16,754
Tax effect		(16,291)	(4,189)
Total income and expense recognised directly in equity		48,873	12,565
Amounts transferred to the income statement			
Grants, donations and bequests	Note 14	(269,541)	(279,465)
Tax effect		67,385	69,866
Total amounts transferred to the income statement		(202,156)	(209,599)
Total recognised income and expense		323,755	(100,588)

PLÁSTICOS COMPUESTOS, S.A.

**Statement of Changes in Equity
for the year ended
31 December 2018**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered capital	Share premium	Reserves	Prior years' profit and loss	Profit for the year	Grants, donations and bequests received	Total
Adjusted balance at 1 January 2018	5,231,405	3,946,048	629,797	(31,950)	96,446	214,721	10,086,467
Recognised income and expense	-	-	-	-	477,038	(153,283)	323,755
Transactions with shareholders or owners							
Capital increases	857,627	1,042,373	(2,214)	-	-	-	1,897,786
Other movements	-	-	-	(151,578)	-	-	(151,578)
Distribution of profit for 2017							
Reserves	-	-	9,445	87,001	(96,446)	-	-
Balance at 31 December 2018	6,089,032	4,988,421	637,028	(96,527)	477,038	61,438	12,156,430

PLÁSTICOS COMPUESTOS, S.A.

**Statement of Changes in Equity
for the year ended
31 December 2017**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered capital	Share premium	Reserves	Prior years' profit and loss	Profit/(loss) for the year	Grants, donations and bequests received	Total
Balance at 31 December 2016	5,231,405	3,946,048	1,421,947	-	(31,950)	-	10,567,450
Recognised income and expense	-	-	-	-	96,446	(197,034)	(100,588)
Transactions with shareholders or owners							
Business combinations	-	-	(569,069)	-	-	384,304	(184,765)
Application of loss for 2016							
Reserves	-	-	-	(31,950)	31,950	-	-
Other movements	-	-	(223,081)	-	-	27,451	(195,630)
Balance at 31 December 2017	5,231,405	3,946,048	629,797	(31,950)	96,446	214,721	10,086,467

PLÁSTICOS COMPUESTOS, S.A.

**Statement of Cash Flows
for the year ended
31 December 2018**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<i>Note</i>	<i>2018</i>	<i>2017</i>
<i>Cash flows from operating activities</i>			
Profit/(loss) for the year before tax		592,273	(16,817)
Adjustments for:			
Amortisation and depreciation	Notes 5 & 6	2,327,733	1,736,628
Change in provisions		42,081	-
Grants recognised in the income statement	Note 14	(269,541)	(279,465)
Finance income		(3,481)	(357)
Finance costs		827,651	546,641
Exchange gains/(losses)		8,614	(9,156)
Other income and expenses	Notes 5 & 6	(1,243,000)	(1,387,180)
Changes in operating assets and liabilities			
Inventories		(1,474,908)	2,798,039
Trade and other receivables		(324,414)	(1,397,420)
Other current assets		46,932	358,433
Trade and other payables		1,705,029	(2,724,579)
Other cash flows from operating activities			
Interest paid		(735,254)	(496,641)
Interest received		3,481	357
Income tax paid/received		(43,211)	16,753
Other amounts paid/received		(2,214)	-
Cash flows from/(used in) operating activities		865,498	(854,764)
<i>Cash flows from investing activities</i>			
Payments for investments			
Intangible assets	Note 5	(575,661)	(171,365)
Property, plant and equipment	Note 6	(2,158,381)	(1,800,978)
Other financial assets		(29,868)	(17,088)
Proceeds from sale of investments			
Group companies and associates		-	32,500
Property, plant and equipment		-	45,000
Other financial assets		50,665	-
Cash flows used in investing activities		(2,713,245)	(1,911,931)
<i>Cash flows from financing activities</i>			
Proceeds from and payments for equity instruments			
Capital increase and share premium	Note 13	1,900,000	-
Redemption of equity instruments		-	(223,081)
Grants, donations and bequests received	Note 14	65,164	-
Proceeds from and payments for financial liability instruments			
Issue			
Loans and borrowings		-	3,396,669
Other payables	Note 16	4,997,162	-
Redemption and repayment of			
Loans and borrowings		(1,789,773)	-
Group companies and associates		(106,814)	(256,611)
Other payables		(1,900,000)	-
Cash flows from financing activities		3,165,739	2,916,977
Net increase in cash and cash equivalents		1,910,265	150,282
Cash and cash equivalents at beginning of the year		274,607	124,325
Cash and cash equivalents at year end		2,184,872	274,607

PLÁSTICOS COMPUESTOS, S.A.

Notes to the Annual Accounts

31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) Nature and Activities of the Company

Plásticos Compuestos, S.A., (hereinafter the Company) is a company incorporated in Spain in accordance with the Spanish Companies Act. Its principal activity consists of the design and manufacture of colour concentrates, additives and plastic compounds. Its registered office is located at calle Orfebrería 3, in Palau-Solità i Plegamans (Barcelona) from where it carries out its activities.

During 2017 the Company merged by absorption with its subsidiary, Colores y Compuestos Plásticos, S.A.U. As a result of this merger, since 2017 there has been no obligation to prepare consolidated annual accounts of Plásticos Compuestos, S.A.

At 31 December 2017 Plásticos Compuestos, S.A. did not form part of a decision-making unit pursuant to standard 13 of the standards for the preparation of annual accounts with other companies domiciled in Spain.

(2) Basis of Presentation

(a) True and fair view

The accompanying annual accounts have been prepared on the basis of the accounting records of the Company. The annual accounts for 2018 have been prepared in accordance with prevailing legislation and the Spanish General Chart of Accounts to give a true and fair view of the equity and financial position at 31 December 2018 and results of operations, changes in equity, and cash flows for the year then ended.

The directors consider that the annual accounts for 2018, authorised for issue on 06 March 2019, will be approved with no changes by the shareholders at their annual general meeting.

(b) Comparative information

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2018 include comparative figures for 2017, which formed part of the annual accounts approved by shareholders at the annual general meeting held on 21 June 2018.

(c) Functional and presentation currency

The figures disclosed in the annual accounts are expressed in Euros, the Company's functional and presentation currency.

(d) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Company's accounting principles to prepare the annual accounts. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the annual accounts, is as follows:

- Useful life of intangible assets
- Valuation allowances for bad debts and inventories

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2018, future events may require changes to these estimates in subsequent years. Any effect on the annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(3) Distribution of Profit

As proposed by the directors, and approved by the shareholders at the general meeting held on 21 June 2018, 10% of the profits and reserves for the year ended 31 December 2017 was transferred to the legal reserve and the remaining amount was used to offset prior years' losses.

The proposed distribution of 2018 profit and other reserves to be submitted to the shareholders for approval at their annual general meeting is as follows:

	Euros
Basis of allocation	
Profit for the year	477,038.00
Distribution	
Legal reserve	47,703.80
Prior years' losses	96,527.00
Other reserves	332,807.20
	477,038.00

At 31 December non-distributable reserves are as follows:

	Euros	
	2018	2017
Non-distributable reserves		
Legal reserve	286,140	276,696

Distributable reserves and profit for the year are subject to distribution limitations, as follows:

Dividends cannot be distributed until research and development expenses have been fully amortised, unless the amount of available reserves is, at least, equal to the unamortised balances. At 31 December 2018 the Company has recognised research expenses under this item for Euros 2,277,980 (Euros 1,816,661 in 2017). In addition, the distribution of dividends is linked to compliance with the ratios described in note 16 (b) relating to the loan from Alteralia, S.C.A., SICAR.

(4) Significant Accounting Policies**(a) Business combinations**

In 2017 the Company (absorbing entity) merged by absorption with its subsidiary Colores y Compuestos Plásticos, S.A.U. (absorbed entity), which was acquired in previous years.

As this is a merger transaction with a subsidiary, the business combination has been recognised in accordance with Recognition and Measurement Standard 21 of the Spanish General Chart of Accounts, with assets and liabilities being recognised at consolidated value.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

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(b) Intangible assets

Intangible assets are measured at cost of acquisition or production, using the same criteria as for determining the cost of production of inventories. Capitalised production costs are recognised under self-constructed assets in the income statement. Intangible assets are carried at cost, less any accumulated amortisation and impairment.

(i) Research and development

Expenditure on research is generally recognised as an expense when it is incurred.

The Company capitalises research expenditure incurred by each specific project that meets the following conditions:

- The cost is clearly established so that it can be distributed over time.
- An exact relationship can be established between the research "project" and the objectives set and met. The assessment of this requirement is carried out generically for each set of activities that are inter-related because they share a common goal.

The Company capitalises development expenses incurred by each specific project that meets the following conditions:

- Payments attributable to the performance of the project can be measured reliably.
- The allocation, assignment and timing of costs for each project are clearly defined.
- There is evidence of the project's technical success, in terms of direct operation or sale to a third party of the results thereof once completed and if a market exists.
- The economic and commercial feasibility of the project is reasonably assured.
- Financing to develop the project, the availability of adequate technical and other resources to complete the development and to use or sell the resulting intangible asset are reasonably assured.
- There is an intention to complete the intangible asset for its use or sale.

If the Company cannot distinguish the research phase from the development phase, the expenditure is treated as research expenditure.

Expenses already taken to profit and loss in prior years cannot be subsequently capitalised when the conditions are met.

Development expenditure is reclassified under patents, licences, trademarks and similar rights at the date of registration.

(ii) Computer software

Computer software acquired and produced by the Company, including website costs, is recognised when it meets the conditions for consideration as development costs. Expenditure on developing a website to promote and advertise the Company's own products or services is recognised as an expense when incurred. Computer software maintenance costs are charged as expenses when incurred.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(iii) Subsequent costs

Subsequent costs incurred on intangible assets are recognised in profit and loss, unless they increase the expected future economic benefits attributable to the intangible asset.

(iv) Useful life and amortisation rates

Intangible assets are amortised by allocating the depreciable amount of an asset on a systematic basis over its useful life, by applying the following criteria:

	Amortisation method	Estimated years of useful life
Research and development	Straight-line	5
Patents and trademarks	Straight-line	5
Computer software	Straight-line	4
Other intangible assets	Straight-line	10

Research expenditure is amortised on a straight-line basis from the date on which it is capitalised, whereas development expenditure is amortised on a straight-line basis from the date on which the project finishes.

The Company reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(v) Impairment

The Company measures and determines impairment to be recognised or reversed based on the criteria in section (d) Impairment of non-financial assets subject to amortisation or depreciation.

(c) Property, plant and equipment

(i) Initial recognition

Property, plant and equipment are measured at cost of acquisition or production, using the same criteria as for determining the cost of production of inventories.

Advances on account of fixed assets are initially measured at cost. In subsequent years, advances accrue interest at the supplier's incremental borrowing rate when the period between payment and the receipt of the asset exceeds one year.

Capitalised production costs are recognised under self-constructed assets in the income statement. Non-trading income obtained during the trial and start-up period is recognised as a reduction in the costs incurred. Property, plant and equipment are carried at cost less any accumulated depreciation and impairment.

(ii) Depreciation

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Company determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Property, plant and equipment are depreciated using the following criteria:

	Depreciation method	Estimated years of useful life
Buildings	Straight-line	25
Technical installations and machinery	Straight-line	18
Other installations, equipment and furniture	Straight-line	5-25
Other property, plant and equipment	Straight-line	10

The Company reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(iii) Subsequent costs

Subsequent to initial recognition of the asset, only the costs incurred which increase capacity or productivity or which lengthen the useful life of the asset are capitalised. The carrying amount of parts that are replaced is derecognised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

Replacements of property, plant and equipment that qualify for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

(iv) Impairment

The Company measures and determines impairment to be recognised or reversed based on the criteria in section (d) Impairment of non-financial assets subject to amortisation or depreciation.

(d) Impairment of non-financial assets subject to amortisation or depreciation

The Company evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

The Company tests intangible assets not yet available for use for potential impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

An asset's value in use is measured based on the future cash flows the Company expects to derive from use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the Company expects to derive from the asset.

Impairment losses are recognised in the income statement.

Where the Company has reasonable doubts as to the technical success or financial and commercial feasibility of in-progress research and development projects, the amounts in the balance sheet are recognised directly in losses on the disposal of intangible assets in the income statement and may not be reversed.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

At the end of each reporting period the Company assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

(e) Leases

(i) Lessee accounting

Leases in which, upon inception, the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

- *Finance leases*

At the commencement of the lease term, the Company recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method.

The accounting policies applied to the assets used by the Company by virtue of finance lease contracts are the same as those set out in section (c). However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

- *Operating leases*

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

(f) Financial instruments

(i) Recognition

The Company recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

(ii) Classification and separation of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments into different categories based on the nature of the instruments and the Company's intentions on initial recognition.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(iii) Offsetting principles

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market other than those classified in other financial asset categories. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Nevertheless, financial assets which have no established interest rate, which mature or are expected to be received in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

The Company measures loans and receivables at amortised cost provided that reliable cash flow estimates can be made based on contractual terms.

(v) Interest

Interest is recognised using the effective interest method.

(vi) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(vii) Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company recognises impairment of loans and receivables and debt instruments when estimated future cash flows are reduced or delayed due to debtor insolvency.

Impairment of financial assets carried at amortised cost

The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used. For held-to-maturity debt instruments the Company uses the market value, providing this is sufficiently reliable to be considered representative of the recoverable amount.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(viii) Financial liabilities

Financial liabilities, including trade and other payables, that are not classified as held for trading or as financial liabilities at fair value through profit or loss are initially recognised at fair value less any transaction costs directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

The Company measures financial liabilities at amortised cost provided that reliable estimates of cash flows can be made based on the contractual terms.

Participating loans with interest contingent on the Company achieving a milestone such as obtaining profits, or calculated by reference to the financial performance of the Company, are measured at cost plus interest payable to the lender as specified in the loan contract. In these cases, transaction costs are recognised on a straight-line basis over the term of the loan.

(ix) Security deposits

Security deposits paid are measured using the same criteria as for financial assets. The difference between the amount paid and the fair value is classified as a prepayment and recognised in profit or loss over the lease term (over the period for which the service is rendered). Non-current advances are restated at the end of each reporting period based on the market interest rate on initial recognition.

(x) Derecognition and modifications of financial liabilities

The Company derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

(g) Inventories

(i) General

The cost of raw materials and other supplies, the cost of merchandise and costs of conversion are allocated to each inventory unit on a weighted average cost basis.

Advances on account of inventories are measured at cost.

When the cost of inventories exceeds net realisable value, materials are written down to net realisable value, which is understood to be:

- For raw materials and other supplies, replacement cost. Raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost of production;
- For merchandise and finished goods, estimated selling price less costs to sell;
- For work in progress, estimated selling price of the related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale;

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The previously recognised write-down is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances. The reversal of the valuation adjustment is limited to the lower of the cost and the revised net realisable value of the inventories.

Write-downs to net realisable value recognised or reversed on inventories are classified under changes in inventories of finished goods and work in progress or supplies, depending on their nature.

(h) Grants, donations and bequests

Grants, donations and bequests are recorded in recognised income and expense when, where applicable, they have been officially awarded, and the conditions attached to them have been met or there is reasonable assurance that they will be received.

Grants obtained to acquire an asset: if the terms of the grant require that the investment be held for a certain number of years, the grant is considered to be non-refundable if, on the reporting date of the annual accounts, the investment has been made and there is reasonable assurance that it will be held for the period stipulated in the terms of the grant.

Monetary grants, donations and bequests are measured at the fair value of the sum received, whilst non-monetary grants, donations and bequests received are accounted for at fair value.

In subsequent years, grants, donations and bequests are recognised as income as they are applied.

Capital grants are recognised as income over the same period and in the proportions in which depreciation on those assets is charged or when the assets are disposed of, derecognised or impaired.

Grants related to non-depreciable assets are recognised as income when the assets acquired using the grant are disposed of, derecognised or impaired.

Grants awarded to finance specific expenses are recognised as income when the financed expenses are accrued.

(i) Provisions

(i) General criteria

Provisions are recognised when the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(j) Revenue from the sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Volume rebates, prompt payment and any other discounts, as well as the interest added to the nominal amount of the consideration, are recognised as a reduction in the consideration.

Discounts granted to customers are recognised as a reduction in sales revenue when it is probable that the discount conditions will be met.

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PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(i) Revenue from sales

The Company recognises revenue from the sale of goods when:

- It has transferred to the buyer the significant risks and rewards of ownership of the goods;
- It retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue and the costs incurred or to be incurred can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Services rendered

Revenues associated with the rendering of services are recognised in the income statement by reference to the stage of completion at the reporting date when revenues, the stage of completion, the costs incurred and the costs to complete the transaction can be estimated reliably and it is probable that the economic benefits derived from the transaction will flow to the Company.

(k) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

(i) Recognition of deferred tax liabilities

The Company recognises deferred tax liabilities in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(ii) Recognition of deferred tax assets

The Company recognises deferred tax assets provided that it is probable that sufficient taxable income will be available against which they can be utilised or when tax legislation envisages the possibility of converting deferred tax assets into a receivable from public entities in the future.

The Company recognises the conversion of a deferred tax asset into a receivable from public entities when it becomes enforceable in accordance with prevailing tax legislation. For this purpose, the deferred tax asset is derecognised with a charge to the deferred tax expense and the receivable is recognised with a credit to current tax.

Nonetheless, assets arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income, are not recognised.

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PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The Company only recognises deferred tax assets arising from tax loss carryforwards when it is probable that future taxable profit will be generated against which they may be offset within the period stipulated in applicable tax legislation, up to a maximum period of ten years, unless there is evidence that their recovery in a longer period of time is probable and tax legislation provides for their utilisation in a longer period or stipulates no time limit for their utilisation.

Conversely, it is considered probable that the Company will generate sufficient taxable profit to recover deferred tax assets when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which are expected to reverse in the same tax period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from a deductible temporary difference can be carried back or forward. If the only future taxable profit is derived from taxable temporary differences, the recognition of deferred tax assets arising from tax loss carryforwards is limited to 70% of the deferred tax liabilities recognised.

The Company recognises deferred tax assets not previously recognised because they were not expected to be utilised within the ten-year recovery period, inasmuch as the future reversal period does not exceed ten years from the end of the reporting period or when there are sufficient taxable temporary differences.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities. For these purposes, the Company has considered the deduction for reversal of the temporary measures provided in transitional provision thirty-seven of Income Tax Law 27/2014 of 27 November 2014 as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of amortisation and depreciation charges in 2013 and 2014.

(iv) Offset and classification

The Company only offsets tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(l) Classification of assets and liabilities as current and non-current

The Company classifies assets and liabilities in the balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the annual accounts are authorised for issue.
- (m) Environmental issues
- Property, plant and equipment acquired by the Company for long-term use to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Company's activities, are recognised as assets, applying the measurement, presentation and disclosure criteria described in section (c) Property, plant and equipment.
- (n) Transactions between Group companies
- Transactions between Group companies, except those related to mergers, spin-offs and non-monetary contributions, are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

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PLÁSTICOS COMPUESTOS, S.A.

Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(5) Intangible Assets

Details of intangible assets, excluding goodwill, and movement are as follows:

	Euros				Total
	Research and development	Patents, licences, trademarks and similar rights	Computer software	Other intangible assets	
2018					
Cost at 1 January 2018	2,198,449	9,303	292,992	-	2,500,744
Additions	231,762	153,267	190,632	-	575,661
Internally generated additions	958,790	-	-	-	958,790
Cost at 31 December 2018	3,389,001	162,570	483,624	-	4,035,195
Accumulated amortisation at 1 January 2018	(381,788)	(954)	(220,543)	-	(603,285)
Amortisation	(729,233)	(9,287)	(40,336)	-	(778,856)
Accumulated amortisation at 31 December 2018	(1,111,021)	(10,241)	(260,879)	-	(1,382,141)
Carrying amount at 31 December 2018	2,277,980	152,329	222,745	-	2,653,054
	Euros				
2017	Research and development	Patents, licences, trademarks and similar rights	Computer software	Other intangible assets	Total
Cost at 1 January 2017	238,650	4,658	204,935	50,000	498,243
Additions	233,104	3,639	29,911	-	266,654
Internally generated additions	1,120,711	-	-	-	1,120,711
Business combinations	605,984	1,006	3,915	(50,000)	560,905
Transfers	-	-	54,231	-	54,231
Cost at 31 December 2017	2,198,449	9,303	292,992	-	2,500,744
Accumulated amortisation at 1 January 2017	-	-	(191,169)	-	(191,169)
Amortisation	(381,788)	(954)	(29,374)	-	(412,116)
Accumulated amortisation at 31 December 2017	(381,788)	(954)	(220,543)	-	(603,285)
Carrying amount at 31 December 2017	1,816,661	8,349	72,449	-	1,897,459

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(a) Research and development

Amounts for capitalised research and development reflect expenses incurred in research and development activities carried out by the Company for different projects, mainly the development of biodegradable and compostable resins, and other renewable biopolymers processed through the use of conventional extrusion lines which provide similar properties to those of traditional plastics. The Company has various grants associated with these research and development projects at national and European level.

(b) Other intangible assets

During 2016 the Company capitalised an amount of Euros 50,000 corresponding to the acquisition of the customer portfolio from its subsidiary Colores y Compuestos Plásticos, S.A.U. Because this asset originated within the consolidated group, it was derecognised as a result of the merger with this subsidiary in 2017 (see note 1).

(c) Fully amortised assets

The cost of fully amortised intangible assets in use at 31 December is as follows:

	Euros	
	2018	2017
Trademarks	7,009	-
Computer software	184,902	184,902
	191,911	184,902

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(6) Property, Plant and Equipment

Details of property, plant and equipment and movement are as follows:

	Euros					Total
	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	
2018						
Cost at 1 January 2018	331,078	28,459,532	4,373,256	98,523	430,808	33,693,197
Additions	161	1,587,234	257,937	300,281	12,768	2,158,381
Internally generated additions	-	284,210	-	-	-	284,210
Cost at 31 December 2018	331,239	30,330,976	4,631,193	398,804	443,576	36,135,788
Accumulated depreciation at 1 January 2018	(97,890)	(14,342,528)	(1,695,269)	-	(390,693)	(16,526,380)
Depreciation	(12,652)	(1,301,537)	(212,254)	-	(22,433)	(1,548,876)
Accumulated depreciation at 31 December 2018	(110,542)	(15,644,065)	(1,907,523)	-	(413,126)	(18,075,256)
Carrying amount at 31 December 2018	220,697	14,686,911	2,723,670	398,804	30,450	18,060,532

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros					Total
	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	
2017						
Cost at 1 January 2017	328,218	25,068,385	2,475,004	120,000	394,496	28,386,103
Additions	-	1,425,580	152,239	98,523	2,281	1,678,623
Internally generated additions	-	266,469	-	-	-	266,469
Business combinations	-	1,788,137	1,657,498	-	15,598	3,461,233
Disposals	-	-	-	(45,000)	-	(45,000)
Transfers	2,860	(89,039)	88,515	(75,000)	18,433	(54,231)
Cost at 31 December 2017	331,078	28,459,532	4,373,256	98,523	430,808	33,693,197
Accumulated depreciation at 1 January 2017	(85,238)	(13,264,823)	(1,494,224)	-	(357,583)	(15,201,868)
Depreciation	(12,652)	(1,077,705)	(201,045)	-	(33,110)	(1,324,512)
Accumulated depreciation at 31 December 2017	(97,890)	(14,342,528)	(1,695,269)	-	(390,693)	(16,526,380)
Carrying amount at 31 December 2017	233,188	14,117,004	2,677,987	98,523	40,115	17,166,817

(a) General

At 2018 reporting date the most important additions comprise investments in machinery to be used for the production process, as well as investments in technical installations for the fitting out and upgrading of fire prevention equipment. The Company has made advances of Euros 398,804 to fixed asset suppliers for the acquisition of new machinery. At 2017 reporting date the most significant investments were in machinery. The Company made advances to fixed asset suppliers amounting to Euros 98,523.

(b) Fully depreciated assets

Details of the cost of fully depreciated property, plant and equipment in use at 31 December are as follows:

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PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros	
	2018	2017
Buildings	18,635	18,635
Technical installations and machinery	5,337,962	5,337,962
Other installations, equipment and furniture	929,613	929,155
Other property, plant and equipment	368,651	368,651
	6,654,861	6,654,403

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(c) Insurance

The Company has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

(d) Assets under finance lease

At 31 December 2018 and 2017 the Company had contracted various finance leases on its property, plant and equipment (see note 7).

(7) Finance Leases - Lessee

The Company has leased the following types of assets under finance leases:

	Euros		
	Machinery	Installations	Total
<i>Initially recognised at:</i>			
Fair value	3,581,376	300,436	3,881,812
Accumulated depreciation	(225,711)	(121,677)	(347,388)
Carrying amount at 31 December 2018	3,355,665	178,759	3,534,424
<i>Initially recognised at:</i>			
Fair value	3,003,212	300,436	3,303,648
Accumulated depreciation	(581,171)	(100,646)	(681,817)
Carrying amount at 31 December 2017	2,422,041	199,790	2,621,831

No contingent amounts for finance leases have been recognised as an expense in 2018 or 2017.

Future minimum lease payments are reconciled with their present value as follows:

	Euros	
	2018	2017
Future minimum payments	1,536,100	1,797,419
Purchase option	53,588	45,783
Unaccrued finance costs	(102,010)	(237,062)
Present value	1,487,678	1,606,140

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Details of minimum lease payments and the present value of finance lease liabilities, by maturity date, are as follows:

	Euros			
	2018		2017	
	Minimum payments	Present value	Minimum payments	Present value
Less than one year	632,559	589,657	552,397	519,423
Between 1 and 5 years	903,541	898,021	1,245,022	1,086,717
	1,536,100	1,487,678	1,797,419	1,606,140
Less current portion	(632,559)	(589,657)	(552,397)	(519,423)
Total non-current	903,541	898,021	1,245,022	1,086,717

(8) Operating Leases - Lessee

The most significant lease contracts are as follows:

- Lease of a series of industrial buildings where the Company carries out its activity and located in Palau Solità i Plegamans (Barcelona) with a total surface area of 10,602.72 m². This contract has a duration of 15 years, with an obligatory lease term of 10 years, extendable until 31 March 2035.

- Lease of an industrial building and offices located in Palau-Solità i Plegamans (Barcelona) with a total surface area of 8,643 m². The lease contract is for 15 years and has an obligatory lease term of 10 years, extendable until 20 September 2034.

Operating lease payments have been recognised as an expense for the year as follows:

	Euros	
	2018	2017
Minimum lease payments	646,456	568,645

Future minimum payments under non-cancellable operating leases, which mainly reflect leases of industrial buildings located in Palau-Solità i Plegamans (Barcelona), are as follows:

	Euros	
	2018	2017
Up to 1 year	824,400	539,123
Between 1 and 5 years	3,297,600	2,156,491
More than 5 years	5,369,400	4,108,285
	9,491,400	6,803,899

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Future minimum payments under non-cancellable operating leases corresponding to leases of industrial buildings are expected to rise in forthcoming years due to the current rent being brought into line with the related market value.

(9) Risk Management Policy**(a) Financial risk factors**

The Company's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits.

Risks are managed by the Company's Central Treasury Department in accordance with policies approved by the board of directors. This department identifies, evaluates and mitigates financial risks in close collaboration with the Company's operational units. The board of directors issues global risk management policies, as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk and investments of cash surpluses.

(i) Currency risk

The Company operates internationally and is therefore exposed to currency risk when operating with foreign currencies.

Currency risk arises when future commercial transactions and recognised assets and liabilities are presented in a foreign currency other than the Company's functional currency. The Treasury Department is responsible for managing the net position of each foreign currency.

(ii) Credit risk

The Company is not significantly exposed to credit risk. The Company has insurance policies to cover all sales of products to customers with adequate credit records and previously classified by the insurance companies. The coverage of credit facilities is 90% in Spain and 85% internationally. The Company has policies to limit the amount of risk with any one financial institution.

(iii) Liquidity risk

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash and marketable securities, as well as sufficient financing through credit facilities (see note 16), to settle market positions. Given the dynamic nature of its underlying business, the Company's Treasury Department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

(iv) Cash flow and fair value interest rate risks

As the Company does not have a considerable amount of interest-bearing assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Interest rate risk arises from non-current borrowings. Borrowings at variable interest rates expose the Company to cash flow interest rate risks. Fixed interest loans expose the Company to fair value interest rate risks. The Company's policy involves contracting a large majority of borrowings at fixed interest rates.

(10) Financial Assets by Category

(a) Classification of financial assets by category

The classification of financial assets by category and class, as well as a comparison of the fair value and the carrying amount is as follows:

2018

	Euros			
	Non-current		Current	
	Carrying amount	Total	Carrying amount	Total
<i>Assets held for trading</i>				
Quoted	-	-	34,938	34,938
Total	-	-	34,938	34,938
<i>Loans and receivables</i>				
Security and other deposits	103,202	103,202	-	-
Other financial assets	34,708	34,708	10,000	10,000
Trade receivables	-	-	4,479,788	4,479,788
Other receivables	-	-	29,044	29,044
Total	137,910	137,910	4,518,832	4,518,832
Total financial assets	137,910	137,910	4,553,770	4,553,770

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2017

	Euros			
	Non-current		Current	
	Carrying amount	Total	Carrying amount	Total
<i>Assets held for trading</i>				
Quoted	-	-	13,985	13,985
Debt securities				
Unquoted	-	-	29,711	29,711
Total	-	-	43,696	43,696
<i>Loans and receivables</i>				
Security and other deposits	103,202	103,202	20,954	20,954
Other financial assets	25,793	25,793	10,000	10,000
Trade receivables	-	-	5,376,253	5,376,253
Other receivables	-	-	32,875	32,875
Total	128,995	128,995	5,440,082	5,440,082
Total financial assets	128,995	128,995	5,483,778	5,483,778

The fair value of financial assets does not differ significantly from their carrying amount.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(11) Investments and Trade Receivables

(a) Investments

Details of investments are as follows:

	Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Unrelated parties				
Equity instruments	-	34,938	-	13,985
Debt securities	-	-	-	29,711
Security and other deposits	103,202	-	103,202	20,954
Other	34,708	10,000	25,793	10,000
Total	137,910	44,938	128,995	74,650

(b) Trade and other receivables

Details of trade and other receivables are as follows:

	Euros	
	2018	2017
	Current	Current
<i>Group</i>		
Trade receivables (note 20)	726,154	714,632
<i>Related parties</i>		
Trade receivables (note 20)	52,677	817,705
<i>Unrelated parties</i>		
Trade receivables	3,700,957	4,193,500
Personnel	29,044	32,875
Taxation authorities, income tax (note 18)	43,211	4
Public entities, other (note 18)	1,239,454	59,126
Impairment	-	(349,584)
Total	5,791,497	5,468,258

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(c) Impairment

An analysis of the changes in allowance accounts related to impairment of financial assets measured at amortised cost due to credit risk is as follows:

	Euros	
	2018	
	Trade	
	receivables	Total
<i>Current</i>		
Balance at 1 January 2018	(349,584)	(349,584)
Eliminations against the accounting balance	349,584	349,584
Balance at 31 December 2018	-	-
	Euros	
	2017	
	Trade	
	receivables	Total
<i>Current</i>		
Balance at 1 January 2017	(17,777)	(17,777)
Business combinations	(331,807)	(331,807)
Balance at 31 December 2017	(349,584)	(349,584)

In 2017, as a result of the merger (see note 1), the Company created a Euros 331,807 provision for impairment of receivables from the merged company Colores y Compuestos Plásticos, S.A.U. At 2018 reporting date it has been considered that it is not necessary to recognise impairment of receivables.

(d) Classification by maturity

The classification of financial assets by maturity date is shown in Appendix I.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(12) Inventories

(a) General

Details of inventories are as follows:

	Euros	
	2018	2017
Production and distribution business		
Raw materials and other supplies	2,000,698	1,027,655
Finished goods	4,647,913	4,131,463
Advances	26,984	193,147
	6,675,595	5,352,265

(b) Insurance

The Company has taken out insurance policies to cover the risk of damage to its inventories. The coverage of these policies is considered sufficient.

(13) Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

(a) Capital

At 2017 reporting date the Company's share capital amounted to Euros 5,231,405 and was represented by 174,090 shares of Euros 30.05 par value each, subscribed and fully paid.

At a general meeting held on 21 June 2018 the shareholders approved a share capital increase subscribed by Corporation Chimique International S.P.R.L. (CCI, S.P.R.L.), which represented the creation of 28,540 new registered shares numbered correlatively from 174,091 to 202,630, corresponding to the addition of Euros 857,627 to share capital and Euros 1,042,373 to share premium.

As a result of this share capital increase, at 31 December 2018 the Company's share capital amounts to Euros 6,089,032 and is represented by 202,630 shares of Euros 30.05 par value each, subscribed and fully paid.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Companies which hold a direct or indirect interest of at least 10% in the share capital of the Company are as follows:

Company	2018	2017
	Percentage ownership	Percentage ownership
CCP Masterbatch, S.L.	56.90%	66.26%
CCI, S.P.R.L.	22.20%	9.40%
Caixa Invierte Industria, S.C.R.S.A.	12.50%	14.52%
	91.60%	90.18%

(b) Share premium

The Spanish Companies Act expressly provides for the use of the share premium to increase capital and does not stipulate any specific restrictions as to its use, except as detailed in note 3.

(c) Reserves

(i) Legal reserve

The legal reserve has been appropriated in compliance with article 274 of the Revised Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

At 31 December 2018 and 2017, the Company has not appropriated to this reserve the minimum amount required by law.

(ii) Voluntary reserves

These reserves are freely distributable. However, they are subject to the limitations detailed in note 3 to these annual accounts.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(14) Grants, Donations and Bequests Received

Movement in non-refundable grants, donations and bequests received, net of the corresponding tax effect, is as follows:

	Euros	
	2018	2017
Balance at 1 January	214,721	-
Merger balances (see note 1)	-	384,304
Grants received during the year	48,873	12,565
Amounts transferred to the income statement	(202,156)	(209,598)
Other movements	-	27,450
Balance at 31 December	61,438	214,721

Details of the amounts recognised in the income statement by type of grant are as follows:

	Euros	
	2018	2017
Capital grants	269,541	279,465

(15) Financial Liabilities by Category

- (a) Classification of financial liabilities by category

The classification of financial liabilities by category and class, and a comparison of the fair value with the carrying amount are provided in Appendix II.

(16) Payables and Trade Payables

- (a) Group companies

Details of payables to Group companies are as follows:

	Euros
	2017
<i>Group</i>	
Payables, tax effect (note 18)	106,814

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(b) Payables

Details of payables are as follows:

	Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
<i>Unrelated parties</i>				
Loans and borrowings	1,771,675	7,955,226	3,178,176	8,220,036
Finance lease payables	898,021	589,657	1,086,717	519,423
Non-current payables				
Other financial liabilities	4,997,162	-	1,900,000	-
Total	7,666,858	8,544,883	6,164,893	8,739,459

The Company's loans and borrowings and finance lease payables at the 2018 and 2017 reporting dates reflect long-term financing transactions arranged to finance part of the fixed asset investment, mainly machinery (see note 6).

Transactions arranged in 2018 and 2017 mainly have fixed interest rates for the duration of the loans or finance leases. Fixed interest rates on these products range between 1.25% and 2.75%. In the case of the debt arranged in years prior to 2015, interest rates are variable and stand at an average of Euribor + a 3.5% spread.

In addition to the current portion of the aforementioned loans and finance leases, the Company's current loans and borrowings comprise different discount lines, as well as credit facilities.

At 2017 reporting date, the Company had participating loans totalling Euros 1,900,000 from Caixa Invierte Industria S.C.R., S.A. and Capital Expansió F.C.R., falling due in 2021. These participating loans accrued interest at a fixed annual rate of 7%. At 2018 reporting date, the Company has repaid these participating loans in advance.

Non-current payables include loans received from the CDTI associated with research and development projects (see note 5) amounting to Euros 208,157 in 2018 (Euros 1010,416 in 2017).

This item also includes the Euros 5 million loan received from Alteralia, S.C.A., SICAR arranged on 20 December 2018 and falling due on 20 December 2025. This loan will be fully repaid upon maturity. This loan is pegged to Euribor plus a spread ranging from 6% to 7% based on the leverage ratio. In addition, over the duration of the contract the possibility of distributing dividends depends on compliance with a level of leverage. Finally, the financing agreement is linked to compliance with the leverage ratio, debt service and maximum CAPEX to be invested, considering for the latter the non-existence of a CAPEX investment limitation for the amount of a future capital injection or financing by shareholders. Compliance with these financial ratios will be half-yearly and yearly and will begin on 30 June 2019.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(c) Other information on payables

(i) Main characteristics of credit facilities and discount lines

The Company has the following credit facilities and discount lines at 31 December:

	Euros			
	2018		2017	
	Drawn down	Limit	Drawn down	Limit
Credit facilities				
Credit facility	-	320,000	317,324	320,000
Discount lines				
Domestic discount	591,353	-	1,115,040	-
Export/Import advances	5,004,920	-	5,121,383	-
Confirming	-	-	53,982	-
	5,596,273	320,000	6,607,729	320,000

Total limits for the different working capital facilities (advance billing, confirming, import and export advances), that the Company has at the 2018 reporting date amount to Euros 10,500,00 (Euros 9,200,000 in 2017).

(d) Trade and other payables

Details of trade and other payables are as follows:

	Euros	
	2018	2017
	Current	Current
<i>Group</i>		
Suppliers (note 20)	-	120,311
<i>Related parties</i>		
Suppliers (note 20)	-	99,208
<i>Unrelated parties</i>		
Suppliers	5,584,630	4,221,180
Payables	1,515,270	881,905
Personnel	135,727	163,752
Taxation authorities, income tax (note 18)	-	6,006
Public entities, other (note 18)	167,189	147,624
Total	7,402,816	5,639,986

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(e) Classification by maturity

The classification of financial liabilities by maturity is shown in Appendix III.

The fair value of the financial liabilities does not significantly differ from the carrying amount.

(17) Average Supplier Payment Period "Reporting Requirement". Third Additional Provision of Law 15/2010 of 5 July 2010.

Details of the average supplier payment period are as follows:

	2018	2017
	Days	
Average supplier payment period	87	75
Transactions paid ratio	74	74
Transactions payable ratio	80	70
	Amount in Euros	
Total payments made	28,455,465	25,316,053
Total payments outstanding	6,608,700	5,265,627

(18) Taxation

Details of balances with public entities are as follows:

	Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Assets				
Deferred tax assets	212,039	-	380,001	-
Current tax assets	-	43,211	-	4
Value added tax and similar taxes	-	1,239,454	-	59,126
	212,039	1,282,665	380,001	59,130
Liabilities				
Deferred tax liabilities	107,700	-	212,696	-
Current tax liabilities	-	-	-	6,006
Social Security	-	74,875	-	64,476
Withholdings	-	92,314	-	83,148
	107,700	167,189	212,696	153,630

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The Company has the following main applicable taxes open to inspection by the Spanish taxation authorities:

Tax	Years open to inspection
Income tax	2014-2017
Value added tax	2015-2018
Personal income tax	2015-2018
Customs duties	2015-2018
Capital gains tax	2015-2018
Tax on Economic Activities	2015-2018
Social Security	2015-2018
Non-residents	2015-2018

(a) Income tax

A reconciliation of net income and expenses for the year and taxable income is detailed in Appendix IV.

The relationship between the income tax expense/(income) and accounting profit/(loss) for the year is provided in Appendix V.

Details of the tax expense in the income statement are as follows:

	Euros	
	2018	2017
Current tax		
Present year	-	-
Deferred tax		
Source and reversal of temporary differences		
Property, plant and equipment	(25,586)	(15,505)
Goodwill	-	(12,500)
Previously unrecognised tax credits applied	140,821	66,320
	115,235	38,315

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Details of deferred tax assets and liabilities by type of asset and liability are as follows:

	Euros			
	Assets		Liabilities	
	2018	2017	2018	2017
Property, plant and equipment	140,579	142,573	91,990	141,122
Grants	-	-	15,710	71,574
Tax loss carryforwards	27,412	193,380	-	-
Rights to tax deductions and credits	44,048	44,048	-	-
Total assets/liabilities	212,039	380,001	107,700	212,696

The Company has recognised deductions, the amounts and reversal periods of which are as follows:

Year	Euros		Final year
	2018	2017	
2012	-	8,609	2027
2013	-	2,303	2028
	-	10,912	

At 2018 reporting date, based on the calculation of income tax for 2018 the Company applies part of the unused tax loss carryforwards that it had in 2017.

Year	Euros	
	2018	2017
2015	109,649	672,933
	109,649	672,933

(19) Environmental Information

At 31 December 2018 and 2017 the Company has no items of property, plant and equipment for the purpose of minimising environmental impact.

During 2018 and 2017 the Company has not made any significant environmental investments.

During 2018 and 2017 the Company has not incurred any environmental income or expenses.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(20) Related Party Balances and Transactions

(a) Balances with related parties

Details of balances by category are as follows:

	Euros		
	Group companies	Other related parties	Total
2018			
Trade and other receivables			
Trade receivables from Group companies – current (note 11)	726,154	52,677	778,831
Total current assets	726,154	52,677	778,831
Total assets	726,154	52,677	778,831
	Euros		
	Group companies	Other related parties	Total
2017			
Trade and other receivables			
Trade receivables from Group companies – current (note 11)	714,632	817,705	1,532,337
Investments in Group companies - current			
Total current assets	714,632	817,705	1,532,337
Total assets	714,632	817,705	1,532,337
Non-current payables			
Other financial liabilities (note 16)	-	1,900,000	1,900,000
Total non-current liabilities	-	1,900,000	1,900,000
Group companies - current	106,814	-	106,814
Total current liabilities	106,814	-	106,814
Total liabilities	106,814	1,900,000	2,006,814

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(b) Related party transactions

The Company's transactions with related parties are as follows:

2018	Euros	
	Other related parties	Total
Income		
Net sales		
Sales	879,872	879,872
Total income	879,872	879,872
Expenses		
Net purchases		
Purchases	(4,869,790)	(4,869,790)
Operating lease expenses	(546,333)	(546,333)
Other services received	(120,033)	(120,033)
Financial instruments		
Finance costs	(274,937)	(274,937)
Total expenses	(5,811,093)	(5,811,093)

2017	Euros	
	Other related parties	Total
Income		
Net sales		
Sales	2,708,688	2,708,688
Total income	2,708,688	2,708,688
Expenses		
Net purchases		
Purchases	(1,388,220)	(1,388,220)
Operating lease expenses	(539,123)-	(539,123)
Other services received	(101,567)-	(101,567)
Financial instruments		
Finance costs	(133,364)	(133,364)
Total expenses	(2,162,274)	(2,162,274)

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(c) Information on the directors and senior management personnel

In 2018 and 2017 directors did not receive any remuneration in respect of their duties, nor did they receive any loans or advances, nor did the Company extend any guarantees on their behalf. During 2018 the Company has paid public liability insurance premiums of Euros 3,202 for damage or loss caused by actions or omissions in the performance of their duties (Euros 1,592 in 2017). The Company has no pension or life insurance obligations with its former or current directors.

Other services received detailed in section b) of this note, correspond to services rendered by one of the companies that holds the position as member of the Company's board of directors.

(d) Transactions other than ordinary business or under terms differing from market conditions carried out by the directors and senior management of the Company

In 2018 and 2017 the directors and the senior management of the Company did not carry out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or any other Group company.

(c) Conflicts of interest concerning the directors

The directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(21) Income and Expenses

(a) Revenues

Details of revenues by category of activity and geographical market are shown in Appendix VI.

(b) Supplies

Details of merchandise, raw materials and other supplies used are as follows:

	Euros	
	2018	2017
Raw materials and other supplies used		
Domestic purchases	30,948,981	23,682,421
Purchase discounts and returns	(12,444)	(3,459)
Change in inventories	(973,043)	1,246,007
	29,963,494	24,924,969

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(c) Employee benefits expense and provisions

Details of employee benefits expense and provisions are as follows:

	Euros	
	2018	2017
Employee benefits expense		
Social Security payable by the Company	763,284	741,901
Other employee benefits expenses	400	-
	763,684	741,901

(22) Employee Information

The average headcount of the Company in 2018 and 2017, distributed by category, is as follows.

	Euros	
	2018	2017
Senior management personnel	1	1
Technicians and middle management	9	7
Sales	8	8
Administrative and other personnel	51	52
	69	68

At 2018 and 2017 year end the distribution by gender of Company personnel and the members of the board of directors is as follows:

	Number			
	2018		2017	
	Female	Male	Female	Male
Directors	1	4	1	4
Senior management personnel	-	1	-	1
Technicians and middle management	4	7	4	7
Sales and similar personnel	7	4	3	5
Administrative and other personnel	6	44	6	40
	18	60	14	57

The Company has not had any employees with a disability equal to or higher than 33% in 2018 and 2017.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(23) Audit Fees

KPMG Auditores, S.L., the auditor of the annual accounts of the Company has invoiced the Company the following fees for professional services during the years ended 31 December 2018 and 2017:

	Euros	
	2018	2017
Audit services	27,000	28,000

The amounts detailed in the above table include the total fees for services rendered in 2018 and 2017, irrespective of the date of invoice.

(24) Events after the Reporting Period

At the date these annual accounts were authorised for issue, the Company started a process to join the Growth Companies segment of the Alternative Equity Market. It expects to complete the process in 2019.

The Company is also undergoing negotiations to arrange a syndicated loan of Euros 10,000,000 for the purpose of reorganising its debt with financial institutions prevailing at the 2018 reporting date.

PLÁSTICOS COMPUESTOS, S.A.
Classification of financial assets by maturity
for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2018	Euros			
	2019	Subsequent years	Less current portion	Total non- current
Loans and receivables				
Other financial assets	-	137,910	-	137,910
Trade and other receivables				
Trade receivables	3,753,634	-	(3,753,634)	-
Trade receivables from Group companies and associates	726,154	-	(726,154)	-
Personnel	29,044	-	(29,044)	-
Total	4,508,832	137,910	(4,508,832)	137,910

PLÁSTICOS COMPUESTOS, S.A.
Classification of financial assets by maturity
for the year ended 31 December 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Euros				
2017	2018	Subsequent years	Less current portion	Total non- current
Loans and receivables				
Other financial assets	-	128,995	-	128,995
Trade and other receivables				
Trade receivables	4,661,621	-	(4,661,621)	-
Trade receivables from Group companies and associates	714,632	-	(714,632)	-
Personnel	32,875	-	(32,875)	-
Total	5,409,128	128,995	(5,409,128)	128,995

PLÁSTICOS COMPUESTOS, S.A.
Details of Financial Liabilities by Category
for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	Non-current		Current	
	At amortised cost or cost		At amortised cost or cost	
	Carrying amount	Total	Carrying amount	Total
<i>Debts and payables</i>				
Payables				
Loans and borrowings	1,771,675	1,771,675	7,955,226	7,955,226
Finance lease payables	898,021	898,021	589,657	589,657
Other financial liabilities	4,997,162	4,997,162	-	-
Trade and other payables				
Suppliers	-	-	5,584,630	5,584,630
Other payables	-	-	1,650,997	1,650,997
Total financial liabilities	7,666,858	7,666,858	15,780,510	15,780,510

PLÁSTICOS COMPUESTOS, S.A.
Details of Financial Liabilities by Category
for the year ended 31 December 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	Non-current		Current	
	At amortised cost or cost		At amortised cost or cost	
	Carrying amount	Total	Carrying amount	Total
<i>Debts and payables</i>				
Payables				
Loans and borrowings	3,178,176	3,178,176	8,220,036	8,220,036
Finance lease payables	1,086,717	1,086,717	519,423	519,423
Other financial liabilities	1,900,000	1,900,000	-	-
Trade and other payables				
Suppliers	-	-	4,440,699	4,440,699
Other payables	-	-	1,045,657	1,045,657
Total financial liabilities	6,164,893	6,164,893	14,225,815	14,225,815

PLÁSTICOS COMPUESTOS, S.A.
Classification of Financial Liabilities by Maturity
for the year ended
31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2018

	Euros					Subsequent years	Less current portion	Total non- current
	2019	2020	2021	2022	2023			
Payables								
Loans and borrowings	7,955,226	1,194,626	445,203	111,608	20,238	-	(7,955,226)	1,771,675
Finance lease payables	589,657	490,688	239,062	121,652	46,619	-	(589,657)	898,021
Other financial liabilities	-	-	26,020	26,020	26,020	4,919,105	-	4,997,162
Trade and other payables								
Suppliers	5,584,630	-	-	-	-	-	(5,584,630)	-
Other payables	1,515,270	-	-	-	-	-	(1,515,720)	-
Personnel	135,727	-	-	-	-	-	(135,727)	-
Total financial liabilities	15,780,510	1,685,314	710,285	259,280	92,876	4,919,105	(15,780,727)	7,666,858

PLÁSTICOS COMPUESTOS, S.A.
Classification of Financial Liabilities by Maturity
for the year ended
31 December 2017

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2017

	2018	2019	2020	2021	Subsequent years	Less current portion	Total non- current
Payables							
Loans and borrowings	8,220,036	1,551,871	1,072,491	386,219	167,595	(8,220,036)	3,178,176
Finance lease payables	519,423	504,121	403,140	149,486	29,970	(519,423)	1,086,717
Group companies	106,814	-	-	-	-	(106,814)	-
		-					
Other financial liabilities	-	-	-	-	1,900,000	-	1,900,000
Trade and other payables							
Suppliers	4,320,388	-	-	-	-	(4,320,388)	-
Suppliers, Group companies and associates	120,311					(120,311)	
Other payables	881,905	-	-	-	-	(881,905)	-
Personnel	163,752	-	-	-	-	(163,752)	-
Total financial liabilities	14,332,629	2,055,992	1,475,631	535,705	2,097,565	(14,332,629)	6,164,893

This appendix forms an integral part of note 16 to the annual accounts, in conjunction with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.

**Reconciliation of net income and expenses for the year with taxable income
for the year ended 31 December 2018**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2018	Euros						Total
	Income statement			Recognised income and expense			
	Increases	Decreases	Net	Increases	Decreases	Net	
Income and expenses for the period			477,038			(153,283)	323,755
Income tax			115,235			(51,094)	64,141
Profit/(loss) before income tax			592,273			(204,377)	387,896
Permanent differences							
Individual company	20,245	151,578	(131,333)	-	-	-	(131,333)
Temporary differences:							
Individual company							
originating in prior years	209,020	106,676	102,344	204,377	-	204,377	306,721
Offset of tax loss carryforwards			(563,284)				(563,284)
Taxable income/(Tax loss)			-			-	-

This appendix forms an integral part of note 18 to the annual accounts, in conjunction with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.

**Reconciliation of net income and expenses for the year with taxable income
for the year ended 31 December 2017**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2017	Euros						Total
	Income statement			Recognised income and expense			
	Increases	Decreases	Net	Increases	Decreases	Net	
Income and expenses for the period			96,446			(197,034)	(100,588)
Income tax			38,315			(65,677)	(27,362)
Profit/(loss) before income tax			134,761			(262,711)	(127,950)
Permanent differences							
Individual company	18,498	-	18,498	-	-	-	18,498
Temporary differences:							
Individual company							
originating in prior years	220,706	93,719	126,987	262,711	-	262,711	389,698
Consolidation adjustments							
Taxable income/(Tax loss)			280,246			-	280,246

This appendix forms an integral part of note 18 to the annual accounts, in conjunction with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.

**Relationship between Income Tax Expense/(Income) and Profit/ (Loss)
for the year ended 31 December 2018**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros		
	Profit and loss	Recognised income and expense	Total
Income and expenses for the period before tax	592,273	(204,377)	387,896
Tax at 25%	148,068	(51,094)	96,974
Permanent differences			
Non-deductible expenses	5,062	-	5,062
Non-taxable income	(37,895)	-	(37,895)
Consolidated income tax expense/(income) Continuing operations	115,235	(51,094)	64,141

PLÁSTICOS COMPUESTOS, S.A.

**Relationship between Income Tax Expense/(Income) and Profit/ (Loss)
for the year ended 31 December 2017**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros		
	Profit and loss	Recognised income and expense	Total
Income and expenses for the period before tax	134,761	(279,465)	(296,282)
Tax at 25%	33,690	(69,866)	(36,176)
Permanent differences			
Non-deductible expenses	1,678	-	1,678
Share capital increase expenses	2,947	-	2,947
Consolidated income tax expense/(income) Continuing operations	38,315	(69,866)	(31,551)

PLÁSTICOS COMPUESTOS, S.A.**Details of revenues by category of activity and geographical market
for the years ended
31 December 2018 and 2017****(Expressed in Euros)**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Domestic		Rest of European Union		Other exports		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue from the sale of goods	16,636,531	12,067,686	20,613,878	20,848,982	4,135,676	3,657,716	41,386,085	36,574,384
Other	-	2,778	-	-	-	-	-	2,778
	16,636,531	12,070,464	20,613,878	20,848,982	4,135,676	3,657,716	41,386,085	36,577,162

PLÁSTICOS COMPUESTOS, S.A.

Directors' Report

2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Plásticos Compuestos, S.A. has undergone significant growth in 2018 due to the investments it has made in recent years to boost production capacity, as well as a large investment to strengthen its human resources, which has led to the consolidation of growth forecast in its business plan.

The Company is affected by different external factors relating to the socio-economic environment in which it carries out its activity, mainly originating from fluctuations in raw materials, especially those deriving from oil. These factors affecting the business are considered to generate both risks and opportunities for the Company.

The management and organisational structure of the Company has been designed to guarantee that the necessary control mechanisms exist to assess, control and mitigate these risks.

From an operating standpoint, the year has been characterised by significant growth in all markets. In terms of turnover, tons of product transformed and sold have risen by more than 1% compared to the previous year. Invoicing represents a rise of 13% over net sales for the previous year.

The average payment period has been 87 days for 2018.

During 2017 the Company merged by absorption with its subsidiary, Colores y Compuestos Plásticos, S.A.U. This merger, adhering to the tax neutrality regime set out by legislation, gave rise to accounting effects as of 1 January 2017.

The Company continues to intensively carry out initiatives in the area of research and development, mainly focusing on biopolymer and sustainable component projects.

At 2018 reporting date, the Company does not hold any own shares, nor has it carried out any own share transactions during the year.

The Company will continue with the same dividend policy as implemented until now, so as not to affect its financial stability and the investment plan for forthcoming years.

During 2018 the Company has not operated with derivative financial products.

At the date these annual accounts were authorised for issue, the Company has started a process to join the Growth Companies segment of the Alternative Equity Market and it is expected that this process will be completed in 2019.

The Company has also arranged a syndicated loan of Euros 10,00,000 for the purpose of reorganising the debt with financial institutions prevailing at the 2018 reporting date.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.

Directors' Report

2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

PLÁSTICOS COMPUESTOS, S.A.

At their meeting held on 6 March 2019, pursuant to the requirements of article 253.2 of the Revised Spanish Companies Act and article 37 of the Spanish Code of Commerce, the directors of Plásticos Compuestos, S.A. authorised for issue the annual accounts and directors' report for the period from 1 January 2018 to 31 December 2018. The annual accounts comprise the documents that precede this certification.

Signed:

CORPORATION CHIMIQUE
INTERNATIONAL S.P.R.L.
represented by Mr. Ignacio
Duch Tuesta, Chairman of
the Board of Directors of
PLÁSTICOS
COMPUESTOS, S.A.

CAIXA INNVIERTE
INDUSTRIA S.C.R., S.A.,
represented by Mr. Felipe
Matías Caviades, Director
of PLÁSTICOS
COMPUESTOS, S.A.

INSTITUT CATALÀ DE LES
FINANCES, SGEIC, S.A.U.,
represented by Mr. Adrià
Torrelles Burgués, Director
of PLÁSTICOS
COMPUESTOS, S.A.

CCP MASTERBATCH, S.L.
represented by Ms. Clara
Duch Tuesta, Director of
PLÁSTICOS
COMPUESTOS, S.A.

Mr. Carlos Argenté
Cordomí, Director of
PLÁSTICOS
COMPUESTOS, S.A.