AFARAK GROUP PLC

The Board of Directors Report and Annual Financial Statements 1 January-31 December2015

Domicile: Helsinki
Company number: 0618181-8

Contents

The Board of Directors Report

2015 was a transformational year for Afarak. Against a difficult external environment, Afarak delivered a turnaround with significant operational and financial improvements. As a matter of fact, 2015 has been Afarak's strongest year.

Our efforts to focus on specialized products and our ability to offer unique speciality alloys to each and every customer has provided us with added resilience in the face of adverse market conditions. Our reputation in this niche sector has allowed us to conclude additional long-term sale agreements and to build deeper relationships with our clients. In essence, it helped us protect our margins. In a market characterized by susceptibility to external factors, it is the speciality products that make us resilient to adverse market conditions.

This vision has allowed us to register a strong financial performance too. We delivered on our commitment to create shareholder value by delivering high profitability and long-term, sustainable growth remains at the heart of the Group's operations. The Group's continued focus on its core business and the production of special grade material resulted in an improvement of its operative cash flow and profitability. In fact, Afarak's EBITDA doubled when compared to 2014 as EBITDA improved both in the Speciality Alloys segment and the Ferro Alloys segment.

Resumption of mining activities at the Turkish mines of Tavas and Kavak and at the South African mine of Mecklenburg during 2015 enabled the Group to increase production in both segments. Furthermore, the introduction of bulk sample mining at Vlakpoort in the second quarter contributed positively to the increase in production volumes.

As part of its growth strategy, the Group proudly announced the completion of the shaking table plant at the FerroAlloys mine of Stellite in February 2016. The shaking table technology will increase the mine's total plant mass yield significantly, leading to a decrease in the operating cost per ton. In 2015, the Speciality Alloys Turkish operation TMS invested in the new plant at Tavas and a fines tailing processing plant at Kavak, increasing annual mining volume by 15,600 tonnes following the commissioning of these plants. New dust exhaustion was installed at EWW, the smelting operation located in Germany and a key component of Afarak's integrated Speciality Alloys business. The commissioning by the Mogale Alloys plant in South Africa of the refining and granulation plant in December 2014 enabled the Group to increase annual processing levels in the FerroAlloys segment allowing the Group to enter into a new niche market and produce carbon ferrochrome in 2015.

Health, safety and the environment continue to be an integral part of our business. In 2015, the Group set up a Health Safety and Environment Committee (HSEC) with the aim of building a stronger linkage between our operations and the social, environmental, health and safety position of all stakeholders. We are pleased to report that throughout 2015, the Group only suffered 15 accidents that caused loss of time and zero fatalities.

Afarak remains at core a people-centered business. We have continued to work and engage with local communities where we have our assets. We are working closely with civil society groups as we seek to make a difference in people's lives through our commitment to corporate social responsibility. Looking ahead, we want to continue engaging with all stakeholders including our valued shareholders. Our commitment to continue creating value throughout all our operations remains central to our business strategy and vision. We plan to do so through mix of investments, corporate social responsibility programs and other projects.

The economic conditions remain subdued. A weaker than expected economic recovery together with China's slowing economy will continue to present a very challenging scenario. However, we are ever more determined to continue delivering on our commitments. Our results for 2015 encourage us to continue moving forward with our strategy. We will continue to build on our already significant operational investments whilst we will continue pursuing our drive towards an efficient and effective organization that creates value to all its stakeholders.

Safety, health & sustainable development

In 2015, the Board set-up a new Board committee tasked to work with the existing management-led HSS team, to oversee our work on health, safety and sustainable development. Being a people-centered organization, we are committed to offer a healthy and safe environment for all our stakeholders, both internal and external, to work in an empowering environment.

The newly-established Health Safety and Sustainable Development Committee is solely focused on ensuring that our operations do not constitute any harm to our stakeholders. We are focusing on reducing injuries during operations and it is worth noting that only 0.1% of hours worked were lost due to injury. Various Protocols were implemented throughout 2015. In addition, the Board was focused on reducing its environmental impact emanating from its operations. Afarak respects the environment in which it operates and aims to manage its operations in a sustainable way, minimising its footprint as much as possible to preserve the environment. As an example, in Turkey, TMS does not use chemical reagents in its production process. In addition, at Tavas operation the Group conducted a research program with an aim to recycle into the production unit the fines resulting from past years' operation. This project has been approved and will result in a substantial reduction of fines stock pile as well as in a reduction of the cost of production. In South Africa, the Group has a number of initiatives in place to address its impact on the environment. At EWW the Group is investing substantial amounts into R&D to reduce the amount of waste from its production processes and the aim is to achieve 100% recycling of all materials.

Both of Afarak's processing plants, EWW and Mogale Alloy, hold a ISO 9001 certification for adopting the very best in quality systems and emphasises our commitment at Group level to continuously improve and build excellence into every process of its integrated management systems.

2015 Operating Performance

During 2015, both production and sales volumes increased over a year earlier contributing to the overall positive performance of the Group.

Production

Production for the year increased by 39.4% to 565,372 (405,660) tonnes. The increase was mainly attributable to the resumption of normal mining activity levels at the Mecklenburg mine throughout 2015 following a seven-month suspension of mining activity during 2014 and due to bulk sampling activity at Vlakpoort mine which commenced in June 2015. These factors were crucial in increasing mining activity in the FerroAlloys segment by 53.8% to 412,629 (268,351) tonnes. In the Speciality Alloys segment, the increase in mining activity by 37.1% to 49,152 (35,848) tonnes was primarily derived from having the Turkish mines operating at normal levels throughout most of 2015 as opposed to the previous year during which mining at TMS stopped during June 2014 due to a strike and lockout. Production of processed material decreased at the Speciality Alloys processing plant of EWW when compared to the previous year as a result of decreased demand and inventory management. On the other hand, annual processing levels at the Ferro Alloys processing plant of Mogale Alloys were higher than those registered during the previous year primarily as a result of medium carbon charge chrome production.

Tonnes	Q1	Q2	Q3	Q4	**FY15**	FY14	Change
Speciality Alloys - Mining*	5,997	13,685	11,663	17,807	**49,152**	35,848	37.1%
FerroAlloys - Mining*	102,776	116,732	115,341	77,780	**412,629**	268,351	53.8%
Speciality Alloys - Processing	7,862	7,365	4,585	6,422	**26,234**	28,784	-8.9%
FerroAlloys - Processing	19,586	20,491	14,763	22,517	**77,357**	72,677	6.4%

* Including both chromite concentrate and lumpy ore production

Sales

The Group's sales from processing, which includes all the products produced at the Mogale Alloys and EWW processing plants, were 104,150 (97,351) tonnes in 2015, an increase of 7.0% compared to 2014. Sales volumes in the Speciality Alloys segment decreased by 3.9% when compared to the previous year due to lower demand during the second and third quarters of the year. On the other hand, sales volumes in the FerroAlloys segment increased by 11.5% when compared to the previous year due to a stronger demand seen during the second and fourth quarters.

Tonnes	Q1	Q2	Q3	Q4	**FY15**	FY14	Change
Speciality Alloys - Processing	7,375	7,970	6,287	5,705	**27,337**	28,448	-3.9%
FerroAlloys - Processing	15,024	22,586	13,771	25,432	**76,813**	68,903	11.5%
Total – Processing	22,399	30,556	20,058	31,137	**104,150**	97,351	7.0%

Human resources

Afarak operates in a very competitive industry and the Group's ability to successfully execute its business is dependent upon the competencies and motivations of its employees, as well as its ability to attract and retain a high calibre personnel. The Group follows local legislation and applicable regulations at each of its operations in regards to its human resources management. At the end of 2015, the Group's headcount was 773, compared to 698 in 2014.

	31 December 2015	**31 December 2014**	**Change**
Speciality Alloys	402	355	13.2%
FerroAlloys	365	339	7.7%
Other operations	6	4	50.0%
Total	**773**	**698**	**10.7%**

Equal opportunities and diversity are important to an international company such as Afarak and the Group's commitment to gender diversity is demonstrated by the number of senior female executives across the Group's key business units.

In South Africa specifically, as part of the Group's compliance with local legislation, the FerroAlloys division monitors its employment equity and it is a vital component of the recruitment process to ensure Afarak is playing its part in the transformation of South Africa. The FerroAlloys division continues to aim for an aggressive target of at least 50% of its workforce is represented by historically disadvantaged individuals.

Highly skilled, motivated and diverse employees are essential to the Group's success in implementing its business strategies and executing its objective.

2015 Financial Performance

Afarak posted a profit of €8.5 million when compared to the €2.2 million posted a year earlier. The main driver behind this significant improvement was increased production and sales levels.

Revenue and profitability

Revenue for the full year 2015 increased by 8.7% to EUR 187.7 (172.7) million. Revenue in the Speciality Alloys segment decreased marginally by 2.3% as a result of lower sales volumes of processed material, whereas in the FerroAlloys segment revenue increased by 22.7% due to higher sales volumes.

EBITDA for the full year was EUR 17.2 (8.4) million. The increase was more accentuated in the Speciality Alloys segment due to a stronger US dollar average rate on conversion of revenue as material prices did not reduce in US dollar terms like they did in the FerroAlloys segment. Normal levels of mining activity being restored at the Turkish mines of Tavas from November 2014 and Kavak from March 2015 following the cessation of operations due to the strike and lockout of the mines from June 2014 also had a positive effect on EBITDA.

The Synergy Africa Ltd joint venture managed to reduce its losses during 2015 amounting to EUR -0.1 (-3.3) million. Such improvement occurred as a result of resumption of normal mining activity at the Mecklenburg mine throughout 2015 and as a result of the absence of net write-down of assets which during the previous year amounted to EUR 1.6 million.

Profit from discontinued operations during 2015 amounted to EUR 0.8 (1.8) million which includes a release of a EUR 0.2 (0.6) million from provision in relation to the discontinued wood segment as the Group sold part of the saw mill equipment that was acquired in 2008.

EUR million	Q1	Q2	Q3	Q4	**FY15**	FY14	Change
Revenue	40.7	53.1	44.8	49.2	**187.7**	172.7	8.7%
EBITDA	4.6	7.6	1.3	3.7	**17.2**	8.4	
EBITDA margin	11.4%	14.4%	2.8%	7.5%	**9.2%**	4.9%	
EBIT	2.9	5.8	-0.7	1.8	**9.9**	1.7	
EBIT margin	7.2%	11.0%	-1.5%	3.7%	**5.3%**	1.0%	
Profit for the period	2.3	5.7	-1.0	1.6	**8.5**	2.2	

The full year earnings per share was EUR 0.03 (0.01).

Balance Sheet, Cash Flow and Financing

The Group's net assets totalled EUR 171.2 (182.2) million at 31 December 2015. This decrease mainly resulted from the impact of the weaker South African rand on conversion of our South African investments which had a decrease in value during 2015 of EUR 17.3 million. This was partially offset by the positive operating performance that led to an increase in cash position of EUR 6.5 million.

The equity ratio was 64.2% (62.8%), which continues to be at a conservative level. This stance has been adopted by Afarak's management not to put pressure on the balance sheet. This could also be seen by the gearing ratio for 2015 which stood at -2.6% (-0.7%). Net interest-bearing debt amounted to EUR -4.5 (-1.2) million.

Working Capital, as at 31 December 2015, was EUR 76.1 (74,4) million. During the year Afarak managed to significantly reduce the inventory level and improve liquidity, which as at 31 December 2015 was EUR 19.6 (13.3) million. This enabled Afarak to reduce its trade and other payables by EUR 16.6 million.

The positive performance together with the more efficient working capital management has led to an increase of EUR 7.4 million in operating cash flow during 2015 when compared to 2014. Total operating cash flows in 2015 was EUR 12.5 (5.1) million.

Investments, acquisitions and divestments

Capital expenditure for the full year 2015 totalled EUR 8.0 (14.8) million. In the Speciality Alloys segment, capital expenditure was incurred both at TMS as the company continued the investment of fines tailing processing plant at Kavak to increase annual mining volume by 15,600 tonnes following the commissioning of the plants, and at EWW, where a new dust exhaustion was commissioned in December 2015. Capital expenditure also included the dryer in the ferrochrome plant at Mogale Alloys, replacement of the furnace refractories during the shutdown period and the acquisition of new plant vehicles. At Vlakpoort mine the Group continued investing to ramp up the bulk sample operation. The Synergy Africa Joint Venture also made investments during the year with the commencement of the shaking table project at Stellite Mine.

During 2015, Afarak divested its holding in the associate company Speciality Super Alloys Inc. This led to a loss on sale of investment in associate of EUR 0.3 million and has been classified as an extraordinary item.

Research and development

Afarak remains committed to investing in Research and Development. As a Group it believes that new technology leads to improved productivity levels and reduced costs over the long-term leading to a positive effect on its financial performance. To this end, it adopted a policy whereby all subsidiaries have R&D investment projects and investments in the pipeline. In 2015, Afarak's R&D expenditure totalled EUR 0.5 (0.3) million. Following the installation of the new refining and granulation plant at Mogale Alloys which was completed during the last quarter of 2014, the Group announced the completion of the shaking table plant at the Stellite mine early in 2016. The shaking table technology will allow the Group to treat the tailing dump for chrome and increase Stellite mine's total plant mass yield to 65% from a current level of 49% leading to a reduction in operating cost per ton.

Business Segment Analysis

Afarak is a diversified company. With mines and assets in South Africa, Turkey and Germany; Afarak is mainly active in the FerroAlloys and Special Alloys industries.

FerroAlloys

The FerroAlloys business consists of the processing plant Mogale Alloys, Vlakpoort mine and the joint ventures, the Stellite mine and the Mecklenburg mine in South Africa. The business produces chrome ore, charge chrome, medium carbon ferrochrome and silico manganese for sale to global markets.

Production

Annual production increased by 43.7% to 489,986 (341,028) tonnes. The increase is mainly attributable to the resumption of normal mining activity levels at the Mecklenburg mine throughout 2015 following a seven-month suspension of mining activity during 2014 due to the unrest in the local community. Annual processing levels at Mogale Alloys were higher than those registered during the previous year primarily as a result of medium carbon charge chrome production following the commissioning in December 2014 of the converter and granulator.

Tonnes	**Q1**	**Q2**	**Q3**	**Q4**	**FY15**	FY14	**Change**
Mining*	102,776	116,732	115,341	77,780	**412,629**	268,351	53.8%
Processing	19,586	20,491	14,763	22,517	**77,357**	72,677	6.4%

* Including both chromite concentrate and lumpy ore production

Financial Performance

Revenue for the full year increased to EUR 91.8 (74.8) million, representing an increase of 22.7% compared to the equivalent period in 2014. The increase in trading volumes of processed material was the main contributor towards the improvement in revenue when compared to 2014. The joint venture share of profit for 2015 was that of EUR -0.1 (-3.3) million, the reduction in losses was key in increasing EBITDA in the FerroAlloys segment for the full year to EUR 7.5 (3.1) million. The reduced loss from the joint venture occurred as a result of the resumption of normal mining activity at the Mecklenburg mine throughout the first eleven months of 2015 following a seven-month suspension of mining activity during the previous year and the absence of net write-down of assets which during the previous year amounted to EUR 1.6 million. The positive performance during the year enabled the FerroAlloys segment to register a positive EBIT of EUR 2.8 (-1.4) million.

EUR million	**Q1**	**Q2**	**Q3**	**Q4**	**FY15**	**FY14**	**Change**
Revenue	16.8	27.0	20.2	27.7	**91.8**	74.8	22.7%
EBITDA	1.8	3.9	0.7	1.0	**7.5**	3.1	
EBITDA margin	10.5%	14.6%	-3.6%	3.7%	**8.1%**	4.1%	
EBIT	0.6	2.7	-0.5	-0.1	2.8	-1.4	
EBIT margin	3.6%	10.1%	-2.5%	-0.2%	3.0%	-1.8%	

Afarak's share of joint ventures revenue for the full year increased to EUR 9.7 (5.7) million representing an increase of 69.9% compared to the equivalent period in 2014. The increase in revenue was mainly due to the increase in sales volumes of the Mecklenburg mine material as operations were resumed in December 2014. The increase in revenue was also attributable to the increase in processed material at the Stellite mine, particularly from concentrate material. Resumption of mining activity at the Mecklenburg mine also contributed to the positive share of joint venture EBITDA for the full year amounting to EUR 1.3 (-2.2) million as opposed to a negative share of joint venture EBITDA incurred during the previous year. The results of the previous year were negatively affected by write-downs in relation to Waylox mining project of EUR 0.5 million and a net write-down on the assets of Stellite mine of EUR 1.1 million.

The share of profit from joint ventures is made up as follows:

EUR million	**Q1**	**Q2**	**Q3**	**Q4**	**FY15**	**FY14**	**Change**
Revenue	2.2	3.2	2.7	1.6	9.7	5.7	69.9%
EBITDA	0.3	0.6	0.4	-0.1	1.3	-2.2	
EBITDA margin	14.2%	18.8%	15.7%	-3.7%	13.2%	-38.0%	
EBIT	0.0	0.3	0.2	-0.2	0.3	-3.1	
EBIT margin	-0.2%	9.8%	7.3%	-11.1%	3.4%	-54.1%	

Speciality Alloys

The Speciality Alloys business consists of Türk Maadin Şirketi A.S ("TMS"), the mining and beneficiation operation in Turkey and Elektrowerk Weisweiler GmbH ("EWW"), the chromite concentrate processing plant in Germany. TMS supplies EWW with high quality chromite concentrate which produces speciality products including specialised low carbon and ultra low carbon ferrochrome. Chrome ore from TMS that is not utilised for the production of specialised low carbon ferrochrome is sold to the market.

Production

Annual production increased by 16.6% to 75,386 (64,632) tonnes. The increase was primarily derived from having the Turkish mines operating at normal levels throughout most of 2015 as opposed to the previous year during which mining at TMS stopped during June 2014 due to a strike and lockout. Tavas mine also restarted operations following the end of the lockout in November 2014 and mining also recommenced in March 2015 at Kavak. Processing levels decreased at EWW when compared to the previous year as a result of decreased demand and inventory management.

Tonnes	**Q1**	**Q2**	**Q3**	**Q4**	**FY15**	**FY14**	**Change**
Mining*	5,997	13,685	11,663	17,807	**49,152**	35,848	37.1%
Processing	7,862	7,365	4,585	6,422	**26,234**	28,784	-8.9%

* Including both chromite concentrate and lumpy ore production

Financial Performance

Revenue for the full year 2015 was EUR 95.6 (97.8) million, representing a marginal decrease of 2.3% compared to the previous year. The decrease in revenue was mainly attributable to lower sales volumes of processed material and third party material in 2015. EBITDA was EUR 12.7 (7.9) million and EBIT for the year was EUR 10.1 (5.7) million. The improvement in EBITDA and EBIT was mainly attributable to a stronger US dollar average rate on conversion of revenue when compared to 2014. Having the Turkish mines in operation during the majority of 2015 also had a positive impact on EBITDA and EBIT, as compared to 2014, where profit was impacted due to the lockout and strike at the Group's Turkish operations.

EUR million	**Q1**	**Q2**	**Q3**	**Q4**	**FY15**	**FY14**	**Change**
Revenue	23.7	26.1	24.5	21.3	**95.6**	97.8	-2.3%
EBITDA	3.4	4.5	1.4	3.4	**12.7**	7.9	
EBITDA margin	14.5%	17.2%	5.7%	16.2%	**13.3%**	8.0%	
EBIT	2.9	3.9	0.7	2.7	**10.1**	5.7	
EBIT margin	12.1%	15.0%	2.8%	12.6%	**10.6%**	5.8%	

Other operations

The Group's other operations include the Group's headquarters and other Group companies, which do not have significant business operations. These are reported under unallocated items. The full year EBITDA from unallocated items was EUR -3.0 (-2.5) million.

In 2015 the Group sold part of the saw mill equipment that was acquired in 2008 for the now discontinued wood business. This transaction positively affected the profit for the fourth quarter by EUR (0.8) 1.8 million. This profit includes a release of EUR (0.2) 0.6 million from the provision in relation to the discontinued wood business.

Risk Management

The Board is very much focused on risk and its management.

Afarak's business is cyclical in nature and a significant strategic risk is the Afarak's exposure to price and demand volatility in the commodities markets as well as the steel and stainless steel industries. The global market for Group's products may not progress or develop at the levels forecast and a drop in demand for the Group's products could have an adverse effect on the Group's revenues and profits. As a vertically integrated producer who sells a diverse range of products, from raw chrome ore through to premium, speciality ferroalloy products, Afarak believes it can mitigate some of this risk by using its strong customer interface and market intelligence to adjust its production volumes to match demand and adapt its diverse product mix to meet customer requirements.

Afarak has mining operations and projects in Turkey and South Africa where political and social risks remain a challenge. Changes in the mining, employment and fiscal regulatory environment may materially adversely affect Afarak's business and its financial results. Operations may be affected to varying degrees by government regulations with respect to matters including, but not limited to: export controls; currency remittance; income taxes; expropriation of property; foreign investment; maintenance of claims; environmental legislation; land use; land claims of local people and water use. Afarak seeks to maintain good relationships through direct, regular engagement and communication with government at local, regional and national levels, the relevant regulatory departments, its local communities, the unions, its BEE partners, as well as other stakeholders. Social risk is also a key challenge in the mining sector. Industry or social unrest and labour actions may materially adversely affect Afarak's business and its financial results by temporarily closing down operations. In the occurrence of such event Afarak seeks to resolve the matters with all stakeholders to reduce the impact on it operation.

Afarak's strategy is focused on acquisitive and organic growth. Subject to market conditions, the Group expects to continue to expand its business through acquisitions. There can be no assurance that the Group will be able to identify suitable acquisition targets, obtain the necessary financing to fund such acquisitions or acquire acquisition targets on satisfactory terms. If an acquisition has been successful, there are a number of risks involved in integrating the acquisition into the Group, including but not limited to: a failure to retain key personnel, difficulties in integrating the acquired operations in the Group's structure, risks arising from the change of control provisions in contracts of an acquired company, risk the acquisition may not become profitable and possible adverse effects on the Group's financial results.

As part of the organic growth strategy, the Group has recently completed the shaking table plant at the Stellite mine. The shaking table technology will increase the mine's total plant mass yield significantly, leading to a decrease in the operating cost per ton. There is a risk that the new plant will not perform as expected and the Group will not achieve the desired future operating cash flows from this investment.

The future organic growth strategy of the Group is changing and the idea of producing niche products is taking over that of producing larger volumes. Furthermore, the Group is also trying to increase its Resources and Reserves by acquiring new mines or expanding its current operations. There is a risk that Afarak might not be able to find the appropriate site, or to obtain the necessary licences to develop and operate them or to secure the required financing, either through financial institutions or through strategic partnerships. If all or some of these risks materialise it would hinder the implementation of this part of the Group's growth strategy.

Afarak operates in a highly competitive industry and is dependent on the technical skill and management expertise of a small number of key personnel. The loss of key personnel or the engagement of inappropriate personnel could have an adverse effect on Afarak's ability to operate some of its operations, particularly its processing plants, which could impact the Group's operating and financial results. Afarak's future success will depend on its ability to attract and retain suitably skilled and qualified personnel. It regularly re-assesses its remuneration policies and packages, based on Remuneration Committee guidelines, to ensure they are attractively competitive and reviews its succession plans.

There is always the risk of a severe mining and/or smelting accident at Afarak's operations, such as adverse mining conditions, fire, flooding, rock bursts, unusual weather conditions, seismic events, other natural phenomena and other conditions resulting from drilling, blasting and the removal and processing of material associated with underground and/or opencast mining, which could have a serious impact on the Group. This could affect both employees' physical wellbeing and morale, as well as the operations themselves, resulting in suspension of operations until the accident has been fully investigated and appropriate measures taken to prevent a re-occurrence. To mitigate this risk as much as possible, Afarak has adopted a policy of "Zero Harm" towards health and safety in the workplace. It has conducted baseline assessment risks at all of its operations, has developed a comprehensive set of health and safety guidelines, policies and procedures and has a programme of regular, continuous employee training. This is all overseen at the highest level in the Group by the Board of Directors.

Afarak's processing operations in Germany and South Africa are intensive users of energy, primarily electricity. Fuel and energy prices globally have been characterised by volatility coupled with general cost inflation in excess of broader measures of inflation. In South Africa the majority of the electricity supply, price and availability are all controlled by one entity, namely Eskom. Increased electricity prices and/or reduced or unreliable electricity supply or allocation may negatively impact Afarak's current operations, particularly its processing plants, which could have a consequent effect on the Group's operating and financial results. It may also impact the Group's plans to expand its operations and implement its growth strategy.

Afarak's processing plants are vulnerable to interruptions such as power cuts, particularly where these events cause a stoppage, which necessitates a shutdown in operations. Stoppages in smelting, even for only a few hours, can cause the contents of furnaces to solidify, resulting in a plant closure for a significant period and expensive repairs. To mitigate this risk Afarak employs experienced operating managers and has standard operating procedures in place for most foreseeable circumstances.

Due to the nature of its business, Afarak has a large, potential exposure to environmental risks. Environmental risks relate first to direct potential harm to the environment, and second to potential post-production rehabilitation or landscaping obligations. Both these types of environmental risks are managed closely and regularly assessed. Afarak has appointed external experts to assist in identifying potential liabilities and ensuring that the different entities within the Group are compliant with the relevant environmental legislation. The Group regularly assesses the need to conduct studies regarding the environmental liabilities. In the recent reviews done in our South African operations Afarak concluded that the provisions in the accounts are sufficient at current level.

Afarak is exposed to litigation risk in various part of it business cycle. Legal disputes may relate to contractual or other liabilities or environmental or other regulatory matters. The Group policy is to publish all significant legal cases and their outcomes.

Liquidity risks involve whether Afarak has enough liquidity to service and finance its operations and pay back loans. If liquidity risks materialised, it may cause overdue interest expenses and could negatively impact the Group's relationship with its goods and service suppliers as well as affect the pricing and other terms for input goods and services.

Afarak is an international business and has operations in Turkey, Germany, Malta and South Africa so the Group has significant foreign exchange rate exposure. The risks arise from both direct risk, such as commercial cash flows and currency positions as well as indirect risk, such as changes in the Group's competitiveness as a result of its foreign exchange rate exposures compared to its competitors.

Afarak is exposed to interest rate risks where the Group's subsidiaries enter into loans or other financing agreements or make deposits and investments related to liquidity management. Changes in interest rates can influence the repayment of loans, impact the profitability of investments or alter the fair value of the Group's assets.

Credit risks are realised when the counterparties in commercial, financial or other agreements cannot take care of their obligations and cause a negative financial impact to the Group. Afarak's key customers are typically long business relationships and include major international steel and stainless steel companies and some specialty agents selling to the steel sector. As these customers are sector specific, major changes in that industry's future outlook or profitability could also increase the Group's credit risk.

Afarak is exposed to price risks on various output and input products, materials and commodities. The price risks on input materials and commodities are managed by pricing contracts so that, where possible, any changes in input materials and commodities may be absorbed in the sales prices. The Group's processing operations are exposed to the availability, quality and price fluctuations in raw materials. To diminish these risks, the Group's business units seek long-term contract agreements with known counterparties where possible.

Litigation

Further to the announcement of 27 March 2014, whereby Afarak announced that the Group had been served a notice of arbitration by Chinese Suzhou Kaiyuan Chemical Co. Ltd ("Suzhou"), on 14 July 2015, Afarak announced that the claim by Suzhou was withdrawn. Suzhou's claim of EUR 2.66 million had related to a chrome ore sales agreement entered into by Chromex Mining Plc ("Chromex") prior to the acquisition of Chromex by Afarak together in a joint venture with Kermas Limited and was served on Afarak's marketing arm Afarak Trading Limited (previously known as RCS Limited) and various companies which form part of the Chromex joint venture. As a result of the withdrawal the arbitration tribunal dismissed the claim and ordered Suzhou to pay the full arbitration cost.

Share Information

Afarak Group Plc's shares are listed on NASDAQ Helsinki (AFAGR) and on the Main Market of the London Stock Exchange (AFRK).

On 31 December 2015, the registered number of Afarak Group Plc shares was 263,040,695 (259,562,434) and the share capital was EUR 23,642,049.59 (23,642,049.59).

On 31 December 2015, the Company had 4,244,717 (4,244,717) own shares in treasury, which was equivalent to 1.61% (1.64%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2015, was 258,795,978 (255,317,717).

At the beginning of the period under review, the Company's share price was EUR 0.33 on NASDAQ Helsinki and GBP 0.25 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.40 and GBP 0.33 respectively. During 2015 the Company's share price on NASDAQ Helsinki ranged from EUR 0.33 to 0.67 per share and the market capitalisation, as at 31 December 2015, was EUR 105.7 (1 January 2015: 83.1) million. For the same period on the London Stock

Exchange the share price range was GBP 0.25 to GBP 0.33 per share and the market capitalisation, as at 31 December 2015 was GBP 85.5 (1 January 2015: 65.5) million.

Based on the resolution at the AGM on 8 May 2015, the Board is authorised to buy-back up to a maximum of 15,000,000 of its own shares. This authorisation is valid until 8 November 2016. The Company did not carry out any share buy-backs during 2015.

Flagging Notifications

On 30 April 2015, Afarak announced that as a result of a transaction that occurred between two controlled corporations of Dr Danko Koncar, Kermas Limited and Kermas Resources Limited, Kermas Limited has decreased below the threshold of 5% and Kermas Resources Limited has increased above the threshold of 25%. However, the total combined beneficial ownership of Dr Danko Koncar remains unchanged.

On 2 January 2015, Afarak announced that as a result of a transaction that occurred between Ms Aida Djakov and her controller corporation Atkey Limited (“Atkey”), Ms Aida Djakov has personally decreased below the threshold of 5% and Atkey has increased above the threshold of 25%. However, the total combined ownership of Ms Aida Djakov and Atkey remained unchanged.

Resolutions of the Annual General Meeting

The Company’s Annual General Meeting (“AGM”) was held on 8 May 2015. The AGM adopted the financial statements. The AGM resolved in accordance with the proposal of the Board of Directors a capital redemption of EUR 0.02 per share for the year ended on 31 December 2014. The capital redemption was paid on 20 May 2015.

The AGM resolved that the Chairman of the Board and the Chairman of the Audit and Risk Management Committee would be paid EUR 4,500 per month and the ordinary Board Members would be paid EUR 3,500 per month. Furthermore, the non-executive Board Members who serve on the Board's Committees shall be paid an additional EUR 1,500 per month for the committee work. Those members of the Board of Directors that are executives of the Group are not entitled to receive any remuneration for Board membership.

The AGM resolved that the Board of Directors comprises of seven members. Mr Michael Lillja, Mr Markku Kankaala, Dr Jelena Manojlovic and Dr Alfredo Parodi were re-elected to the Board. Mr Barry Rourke, Dr Alistair Ruiters and Mr Ivan Jakovcic were elected. The Board appointed from among its members the following members to the Committees:

Audit Committee
Barry Rourke, (Chairman), Markku Kankaala, Ivan Jakovcic

The Nomination and Remuneration Committee
Jelena Manojlovic (Chairperson), Markku Kankaala, Ivan Jakovcic

Health, Safety and Environment Committee
Alfredo Parodi (Chairman), Michael Lillja, Markku Kankaala

The AGM resolved that authorised public accountant firm Ernst & Young Oy was re-elected as the Auditor of the Group for the year 2015.

The AGM resolved to authorise the Board of Directors to issue shares and stock options and other special rights that entitle to shares in one or more tranches up to a maximum of 25,000,000 new shares or shares owned by the Company. This equates to approximately 9.6% of the Company's currently registered shares. The authorisation may be used among other things in financing, enabling corporate and business acquisitions or other arrangements and investments of business activities and in the employee incentive and commitment programs. By virtue of the authorisation, the Board of Directors can decide both on share issues against payment and on share issues without payment. The payment of the subscription price can also be made with consideration other than money. The authorisation contains the right to decide on derogating from shareholders' pre-emptive right to share subscriptions provided that the conditions set in the Companies' Act are fulfilled. The authorisation replaces all previous authorisations and is valid 2 years from the decision of the Annual General Meeting.

The AGM authorised the Board of Directors to resolve upon acquiring a maximum of 15,000,000 of the Company’s own shares. The authorisation replaces all previous authorisations and it is valid for 18 months from the decision of the Annual General Meeting.

The AGM resolved to approve the proposed transfer of the Company’s equity share listing on the Official List of the United Kingdom Listing Authority (‘’UKLA’’) and on the Main Market of the London Stock Exchange plc from the Premium listing (commercial company) segment to the Standard listing (shares) segment as described in detail in the circular to shareholders dated 16 April 2015.

2016 Annual General Meeting

Afarak’s 2016 Annual General Meeting will be held on 11 May 2016 at the Restaurant Palace in Helsinki, Finland.

Dividend Payout Proposal

The Board of Directors will propose a new dividend policy to the Annual General Meeting, which will be held on 11 May 2016. The Group will in future review it distributions to shareholders either through a capital redemption or dividend twice yearly at the time of full year and the half year announcements. This new policy will allow the Board to take prudent decisions based on market conditions whilst continuing to share its positive results with shareholders. In line with this new policy the Board will be recommending a EUR 0.02 per share distribution where EUR 0.01 will be paid in May 2016 and subject to market conditions a further EUR 0.01 will be paid in August 2016.

Events after the review period

January

- Signing of further sale agreements regarding saw mill equipment
- TMS has been granted the exploitation mining license for ‘Eagle Field” in Turkey
- Start-up of the de-dusting system at EWW, Germany

February

- Afarak Trading entered into a long-term agreement of low carbon ferrochrome with US company Carpenter Technology Corporation
- Completion of shaking table plant at Stellite Mine
- Second campaign of high grad SiCr production at ASK, EWW Germany

Directors' responsibility

The Directors are responsible for the preparation of the annual report and accounts. The Directors consider the annual report and accounts, taken as a whole, as fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

Information Presented by Reference

The Group's key financial figures, related party disclosures, information on share capital and option rights are presented in the notes to the consolidated financial statements. The share ownership of the parent company's Board members and Chief Executive Officer is presented in the notes to the parent company's financial statements.

The Corporate Governance Statement and the Remuneration Report are presented as separate reports in this Annual Report.

For the purposes of United Kingdom Listing Authority listing rules ("LR") 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:-

Sector	Topic	Location
(1)	Interest capitalised	1.7. Notes to the statement of financial position, 10. Property, plant and equipment.
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	1.7. Notes to the statement of financial position, 19. Share-based payments
5	Waiver of emoluments by a directors	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	1.7. Notes to the statement of financial position, 1.8.2 Related party transactions
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Agreements with controlling shareholders	Not applicable

All the information cross-referenced above is hereby incorporated by reference into this Board of Directors report.

Annual Financial Statements
1 January-31 December 2015

KEY FIGURES

FINANCIAL INDICATORS

Continuing operations

		2015	**2014**	**2013**
Revenue	EUR '000	187,711	172,669	135,509
EBITDA	EUR '000	17,190	8,447	14,090
% of revenue		9.2 %	4.9 %	10.4 %
Operating profit / loss (EBIT)	EUR '000	9,888	1,725	-7,984
% of revenue		5.3 %	1.0 %	-5.9 %
Profit / loss before taxes	EUR '000	6,521	460	-11,130
% of revenue		3.5 %	0.3 %	-8.2 %
Return on equity	%	4.4 %	1.2 %	-2.2 %
Return on capital employed	%	9.3 %	3.1 %	0.0 %
Equity ratio	%	64.2 %	62.8 %	68.5 %
Gearing	%	-2.6 %	-0.7 %	-6.4 %
Personnel at the end of the accounting period		773	698	779

SHARE-RELATED KEY INDICATORS

		2015		2014		2013	
		Group	Continuing operations	Group	Continuing operations	Group	Continuing operations
Earnings per share, basic	EUR	0.03	0.03	0.01	0.00	-0.02	-0.02
Earnings per share, diluted	EUR	0.03	0.03	0.01	0.00	-0.02	-0.02
Equity per share	EUR	0.65	0.65	0.69	0.69	0.74	0.74
Distribution *	EUR '000	2,588		5,106		4,884	
Distribution per share *	EUR	0.01		0.02		0.02	
Price to earnings	EUR	11.7		27.9		neg.	
Average number of shares	1 000	256,652		249,280		244,135	
Average number of shares, diluted	1 000	259,849		253,077		248,532	
Number of shares at the end of the period	1 000	263,040		259,562		248,432	
Share price information (NASDAQ Helsinki)							
Average share price	EUR	0.44		0.32		0.40	
Lowest share price	EUR	0.33		0.21		0.30	
Highest share price	EUR	0.67		0.42		0.48	
Market capitalisation	EUR '000	105,742		83,060		79,498	
Share turnover	EUR '000	16,936		6,638		1,826	
Share turnover	%	14.5 %		8.1 %		1.8 %	
Share price information (London Stock Exchange)							
Average share price	EUR	0.45		0.37		0.43	
	GBP	0.33		0.30		0.37	
Lowest share price	EUR	0.34		0.30		0.35	
	GBP	0.25		0.24		0.30	
Highest share price	EUR	0.45		0.39		0.47	
	GBP	0.33		0.32		0.40	
Market capitalisation	EUR '000	116,479		84,144		89,396	
	GBP '000	85,488		65,540		74,530	
Share turnover	EUR '000	6		9		19	

	GBP			
Share turnover	'000	4	7	16
Share turnover	%	0.0 %	0.0 %	0.0 %

* In 2014 and 2015 the Company distributed a capital redemption of EUR 0.02 per share out of the paid-up unrestricted equity fund. In 2016 the Board will propose to the AGM a new dividend policy and will recommend a EUR 0.02 per share distribution where EUR 0.01 per share will be paid in May 2016 and subject to market conditions a further EUR 0.01 will be paid in August 2016.

FORMULAS FOR CALCULATION OF INDICATORS

Financial indicators

Return on equity	Profit for the period / Total equity (average for the period) * 100
Return on capital employed	(Profit before taxes + financing expenses) / (Total assets – Interest-free liabilities) average * 100
Equity ratio	Total equity / (Total assets - prepayments received) * 100
Gearing	(Interest-bearing debt - liquid funds) / Total equity * 100
EBITDA	Operating profit + depreciation + amortisation + impairment losses
Operating profit / loss	Operating profit is the net of revenue plus other operating income, plus gain/loss on finished goods inventory change, minus employee benefits expense, minus depreciation, amortisation and impairment and minus other operating expense. Foreign exchange gains or losses are included in operating profit when generated from ordinary activities. Exchange gains or losses related to financing activities are recognised as financial income or expense.

Share-related key indicators

Earnings per share, basic	Profit attributable to owners of the parent company / Average number of shares during the period

Earnings per share, diluted	Profit attributable to owners of the parent company / Average number of shares during the period, diluted
Equity per share	Equity attributable to owners of the parent / Average number of shares during the period
Distribution per share	Distribution / Number of shares at the end of the period. In the attached table of share related key indicators, the dividend and capital redemptions are presented in that year's column on which results the pay-out are based; hence the actual payment takes place during next year.
Price to earnings	Share price at the end of the period / Earnings per share
Average share price	Total value of shares traded in currency / Number of shares traded during the period
Market capitalisation	Number of shares * Share price at the end of the period

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	1.1.-31.12.2015	1.1.-31.12.2014
Revenue	1	**187,711**	**172,669**
Other operating income	2	2,331	3,370
Materials and supplies		-142,349	-136,552
Employee benefits expense	3	-17,836	-16,123
Depreciation and amortisation	4	-7,302	-6,717
Other operating expenses	5	-11,928	-11,612
Impairment, net	4	0	-5
Loss on disposal on investment in associate	12	-327	0
Share of profit from associates	12	2	6
Share of profit from joint ventures	13	-414	-3,311
Operating profit		**9,888**	**1,725**
Finance income	6	7,906	4,166
Finance cost	6	-11,274	-5,431
Profit before taxes		**6,520**	**460**
Income taxes	7	1,236	12
Profit for the year from continuing operations		**7,756**	**472**
Discontinued operations			
Profit for the year from discontinued operations	8	783	1,773
Profit for the year		**8,539**	**2,245**
Profit attributable to:			
Owners of the parent		8,854	2,858
Non-controlling interests		-315	-613
		8,539	2,245
Earnings per share (counted from profit attributable to owners of the parent):	9		
basic (EUR), Group total		0.03	0.01
diluted (EUR), Group total		0.03	0.01
basic (EUR), continuing operations		0.03	0.00

diluted (EUR), continuing operations	0.03	0.00

Consolidated statement of comprehensive income

EUR '000	**1.1.- 31.12.2015**	**1.1.- 31.12.2014**
Profit for the year	**8,539**	**2,245**
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurements of defined benefit pension plans	986	-4,036
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations - Group	-18,844	-5,198
Exchange differences on translation of foreign operations – Associate and Joint Venture	-3,126	-997
Income tax relating to other comprehensive income	4,552	-964
Other comprehensive income, net of tax	**-16,432**	**-11,195**
Total comprehensive income for the year	**-7,893**	**-8,950**
Profit attributable to:		
Owners of the parent	-6,790	-8,527
Non-controlling interests	-1,103	-423
	-7,893	-8,950

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Property, plant and equipment	10	43,559	47,972
Goodwill	11	58,349	63,051
Other intangible assets	11	17,015	20,358
Investments in associates	12	0	92
Other financial assets	14	597	587
Receivables	14	38,638	39,910
Deferred tax assets	20	3,260	4,166
		161,418	**176,136**
Current assets			
Inventories	15	45,153	60,052
Trade and other receivables	16	40,779	40,769
Cash and cash equivalents	17	19,644	13,332
		105,576	**114,153**
Total assets		**266,994**	**290,289**

EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	23,642	23,642
Share premium reserve		25,740	25,740
Legal Reserve		187	210
Paid-up unrestricted equity reserve		240,240	243,424
Translation reserve		-28,692	-12,061
Retained earnings		-93,755	-103,657
		167,362	**177,298**
Non-controlling interests		3,845	4,947
Total equity		**171,207**	**182,245**
Non-current liabilities			
Deferred tax liabilities	20	5,949	8,200
Interest-bearing debt	14	2,977	6,263
Share of joint ventures´ losses	13	23,218	19,580
Pension liabilities	22	18,734	19,954
Other non-current debt	23	1,969	42
Provisions	21	9,309	10,137
		62,156	**64,176**
Current liabilities			
Trade and other payables	23	15,364	31,974
Provisions	21	99	77
Tax liabilities	23	6,036	5,951
Interest-bearing debt	14	12,132	5,866
		33,631	**43,868**
Total liabilities		**95,787**	**108,044**
Total equity and liabilities		**266,994**	**290,289**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	1.1.-31.12.2015	1.1.-31.12.2014
Operating activities		
Profit for the year	8,539	2,245
Adjustments to net profit:		
Non-cash items		
Depreciation and impairment	7,302	6,722
Finance income and cost	3,191	2,352
Income from associates	414	3,305
Income taxes	-1,236	-12
Share-based payments	103	154
Proceeds from non-current assets	-563	-3,029
Working capital changes:		
Change in trade receivables and other receivables	-5,525	2,732
Change in inventories	12,234	-13,298
Change in trade payables and other debt	-9,148	7,140
Change in provisions	-145	-1,113
Interest paid	-1,796	-1,240
Interest received	369	782
Other financing items	-218	-47
Income taxes paid	-1,163	-478
Discontinued operations	177	-1,087
Net cash from operating activities	**12,535**	**5,129**
Investing activities		
Acquisitions of subsidiaries, net of cash acquired	-201	0
Capital expenditure on non-current assets, net	-7,317	-14,347
Other investments, net	-239	1,785
Disposals of subsidiaries, net of cash sold	212	-2
Disposals of associated companies	109	0
Repayments of loan receivables and loans given, net	3,517	2,351
Net cash used in investing activities	**-3,919**	**-10,213**
Financing activities		
Capital redemption	-5,106	-4,884
Proceeds from borrowings	8,728	11,365
Repayments of borrowings	-5,649	-1,801
Repayments of finance leases	-71	-89
Net cash used in / from financing activities	**-2,098**	**4,590**
Change in cash and cash equivalents	**6,518**	**-494**

Cash at beginning of period	13,332	13,769
Exchange rate differences	-206	57
Cash at end of period	19,644	13,332
Change in the statement of financial position	**6,518**	**-494**

The cash flow from operating activites in 2015 includes discontinued operations relating to cash received in December 2015 of Eur 560 thousand less the storage costs of the saw mill equipment of Eur 327 thousand and commissions of Eur 56 thousand. The cash flow from operating activites in 2014 includes discontinued operations relating to LP Kunnanharju cleaning cost of Eur 585 thousand and the storage cost of the Sawmill equipment of Eur 501 thousand. The first part of the Sawmill equipment was sold in December 2014, however the cash inflows were actually received in January 2015.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000

A = Share capital
B = Share premium reserve
C = Paid-up unrestricted equity reserve
D = Translation reserve
E = Retained earnings
F = Legal reserve
G = Equity attributable to owners of the parent, total
H = Non-controlling interests
I = Total equity

	Attributable to owners of the parent								
EUR '000	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Equity at 31.12.2013	**23,642**	**25,740**	**242,725**	**-4,773**	**-102,574**	**201**	**184,961**	**5,367**	**190,328**
Profit for the period 1-12/2014					2,858		2,858	-613	2,245
Other comprehensive income				-7,349	-4,036		-11,385	190	-11,195
Total comprehensive income				-7,349	-1,178		-8,527	-423	-8,950
Share-based payments					154		154	3	157
Share Issue			5,583				5,583		5,583
Capital redemption			-4,884				-4,884	0	-4,884
Acquisitions and disposals of subsidiaries					2		2	0	2
Other changes in equity				61	-61	9	9	0	9
Equity at 31.12.2014	**23,642**	**25,740**	**243,424**	**-12,061**	**-103,657**	**210**	**177,298**	**4,947**	**182,245**
Profit for the period 1-12/2015					8,854		8,854	-315	8,539
Other comprehensive income				-16,631	986		-15,645	-787	-16,432
Total comprehensive income				-16,631	9,840		-6,791	-1,102	-7,893
Share-based payments			183		91		274	0	274
Share Issue			1,739				1,739	0	1,739
Capital redemption			-5,106				-5,106	0	-5,106
Acquisitions and disposals of subsidiaries					-29		-29	0	-29
Other changes in equity						-23	-23	0	-23
Equity at 31.12.2015	**23,642**	**25,740**	**240,240**	**-28,692**	**-93,755**	**187**	**167,362**	**3,845**	**171,207**

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 COMPANY INFORMATION

Afarak Group is a chrome mining and minerals producer focused on delivering sustainable growth with a speciality alloys business in southern Europe and a ferro alloys business in southern Africa. The Group's parent company is Afarak Group Plc (business ID: 0618181-8). The parent company is domiciled in Helsinki, and its registered address is Kasarmikatu 36, 00130 Helsinki, Finland. Copies of the consolidated financial statements are available at Afarak Group Plc's head office or at the Company's website: www.afarakgroup.com.

Afarak Group Plc is quoted on the NASDAQ Helsinki Oy (trading code: AFAGR) in the industrials group, in the small-cap category, and on the main market of the London Stock Exchange (AFRK).

1.2 ACCOUNTING PRINCIPLES

Basis of preparation

These consolidated financial statements of Afarak Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in conformity with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2015. In the Finnish Accounting Act and the regulations issued on the basis thereof, International Financial Reporting Standards refer to the standards and their interpretations that have been approved for application within the EU in accordance with the procedure prescribed in the EU regulation (EC) 1606/2002. Notes to the consolidated financial statements also meet the requirements set forth in the Finnish accounting and company legislation.

The consolidated financial statements have been prepared on the historical cost basis, unless otherwise explicitly stated. All the figures in the consolidated financial statements are given in EUR thousands.

Afarak Group Plc's Board of Directors resolved on 31 March 2016 that these financial statements are to be published. According to the Finnish Companies Act, shareholders shall endorse the financial statements in the Annual General Meeting convening after the financial statements have been published.

Presentation of financial statements

The consolidated financial statements provide comparative information in respect of the previous period. In
addition, the Group presents an additional statement of financial position at the beginning of the earliest period
presented when there is: a retrospective application of an accounting policy; a retrospective restatement; or a
reclassification of items in financial statements that has a material impact on the Group.

Principles of consolidation

The consolidated financial statements include the parent company Afarak Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies controlled by the Group. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The existence of potential voting rights has been taken into account in assessing the requirements for control in cases where the instruments entitling their holder to potential voting rights can be exercised at the time of assessment. Control refers to the right to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Acquired subsidiaries are consolidated from the time when the Group gained control, and divested subsidiaries until the time when control ceased. All intra-group transactions, receivables, debts, and unrealised profits, as well as internal distribution of profits, are eliminated when the consolidated financial statements are prepared. The distribution of profits between parent company owners and non-controlling owners is shown in the statement of comprehensive income, and the non-controlling interest of equity is shown as a separate item in the statement of financial position under shareholders' equity.

Afarak Group Plc has consolidated Elektrowerk Weisweiler GmbH to its financial statements since 1 November 2008 based on potential voting rights arising from a call option. Afarak exercised the call option on 10 May 2012 and acquired 100 % of the shares in Elektrowerk Weisweiler GmbH. The transaction has been treated as an adjustment to the cost of acquisition in accordance with the earlier IFRS 3 which was applied in 2008.
The Group holds 51% of shares of Synergy Africa Ltd. However, the shareholders of Synergy Africa Ltd have entered into a joint venture agreement with joint control over the company. Therefore, the company and its subsidiaries are not consolidated into the Group as subsidiaries but as joint ventures.

Joint ventures are entities in which each venturer has an interest and there is a contractual arrangement establishing joint control over the economic activity of the entity. Afarak Group changed the accounting method in 2012 and the interests in joint ventures are now recognised using the equity method. The Group's share of net assets or liabilities in the Joint venture is recorded on one line in the balance sheet. The Group's share of net profit or loss of the Joint venture is also shown on one line in the income statement.

Associates are companies in which Afarak Group exercises significant influence. The Group exercises significant influence if it holds more than 20% of the target company's voting rights, or if the Group in other ways exercises significant influence but not control. Associates have been consolidated in the Group's financial statements using the equity method. If the Group's share of the associate's losses exceeds the carrying amount of the investment, the investment is recognised at zero value on the statement of financial position, and losses exceeding the carrying amount are not consolidated unless the Group has made a commitment to fulfil the associates' obligations. Investment in an associate includes the goodwill arising from its acquisition.

Translation of foreign currency items

Amounts indicating the profit or loss and financial position of Group entities are measured in the currency of each entity's main operating environment ('functional currency'). Figures in the consolidated financial statements are presented in euro, the functional and presentation currency of the Group's parent company, Afarak Group Plc.

Transactions in foreign currencies have been recorded at the functional currency using the exchange rate on the date of the transaction or mid reference rates of central banks. Monetary items denominated in foreign currencies have been translated into the functional currency using the exchange rates at the end of each reporting period. Exchange rate gains and losses are included in the revenue, operational costs or financial items, corresponding to their respective origin. Hedge accounting has not been applied.

In the Group accounts, foreign subsidiaries' income statements and statements of cash flows are converted into euro by using average exchange rates for the period, and the statement of financial position is converted by using the period-end exchange rate. The translation differences arising from this are recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost and post-acquisition equity changes are also recognised in other comprehensive income. If and when the foreign subsidiary is partially or fully divested, these accrued translation differences will be taken into account in adjusting the sales gain or sales loss.

Goodwill, other assets and liabilities arising from acquisitions of subsidiaries are recognised in the Group accounts using the functional currency of each acquired subsidiary. The balances in that functional currency have then been translated into euro using the exchange rates prevailing at the end of the reporting period.

Operating profit

IAS 1 *Presentation of financial statements* does not define the concept of operating profit. Afarak Group has defined it as follows: Operating profit is the net amount derived by adding to revenue other operating income, less materials and supplies, and expenses from work performed by the enterprise and capitalised, less costs from employee benefits, depreciation and impairment losses, and other expenses. Shares of associated companies'and joint venture companies' profit or loss are included in the operating profit to the extent to which they relate to the Group's core businesses. Exchange differences arising from operational transactions with third parties are included in operating profit; otherwise they are recorded under financial items.
All other items of the income statement are excluded from operating profit.

IAS 1 amendment introduced the requirement for grouping of items presented in Other Comprehensive Income. Items that are reclassified (or \`recycled\`) to profit or loss at a future point in time will be presented separately from items which will never be reclassified. The amendment affected the presentation of Other Comprehensive Income.

Revenue recognition

Income from the sale of goods is recognised once the substantial risks and benefits associated with ownership have been transferred to the buyer. The transfer of risks depends on, among others, terms of delivery (Incoterms). The most often used term is FCA or FOB, under which the revenue is recognised when the goods are assigned to the buyer's carrier or loaded on board the vessel nominated by the buyer. As typical in the business, preliminary invoices are issued for the mineral concentrates at the time of delivery. Final invoices are issued when quantity, mineral content and pricing have been defined for the delivery lot.

Income not generated by the Group’s main businesses is accounted for as other operating income. The expenses incurred from disposals of non-current assets or a disposal group of assets are deducted from the gain on disposal.

Pension liabilities

Pension arrangements in Afarak Group are classified as defined contribution plans or defined benefit plans (Germany and Turkey). Payments for defined contribution plans are recognised as expenses for the relevant period. The present value of obligation for the defined benefit plans has been estimated applying the *Projected Unit Credit Method* and recognised as a non-current liability on the statement of financial position. The standard IAS 19 was revised and includes changes to the presentation and measurement of defined benefit plans as well as amendments to the accounting treatment of other employee benefits. The amendment has changed the determination of the applicable discount rate and also the possibility to apply the so called "corridor method” has been abolished. Consequently, actuarial gains and losses are recognised in other comprehensive income when they occur and the net defined benefit liability or asset are presented in full on the statement of financial position.

Share-based payments

Option rights are measured at fair value at the time they were granted and recorded as expenses on a straight-line basis during the vesting period. The expenses at the time the options were granted are determined according to the Group’s estimate of the number of options expected to vest at the end of the vesting period. Fair value is determined on the basis of an applicable option pricing model (e.g. Black-Scholes). The effects of non-market-based terms and conditions are not included in the fair value of the option; instead, they are taken into account in the estimated number of options expected to vest at the end of the vesting period. The Group updates the estimated final number of options at the end of each reporting period. Changes in the estimates are recorded in the statement of comprehensive income. When the option rights are exercised, the cash payments received from the subscriptions adjusted with potential transaction costs are recorded under paid-up unrestricted equity reserve.

The Group from time to time directs free issues of shares to the members of the Board of Directors or key executives, as approved by the AGM. The compensation is settled in shares and is accordingly recognised as share-based payment in the Group's financial statements. The fair value of the granted shares is determined based on the market price of the Afarak Group share at the grant date. The total fair value is therefore the amount of granted shares multiplied by the share market price at grant date. The cost is recognised as expense in personnel costs over the vesting periods and credited to equity (retained earnings).

Black Economic Empowerment (BEE) transactions

The purpose of South African Black Economic Empowerment (BEE) regulation is to enable previously disadvantaged people meaningfully to participate in the South African economy. The Group is committed to making a positive contribution towards the objectives of BEE. Where the

Group disposes of a portion of a South African based subsidiary or operation to a BEE company at a discount to fair value, the transaction is considered to be a share-based payment (in line with the principle contained in South Africa interpretation AC 503 Accounting for Black Economic Empowerment (BEE) Transactions). The discount provided or value given is calculated in accordance with IFRS 2 and recognised as an expense. Where the BEE transaction includes service conditions, the expense is recognised over the vesting period. Otherwise the expense is recognised immediately on the grant date.

Lease agreements (the Group as the lessee)

Leases of tangible assets where the Group possesses a material portion of the risks and benefits of ownership are classified as financial leases. An asset acquired through a financial lease agreement is recognised at the fair value of the leased object at the beginning of the lease period, or at a lower current value of minimum lease. An asset obtained through a finance lease is depreciated over the useful life of the asset or the lease term, whichever is shorter. The leases payable are divided into financial expenses and loan repayment during the lease term so that the interest rate for the remaining loan is roughly the same each financial year. Leasing obligations are included in interest-bearing liabilities. Lease agreements in which the risks and benefits typical of ownership remain with the lessor are classified as other leases. Leases paid under other lease agreements, for instance operating leases, are recognised as expenses on a straight-line basis over the lease term.

Impairment

At the end of each reporting period, the Group makes an assessment of whether there are any indications of asset impairment. If such indications exist, the recoverable amount of the asset is estimated. In addition, goodwill is assessed annually for its recoverable amount regardless of whether there are any signs of impairment. Impairment is examined at the cash-generating unit level; in other words, the lowest level of entity that is primarily independent of other entities and whose cash flows can be separated from other cash flows. Impairment related to associates and other assets are tested on a company/asset basis.

The recoverable amount is the fair value of an asset less divestment costs, or the higher value in use. Value in use means the present value of estimated future cash flows expected to arise from the asset or cash-generating unit. Value in use is forecast on the basis of circumstances and expectations at the time of testing. The discount rate takes into account the time value of money as well as the special risks involved for each asset, different industry-specific capital structures in different lines of business, and the investors' return expectations for similar investments. An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. If the impairment loss is allocable to a cash-flow-generating unit, it is allocated first to reduce the goodwill of the unit and subsequently to reduce other assets of the unit. An impairment loss is reversed if a change has occurred in circumstances and the recoverable amount of the asset has changed since the impairment loss was recognised. An impairment loss recognised for goodwill is not reversed in any circumstances.

Goodwill is tested for impairment annually at year end; for the 2015 financial year, testing took place on 31 December 2015. Impairment testing and the methods used are discussed in more detail in section 1.4 in the 'Notes to the consolidated financial statements'.

Financial income and expense

Interest income and expense is recognised using the effective interest method, and dividends are recognised when the right to dividends is established. Unrealised changes in value of items measured at fair value are recognised in the statement of comprehensive income. These items relate to currency forward contracts. Exchange rate gains or losses that arise from intercompany loans that are considered as part of the net investment in the foreign entity are included, net of any deferred tax effects, in the translation reserve within the equity. These exchange differences are recognised in other comprehensive income while accumulated exchange differences are presented in the translation reserves in the equity.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset forming part of the cost of that asset, are capitalised if it is likely that they will provide future economic benefit and can be measured in a reliable manner. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Income taxes

Tax expenses in the statement of comprehensive income consist of the tax based on taxable income for the year and deferred taxes. Taxes based on taxable income for the year are calculated using the applicable tax rates. Taxes are adjusted with any taxes arising from previous years. Maltese companies' income taxes are recognised and paid applying the nominal income tax rate which is 35%. Six sevenths of this tax is refunded when the company pays dividend. Consequently the effective tax rate is 5%. The tax refund is recognised when the dividend isdeclared. Taxes arising from items recognised directly in equity are presented as income tax relating to other comprehensive income.

Deferred taxes have been calculated for all temporary differences between the carrying amount and taxable amount. Deferred taxes have been calculated using the tax rates set at the end of the reporting period. Deferred tax assets arising from taxable losses carried forward have been recognised up to the amount for which there is likely to be taxable income in the future, and against which the temporary difference can be used.

Tangible assets

Tangible assets have been measured at historical cost less accumulated depreciation and impairment losses. The initial cost of an asset comprises its purchase price, costs directly attributable to bringing the asset into operation and the initial estimate of the rehabilitation and decommissioning obligation. Heavy production machinery often contains components with different useful lives, and therefore the component approach is applied. Material component replacements and repairs are capitalised. The repair and maintenance of lighter machinery and other intangible items are recognised as expense when occurred.

Interest expenses are capitalised as part of the tangible asset's value if and when the Group acquires or constructs assets that satisfy the required terms and conditions.

Assets are depreciated over their useful lives using the straight-line method, except for the mineral resources and ore reserves which are depreciated based on estimated or reported consumption. Land areas are not depreciated. The estimated useful lives of assets are as follows:

Buildings	15–50 years
Machinery and equipment	3–15 years
Other tangible assets	5–10 years
Mines and mineral assets	Units-of-production method

The residual value of assets and their useful life are reviewed in connection with each financial statement and, if necessary, they will be adjusted to reflect the changes that have occurred in the expected financial benefit. The sales gains or losses arising from the decommissioning or divestment of tangible assets are included in other operating income or expenses.

Mines and mineral assets

Measurement of mineral resources and ore reserves in business combinations

Mineral resources and ore reserves acquired in business combinations are recognised as separate assets. In the recognition and measurement of mineral resources and ore reserves the Group utilises available third party reports of the quantities, mineral content, estimated production costs and exploitation potential of the resource. The probability of the ore reserve is also an essential factor. In the mining and minerals business, the probability is commonly described by classifying a mineral resource into categories such as 'proven', 'probable', 'inferred' and 'hypothetical'. There are also generally accepted standards for the classification of mineral resources in the business, such as the standards of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ('SAMREC'). The measurement of ore reserves is based on estimated market prices, estimated production costs and quantities. In the Group's statement of financial position, mineral resources and ore reserves are presented as tangible assets. Rehabilitation liabilities related to mines are included in their cost of acquisition, and corresponding provision is recognised on the statement of financial position.

Exploration and evaluation expenses of mineral resources

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources when new potential ore reserves are sought, for example by exploratory drilling. Exploration and evaluation expenditure is carried forward as an asset if the Group expects such costs to be recouped in full through the successful development of the area of interest; or alternatively by its sale; or if exploration and evaluation activities in the area of interest have not yet reached a stage which permits the reasonable assessment of the existence of economically recoverable reserves and active and significant operations in relation to the area are either continuing or planned for the future. Exploration and evaluation expenditure includes material and other direct costs incurred, for instance, by exploratory drilling and surveys. Overheads are included in the exploration and evaluation asset to the degree to which they can be associated with finding and evaluating a specific mineral resource. Exploration and evaluation assets are measured at cost and are transferred to mine development assets when utilisation of the mine begins. The asset is then depreciated using the units-of-production method.

Exploration and evaluation assets are assessed for impairment if and when facts and circumstances suggest that the carrying amount exceeds its recoverable amount. In particular, the impairment tests are carried out if the period for which the Group has right to explore the specific area expires or will expire in the near future and future exploration and evaluation activities are not planned for the area.
Exploration and evaluation assets acquired in conjunction with business combinations are accounted for at fair value in accordance with the principles of IFRS 3.

Mine establishment costs

Mine establishment costs are capitalised as part of the mine's acquisition cost and depreciated using the units-of-production method when the production of the mine begins. The costs arising from changes in mining plan after the production has begun are expensed as incurred.

Impairment

The value of mineral resources and ore reserves acquired in business combinations is tested for impairment if there are indications of deterioration in the long-term ability to utilise the asset economically. In the test the cash flows generated by the asset are assessed based on most recent information on the technical and economic utilisation of the asset.

Goodwill and intangible assets identified at acquisition

Goodwill represents the portion of acquisition cost that exceeds the Group's share of the fair value at the time of acquisition of the net assets of the acquired company. Instead of regular amortisation, goodwill is tested annually for potential impairment. For this purpose, goodwill has been allocated to cash-generating units or, in the case of an associated company, is included in the acquisition cost of the associate in question. Goodwill is measured at original acquisition cost less impairment losses. Changes in purchase considerations, for example due to earn-out arrangements, relating to acquisitions carried out before 2010 have been recognised against goodwill in accordance with the earlier IFRS 3.

The net assets of an entity acquired in a business combination are measured at fair value at the date of acquisition. In connection with business combinations, the Group also identifies intangible assets that are not necessarily recorded on the statement of financial position of the acquired entity. These assets include, for instance, customer relationships, trademarks and technology. The assets are recognised at fair value and amortised over their useful lives. The amortisation periods for these intangible assets are as follows:

Customer relationships: 2-5 years depending on contractual circumstances
Technology: 5-15 years
Trademarks: 1 year

Research and development costs

Research costs are always recognised as expenses. Mine development costs are capitalised as part of mining assets and depreciated on a unit of production basis. The development costs, which primarily relate to the development of existing products, are expensed as incurred.

Other intangible assets

Other intangible assets are initially recognised on the statement of financial position at cost when the costs can be reliably determined and it is probable that the expected financial benefits of those assets will be reaped by the Group. Other intangible assets mainly relate to IT software utilised in support of the Group's business operations and they are amortised over 3-5 years.

Inventories

Inventories are measured at acquisition cost or a lower probable net realisable value. Acquisition costs are determined using the average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour expenses, other direct expenses, and an appropriate share of fixed and variable production overheads based on the normal capacity of the production facilities. In open pit mining operations, the removal costs of overburden and waste material (stripping costs) are included in the cost of inventory. The net realisable value is the estimated selling price that is obtainable, less the estimated costs incurred in completing the product and the selling expenses.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and cash equivalents, short-term deposits, money market instruments, trade and other receivables, loan and other receivables, unquoted financial instruments and derivative financial instruments.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments that are not designated as hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The EIR amortisation is included in finance income. The impairment losses are recognised as finance costs.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment.

Financial assets classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured either at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in finance income or cost, or determined to be impaired, at which time the cumulative loss is recognised as finance costs and removed from the available-for-sale assets.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

Derivative financial instruments and hedge accounting

When necessary, the Group utilises derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are recognised on the income statement. The Group does not apply hedge accounting.

Treasury shares

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from the paid-up unrestricted equity reserve. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Liabilities are classified as current and non-current, and include both interest-bearing and interest-free liabilities. Interest-bearing liabilities are liabilities that either include a contractual interest component, or are discounted to reflect the fair value of the liability. In the earlier financial years discounted non-current liabilities have included acquisition-related deferred conditional and unconditional liabilities. Certain conditional liabilities have included an earn-out component that needed to be met to make the liability unconditional and fix the amount of the future payment. Acquisition-related conditional purchase considerations that were payable in the Company's shares were presented as interest-free liabilities.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss; loans and borrowings; or derivatives designated as hedging instruments, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, and derivative financial instruments.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised on the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discounts or premiums and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event and 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The provision for rehabilitation and decommissioning costs has arisen on operating mines and minerals' processing facilities. These costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the rehabilitation and decommissioning liability. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs of or in the discount rate applied to the rehabilitation obligation are added or deducted from the profit or loss or, respectively, decommissioning obligation adjusted to the carrying value of the asset dismantled.

Non-current assets held for sale and discontinued operations

The standard IFRS 5 requires that an entity must classify a non-current asset or a disposal group as assets held for sale if the amount equivalent to its carrying amount is accumulated primarily from the sale of the item rather than from its continued use. In this case, the asset or disposal group must be available for immediate sale in its present condition under general and standard terms for the sale of such assets, and the sale must be highly probable.

Accounting policies requiring management discretion and key uncertainty factors for estimates

Preparation of the financial statements requires management to make estimates, assumptions and forecasts regarding the future. Future developments may deviate significantly from the assumptions made if changes occur in the business environment and/or business operations. In addition, management is required to use its discretion in the application of the financial statements' preparation principles.

The scope of the financial statements

The consolidated financial statements include the parent company Afarak Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies in which the Group has control. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The assessment of whether control is exercised requires management discretion.

The Group holds 51% of shares of Synergy Africa Limited. However, the shareholders of Synergy Africa Limited have entered into a joint venture agreement with joint control over the company. The joint venture agreement includes terms and conditions which give the other shareholder participating rights. Therefore, the Group's management has assessed, using its discretion, that the company and its subsidiaries are not consolidated into the Group as subsidiaries but as joint ventures.

IFRS 11 requires considering all facts and circumstances relating to joint arrangements instead of legal form only, which influences the accounting treatment of the arrangements. Under the new standard Afarak's share in Synergy Africa Limited and its subsidiaries are consolidated under the equity method instead of the proportionate method of consolidation. Synergy Africa Limited and its subsidiaries form a part of Afarak's mining operations in South Africa.

Allocation of the cost of a business combination

In accordance with IFRS 3, the acquisition cost of an acquired company is allocated to the assets of the acquired company. The management has to use estimates when determining the fair value of identifiable assets and liabilities. Determining a value for intangible assets, such as trademarks and customer relationships, requires estimation and discretion because in most cases, no market value can be assigned to these assets. Determining fair value for tangible assets requires particular judgment as well, since there are seldom active markets for them where the fair value could be obtained. In these cases, the management has to select an appropriate method for determining the value and must estimate future cash flows.

Impairment testing

Goodwill is tested annually for impairment, and assessments of whether there are indications of any other asset impairment are made at each balance sheet date, and more often if needed. The recoverable amounts of cash-generating units have been determined by means of calculations based on value in use. Preparation of these calculations requires the use of estimates to predict future developments.

The forecasts used in the testing are based on the budgets and projections of the operative units, which strive to identify any expansion investments and rearrangements. To prepare the estimates, efforts have been made to collect background information from the operative business area management as well as from different sources describing general market activity. The risk associated with the estimates is taken into account in the discount rate used. The definition of components of discount rates applied in impairment testing requires discretion, such as estimating the asset or business related risk premiums and average capital structure for each business segment.

Tangible and intangible assets

Afarak Group management is required to use its discretion when determining the useful lives of various tangible and intangible assets, which affects the amount of depreciation and thereby the carrying amount of the assets concerned. The capitalising of mine development assets and exploration and evaluation expenditure, in particular, requires the use of discretion. Similarly, management is required to use its discretion in determining the useful lives of intangible assets identified in accordance with IFRS 3, and in determining the amortisation period. This affects the financial result for the period through depreciation and change in deferred taxes.

Measurement of mineral resources and ore reserves

In the Group’s mining operations, estimates have to be applied in recognising mineral resources acquired in business combinations as assets. In the recognition and measurement of mineral resources and ore reserves, the Group utilises available third party analyses of the quantities, mineral content, estimated production costs and exploitation potential of the resource. The probability of the ore reserve is also a key consideration. In the mining and minerals business, the probability is commonly described by classifying a mineral resource into categories such as ‘proven’, ‘probable’, ‘inferred’ and ‘hypothetical’. The measurement of ore reserves is based on estimated market prices, estimated production costs and on the probability classification of the mineral resource and quantities. Therefore, the Group’s management has to use its discretion in applying recognition and measurement principles for mineral resources.

Rehabilitation provisions

The Group assesses the rehabilitation liabilities associated with its mines and production facilities annually. The amount of provision reflects the management’s best estimate of the rehabilitation costs. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the area and remove or cover the contaminated soil from the site, the expected timing of those costs, and whether the obligations stem from past activity. These uncertainties may cause the actual costs to differ from the provision which has been made.

Application of new or amended IFRS standards

The Group applies new or amended IFRS standards and interpretations from their effective date or after they have been endorsed for application within the EU.

In these financial statements the Group has applied the following new or amended standards and interpretations:

- IFRS 3 Business Combinations The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group’s current accounting policy and, thus, this amendment did not impact the Group’s accounting policy.

- IFRS 8 Operating Segments The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgements made by management in applying the aggregation criteria including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is
  reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
  The Group has not applied the aggregation criteria in IFRS 8. The Group has presented the reconciliation of
  segment assets to total assets in previous periods and continues to disclose the same in Note 1.5 in this period's financial statements.

- IFRS 3 Business Combinations The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
  - Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself
  Afarak Group is not a joint arrangement, and thus this amendment is not relevant for the Group and its
  subsidiaries.

- IFRS 13 Fair Value Measurement The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

The Group will apply the following new or amended standards and interpretations in the financial statements for the year 2016 or subsequent financial years:

- IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and measurement in its entirety. The mandatory effective date of IFRS 9 is for annual periods beginning on or after 1 January 2018, early adoption is allowed.
  According to IFRS 9, at initial recognition, all financial assets are measured at fair value. For subsequent measurement, financial assets that are debt instruments are classified at amortized cost or fair value either through profit or loss or Other Comprehensive Income (OCI). The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The new hedge accounting model is designed to align the accounting for hedging activities more closely with risk management practices and to simplify certain aspects of hedge accounting. The Group is assessing the impact of the standard to its financial statements.
  IFRS 15 Revenue from Contracts with Customers as issued in May 2014, establishes a new five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue or industry. The principles in IFRS 15 provides a more structured approach to measuring and recognising revenue and will be applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

This new revenue standard is applicable to all entities and will supersede the current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017. The Group is currently assessing the impact of IFRS 15 on the entities within the Group.

- IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
  The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will impact the Group to the extent that it undertakes future transactions of this nature, as this accounting approach differs to that which it would currently apply.

- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will impact the Group to the extent that it undertakes future transactions of this nature, as this accounting approach differs to that which it would currently apply.

- IAS 1 Disclosure Initiative
  The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements.
  The amendments clarify:
  - The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group is assessing the impact of this amendment to its financial statements.

There are no other IFRS standards, amendments, IFRIC interpretations that are not yet effective and that would be expected to have a material impact to the Group's financial statements.

1.3 BUSINESS COMBINATIONS AND ACQUISTION OF NON-CONTROLLING INTERESTS

1.3.1 Financial Year 2015

Afarak did not carry out any acquisitions during the financial year 2015.

1.3.2 Financial Year 2014

Afarak did not carry out any acquisitions during the financial year 2014.

1.4 IMPAIRMENT TESTING

General principles of impairment testing

Afarak Group has carried out impairment testing on goodwill and other assets as of 31 December 2015. The following cash generating units were defined for the impairment testing:

- Speciality Alloys business (Türk Maadin Sirketi and Elektrowerk Weisweiler) with a vertically integrated mining-beneficiation-smelting-sales operation in the specialty grade ferrochrome business; and

- South African minerals processing business (Mogale Alloys) which has ferroalloys smelting operations with four furnaces;

The Group assesses at the end of each reporting period whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amount of these assets is estimated. Moreover, the recoverable amount of any goodwill and unfinished investment projects will be estimated annually, irrespective of whether there is an indication of impairment. As a result, no impairment was recognised.

At the end of 2015, there were no indications of impairment of any other assets, such as shares in associated companies.

The joint venture Synergy Africa owns and operates mines in South Africa, These have been tested for impairment at the joint venture level. This is further explained in note 13.

Changes in goodwill during 2015

During the financial year 2015, the total goodwill of the Group decreased by EUR 4.7 million to a total of EUR 58.3 million. The decrease was mainly attributable to an exchange rate movement of EUR 4.4 million. A further decrease of EUR 0.3 million was recognised resulting from the disposal of investment in associate. In 2014, the synergy goodwill identified in the Mogale acquisition, related to Afarak Trading (previously known as RCS) acting as a global sales entity for the whole Group, was initially tested within Speciality Alloys segment, into which segment Afarak Trading (previously known as RCS) was included. To reflect the change in segments, where Afarak Trading (previously known as RCS) is now divided to both segments to reflect the nature of serving the whole Group, the Afarak Trading (previously known as RCS) synergy related goodwill is now considered as a group asset and also annually allocated to both segments based on their relative revenue, reflecting the volume of Afarak Trading (previously known as RCS) related benefits enjoyed by the CGU. The changes are described below:

EUR '000	**Speciality Alloys Business**	**FerroAlloys Business**	**Group Total**
Goodwill 1.1.2015	41,412	21,639	63,051
Disposal of investment in associate	-307	0	-307
Exchange rate movement	-671	-3,724	-4,395
Goodwill 31.12.2015	**40,434**	**17,915**	**58,349**

The changes in goodwill during 2014 are presented below:

EUR '000	**Speciality Alloys Business**	**FerroAlloys Business**	**Group Total**
Goodwill 1.1.2014	57,104	5,184	62,288
Reclassification between segments	-9,052	9,052	0
Exchange rate movement	-6,640	7,403	763
Goodwill 31.12.2014	**41,412**	**21,639**	**63,051**

Goodwill as a ratio of the Group's equity on 31 December 2015 and 31 December 2014 was as follows:

EUR '000	**31.12.2015**	**31.12.2014**
Goodwill	58,349	63,051
Equity	171,207	182,245
Goodwill/Equity, %	34%	35%

Methodology applied in impairment testing

For the cash generating units that were tested, the test was carried out by calculating their value in use. Value in use has been calculated by discounting estimated future net cash flows based on the conditions and assumptions prevailing at the time of the testing. Future cash flows have been projected for a five-year period, after which a growth rate equalling projected long-term inflation has been applied (Speciality Alloys: 2%, South African minerals processing: 6%). For the terminal year after the five-year estimation period, the essential assumptions (e.g. revenue, variable costs and fixed costs) have been based at the estimation period's previous year's figures.

The weighted average cost of capital (WACC) has been calculated separately for each cash generating unit and testable asset, taking into account each business's typical capital structures, investors' average required rate of return for similar investments and company size and operational location related factors, as well as risk-free interest rates and margins for debt financing. The Group has used publicly available information on the peer group companies' capital structure, risk premium and other factors. The market interest rates reflect the rates applicable on 31 December 2015.

The information used in the 31 December 2015 impairment testing is based on business units' management future forecasts, on general third-party industry expert or analyst reports where available, and to the extent possible on the current business and asset base excluding any non-committed expansion plans. Forecasted sales volumes and profitability are based on the management's view on future development while also taking past performance into account. Price forecasts are based on independent market forecasts. The cash flow models have been prepared at constant foreign exchange rates. The management's approach in preparing cash flow forecasts has not changed significantly from the previous impairment testing.

These pre-tax discount rates applied in 2015 impairment testing were the following:

Cash Generating Unit	**Pre-tax discount rate**	
	2015	**2014**
Speciality Alloys	11.9%	14.9%
South African minerals processing	24.1%	23.3%

The key reasons for the changes in the discount rates compared to 2014 were the changes in risk-free interest rates in both cash-generating units.

The results of impairment testing have been evaluated by comparing the cash generating units' recoverable amount to the corresponding carrying amount based on the following judgment rules:

Recoverable amount divided by the carrying amount:	**Conclusion:**
< 100%	Impairment
101-120%	Slightly above
121-150%	Clearly above
> 150%	Significantly above

Test results 31 December 2015

The impairment test results were as follows:

Cash generating unit	Goodwill (MEUR), pre-testing	Goodwill (MEUR), post-testing	Carrying amount (MEUR), pre-testing	Conclusion
Speciality Alloys	40.4	40.4	63.4	Clearly above
South African minerals processing	17.9	17.9	66.4	Clearly above

The testable asset base (carrying amount) includes goodwill, intangible and tangible assets and net working capital less provisions and deferred tax liabilities (in relation to purchase price allocation entries).

Key background and assumptions used in the cash flow forecasts of the impairment testing process are summarised in the following table:

Cash generating unit	Sales volume	Sales prices	Costs
Speciality Alloys business	FeCr: 26,000 – 31,000 t/a Lumpy Cr ore: 21,000 – 29,000 t/a	LC/ULC ferrochrome with average Cr content of 70 %, based on external experts (Heinz Pariser) price forecasts	Raw material costs generally change in line with sales price; other costs growing at inflation rate
South African minerals processing	Metal alloys: 81,000 – 85,000 t/a	Based on external experts (Heinz Pariser) metal alloys price forecasts	Raw material costs generally change in line with sales price; other costs growing at inflation rate

Moreover, the USD/ZAR foreign exchange rate affects significantly the testing of the South African minerals business. The foreign exchange rate used in the test was 13.55.

Sensitivity analysis of the impairment tests

The Group has analysed the sensitivity of the impairment test results by estimating how the essential assumptions should change in order for the recoverable amount to be equal to the carrying amount. The results of this sensitivity analysis as of 31 December 2015 are given below:

Cash generating unit	Change in pre-tax discount rate (compared to the level used in testing)	Change in free cash flow (annual average)	Change in CGU's average EBITDA margin
Speciality Alloys	4.3% - points	-31.5%	-3.8% - points
South African minerals processing	10.2% - points	-32.5%	-7.7% - points

1.5 OPERATING SEGMENTS

Afarak Group has two operating segments, FerroAlloys and Speciality Alloys, which are also the reporting segments. The operating segments are organised based on their products and production processes. The current reporting structure was adopted in 2011. The Group's executive management reviews the operating results of the segments for the purpose of making decisions on resource allocation and performance assessment. Segment performance is measured based on revenue as well as earnings before interest, taxes, depreciation and amortisation (EBITDA) as included in the internal management reports and defined consistently with the consolidated EBITDA.

The FerroAlloys business consists of the processing plant Mogale Alloys, Vlakpoort mine and the joint ventures, the Stellite mine and Mecklenburg mine in South Africa. The business produces chrome ore, charge chrome, charge chrome, medium carbon ferrochrome and silicomanganese for sale to global markets.

The Speciality Alloys business consists of Türk Maadin Şirketi A.S ("TMS"), the mining and beneficiation operation in Turkey, and Elektrowerk Weisweiler GmbH ("EWW"), the chromite concentrate processing plant in Germany. TMS supplies EWW with high quality chromite concentrate which produces speciality products including specialised low carbon and ultra low carbon ferrochrome. Chrome ore from TMS that is not utilised for the production of specialised low carbon ferrochrome is sold to the market.

The revenue and costs of the Group's sales and marketing arm Afarak Trading (previously known as RCS) is allocated to the segments in proportion to their sales. Afarak's other operations, including the Group's headquarters and other Group companies that do not have significant operations, are presented as unallocated items.

Intercompany transactions are carried out on an arm's length basis. The transactions between the segments have been limited but the parent company has provided funding and administrative services to the Group's subsidiaries.

The accounting policies applied in the operating segment information are the same as those in the consolidated financial statements.

Operating segment information 2015

Year ended 31.12.2015 EUR '000	Speciality Alloys	Ferro Alloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	259	259	125	0	384
Sale of goods	95,555	91,515	187,070	257	0	187,327
Total external	95,555	91,774	187,329	382	0	187,711

revenue						
Inter-segment revenue	924	0	924	1,133	-2,058 [1]	0
Total revenue	**96,480**	**91,774**	**188,254**	**1,516**	**-2,058**	**187,711**
Items related to associates (core)	0	0	0	0	0	0
Items related to joint ventures (core)	0	-414	-414	0	0	-414
Segment EBITDA	**12,740**	**7,467**	**20,207**	**-3,017**	**0**	**17,190**
Depreciation and amortisation	-2,617	-4,678	-7,295	-7	0	-7,302
Impairment	0	0	0	0	0	0
Segment operating profit / loss	**10,123**	**2,789**	**12,912**	**-3,024**	**0**	**9,888**
Finance income						7,906
Finance cost						-11,274
Income taxes						1,236
Profit / loss for the period from continuing Operations						**7,756**
Profit for the period from discontinued operations						782
Profit / loss for the period						**8,539**
Segment's assets [2]	**150,216**	**129,187**	**279,303**	**12,519**	**-24,929**	**266,994**
Segment's liabilities [2]	**52,367**	**58,855**	**111,122**	**2,565**	**-18,000**	**95,787**
Other disclosures						
Gross capital expenditure [3]	4,035	3,952	7,988	0	0	**7,988**

Investments in associates [4]	0	0	0	0	0	**0**
Investment in joint ventures [4]	0	-23,218	-23,218	0	0	**-23,218**
Provisions [4]	2,954	6,455	9,308	0	0	**9,408**

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Capital expenditure consists of net increase in the year.
4. Balance sheet values.

Operating segment information 2014

Year ended 31.12.2014 EUR '000	**Speciality Alloys**	**Ferro Alloys**	**Segments total**	**Unallocated items**	**Eliminations**	**Consolidated Group**
External revenue						
Rendering of services	0	160	160	15	0	175
Sale of goods	97,836	74,658	172,494	0	0	172,494
Total external revenue	97,836	74,818	172,654	15	0	172,669
Inter-segment revenue	0	0	0	132	-132 [1]	0
Total revenue	**97,836**	**74,818**	**172,654**	**147**	**-132**	**172,669**
Items related to associates (core)	3	3	6	0	0	6
Items related to joint ventures (core)		-3,311	-3,311	0	0	-3,311
Segment EBITDA	**7,865**	**3,084**	**10,949**	**-2,502**	**0**	**8,447**
Depreciation and amortisation	-2,206	-4,466	-6,672	-45	0	-6,717
Impairment	0	0	0	-5	0	-5

Segment operating profit / loss	**5,659**	**-1,381**	**4,277**	**-2,552**	**0**	**1,725**
Finance income						4,166
Finance cost						-5,431
Income taxes						12
Profit / loss for the period from continuing Operations						**472**
Profit for the period from discontinued operations						1,773
Profit / loss for the period						**2,245**
Segment's assets [2]	**148,276**	**146,514**	**294,790**	**9,645**	**-14,146**	**290,289**
Segment's liabilities [2]	**68,419**	**52,451**	**120,870**	**3,720**	**-16,547**	**108,044**
Other disclosures						
Gross capital expenditure [3]	1,213	13,598	14,811	0	0	**14,811**
Investments in associates [4]	70	22	92	0	0	**92**
Investment in joint ventures [4]	0	-19,580	-19,580	0	0	**-19,580**
Provisions [4]	3,189	7,025	10,214	0	0	**10,214**

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Capital expenditure consists of net increase in the year.
4. Balance sheet values.

Geographical information

Revenues from external customers

EUR '000	2015	2014
Other EU countries	74,945	77,530
United States	42,244	41,282
China	15,407	3,090
Africa	23,834	23,351
Finland	5,704	7,040
Other countries	25,577	20,376
Total revenue	**187,711**	**172,669**

Revenue figures are based on the location of the customers.

The largest customer of the Group is in the Speciality Alloys business segment and represents approximately 14% (16%) of the Group's revenue in 2015. In the FerroAlloys business segment the largest customer represents 5% (7%) of the Group's revenue in 2015.

Non-current assets

EUR '000	2015	2014
Africa	46,183	53,835
Other EU countries	6,636	5,177
Finland	14	25
Other countries	7,741	9,385
Total	**60,574**	**68,422**

In presenting geographical information, assets are based on the location of the assets. Non-current assets consist of property, plant and equipment, intangible assets and investments in associates.

1.6 NOTES TO THE INCOME STATEMENT

1. Revenue

EUR '000	**2015**	**2014**
Sale of goods	187,327	172,494
Rendering of services	384	175
Total	**187,711**	**172,669**

2. Other operating income

EUR '000	**2015**	**2014**
Gain on disposal of tangible and intangible assets	50	45
Gain on disposal of investments	57	1,211
Rental income	307	297
Other	1,917	1,817
Total	**2,331**	**3,370**

3. Employee benefits

EUR '000	**2015**	**2014**
Salaries and wages	-16,330	-14,325
Share-based payments	-293	-154
Pensions costs	237	-241
Other employee related costs	-1,450	-1,403
Total	**-17,836**	**-16,123**

Average personnel during the accounting period	**2015**	**2014**
Speciality Alloys business	372	387
FerroAlloys business	365	335
Group Management and other operations	5	4
Total	**742**	**726**

Personnel at the end of the accounting period	**2015**	**2014**
Speciality Alloys business	402	355
FerroAlloys business	365	339
Group Management and other operations	6	4

Total	**773**	**698**

4. Depreciation, amortisation and impairment

EUR '000	2015	2014
Depreciation / amortisation by asset category		
Intangible assets		
Clientele and technology	-1,740	-2,563
Other intangible assets	-350	-341
Total	**-2,090**	**-2,904**
Property, plant and equipment		
Buildings and constructions	-523	-398
Machinery and equipment	-3,280	-2,142
Other tangible assets	-1,409	-1,273
Total	**-5,212**	**-3,813**
Impairment by asset category		
Other intangible assets	0	-5
Total	**0**	**-5**

5. Other operating expenses

EUR '000	2015	2014
Rental costs	-673	-825
External services[1]	-3,122	-2,796
Travel expenses	-1,059	-855
Other operating expenses[2]	-7,074	-7,136
Total	**-11,928**	**-11,612**

1. Audit fees paid to EY totalled EUR 365 (2014: 412) thousand in the financial year. The fees for non-audit services totalled EUR 29 (2014: 20) thousand.

2. Other operating expenses include shutdown costs of EUR 2,093 (2014: 2,324) thousand in the financial year.

6. Financial income and expense

EUR '000	2015	2014
Finance income		
Interest income on loans and trade receivables	1,327	1,785
Foreign exchange gains	6,530	2,379
Other finance income	49	2
Total	**7,906**	**4,166**
Finance expense		
Interest expense on financial liabilities measured at amortised cost	-1,734	-1,223
Impairment losses on receivables	-1	0
Foreign exchange losses	-8,867	-3,141
Loss on assets at fair value	0	-461
Loss on disposal, assets available for sale	-113	0
Unwinding of discount, provisions	-642	-546
Other finance expenses	83	-61
Total	**-11,274**	**-5,431**
Net finance expense	**-3,368**	**-1,265**

7. Income taxes

EUR '000	2015	2014
Income tax for the period	494	-772
Income tax for previous years	0	-24
Deferred taxes	742	808
Other direct taxes	0	0
Income tax for continuing operations	**1,236**	**12**
Income tax for discontinued operations	0	0
Total	**1,236**	**12**

EUR '000	2015	2014
Profit before taxes	**7,303**	**2,233**
Income tax calculated at income tax rate	**-1,461**	**-447**
Tax exempt income	60	639
Difference between domestic and foreign tax rates	-1,542	432
Tax credit	3,717	2,031
Items recognised only for taxation purposes	557	-1,218

Income tax for previous years	0	-24
Income from JV and associates	83	-661
Impairment losses	0	-1
Tax losses not recognised as deferred tax assets	-352	-461
Non-tax deductible expenses	-96	-434
Previously unrecognised tax losses now recognised	270	156
Total adjustments	**2,697**	**459**
Income tax recognised	**1,236**	**12**

On 31 December 2015 the Group companies had unused tax losses totalling EUR 24.6 (24.2) million for which the Group has not recognised deferred tax assets.

8. Discontinued operations

The discontinued operation items relate to expenses in connection with the sawmill machinery and environmental cleaning costs. The Group sold part of the saw mill equipment which positively affected profit by EUR 0.8 (2014: 1.8) million that includes a release of EUR 0.2 (2014: 0.6) million from the provision in relation to the discontinued wood business.

EUR '000	2015	2014
Other operating income	580	1,286
Other operating expenses	-357	-713
Gain on disposal from discontinued operations	560	1,200
Profit for the period	**783**	**1,773**

9. Earnings per share

	2015			2014		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to owners of the parent company (EUR '000)	8,071	783	8,854	1,085	1,773	2,858
Weighted average number of shares, basic (1,000)	256,652	256,652	256,652	249,280	249,280	249,280
Basic earnings per share (EUR) total	**0.03**	**0.01**	**0.03**	**0.00**	**0.01**	**0.01**

	2015	2014

	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit attributable to owners of the parent company (EUR '000)	8,071	783	8,854	1,085	1,773	2,858
Weighted average number of shares, basic (1,000)	256,652	256,652	256,652	249,280	249,280	249,280
Effect of share options on issue (1,000)	3,197	3,197	3,197	3,798	3,798	3,798
Weighted average number of shares, diluted (1,000)	259,849	259,849	259,849	253,077	253,077	253,077
Diluted earnings per share (EUR) total	**0.03**	**0.00**	**0.03**	**0.00**	**0.01**	**0.01**

Basic earnings per share is calculated by dividing profit attributable to the owners of the parent company by weighted average number of shares during the financial year.

When calculating the diluted earnings per share, all convertible securities with a potential dilutive effect are assumed to be converted into shares. Share options have a dilutive effect if the exercise price is lower than the share price. The diluted number of shares is the number of shares that will be issued free of charge when share options are exercised since with the funds received from exercising options, the Company is not able to issue the same number of shares at fair value. The fair value of shares is based on average share price of the period.

1.7 NOTES TO THE STATEMENT OF FINANCIAL POSITION

10. Property, plant and equipment

EUR '000	Land and water property	Buildings and constructions	Machinery and equipment	Mines and mineral assets	Other tangible assets	Total
Balance at 1.1.2015	2,346	6,515	54,475	11,802	2,915	78,053
Additions		1,520	4,971	437	408	7,336
Disposals			-893		-5	-898
Reclass between items			-28		339	311
Effect of movements in exchange rates	-297	-535	-8,391	-1,308	-329	-10,860
Balance at 31.12.2015	**2,049**	**7,500**	**50,134**	**10,931**	**3,328**	**73,942**
Accumulated depreciation and impairment 1.1.2015		-3,060	-18,256	-7,230	-1,534	-30,080
Depreciation		-523	-3,280	-1,164	-245	-5,212
Disposals			54		3	57
Reclass between items						0
Effect of movements in exchange rates		257	3,455	840	300	4,852
Accumulated depreciation and impairment at 31.12.2015	**0**	**-3,326**	**-18,027**	**-7,554**	**-1,476**	**-30,383**
Carrying amount at 1.1.2015	**2,346**	**3,455**	**36,219**	**4,572**	**1,381**	**47,973**
Carrying amount at 31.12.2015	**2,049**	**4,174**	**32,107**	**3,377**	**1,852**	**43,559**
Balance at 1.1.2014	2,283	6,148	39,721	11,092	2,502	61,745
Additions		183	13,646	210	331	14,369
Disposals			-277		-22	-298
Reclass between items			-24		46	22
Effect of movements in exchange rates	63	184	1,409	500	59	2,215
Balance at 31.12.2014	**2,346**	**6,515**	**54,475**	**11,802**	**2,915**	**78,053**
Accumulated depreciation and impairment 1.1.2014		-2,585	-15,735	-5,802	-1,363	-25,485
Depreciation		-398	-2,142	-1,135	-138	-3,813
Disposals			233			233
Reclass between items					22	22
Effect of movements in		-77	-612	-293	-55	-1,036

exchange rates

Accumulated depreciation and impairment at 31.12.2014	**0**	**-3,060**	**-18,256**	**-7,230**	**-1,534**	**-30,080**
Carrying amount at 1.1.2014	**2,283**	**3,563**	**23,986**	**5,290**	**1,138**	**36,260**
Carrying amount at 31.12.2014	**2,346**	**3,455**	**36,219**	**4,572**	**1,381**	**47,973**

Machinery and equipment include the prepayments made for them. In 2014 Mogale Alloys capitalisated interest amounting EUR 0.4 million before the commissioning of the refining and granulation plant to produce medium carbon ferrochrome.

11. Intangible assets

EUR '000	Goodwill	Intangible assets identified in acquisitions	Other intangible assets	Exploration and evaluation assets	Total
Balance at 1.1.2015	110,481	109,232	4,863	699	225,275
Additions			123	529	652
Disposals	-307		-3		-310
Reclass between items			30		30
Effect of movements in exchange rates	-11,720	-6,339	-645	-107	-18,811
Balance at 31.12.2015	**98,454**	**102,893**	**4,368**	**1,121**	**206,836**
Accumulated amortisation and impairment at 1.1.2015	-47,430	-92,683	-1,753	0	-141,866
Amortisation		-1,740	-338	-12	-2,090
Impairment					0
Effect of movements in exchange rates	7,325	4,982	174		12,481
Accumulated amortisation and impairment at 31.12.2015	**-40,105**	**-89,441**	**-1,914**	**-12**	**-131,472**
Carrying amount at 1.1.2015	**63,051**	**16,549**	**3,110**	**699**	**83,409**
Carrying amount at 31.12.2015	**58,349**	**13,452**	**2,454**	**1,109**	**75,364**
Balance at 1.1.2014	108,167	107,890	4,581	329	220,967
Additions			85	356	441
Reclass between items			24		24
Effect of movements in exchange rates	2,314	1,342	173	14	3,843
Balance at 31.12.2014	**110,481**	**109,232**	**4,863**	**699**	**225,275**
Accumulated amortisation and impairment at 1.1.2014	-45,879	-89,409	-1,350	0	-136,639
Amortisation		-2,563	-341		-2,904
Impairment			-5		-5
Effect of movements in exchange rates	-1,551	-711	-57		-2,319
Accumulated amortisation and impairment at 31.12.2014	**-47,430**	**-92,683**	**-1,753**	**0**	**-141,866**
Carrying amount at 1.1.2014	**62,288**	**18,481**	**3,231**	**329**	**84,329**
Carrying amount at 31.12.2014	**63,051**	**16,549**	**3,110**	**699**	**83,409**

Other intangible assets include the prepayments made for them. Exploration and evaluation assets consist of mine projects in variours mining projects in Turkey and South Africa.

12. Investments in associates

EUR '000	Domicile	Value at reporting date	Ownership (%)	Reporting date	Assets	Liabilities	Revenue	Profit
2015								
Non-core associates								
Incap Furniture Oy *	Finland	0	24.1					
Valtimo Components Oyj *	Finland	0	24.9					
		0						

EUR '000	Domicile	Value at reporting date	Ownership (%)	Reporting date	Assets	Liabilities	Revenue	Profit
2014								
Core associates								
Specialty Super Alloys SSA Inc	United States	92	20.0	31.12.2014	578	116	820	27
		92						
Non-core associates								
Incap Furniture Oy *	Finland	0	24.1					
Valtimo Components Oyj *	Finland	0	24.9					
		0						

* Incap Furniture Oy and Valtimo Components Oyj are in a corporate restructuring process.

The income statement related items of associated companies of Speciality Alloys and FerroAlloys business segments (´core-associates´) are presented above EBIT; the non-core associates in financial items.

Movements in 2015	
EUR '000	
1.1.2015	**92**
Share of profit	2
Exchange rate differences	15
Proceeds from disposal	-109
31.12.2015	**0**

During the financial year 2015, Afarak divested its holding in the associated company Speciality Super Alloys Inc. This led to a loss on sale of investment in associate of EUR 0.3 million.

Movements in 2014	
EUR '000	
1.1.2014	**76**
Share of profit	6
Exchange rate differences	10
31.12.2014	**92**

During the financial year 2014, Afarak did not acquire or dispose holdings in associates.

13. Investments in joint ventures

At the end of the financial year 2015, the Group had joint control over one jointly controlled entity, Synergy Africa Ltd, in which the Group has a 51% interest. The acquisition of Chromex Mining Ltd, a UK company with mining operations and prospecting rights in southern Africa, was carried out by this joint venture company. Synergy Africa Group has been consolidated as a joint venture company in the financial reporting of the Group starting at 31 December 2010. Following the 2012 changes in the accounting standards the company changed the accounting method from proportionate consolidation method to equity method.

Summarised financial statement information (100% share) of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the Group's consolidated financial statements are set out below:

	2015	**2014**
EUR '000		
Revenue	**18,954**	**11,153**
Other operating income	289	212

Materials and supplies	-13,595	-7,895
Employee benefits expense	-1,124	-1,493
Depreciation and amortisation	-1,855	-1,798
Other operating expenses	-2,017	-1,980
Impairment, net	0	-4,235
Operating profit / loss	**652**	**-6,036**
Finance income	1,891	382
Finance cost	-3,093	-2,256
Loss before taxes	**-549**	**-7,911**
Income taxes	306	1,418
Loss for the year	**-243**	**-6,492**
Group's share of loss for the year	**-124**	**-3,311**
Loss attributable to:		
Joint venture owners	-86	-2,839
Non-controlling interests	-38	-472
	-124	**-3,311**

Assets and liabilities **EUR '000**	**2015**	**2014**
Non-current assets		
Intangible assets	4,187	2,668
Mines and mineral assets	24,543	30,712
Property, plant and equipment	2,824	3,761
Non-current assets total	**31,555**	**37,141**
Current assets		
Inventories	1,239	1,911
Trade and other receivables	419	546
Trade and other receivables from JV owners	747	166
Cash and cash equivalents	1,264	511
Current assets total	**3,669**	**3,134**
Total assets	**35,224**	**40,275**
Non-current liabilities		
Interest-bearing debt	26,423	23,679
Interest-bearing debt to JV owners	32,573	34,406

Provisions	1,665	1,725
Deferred tax liability	7,046	8,820
Other non-current liabilities to JV owners	5,624	5,004
Non-current liabilities total	**73,332**	**73,634**
Current liabilities		
Trade and other payables	5,255	3,648
Trade and other payables to JV owners	2,163	1,385
Current liabilities total	**7,418**	**5,033**
Total liabilities	**80,750**	**78,667**
Net Liability	**-45,526**	**-38,392**
Proportion of Group's Ownership	51 %	51 %
Carrying amount of Joint venture	**-23,218**	**-19,580**

At the end of 2015, Synergy Africa Group had 65 (56) employees. The average number of employees in full year 2015 was 63 (59).

Impairment review of joint venture

General principles of impairment testing

Synergy Africa Ltd, the South African mining business which operates Stellite and Mecklenburg mines has carried out impairment testing on assets as at 31 December 2015.

The statement of financial position of Synergy Africa has been assessed whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amount of these assets is estimated. Moreover, the recoverable amount of any goodwill and unfinished investment projects is estimated annually, irrespective of whether there is an indication of impairment. The South African mining business did not have any goodwill on its statement of financial position at the end of the financial year 2015. Similarly to 2014, in view of the weak situation in the chrome market, Synergy Group assessesed whether there is any indication of impairment and consequently the assets of the business were tested for impairment. Contrary to the impairment recognised in the previous year in view of the weak market conditions, no further impairment was recognised in 2015 subsequent to the impairment assessment made on the assets of Synergy Group.

Methodology applied in impairment testing

For the cash generating units that were tested, the test was carried out by calculating their value in use. Value in use has been calculated by discounting estimated future net cash flows based on the conditions and assumptions prevailing at the time of the testing. Future cash flows have been projected for the life of mine with a 6% growth rate equalling projected long-term inflation has been applied.

The weighted average cost of capital (WACC) has been calculated taking into account the business's typical capital structures, investors' average required rate of return for similar investments and company size and operational location related factors, as well as risk-free interest rates and margins for debt financing. Synergy Africa has used publicly available information on the peer group companies' capital structure, risk premium and other factors. The market interest rates reflect the rates applicable on 31 December 2015.

The information used in the 31 December 2015 impairment testing is based on business units' management future forecasts, on general third-party industry expert or analyst reports where available, and to the extent possible on the current business and asset base excluding any non-committed expansion plans. Forecasted sales volumes and profitability are based on the management's view on future development while also taking past performance into account. Price forecasts are based on independent market forecasts. The cash flow models have been prepared at constant foreign exchange rates. The underground production in the models does not solely come from reserves, as some come from resources that are not yet converted to reserves. This increases the risk that some of the grades may differ, and tonnes could possibly not be economically extractable. There is also the risk that costs could be different than anticipated even though due care was taken in the cost evaluation.

The pre-tax discount rates applied in 2015 impairment testing was 23.64% for Mecklenburg mine and 21.52% for Stellite mine. The cash flows in the Stellite mine impairment test review include both opencast and recycling of tailing dam by way of using the shaking table technology. The cash flows in the Mecklenburg mine impairment test review only includes underground operation. The Stellite mine model has a life of mine of 30 years whereas the Mecklenburg mine model has a life of mine of 16 years.

The results of impairment testing have been evaluated by comparing the cash generating units' recoverable amount to the corresponding carrying amount.

Test results 31 December 2015

As a result of the tests carried out Synergy Africa did not pass any impairment as the impairment tests indicated that the recoverable amounts from the mines exceed the carrying amount and consequently no impairment was required.

The testable asset base includes intangible and tangible assets and net working capital less provisions and deferred tax liabilities (in relation to purchase price allocation entries).

The USD/ZAR foreign exchange rate affects significantly the testing of the South African minerals business. The foreign exchange rate used in the test was 15.75.

Key background and assumptions used in the cash flow forecasts of the impairment testing process are summarised in the following table:

Cash generating unit	Sales volume	Sales prices	Costs
Stellite mine	Concentrate: Opencast mining of 169,500t/a in 2016; 193,000 in 2017 and 2018; 168,000 in 2019; and 72,000 as from 2020 till 2045 PGM: 5,591oz t/a from 2018 till 2045	SA Chrome Ore – UG2 CIF adjusted for FOM, based on external experts (Heinz Pariser) price forecasts 2018 forecast price for PGM based on current market price	The costs applied for opencast operation is based on the current historical cost adjusted for a reduction in production cost per ton as a result of higher recoveries due to the implementation of new technology. This cost has been estimated and adjusted for inflation for the opencast life of mine. The cost over the life of mine excluding inflation is estimated to be ZAR 745 per saleable ton of chrome.
Mecklenburg mine	ROM: Underground 5,300t/a in 2016; 140,600t/a in 2017; and is planned to increase to an average of 380,000t/a as from 2018 till 2031	SA Chrome Ore – Lumpy CIF adjusted for FOM, based on external experts (Heinz Pariser) price forecasts	The costs for underground are based on past experiences of our mining team in underground operations adjusted for inflation rate. The cost over the life of mine excluding inflation is estimated to be ZAR 550 per saleable ton of chrome.

Synergy Africa has analysed the sensitivity of the impairment test results by estimating how the essential assumptions should change in order for the recoverable amount to be equal to the carrying amount. The results of this sensitivity analysis as of 31 December 2015 are given below:

Cash generating unit	Change in pre-tax discount rate (compared to the level used in testing)	Change in free cash flow (annual average)	Change in CGU's average Cost of Production	Change in CGU's average EBITDA margin
Stellite Mine	15.8% - points	-57.6%	3.3%	-19.6%- points
Mecklenburg Mine	12.7% - points	-60.0%	9.9%	-33.1% - points

14. Financial assets and liabilities

31.12.2015, EUR '000

Non-current financial assets	Assets available-for-sale	Assets held-to-maturity	Loans and other receivables	Liabilities measured at amortised cost	Total carrying amount
Non-current interest-bearing receivables		597	33,165		33,763
Trade and other receivables *			441		441
Current financial assets					
Current interest-bearing receivables			3,519		3,519
Trade and other receivables *			23,407		23,407
Other financial assets			0		0
Cash and cash equivalents			19,644		19,644
Carrying amount of financial assets	0	597	80,176	0	80,773
Fair value of financial assets	0	597	80,176	0	80,773
Non-current financial liabilities					
Non-current interest-bearing liabilities				2,975	2,975
Other non-current liabilities				1,969	1,969
Current financial liabilities					
Current interest-bearing liabilities				12,133	12,133
Trade and other payables *				11,783	11,783
Derivatives				0	0
Carrying amount of financial liabilities				28,860	28,860
Fair value of financial liabilities				28,860	28,860

31.12.2014, EUR '000

Non-current financial assets	Assets available-for-sale	Assets held-to-maturity	Loans and other receivables	Liabilities measured at amortised cost	Total carrying amount
Non-current interest-bearing receivables		587	34,406		34,993
Trade and other receivables *			499		499
Current financial assets					
Current interest-bearing receivables			9,213		9,213
Trade and other receivables *			19,447		19,447
Other financial assets			1,656		1,656
Cash and cash equivalents			13,332		13,332
Carrying amount of financial assets	0	587	78,554	0	79,141

Fair value of financial assets	0	587	78,554	0	79,141
Non-current financial liabilities					
Non-current interest-bearing liabilities				6,263	6,263
Other non-current liabilities				42	42
Current financial liabilities					
Current interest-bearing liabilities				5,866	5,866
Trade and other payables *				22,052	22,052
Derivatives				4,066	4,066
Carrying amount of financial liabilities				38,289	38,289
Fair value of financial liabilities				38,289	38,289

* Non-financial assets and liabilities are not included in the figures.

Fair value hierarchy

31.12.2015, EUR '000	Carrying amounts at the end of the reporting period		
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives		0	
Total		**0**	

31.12.2014, EUR '000	Carrying amounts at the end of the reporting period		
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives		4,066	
Total		**4,066**	

31.12.2015, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2015	**40**
Acquisition cost at 31.12.2015	**40**
Accumulated impairment losses at 1.1.2015	-40
Accumulated impairment losses at 31.12.2015	-40
Carrying amount at 31.12.2015	**0**

31.12.2014, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2014	**40**
Acquisition cost at 31.12.2014	**40**
Accumulated impairment losses at 1.1.2014	-40
Accumulated impairment losses at 31.12.2014	-40
Carrying amount at 31.12.2014	**0**

Interest-bearing debt

EUR '000	**2015**	**2014**
Non-current		
Bank loans	2,970	6,238
Subordinated loans	5	5
Finance lease liabilities	0	20
Total	**2,975**	**6,263**
Current		
Bank loans	5,071	5,039
Finance lease liabilities	22	70
Cheque account with overdraft facility	4,532	757
Other interest-bearing liabilities	2,508	0
Total	**12,133**	**5,866**

EUR '000	**2015**	**2014**
Finance lease liabilities, minimum lease payments		
No later than 1 year	22	70
Later than 1 year and not later than 5 years	0	20
	22	**90**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	22	70
Later than 1 year and not later than 5 years	0	20
	22	**90**

Future finance charges	**0**	**0**
Total minimum lease payments	**22**	**90**

Financial risks and risk management

The Board of Directors of Afarak Group Plc has outlined the key risks of the Group in the Board of Directors' Report. In the following section, the financial and commodity risks are presented in more detail with the related sensitivity analyses.

Summary on financial assets and loan arrangements

Financial assets 31 December 2015

In addition to the operating result and the cash flow generated from it the factors described below have most significantly affected the year-on-year change in the Group's financial assets at the 2015 closing date:

The Group's financial assets decreased in consequence of various capital expenditure projects that the Group conducted during the year. The capital expenditure related primarily to the Speciality Alloys segment where TMS continued the investment of fines tailing processing plant at Kavak to increase annual mining volume and the new dust exhaustion at EWW which was commissioned in December 2015. Capital expenditure for 2015 also included the dryer in the ferrochrome plant at Mogale Alloys, replacement of the furnace refractories during the shutdown period and the acquisition of new plant vehicles. At Vlakpoort mine the Group continued investing to ramp up the bulk sample operation. The cash flow effect for capital expenditure totalled EUR 7.3 million during the year.

Also repayments of financial liabilities reduced the Group's financial assets during the year.

On 31 December 2015, the cash and cash equivalents were invested mainly in interest-bearing EUR, ZAR and USD denominated bank accounts. The Group companies have given pledged deposits for EUR 0.6 (4.6) million. Other financial assets comprise interest-bearing loans and other receivables.

During the year Mogale Alloys has been granted an increase in the overdraft facility of ZAR 50 million to ZAR 100 million to better manage its working capital.

TMS has also been granted a loan facility during the year of USD 500 thousand to finance the capital expenditure projects at Tavas and Kavak mines.

Interest-bearing debt 31 December 2015

- Floating rate loans from financial institutions total EUR 7.8 (11.0) million. Fixed rate loans total EUR 7.5 (1.1) million.
- The interest rate of the South African loans is tied to the market rate of JIBAR. The interest rate on 31 December 2015, based on market interest rates at that date, was 6.63 % (5.83%). The interest rate margin for floating rate notes was 3.0% (3.0%) p.a.

- The interest rate of the Maltese bank loan facility is tied to the market rate of LIBOR. The interest rate on 31 December 2015, based on market interest rates at that date, was 0.54 % (0.26%). The interest rate margin for floating rate notes was 3.75% (3.75%) p.a.
- The interest rate of the Turkish bank loan facility is tied to the market rate of LIBOR. The interest rate on 31 December 2015, based on market interest rates at that date, was 0.45 % (0.26%). The interest rate margin for the fixed rate notes was 0.75% (0.00%) p.a.

Capital Management

The Group's capital management objective is to maintain the ability to continue as a going concern and to optimise the cost of capital in order to enhance value to shareholders. As part of this objective, the Group seeks to maintain access to loan and capital markets at all times. The Board of Directors reviews the capital structure of the Group on a regular basis.

Capital structure and debt capacity are taken into account when deciding on new investments. Practical tools to manage capital include the application of dividend policy, capital redemption, share buybacks and share issues. Debt capital is managed considering the requirement to secure liquidity. The Group's internal capital structure is reviewed on a regular basis with the aim of optimising the structure by applying measures such as internal dividends and equity adjustments.

The Group's long term target for capital structure is to keep the equity ratio above 50%. At the end of the reporting period, the Group's equity ratio stood at 64.2% (62.8%).

The Group's loans from financial institutions include financial covenants that if breached might have a negative effect on the financial positon of the Company. The covenants that the Group is exposed to are: Interest cover ratio of Afarak Trading Limited (previously known as RCS Limited) must not be lower than 5; Debt cover ratio of Afarak Trading Limited (previously known as RCS Limited) must be greater than 3; leverage ratio of Afarak Trading Limited (previously known as RCS Limited) must be lower than 1; the Group's Net Asset Value must be greater than US$ 175 million; Debt service cover of Mogale Alloys must be greater than 1.4 and Net Debt to EBITDA of Mogale Alloys must be lower than 1.5. Management review these covenants regularly and are in correspondence with the relevant bank if there is indication of breach. In the discussions with the banks the Company would do the utmost to clarify the reason for such breach and present the financial plans to remain within the covenant limits. As at the end of the reporting period there has not been any breach of covenant at Afarak Trading Limited (previously known as RCS Limited). At Mogale Alloys both the debt service cover and the Net Debt to EBITDA ended up in breach. Management will do the utmost to restore the situation within the covenant limits. Despite the covenant breach during the year the same South African bank has granted an increase in the overdraft facility to Mogale Alloys to better manage its working capital.

Financial Risk Management

In its normal operations, the Group is exposed to various financial risks. The main financial risks are liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and commodity price risk. The objective of the Group's risk management is to identify and, to as far as reasonably possible, mitigate the adverse effects of changes in the financial markets on the Group's results. The general risk management principles are accepted by Afarak Group Plc's Board of Directors and monitored by its Audit and Risk Management Committee. The managements of the Group and its subsidiaries' are responsible for the implementation of risk management policies and procedures. Group management monitors risk positions and risk management procedures on a regular basis, and supervises that the Group's policies and risk management principles are followed in all day-to-day operations. Risks and risk management are regularly reported to the Audit and Risk Management Committee.

The Group's significant financial instruments comprise bank loans and overdrafts, finance leases, other long-term liabilities, cash and short-term deposits and money market investments. The main purpose of these financial instruments is to finance the Group's acquisitions and ongoing operations. The Group also has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations

(i) Liquidity risk

The Group regularly assesses and monitors its investment and working capital needs and financing, so that it has enough liquidity to serve and finance its operations and pay back loans. The availability and flexibility of financing are targeted to be guaranteed by using multiple financial institutions in the financing and financial instruments, and to agree on financial limit arrangements.

The Group's short-term liquidity at the end of the financial year was good, even though the unutilised credit facility of EUR 45.3 expired on 31 December 2014. If the liquidity risks were to be realised, it would probably result in overdue interest expenses and damage the relations with suppliers. Consequently, the pricing and other terms for input goods and services and for financing could be affected.

The maturity distribution of the Group debt at the end of the financial year was as follows:

31.12.2015, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	8,042	-8,527	-2,744	-2,314	-3,469	0	0
Finance lease liabilities	22	-22	-12	-10	0	0	0
Trade and other payables	13,310	-13,310	-11,243	-82	-1,984	0	0
Bank overdraft	4,532	-4,532	-4,532	0	0	0	0
Derivatives	0	0	0	0	0	0	0
Total	**25,904**	**-26,391**	**-18,530**	**-2,407**	**-5,454**	**0**	**0**

31.12.2014, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	11,277	-11,713	-2,636	-2,588	-6,490	0	0
Finance lease liabilities	90	-90	-45	-26	-20	0	0
Trade and other payables	25,737	-25,784	-25,556	-124	-57	-47	0
Bank overdraft	757	-757	-757	0	0	0	0
Derivatives	4,066	-4,066	-4,066	0	0	0	0
Total	**41,928**	**-42,410**	**-33,059**	**-2,738**	**-6,567**	**-47**	**0**

(ii) Foreign exchange rate risk

The Group operates internationally, including in Turkey, Malta and South Africa, and is therefore exposed to foreign exchange rate risks. The risks arise both directly from the outstanding commercial cash flows and currency positions, and indirectly from changes in competitiveness between various competitors. The foreign exchange differences arising from inter-company loans designated as net investments in foreign subsidiaries has been recognised in the translation difference in the equity.

The Group is exposed to currency-derived risks that affect its financial results, financial position and cash flows. In particular the exchange rates of US Dollar and South African Rand against the Euro have a significant impact on the Euro-denominated profitability of the Group. The cash inflows of the business are denominated in US Dollars, whereas a significant portion of the costs are denominated in the South African Rand. The fluctuation of the South African Rand has a significant impact on the Group's profit and loss as well as on the Group's assets and liabilities. In its risk management, the Group aims to match its cash inflows and outflows as well as receivables and liabilities in terms of the currency in which these items are denominated.

The following tables present the currency composition of receivables and debt, and changes thereby relative to the previous year-end.

31.12.2015, EUR '000	EUR exchange rate	1	1.0887	0,7340	3,1765	16,953 0
		EUR	USD	GBP	TRY	ZAR
Cash and cash equivalents (EUR)		4,026	13,768	118	227	1,504
Trade and other receivables (EUR)		4,514	22,521		41	3,048
Loans and other financial assets (EUR)		28,895	821	913	377	8,229
Trade and other current payables (EUR)		-3,784	-828	-15	-473	-5,258
Loans and other liabilities (EUR)		-1,913	-8,061		-335	-6,768

Currency exposure, net (EUR)	31,738	28,222	1,016	-162	755
Currency exposure, net in currency ('000)	31,738	30,725	746	-515	12,807

31.12.2014, EUR '000	EUR exchange rate	1	1.2141	0.7789	2.832	14.0353
		EUR	USD	GBP	TRY	ZAR
Cash and cash equivalents (EUR)		2,740	8,655	129	67	1,741
Trade and other receivables (EUR)		17,342	12,908			2,609
Loans and other financial assets (EUR)		39,952			545	0
Trade and other current payables (EUR)		-11,916	-2,795	-9	-363	-6,253
Loans and other liabilities (EUR)		-76	-10,108		-488	-1,500
Currency exposure, net (EUR)		48,043	8,659	120	-239	-3,403
Currency exposure, net in currency ('000)		48,043	10,513	93	-675	-47,762

The effect on the 31 December 2015 currency denominated net assets by changes in foreign exchange rates compared with the rates used in the Group consolidation is presented below. Due to the high market volatility of the exchange rates, the range of change was kept at +/- 20%.

31 December 2015

		USD	GBP	TRY	ZAR
20 %	strengthening	7,055	254	-41	189
15 %	strengthening	4,980	179	-29	133
10 %	strengthening	3,136	113	-18	84
5 %	strengthening	1,485	53	-9	40
0 %	no change	0	0	0	0
-5 %	weakening	-1,344	-48	8	-36
-10 %	weakening	-2,566	-92	15	-69
-15 %	weakening	-3,681	-132	21	-99
-20 %	weakening	-4,704	-169	27	-126

31 December 2014

		USD	GBP	TRY	ZAR
20 %	strengthening	2,165	30	-60	-851
15 %	strengthening	1,528	21	-42	-601
10 %	strengthening	962	13	-27	-378
5 %	strengthening	456	6	-13	-179
0 %	no change	0	0	0	0
-5 %	weakening	-412	-6	11	162
-10 %	weakening	-787	-11	22	309

-15 % weakening	-1,129	-16	31	444
-20 % weakening	-1,443	-20	40	567

Derivatives

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Operative foreign currency derivatives that are valued at fair value on the reporting date cause timing differences between the changes in the derivative's fair values and hedged operative transactions. Changes in fair values for derivatives designated to hedge future cash flow but are not accounted for according to the principles of hedge accounting impact the Group's operating profit for the financial year. The underlying foreign currency transactions will realise in future periods.

At the end of 2014 the Group had USD/ZAR foreign currency forward contracts and foreign currency options hedging the operative cash flows. The nominal value and fair value of the contracts is stated in the table below.

		2015		2014
EUR '000	**Nominal value**	**Fair value**	Nominal value	Fair value
FX-Forwards	**0**	**0**	41,586	4,066
FX-Options	**0**	**0**	4	0

The group does not apply hedge accounting.

(iii) Interest rate risk

The Group is exposed to interest rate risk when Group companies take loans, or make other financing agreements or deposits and investments related to liquidity management. In addition, changes in interest rates can alter the fair values of the Group's assets. The Group's revenue and operative cash flows are mainly independent of the changes in market interest rates.

To manage interest rate risks, the Group has used both fixed and floating rate debt instruments and derivative instruments, such as interest rate swaps, when needed. At the end of 2015, the Group's interest-bearing debt was mainly based on floating interest rates; and there were no interest rate swaps in place. The Group aims to match the loan maturities with the businesses' needs and to have the maturities spread over various periods so that the Group's interest rate risks are somewhat diversified. Floating rate financing is mainly tied to the market rates of different countries (United Kingdom, South Africa), changes to which will then influence the Group's total financing cost and cash flows.

The short-term interest-bearing receivables of the Group are mainly loan receivables and receivables on past asset disposals. The Group's interest-bearing liabilities have been discussed above.

The split of interest-bearing debt and receivables, also classified into fixed rate and floating rate instruments on 31 December 2015 and 31 December 2014 was as follows:

Interest rate profile of interest-bearing financial instruments (EUR '000)

Fixed rate instruments	**31.12.2015**	**31.12.2014**
Financial assets	3,500	7,502
Financial liabilities	-7,521	-1,102
Fixed rate instruments, net	-4,021	6,399
Variable rate instruments		
Financial assets	33,184	36,705
Financial liabilities	-7,755	-11,028
Variable rate instruments, net	25,429	25 677
Interest-bearing net debt	**28,151**	**32 076**

The following table presents the approximate effect of changes in market interest rates on the Group's income statement should the deposits' and loans' interest rates change. The analysis includes floating rate financial assets and liabilities. The sensitivity analysis is illustrative in nature and applicable for the forthcoming 12 month period if the period's asset and liability structure were to be equal to that of 31 December 2015, and if there were no changes in exchange rates.

31 December 2015

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00 %	-664	155	-509
-1.50 %	-498	116	-381
-1.00 %	-332	78	-254
-0.50 %	-166	39	-127
0.00 %	0	0	0
0.50 %	166	-39	127
1.00 %	332	-78	254
1.50 %	498	-116	381
2.00 %	664	-155	509

31 December 2014

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2.00 %	-734	221	-514
-1.50 %	-551	165	-385
-1.00 %	-367	110	-257
-0.50 %	-184	55	-128
0.00 %	0	0	0
0.50 %	184	-55	128
1.00 %	367	-110	257
1.50 %	551	-165	385
2.00 %	734	-221	514

(iv) Credit risk

Credit risk can be realised when the counterparties in commercial, financial or other agreements cannot take care of their obligations and thus cause financial damage to the Group. The Group's operational policies define the creditworthiness requirements for customers and for counterparties in financial and derivative transactions, as well as the principles followed when investing liquidity. In the case of major sales agreements, the counterparty's credit rating is checked. To date, the Group has not faced any major losses due to this reason.

The Group's key customers are major international stainless steel companies, and a number of specialist agents selling to the steel sector, with typically long and successful business histories. Since the customers represent one sector of industry, major changes in that industry's profitability could increase the credit risk.

The Board of Directors of Afarak Group Plc has determined a cash management policy for the Group's parent company, according to which the excess cash reserves are deposited for a short-term only and with sound financial institutions with which the Group has established business relations. The credit rating of all significant counterparties is analysed from time to time.

During the financial year, credit losses booked through the profit and loss were not significant. The maximum credit risk is equal to the carrying value of the receivables as of 31 December, and is split as follows:

Category	EUR 000's 31.12.2015	EUR 000's 31.12.2014
Interest-bearing		
Cash and cash equivalents	19,644	13,332
Receivables from related parties	36,073	41,406
Other interest bearing receivables	611	2,800
Interest-bearing, total	**56,328**	**57,538**
Interest-free		
Trade receivables	23,407	19,447
Other short-term receivables	6,507	6,814
Trade and other receivable from associate	2,289	1,385
Long-term receivables	6,070	5,504
Interest-free, total	**38,273**	**33,150**
Total	**94,601**	**90,688**

(v) Commodity risks

The Group is exposed to price risks on various output and input products, materials and commodities. Also, securing the availability of raw materials without any serious disruptions is vital to its businesses.

The price risks on input materials and commodities are managed by pricing policies so that changes in input materials and commodities can be moved into sales prices. This, however, is not always possible or there may be delays as a result of contractual or competitive reasons.

The Group's units that have production operations are exposed to availability, quality and price fluctuations in raw materials and commodities. To diminish these risks, the Group's business units seek to enter into long-term agreements with known counterparties; although this is not always possible due to the tradition and practice of the business. For the most part, because it is not possible or economically feasible to hedge commodity price risks in the Group's business sectors with derivative contracts, the Group did not have any commodity derivative contracts in place as of 31 December 2015.

Sensitivity Analysis - Speciality Alloys business

The effect of changes in the sales price of special grade ferrochrome, produced by the Group's Speciality Alloys business, to the Group's operating profit and equity is illustrated below, assuming that the EUR/USD rate were constant. The analysis is based on December 2015 price level. Since the products are priced in USD, the exchange rate changes could have a major effect on the Group's profitability in EUR. Full capacity for simulation purposes is set at 36,000 t/a, and it is also assumed that only one ferrochrome quality is produced. Various raw materials are used in ferrochrome production, including chrome concentrate and ferrosilicochrome. The purchase prices of the main raw materials typically in the same direction as the sales prices, although the correlation is not perfect and the timing may differ. In practice, therefore the net effect on the

Group’s profitability most probably would be lower than shown below. Electricity usage is also substantial, and hence changes in electricity prices have a significant effect on profitability; electricity prices do not correlate with changes in commodity prices.

Financial year 2015

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR 000’s	EUR 000’s
2,72	20 %	23 129	21 973
2,61	15 %	17 347	16 480
2,49	10 %	11 565	10 986
2,38	5 %	5 782	5 493
2,27	0 %	0	0
2,15	-5 %	-5 782	-5 493
2,04	-10 %	-11 565	-10 986
1,93	-15 %	-17 347	-16 480
1,81	-20 %	-23 129	-21 973

Financial year 2014

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
		EUR 000’s	EUR 000’s
2,74	20 %	20 912	19 866
2,63	15 %	15 684	14 900
2,51	10 %	10 456	9 933
2,40	5 %	5 228	4 967
2,29	0 %	0	0
2,17	-5 %	-5 228	-4 967
2,06	-10 %	-10 456	-9 933
1,94	-15 %	-15 684	-14 900
1,83	-20 %	-20 912	-19 866

Sensitivity Analysis – FerroAlloys business

The FerroAlloys business’s smelting operation, Mogale Alloys, is able to change its product mix quite rapidly and flexibly, and so only rough estimates on its sensitivity to commodity price changes can be given. Its full production capacity is about 110,000 metric t/a of various metal alloys. Assuming, for simplicity, that all of the Mogale capacity was used for charge chrome production only, and using the year-end 2015 sales price indications for charge chrome, the following table represents a rough proxy of the sales price sensitivities. It should also be taken into account that the profitability of the smelting operations can be substantially impacted by changes in the USD and ZAR exchange rates and in electricity prices, as well as changes in market prices. In South Africa the majority of the electricity supply, price and availability are controlled by one entity, Eskom. Mogale Alloys may participate in Eskom’s electricity buyback program in the foreseeable future.

Financial Year 2015

Change in Sales price (USD/lb Cr)		Change in Operating Profit	Change in Group's Equity
1,10	20 %	20 903	15 050
1,06	15 %	15 677	11 288
1,01	10 %	10 451	7 525
0,97	5 %	5 226	3 763
0,92	0 %	0	0
0,87	-5 %	-5 226	-3 763
0,83	-10 %	-10 451	-7 525
0,78	-15 %	-15 677	-11 288
0,74	-20 %	-20 903	-15 050

Financial Year 2014

Change in Sales price (USD/lb Cr)		Change in Operating Profit	Change in Group's Equity
1,30	20 %	22 004	15 843
1,24	15 %	16 503	11 882
1,19	10 %	11 002	7 921
1,13	5 %	5 501	3 961
1,08	0 %	0	0
1,03	-5 %	-5 501	-3 961
0,97	-10 %	-11 002	-7 921
0,92	-15 %	-16 503	-11 882
0,86	-20 %	-22 004	-15 843

15. Inventories

EUR '000	2015	2014
Goods and supplies	16,389	30,611
Unfinished products	117	90
Finished products	28,646	29,351
Total	**45,152**	**60,052**

16. Trade and other current receivables

EUR '000	2015	2014
Trade receivables	23,407	19,447
Loan receivables	415	3,836
Interest-bearing receivables	3,519	7,034

Prepaid expenses and accrued income	3,307	3,201
Income tax receivables	5,058	3,323
Other receivables	5,073	3,928
Total	**40,779**	**40,769**

Prepaid expenses and accruals mainly relate to rental contracts, personnel expenses, VAT receivables and accrued interest for loans. The values of receivables at the end of the reporting period closely correspond to the monetary value of maximum credit risk, excluding the fair value of received guarantees, in the potential case where the counterparties cannot fulfil their commitments.

The aging of trade receivables at the end of the reporting period

EUR '000	**2015**	**2014**
Not past due	12,708	14,121
Past due 0-30 days	10,936	5,579
Past due 31-60 days	96	176
Past due 61-90 days	99	0
Past due more than 90 days	-432	-430
Trade receivables total	**23,407**	**19,447**

17. Cash and cash equivalents

EUR '000	**2015**	**2014**
Cash and bank balances	**18,793**	**12,449**
Pledged deposits	508	4,286

Cash and cash equivalents in the cash flow statement:

EUR '000	**2015**	**2014**
Cash and bank balances	18,793	12,449
Short-term money market investments	851	883
Total	**19,644**	**13,332**

18. Notes to equity

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
31.12.2013	**248,432,000**	**244,187,283**	**23,642**
Subscriptions based on option rights	11,130,434	11,130,434	0
31.12.2014	**259,562,434**	**255,317,717**	**23,642**
Subscriptions based on option rights	3,478,261	3,478,261	0
31.12.2015	**263,040,695**	**258,795,978**	**23,642**

There is no nominal value for the Company's share.

The equity reserves are described below:

Share premium reserve

Related to the old Finnish Companies Act, the Company has a share premium reserve in relation to old share issues, where the premium in excess of the par value of the shares subscribed has been recognised in the share premium reserve.

Paid-up unrestricted equity reserve

Paid-up unrestricted equity reserve comprises other equity investments and subscription price of shares to the extent that it is not recognised in the share capital based on a specific decision.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

Treasury shares

On 31 December 2015 the Company had altogether 4,244,717 (4,244,717) of its own shares, which was equivalent to 1.61 (1.64) % of all registered shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2015 was 258,795,978 (255,317,717).

The Company's subsidiaries do not hold any of Afarak Group Plc's shares.

Share Issue Authorisations given to the Board of Directors

The Annual General Meeting held on 8 May 2015 resolved to authorize the Board of Directors to issue shares and stock options and other special rights that entitle to shares in one or more tranches up to a maximum of 25,000,000 new shares or shares owned by the Company. This equates to approximately 9.6% of the Company's currently registered shares. The authorization may be used among other things in financing, enabling corporate and business acquisitions or other arrangements and investments of business activities and in the employee incentive and commitment programs. By virtue of the authorization, the Board of Directors can decide both on share issues against payment and on share issues without payment. The payment of the subscription price can also be made with consideration other than money. The authorization contains the right to decide on derogating from shareholders' pre-emptive right to share subscriptions provided that the conditions set in the Companies' Act are fulfilled. The authorisation replaces all previous authorisations and is valid 2 years from the decision of the Annual General Meeting.

The Annual General Meeting authorised the Board of Directors to resolve upon acquiring a maximum of 15,000,000 of the Company's own shares. The authorisation replaces all previous authorisations and it is valid for 18 months from the decision of the Annual General Meeting.

Trading Information

Afarak Group Plc's shares are listed on the main market of the London Stock Exchange and on NASDAQ Helsinki. Afarak shares are traded on the London Stock Exchange under the trading code AFRK and on the NASDAQ Helsinki under code AFAGR. The ISIN code is FI0009800098 and the trading takes place in Pound Sterling (GBP) and in Euros (EUR).

On 16 April 2015, Afarak announced that the Company intended to transfer the listing segment of its share on the Main Market of the London Stock Exchange to a Standard listing from the current Premium listing. The proposed change to a Standard listing was subject to shareholder approval and the Board sought authority from the shareholders to transfer its listing on the London Stock Exchange. The purpose of the transfer is to allow the Company to reduce the costs of its listing which arise from the regulatory burden applicable to companies with a Premium listing, which would no longer be applicable following transfer to a Standard listing. The trading arrangements for the Company's shares on the NASDAQ Helsinki Stock Exchange and on the London Stock Exchange remain unchanged.

On 16 April 2015, Afarak announced that the company had published a circular to shareholders in connection with the proposed transfer of the listing segment of its shares on the Main Market of the London Stock Exchange to a Standard listing from the current Premium listing.

On 9 June 2015 Afarak announced that the United Kingdom Listing Authority had given its approval to effect the shares transfer on the Main Market of the London Stock Exchange to a Standard listing from a Premium listing, and that the transfer had now become effective.

Share Performance and Trading

During the financial year 2015, the price of Afarak Group's share in London Stock Exchange varied between GBP 0.25 (0.24) and GBP 0.33 (0.32) and in NASDAQ Helsinki between EUR 0.33 (0.21) and EUR 0.67 (0.42). Afarak's share closed in London at the end of the financial year at GBP 0.33 (0.25) and Helsinki at EUR 0.40 (0.32). The closing price on 31 December gives the Company a market capitalisation of the entire capital stock 263,040,695 (259,562,434) shares of GBP 85.5 (65.5) million and EUR 105.7 (83.1) million.

A total of 13,248 (23,013) Afarak shares were traded in London and 38,224,080 (20,927,217) shares in Helsinki during the financial year, representing 0.01% (0.01%) of stock in London and 14.53% (8.06%) in Helsinki.

Shareholders

On 31 December 2015, the Company had a total of 4,433 shareholders (4,030 shareholders on 31 December 2014), of which eight were nominee-registered. The registered number of shares on 31 December 2015 was 263,040,695 (259,562,434).

Largest shareholders on 31 December 2015

	Shareholder	Shares	%
1	Nordea Bank Finland Plc *	164,508,392	62.5
2	Hino Resources Co. Ltd **	34,881,903	13.3
3	Joensuun Kauppa ja Kone Oy	11,272,326	4.3
4	Kankaala Markku Olavi	7,066,116	2.7
5	Clearstream Banking S.A.	6,663,927	2.5
6	Moncheur & Cie	6,607,183	2.5
7	Hanwa Company Limited	6,000,000	2.3
8	Afarak Group Plc	4,244,717	1.6
9	Hukkanen Esa Veikko	4,223,048	1.6
10	Danske Bank Plc	925,810	0.4
	Total	**246,393,422**	**93.7**
	Other Shareholders	16,647,273	6.3
	Total shares registered	**263,040,695**	**100.0**

* According to the flagging notification of Aida Djakov published 25 July 2014, the total combined holdings of Aida Djakov and her controlled corporation Atkey Limited are 68,526,701 shares representing 26.4 % of the total number of shares.

** According to the latest flagging notification of Hino Resources Co. Ltd (“Hino”) published 10 October 2014, the total holdings of Hino are 49,991,903 shares representing 19.26 % of the total number of shares.

Afarak Group Plc’s Board members and Chief Executive Officer owned in total 7,813,287 (78,078,926) Afarak Group Plc shares on 31 December 2015, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 3.0% (30.1%) of the total number of registered shares on 31 December 2015.

Shareholders by category 31 December 2015

Shares	Number of shareholders	% share of shareholders	Number of shares held	% of shares held
1-100	752	16.96	45,522	0.02
101-1,000	2,148	48.45	1,133,151	0.43
1,001-10,000	1,312	29.60	4,466,944	1.70
10,001-100,000	190	4.29	5,257,160	2.00
100,001-1,000,000	22	0.50	6,670,306	2.54
1,000,001-10,000,000	6	0.14	34,804,991	13.23
in excess of 10,000,000	3	0.07	210,662,621	80.09
Total	**4,433**	**100.00**	**263,040,695**	**100.00**
of which nominee-registered	8		173,362,087	65.91
Total outstanding			**263,040,695**	**100.00**

Shareholders by shareholder type on 31 December 2015

	% of share capital
Finnish shareholders	**15.98 %**
of which:	
Companies and business enterprises	6.49 %
Banking and insurance companies	0.07 %

Non-profit organisations	0.00 %
Households	9.41 %
Foreign shareholders	83.95 %
Total	100 %
of which nominee-registered	65.91 %

19. Share-based payments

The Company has three incentive-related option schemes, known as I/2005, I/2008 and I/2011.

Option rights relating to the I/2005 scheme are granted to the Group's Executive Management Team and other key employees and to non-executive directors, as recommended by the Board. The scheme entitles option holders to subscribe for a maximum of 2,700,000 shares in the Company. The share subscription period is from 1 July 2007 to 30 June 2015 for various options series denoted with different letters, and the subscription price range is EUR 0.32 – 0.78 (with dividend and capital redemption adjustment). As a result of subscriptions made with the I/2005 options, Afarak Group Plc’s number of shares may be increased by a maximum of 2,700,000 new shares. In accordance with the terms of the option scheme the subscription prices will be recognised in the paid-up unrestricted equity reserve.

Option rights relating to the I/2008 scheme were granted to the Group's previous CEO, Alwyn Smit, in October 2008. The scheme entitles the option holder to subscribe for a maximum of 2,900,000 shares in the Company for a subscription price of EUR 2.18 per share (with dividend and capital redemption adjustment). The share subscription period for 1,450,000 share options commenced on 1 October 2009 and on 1 October 2010 for the remaining 1,450,000 options. The subscription period matures on 31 December 2015. As a result of the subscriptions made with the options, Afarak Group Plc’s number of shares may be increased by a maximum of 2,900,000 new shares.

Option rights relating to the I/2011 scheme are granted to the key personnel of the Company, as recommended by the Board. The scheme entitles the option holders to subscribe for a maximum of 6,900,000 shares in the Company. The vesting period is 1 July 2014 to 1 August 2017 for various option series denoted with different letters and years. The share subscription price is calculated by a formula based on the Volume Weighted Average Price of the Company's share and varies between the option series.

Of the option scheme I/2005, options on A, B, C, D, E and F series have been issued to Afarak’s management totalling 1,175,000 option rights, of the option scheme I/2008 a total of 2,900,000 options. Of the option scheme I/2011 a total of 6,291,997 options were issued and 99,999 options were forfeited leaving a balance of 6,191,998 options. All options have been treated according to the principles set forth in IFRS 2 Share-based Payments standard. Share options will be expired if not redeemed as agreed in the terms of options. The main terms of the option arrangements are detailed in the tables below.

In May 2015 the Group has granted the CEO, Alistair Ruiters 1,000,000 shares in the Company. These will be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares shall be received once the first vesting period has lapsed, on 22 May 2016. The second 500,000 Company shares shall be received by the employee on 22 May 2017. These shares have a lock-up period of two years form subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.40 per share. The value at year end was EUR 182,870.24

On 14 August 2015, Afarak announced that it has resolved to offer 3,478,261 new ordinary shares in the Company ("New Shares") to Gujo Investment (Pty) Limited, one of the vendors of Mogale Alloys (a company acquired in May 2009) under the settlement agreement announced on 11 October 2012. Following completion of the share issue, the consideration for the acquisition was fully satisfied. All of the New Shares were subscribed for and the subscriptions have been approved by the Board of Directors. The total subscription price of EUR 1,739,130.50 (EUR 0.5 per share) has been fully satisfied through offset against the settlement receivables of the Vendor related to the Mogale Alloys acquisition.

Share option plan	Share options. granted to employees in 2012	Share options. granted to CEO in 2008	Share options. granted to CEO in 2008	Share options. granted to employees in 2010	Share options. granted to employees in 2009
Nature of the plan	Share options issued	Share options issued	Share options issued	Share options issued	Share options issued
Grant date	1.4.2012	28.10.2008	28.10.2008	17.5.2010	6.8.2009
Number of options	6 191 998	1 450 000	1 450 000	100 000	175 000
Options series	I/2011	I/2008	I/2008	F (I/2005)	E (I/2005)
Exercise period	1.7.2014-1.8.2017	1.10.2010-31.12.2015	1.10.2009-31.12.2015	1.7.2012-30.6.2015	1.7.2011-30.6.2014
Dividend adjustment	yes	yes	yes	yes	yes
Exercise price (with dividend and capital redemption adjustment)	0.00 - 0.86	2.18	2.18	0.78	0.68
Share price at grant date	0.90	1.26	1.26	1.00	1.75
Option life	1.1 - 3.1	5.3	6.3	3.0	3.0
Conditions	Employment until the vesting date and target share price	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date
Execution	In shares	In shares	In shares	In shares	In shares
Expected volatility	45 %	44 %	44 %	56 %	46 %
Expected option life at grant date (years)	5.3 years	5.0 years	5.0 years	5.1 years	4.9 years
Risk free rate, Euribor 12 months	2.24%	4.33%	4.33%	3.11%	3.66%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

Expected personnel reductions	0	0	0	0	0
Fair value at grant date (EUR)	0.14 - 0.46	0.33	0.33	1.06	1.20
Valuation model	Up and in Call	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes

Changes in share options issued and in weighted average exercise prices:

	Weighted average exercise price (with dividend and capital redemption adjustment)	**Number of options**
	EUR/share	
At the beginning of 2014	0.83	9,366,998
Forfeited options	0.68	175,000
At the end of 2014	**0.83**	**9,191,998**
Exercisable at the end of 2014	1.25	5,100,000
At the beginning of 2015	0.83	9,191,998
Forfeited options	0.78	100,000
Forfeited options	2.18	2,900,000
At the end of 2015	**0.26**	**6,191,998**
Exercisable at the end of 2015	0.26	1,400,000

The exercise prices of existing share options and their years of forfeiting are presented below:

Year of forfeiting	Exercise price (EUR)	Number of shares
2015	0.78	100,000
2015	2.18	2,900,000
2017	0.00-0.86	6,900,000

The exercise price above represents the original contractual exercise price adjusted by dividends and capital redemptions before the 2016 AGM.

20. Deferred tax assets and liabilities

Movements in deferred taxes in 2015

EUR '000	31.12.2014	Exchange rate differences	Recognised in income statement	Business combinations and divestments	31.12.2015
Deferred tax assets:					
Unrealised expenses	1,587	-7	-972		608
Pension liabilities	988		-173		815
From translation difference	983		187	-43	1,127
Group eliminations	608	-30	132		710
Total	**4,166**	**-37**	**-826**	**-43**	**3,260**
Deferred tax liabilities:					
Assets at fair value in acquisitions	6,395	-504	-944		4,947
Translation difference	0			0	0
Other timing differences	1,805	-182	-621		1,002
Total	**8,200**	**-686**	**-1,565**	**0**	**5,949**

Movements in deferred taxes in 2014

EUR '000	31.12.2013	Exchange rate differences	Recognised in income statement	Recognised in equity	31.12.2014
Deferred tax assets:					
Unrealised expenses	1,824	1	-238		1,587
Pension liabilities	1,052		-64		988
From translation difference	8,822		755	-8,594	983
Group eliminations	849	12	-253		608
Total	**12,546**	**13**	**200**	**-8,594**	**4,166**
Deferred tax liabilities:					
Assets at fair value in acquisitions	7,332	244	-1,181		6,395
Translation difference	0			0	0
Other timing differences	1,175	56	574		1,805
Total	**8,507**	**300**	**-607**	**0**	**8,200**

21. Provisions

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2015	9,133	1,081	10,214
Additions	11	495	506
Releases and reversals	-247	-190	-437
Unwinding of discount	642	0	642
Exchange differences	-1,362	-155	-1,517
Balance at 31.12.2015	**8,177**	**1,231**	**9,408**

EUR '000	2015	2014
Long-term provisions	9,309	10,137
Short-term provisions	99	77
Total	**9,408**	**10,214**

The long-term provisions in the statement of financial position relate to environmental and rehabilitation provisions of the Group's production facilities and mines. The provisions are based on expected liability.

22. Pension liabilities

Defined benefit pension plans

The majority of the Group's pension plans are defined contribution plans for which a total expense of EUR 0.8 (0.8) million has been recognised on the 2015 statement of comprehensive income. In addition, the Group's German subsidiary has defined benefit plans. The obligations relating to the plans have been defined by actuarial calculations. The pension scheme is arranged by recognising a provision on the statement of financial position. The present value of the obligation less fair value of plan assets totalled EUR 18.7 (20.0) million on 31 December 2015. The Group has considered that the value on 31 December also corresponds with the amount of net obligation at the end of the reporting period. The Group does not own the assets of the pension plans.

Retirement benefit obligation

EUR '000	2015	2014
Present value of funded obligation	24,101	24,454
Fair value of plan assets	-5,367	-4,500
Net liability	**18,734**	**19,954**

Movements in defined benefit obligation

EUR '000	2015	2014
Defined benefit obligations at 1.1.	24,454	20,187
Benefits paid by the plan	-781	-707
Current service costs	393	305
Interest expense	510	674
Actuarial (gains) / losses	-475	3,995
Closing balance at 31.12.	**24,101**	**24,454**

Movements in the fair value of the plan assets

EUR '000	2015	2014
Fair value of the plan assets at 1.1.	4,500	4,092
Expected return on plan assets	98	143
Benefits paid by the plan	-131	-100
Asset gains / (losses)	511	-40
Contributions paid into the plan	389	405
Closing balance at 31.12.	**5,367**	**4,500**

The funded pension plan has been financed through an insurance company and therefore asset specification is not available.

Expense recognised in statement of comprehensive income

EUR '000	2015	2014
Current service cost	-393	-305
Interest cost	-510	-674
Expected return on plan assets	98	143
	-805	**-836**

Actual return on plan assets totalled EUR 0.50 (-0.04) million in 2015.

Principal actuarial assumptions	2015	2014
Discount rate	2.22 %	2.12 %
Expected return on plan assets	1.83 %	2.43 %
Inflation	2.25 %	2.25 %

The expected retirement age has been assumed to be in accordance with German legislation (RVAGAnpG 2007). Similarly, the expected pension increases have been assumed to be in line with the German legislation, and mortality expectancy in accordance with the German "Richttafeln 2005 G" has been applied in the valuations.

Historical information

EUR '000	2015	2014
Present value of defined benefit obligation	-24,101	-24,454
Fair value of plan assets	5,367	4,500
Deficit in the plan	**-18,734**	**-19,954**
Experience adjustments arising on plan liabilities	-81	-398
Experience adjustments arising on plan assets	-511	40
Adjustments due to change in actuarial assumptions	-393	4,394

Provision for retirement pay liability in Turkey

In accordance with existing social legislation in Turkey, the Turkish subsidiary of the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability was based on the retirement pay ceiling announced by the Turkish government. On 31 December 2015, the employee severance indemnity recognised in accordance with IAS 19 the financial statements totalled EUR 0.8 (0.7) million.

23. Trade payables and other interest-free liabilities

EUR '000	2015	2014
Non-current		
Other liabilities	1,969	42
Total non-current	**1,969**	**42**
Current		
Purchase price liabilities (paid as shares)	0	2,186
Current liabilities to related parties	6	0
Trade payables	9,673	19,143
Payables to associated companies	209	167
Accrued expenses and deferred income	4,797	10,472
Current advances received	100	0
Income tax liability	6,036	5,951
Other liabilities	579	6
Total current	**21,400**	**37,925**

1.8 RELATED PARTY DISCLOSURES

1.8.1 Group structure on 31 December 2015

Subsidiaries

Name	Country of incorporation	Group's ownership and share of votes (%)	Afarak Group Plc's direct ownership and share of votes (%)
Afarak Holdings Ltd	Malta	100.00	0.00
Afarak Investments Ltd	Malta	100.00	99.99
Afarak Mining Ltd	South Africa	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 4 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0,00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
LP Kunnanharju Oy	Finland	100.00	0.00
Metal ve Maden ic ve Dis Pazarlama Tic Ltd, Sti	Turkey	97.76	0.00
Mogale Alloys (Pty) Ltd	South Africa	90.00	0.00
Afarak Trading Ltd (previously known as RCS Ltd)	Malta	100.00	0.00
Rekylator Oy	Finland	100.00	100.00
Rekylator Invest Oy	Finland	100.00	0.00
Rekylator Wood Oy	Finland	100.00	0.00
Rekylator Yhtiöt Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75

Joint ventures

Synergy Africa Ltd	United Kingdom	51.00	0.00

Chromex Mining Ltd	United Kingdom	51.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	37.74	0.00
Ilitha Mining (Pty) Ltd	South Africa	41.05	0.00
Mkhombi Stellite (Pty) Ltd	South Africa	44.24	0.00

Associated companies

Incap Furniture Oy	Finland	24.06	12.45
Valtimo Components Oyj *	Finland	24.90	24.90

* Afarak's share of ownership in Valtimo Components Oyj can increase to 39.23% if the shares sold earlier, held as pledge, are not paid in cash to Afarak.

Afarak disposed Afarak Suisse in 2015.

Afarak divested its holding in the associated company Speciality Super Alloys Inc. This led to a loss on sale of investment in associate of EUR 0.3 million.

Dezzo Trading 184 (Pty) Ltd, Didox (Pty) Ltd, PGR 17 Investments (Pty) Ltd, and Waylox Mining (Pty) Ltd were deregistered as at 31 December 2015.

1.8.2 Related party transactions

Afarak Group Plc defines the related parties as:

• companies, entities or persons having common control or considerable voting power in Afarak Group
• subsidiaries
• joint ventures
• associates
• Afarak Group Plc's and the above mentioned entities' top management

Related party transactions with persons belonging to the Group's Board and management
Finnish accounting legislation, KPA 2:8 § 4 paragraph disclosure requirement

		2015			2014		
EUR '000		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
Kankaala Markku	Board member 30.6.2003 onwards		58		0	54	
Koncar Danko	CEO 11.2.2013 – 20.5.2015, Board member 11.8.2010 – 7.5.2015	86			240	0	0
Lillja Michael	Board member 11.2.2013 onwards	120			120	0	0
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 17.6.2009 – 7.5.2015		58		0	54	

Parodi Afredo	Board member 11.2.2013 onwards, Chairman 8.5.2015 onwards		66			54	
Smart Bernice	Board member 11.2.2013 – 7.5.2015		19			54	
Alistair Ruiters	Board member 8.5.2015 onwards, CEO 21.5.2015 onwards	242		183			
Rourke Barry	Board member 8.5.2015 onwards		47		0		
Ivan Jakovcic	Board member 8.5.2015 onwards		39				
Total		**448**	**28 7**	**183**	**360**	**21 6**	**0**

As some of the Board members have also had executive management roles, both the Board fees and the salaries in relation to the executive role have been presented above.

The CEO receives an annual salary of EUR 360,000. He shall also receive 500,000 Company Shares as an incentive for each completed year of service acting as the Chief Executive Officer, the first 500,000 Company shares shall be received on 22 May 2016 and the second 500,000 shares shall be received on 22 May 2017 if he is still acting as CEO at that time.

The Group makes no pension arrangements for the CEO beyond the statutory pension coverage, and there is no set retirement age.

Management remuneration

EUR '000	2015	2014
Short-term employee benefits	258	185
Post-employment benefits	0	0
Termination benefits	0	0
Share-based payments		42
Total	**258**	**227**

The table includes the Executive Management Team remuneration excluding the CEO. The CEO and Board members compensation has been presented separately.

Business reorganisations

The AGM held on 8 May 2015 resolved that the Board of Directors comprises of seven members. Mr Michael Lillja, Mr Markku Kankaala, Dr Jelena Manojlovic and Dr Alfredo Parodi were re-elected to the Board. Mr Barry Rourke, Dr Alistair Ruiters and Mr Ivan Jakovcic were elected.

On 21 May 2015, Afarak announced changes in the Company's management structure so that its current executive management team and board member Dr Alistair Ruiters was appointed new Chief Executive Officer ("CEO") of the Company. Dr. Danko Koncar, is now focusing on the operational matters of the Company as Business Development Director, reporting to the CEO. Dr Ruiters continues to serve as a board member of the Company.

Further, Mr Michael Lillja, currently head of marketing and a board member, has assumed the responsibilities of Marketing Director while continuing as a board member.

The current executive management team is as follows
Dr. Alistair Ruiters, CEO
Dr. Danko Koncar, Business Development Director
Michael Lillja, Marketing Director

Furthermore, the board has also reviewed the composition of the board committees. The new committees are as follows:

Audit Committee
Barry Rourke, Chairman
Markku Kankaala
Ivan Jakovcic

The Nomination and Remuneration committee
Jelena Manojlovic, Chairman
Markku Kankaala
Ivan Jakovcic

The Committee for Health Safety and sustainable development
Alfredo Parodi, Chairman
Michael Lillja
Markku Kankaala

Financing arrangement with related parties

In 2011 Afarak Group Plc had entered into a USD 55 million standby loan facility agreement with its major shareholder Kermas Ltd. The facility was available until 31 December 2014 and the loan term would have been from the first draw-down until 31 December 2015. At the end of the financial year 2014, the Group has not drawn down any of the loan. The expenses recognised for the facilities were EUR 0.1 (0.1) million.

The Group has a EUR 32.6 (34.4) million loan receivable and EUR 7.9 (6.4) million trade and other current and non-current receivables from its joint venture companies. Trade and other payables to joint venture companies amounted to EUR 0.2 (0.2) million. Interest income from a joint venture company totalled EUR 1.0 (1.0) million during the financial year 2015.

The Group had on 31 December 2015 a EUR 3.5 (7.0) million receivable from Kermas Ltd.

Other related party transactions

The Group has sold its products and rendered services to related parties and joint ventures for a total value of EUR 0.4 (0.2) million. The Group has also made raw material purchases from a joint venture amounting to EUR 9.4 (4.4) million and received services from a related party amounting to EUR 0.1 (0.1) million.

Dividends received from associated companies totalled EUR 0.0 (0.0) million.

On 31 December 2015 the Group's parent company had short-term loan receivables from the members of the Board amounting to EUR 0.0 (0.1) million.

1.9 COMMITMENTS AND CONTINGENT LIABILITIES

1.9.1 Mortgages and guarantees pledged as security

On 31 December 2015 the Group had a loan from a financial institution totalling EUR 8.0 (10.3) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 64.2 (71.2) million. Moreover, the Group companies have given cash deposits totalling EUR 0.1 (4.1) million as security for their commitments. The value of other collaterals totalled EUR 0.5 (0.5) million as at 31 December 2015. Afarak Group Plc has given guarantees for third party loans totalling EUR 1.3 (1.3) million.

1.9.2 Covenants included in the Group's financing agreements

One of the Group's Maltese subsidiaries, Afarak Trading Ltd (previously known as RCS Ltd), was granted a loan facility from a Maltese bank in 2013. As at year end 2015 the balance was US$ 7.6 (EUR 7.0) million and the financial covenants attached to this loan were not breached during the year. The Group's South African subsidiary, Mogale Alloys also had bank facilities with local banks amounting to ZAR 87.4 (EUR 5.2) million at year end and are disclosed as current financial liability in the financial statements. The financial coventants attached to this loan were breached during the year. Management will do the utmost to restore the situation within the covenant limits.

1.9.3 Rental agreements

Liabilities associated with rental and operating lease agreements totalled some EUR 0.7 (0.8) million for the period. Typically, the rental agreements maturity varies between two to five years, and normally there is a possibility to continue these agreements beyond the original maturity date. For these contacts, their price indexing, renewal and other terms differ contract by contract. As guarantees for these rental agreements, the Group companies have made cash deposits of approximately EUR 0.0 (0.0) million as at 31 December 2015.

1.9.4 Collaterals given by Afarak Group Plc

Afarak Group Plc has given guarantees in connection with certain borrowings of Junnikkala Oy, the Group's former subsidiary which it sold in June 2011. These guarantees will continue to be in force until 30 June 2018. Under the terms of the disposal it has been agreed that Junnikkala will pay a fee of 2% per annum to Afarak Group Plc in consideration for the continuation of these guarantees. At 31 December 2015 the indebtedness subject to these guarantees was EUR 1.3 (1.3) million in aggregate.

1.10 EVENTS AFTER THE REPORTING PERIOD

On 5 January 2016, Afarak announced that the Company has signed further sale agreements in relation to parts of the saw mill equipment, acquired by the Company in 2008. The transaction from the discontinued operation positively affects the Q4/2015 profit.

On 14 January 2016, Afarak announced that its subsidiary Türk Maadin Şirketi A.S (TMS) has been granted the exploitation mining license for Eskisehir -Mihaliccik Karaagac "Eagle Field".

On 4 February 2016, Afarak announced that its wholly owned subsidiary Afarak Trading Limited (RCS) has entered into a long-term agreement with US company Carpenter Technology Corporation. Afarak Trading Limited will provide low carbon ferrochrome.

On 11 February 2016, Afarak announced that Ilitha Mine has completed a Shaking Table plant. Ilitha Mine is part of the Synergy Africa joint venture between Afarak and Kermas Limited. The Shaking Table technology, 13 already used in the mines of Afarak's Turkish subsidiary TMS, will allow the company to treat the Tailing Dump for chrome and increase Ilitha Mine's total plant mass yield from currently 49% to 65%.This in turn will drastically reduce the operating cost per ton. Full production is expected to be reached by Mid-March 2016.

PARENT COMPANY’S FINANCIAL STATEMENTS (FAS)

INCOME STATEMENT (FAS)

EUR '000	Note	1.1.2015 - 31.12.2015	1.1.2014 - 31.12.2014
REVENUE	1	**1,259**	**150**
Other operating income	2	57	46
Personnel expenses			
Salaries and wages		-861	-556
Pension expenses		-4	-16
Other social security expenses		-30	-28
Social security expenses total		-34	-44
Personnel expenses total		-895	-601
Depreciation and amortisation	3		
Depreciation and amortisation according to plan		-5	-11
Depreciation and amortisation total		-5	-11
Other operating expenses	4	-1,951	-1,554
OPERATING PROFIT (LOSS)		**-1,535**	**-1,969**
Financial income and expenses:	5		
Other financial income			
From Group companies		1,093	1,877
From others		488	159
Interests and other financial expenses			
To Group companies		-51	-56
To others		-110	-206
Financial income and expenses total		1,420	1,774
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS		**-115**	**-195**
PROFIT BEFORE TAXES		**-115**	**-195**
Income taxes	6		
Income taxes		0	0
NET PROFIT		**-115**	**-195**

BALANCE SHEET (FAS)

EUR '000	Note	31.12.2015	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7		
Machinery and equipment		14	25
Total property, plant and equipment		**14**	**25**
Investments	8		
Shares in Group companies		215,931	215,931
Receivables from Group companies		8,015	8,015
Total investments		**223,946**	**223,946**
Total non-current assets		**223,960**	**223,971**
CURRENT ASSETS			
Receivables	9		
Non-current receivables			
Receivables from Group companies		47,965	55,261
Other interest-free receivables		128	128
Total non-current receivables		**48,093**	**55,388**
Current receivables			
Trade receivables		1	1
Receivables from Group companies		9,318	6,828
Receivables from Holding companies		1,164	988
Other interest-bearing receivables		181	43
Other non interest-bearing receivables		8	27
Prepaid expenses and accrued income		192	131
Total current receivables		**10,865**	**8,018**
Cash and cash equivalents		**603**	**221**
Total current assets		**59,561**	**63,628**
TOTAL ASSETS		**285,521**	**287,599**

EUR '000	Note	31.12.2015	31.12.2014
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	10		
Share capital		23,642	23,642
Share premium reserve		25,223	25,223
Paid-up unrestricted equity reserve		246,433	249,800
Retained earnings		-13,839	-13,644
Profit for the period		-115	-195
Total shareholders' equity		**281,345**	**284,827**
LIABILITIES	11		
Non-current liabilities			
Liabilities to Group companies		1,248	1,248
Loans from associated companies		5	5
Total non-current liabilities		**1,254**	**1,254**
Current liabilities			
Liabilities to Group companies		113	66
Accounts payable		77	36
Accounts payable to Group companies		86	833
Other liabilities		441	24
Accrued expenses and deferred income		206	560
Total current liabilities		**922**	**1,518**
Total liabilities		**2,176**	**2,772**
TOTAL EQUITY AND LIABILITIES		**283,521**	**287,599**

STATEMENT OF CASH FLOWS (FAS)

EUR '000	1.1.- 31.12.2015	1.1.- 31.12.2014
Operating activities		
Net profit	-115	-195
Adjustments:		
Depreciation and amortisation	5	11
Unrealised foreign exchange gains and losses	-60	-90
Finance income and expense	-1361	-1,683
Cash flow before working capital changes	-1,530	-1,958
Working capital changes:		
Change in current trade receivables	-1,134	109
Change in current non interest-bearing debt	-324	692
Cash flow before financing items and taxes	-2,988	-1,157
Interests received from Group companies	1,014	
Interests received and other financing items	166	147
Interests paid and other financing items	-110	-93
Income taxes paid	1	33
Net cash from operating activities	**-1,917**	**-1,070**
Investing activities		
Acquisitions of subsidiaries and associates	6	0
Net cash used in investing activities	**6**	**0**
Financing activities		
Repayments of non-current loans to group companies	7,929	6,350
Repayments of current loans given to Group companies	10	0
Non-current loans to group companies	-555	-334
Repayments of current loan receivables	15	9
Capital redemption	-5,106	-4,884
Net cash used in financing activities	**2,292**	**1,141**
Change in cash and cash equivalents	**381**	**71**
Cash at beginning of period	221	150
Cash at end of period	603	221
Change in the balance sheet	**381**	**71**

2. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

2.1 Accounting Policies

Scope of financial statements and accounting policies

The parent company has prepared its separate financial statements in accordance with Finnish Accounting Standards. Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. Consolidated financial statements are presented separately as a part of these financial statements.

Information on holdings in subsidiaries and associated companies and information on their consolidation is presented in the notes to the financial statements.

All figures are presented in thousand Euros, unless otherwise explicitly stated.

Valuation principles and methods

Investments in associated companies and debt instruments are valued at acquisition cost, less eventual impairment. Dividends received from Group companies and associates have been recorded as financial income.

The balance sheet value of property, plant and equipment is stated at acquisition cost, less accumulated depreciation. Other assets have been stated in the balance sheet at the lower of acquisition cost or their likely realisable value. Debt items are valued at acquisition cost. Loan receivables from subsidiaries and Group companies have been valued at acquisition cost.

Depreciation methods

Acquisition costs of property, plant and equipment are depreciated over their useful lives according to plan. Depreciation plans have been defined based on practice and experience.

Asset	Depreciation method and period
Intangible rights	5 years straight line
IT equipment	2 years straight line
Other machinery and equipment	5 years straight line

Translations of foreign currency items

Balance sheet items denominated in foreign currency are translated into functional currency using the exchange rates of the balance sheet date. Income statement items are translated applying the exchange rates prevailing at the date of the transaction.

Comparability of the reported financial year and the previous year

The reported financial year and the previous year were both calendar years and are thus comparable. The Company has been actively restructuring its business, which has required various ownership and financial arrangements. The transactions have had significant non-recurring effects on the Company's income statement, balance sheet and financial position, which make comparison of financial statements and estimating the future more difficult.

2.2 Notes to the income statement

1. Revenue

EUR '000

	2015	**2014**
By business line:		
Services	1,259	150
Other revenue	0	0
Total	**1,259**	**150**
By geography:		
Finland	3	3
EU countries	616	68
Other countries	640	79
Total	**1,259**	**150**

2. Other operating income

EUR '000

	2015	**2014**
Gain on disposal of property, plant and equipment	0	0
Other income	57	46
Total	**57**	**46**

3. Depreciation, amortisation and impairment

EUR '000

	2015	**2014**
Depreciation and amortisation according to plan		
Intangible rights	0	-2
Machinery and equipment	-5	-9
Total	**-5**	**-11**

4. Other operating expenses

EUR '000	2015	2014
Voluntary employee benefits	-19	-3
Premise expenses	-63	-105
Machinery and equipment expenses	-77	-84
Travelling expenses	-32	-54
Representation expenses	-14	-15
Marketing expenses	-9	0
Administration expenses	-1,720	-840
Other operating expenses	-17	-454
Total	**-1,951**	**-1,554**

5. Financial income and expense

EUR '000	2015	2014
Other financial income		
From Group companies	1,093	1,877
From others	488	159
Other financial expense		
To Group companies	-51	-56
To others	-110	-206
Total	**1,420**	**1,774**

6. Income taxes

EUR '000	2015	2014
Profit for the period	-115	-195
Adjustments for tax calculation	26	41
Taxable income	**-88**	**-154**
Tax advances paid	-34	-35
Tax deferral based on taxable income	34	35
Income tax of the period	**0**	**0**
Tax loss carryforward used	0	0
Net income taxes	**0**	**0**

Income tax receivable	34	35
Income tax payable	0	0

2.3 Notes to assets

7. Fixed assets

EUR '000	**2015**	**2014**
Machinery and equipment		
Acquisition cost 1.1.	283	283
Disposals	-6	0
Acquisition cost 31.12.	277	283
Accumulated depreciation 1.1.	258	248
Depreciation for the period	5	9
Accumulated depreciation 31.12.	263	258
Book value 31.12.	**14**	**25**

8. Investments

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Total
Acquisition cost 1.1.2015	**285,979**	**8,153**	**19,618**	**313,750**
Additions				
Acquisition cost 31.12.2015	285,979	8,153	19,618	313,750
Accumulated depreciation and impairment 1.1.2015	-70,048	-8,153	-11,603	-89,804
Impairment	0			0
Accumulated depreciation and impairment 31.12.2015	-70,048	-8,153	-11,603	-89,804
Book value 31.12.2015	**215,931**	**0**	**8,015**	**223,946**

Holdings in Group and other companies

Name	Country of incorporation	Group's ownership and share of votes (%)	AfarakGroup Plc's direct ownership and share of votes (%)
Afarak Holdins Ltd	Malta	100.00	0.00
Afarak Investments Ltd	Malta	100.00	99.99
Afarak Mining (Pty) Ltd	South Africa	100.00	0.00
Afarak South Africa (Pty) Ltd	South Africa	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 4 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0.00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
LP Kunnanharju Oy	Finland	100.00	0.00
Metal ve Maden ic ve Dis Pazarlama Tic Ltd, Sti	Turkey	97.76	0.00
Mogale Alloys (Pty) Ltd	South Africa	90.00	0.00
Afarak Trading Ltd (previously known as RCS Ltd)	Malta	100.00	0.00
Rekylator Oy	Finland	100.00	100.00
Rekylator Invest Oy	Finland	100.00	0.00
Rekylator Wood Oy	Finland	100.00	0.00
Rekylator Yhtiöt Oy	Finland	100.00	100.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75

Joint ventures

Synergy Africa Ltd	United Kingdom	51.00	0.00
Chromex Mining Ltd	United Kingdom	51.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	37.74	0.00
Ilitha Mining (Pty) Ltd	South Africa	41.05	0.00
Mkhombi Stellite (Pty) Ltd	South Africa	44.24	0.00

Associated companies

Incap Furniture Oy	Finland	24.06	12.45
Valtimo Components Oyj *	Finland	24.90	24.90

* Afarak's share of ownership in Valtimo Components Oyj can increase to 39.23% if the shares sold earlier, held as pledge, are not paid in cash to Afarak.

Afarak disposed of Afarak Suisse in 2015.

Afarak divested its holding in the associated company Speciality Super Alloys Inc. This led to a loss on sale of investment in associate of EUR 0.3 million.

Dezzo Trading 184 (Pty) Ltd, Didox (Pty) Ltd, PGR 17 Investments (Pty) Ltd, and Waylox Mining (Pty) Ltd were deregistered as at 31 December 2015.

9. Receivables

EUR '000	**2015**	**2014**
Receivables from group companies		
Non-current		
Loan and other receivables	47,887	55,261
Interest receivables	78	0
Total	**47,965**	**55,261**
Current		
Loan receivables	7,304	5,575
Trade receivables	1,967	1,218
Interest receivables	35	34
Prepayments and accrued income	12	0
Total	**9,318**	**6,828**

Other interest-bearing receivables

EUR '000	**2015**	**2014**
Current		
Loan receivables	19	34
VAT receivable	162	10
Total	**181**	**43**

Other interest-free receivables

EUR '000	2015	2014
Non-current		
Other prepaid expenses and accrued income	128	128
Total	**128**	**128**
Current		
Trade receivables	1	1
Receivables from associated companies	1,164	988
Other receivables	8	27
Total	**1,174**	**1,016**

Prepaid expenses and accrued income	**2015**	**2014**
Income tax receivable	34	35
Accrued interest income	1	1
Other prepaid expenses and accrued income	158	95
Total	**192**	**131**

2.4 Notes to equity and liabilities

10. Shareholders' equity

EUR '000

Share capital	**2015**	**2014**
Share capital 1.1.	23,642	23,642
Share capital 31.12.	**23,642**	**23,642**

Share premium reserve	**2015**	**2014**
Share premium reserve 1.1.	25,223	25,223
Share premium reserve 31.12.	**25,223**	**25,223**

Paid-up unrestricted equity reserve	**2015**	**2014**
Paid-up unrestricted equity reserve 1.1.	249,800	249,101
Rights Issue	1,739	5,583
Capital redemption to the shareholders	-5,106	-4,884

Paid-up unrestricted equity reserve 31.12.	**246,433**	**249,800**

Retained earnings	**2015**	**2014**
Retained earnings 1.1.	-13,644	-13,756
Profit for the previous financial year	-195	112
Retained earnings 31.12.	**-13,839**	**-13,644**
Profit for the financial year	**-115**	**-195**
Total shareholders' equity	**281,345**	**284,827**

Distributable funds	**2015**	**2014**
Retained earnings 1.1.	-13,839	-13,644
Profit for the financial year	-115	-195
Retained earnings 31.12.	**-13,953**	**-13,839**
Paid-up unrestricted equity reserve	246,433	249,800
Distributable funds 31.12.	**232,480**	**235,962**

11. Liabilities

Non-current liabilities

EUR '000

Non-current interest bearing debt	**2015**	**2014**
Loans from Group companies	1,248	1,248
Total	**1,248**	**1,248**

Non-current interest-free debt	**2015**	**2014**
Loans from associated companies	5	5
Earn-out purchase consideration liabilities	0	0
Total	**5**	**5**

Current liabilities

EUR '000

Current interest bearing debt	**2015**	**2014**
Other debt to Group companies	50	50
Total	**50**	**50**

Current interest-free debt	**2015**	**2014**
Accounts payable	77	36
Payables to Group companies	86	833
Other debt	441	24
Other debt to Group companies	63	16
Accrued expenses and deferred income	206	560
Total	**872**	**1,468**

Option rights

The Company's option schemes are presented in the notes to the consolidated financial statements. The Company has option schemes I/2005 (maximum 2,700,000 shares), I/2008 (maximum 2,900,000 shares, all options granted to the Group's previous CEO) and I/2011 (maximum 6,900,000 shares).

2.5 Pledges and contingent liabilities

EUR million	**31.12.2015**	**31.12.2014**
Commitments on behalf of subsidiaries		
Guarantees	11.9	10.7
Commitments on behalf of others		
Guarantees	1.3	1.3
Other own contingent liabilities		
Leasing amd rent liability	0.0	0.2
Commitments and contingent liabilities total	**13.2**	**12.2**

Pension liabilities

The Company's pension liabilities are directly in accordance with the statutory TyEL-system.

2.6 Other notes

Related party loans

The Company has short-term loan receivables from the members and past members of the Board amounting to EUR 102 (217) thousand.

Information on the personnel

Personnel, annual average (all employees)	2015	2014
Employees	3	3

Management remuneration	2015	2014
Chief Executive Officer	425	234
Board members	286	216

The CEO receives an annual salary of EUR 360,000. He shall also receive 500,000 Company Shares as an incentive for each completed year of service acting as the Chief Executive Officer, the first 500,000 Company shares shall be received on 22 May 2016 and the second 500,000 shares shall be received on 22 May 2017 if he is still acting as CEO at that time.

The Group makes no pension arrangements for the CEO beyond the statutory pension coverage, and there is no set retirement age.

Information on shares and shareholders

Changes in the number of shares and share capital

On 31 December 2015, the registered number of Afarak Group Plc shares was 263,040,695 (259,562,434) and the share capital was EUR 23,642,049.59 (23,642,049.59).

On 31 December 2015, the Company had 4,244,717 (4,244,717) own shares in treasury, which was equivalent to 1.61% (1.64%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2015, was 258,795,978 (255,317,717).

On 14 August 2015, Afarak announced that it has resolved to offer 3,478,261 new ordinary shares in the Company ("New Shares") to Gujo Investment (Pty) Limited, one of the vendors of Mogale Alloys (a company acquired in May 2009) under the settlement agreement announced on 11 October 2012. Following completion of the share issue, the consideration for the acquisition was fully satisfied. All of the New Shares were subscribed for and the subscriptions have been approved by the Board of Directors. The total subscription price of EUR 1,739,130.50 (EUR 0.5 per share) has been fully satisfied through offset against the settlement receivables of the Vendor related to the Mogale Alloys acquisition.

More information on shares, share capital and shareholders have been presented in the notes to the consolidated financial statements.

Information obligated to a Group company

The Company is the Group’s parent company.

Afarak Group Plc, domicile Helsinki (address: Kasarmikatu 36, 00130 Helsinki)

Board members' and Chief Executive Officer's ownership

Afarak Group Plc’s Board members and Chief Executive Officer owned in total 7,813,287 (78,078,926) Afarak Group Plc shares on 31 December 2015 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 3.0% (30.1%) of all outstanding shares that were registered in the Trade Register on 31 December 2015.

31.12.2015		shares	options
Board and CEO total:			
Alistair Ruiters	Executive Director & CEO	400,000	600,000
Jelena Manojlovic	Dependent Non-Executive Director	150,000	0
Markku Kankaala	Non-Executive Director	7,090,616	0
Michael Lillja	Executive Director	71	200,000
Alfredo Parodi	Chairman & Non-Executive Director	22,600	0
Barry Rourke	Non-Executive Director	150,000	0
Ivan Jakovcic	Non-Executive Director	0	0
Board and CEO total		**7,813,287**	**800,000**
All shares outstanding		263,040,695	263,040,695
Proportion of all shares		3.0 %	0.3 %

On 31 December 2014 the total number of registered shares was 259,562,434 and the Board and CEO's ownership corresponded to 30.1% of the total number of registered shares.

Auditor’s fees

EUR '000	2015	2014
Ernst & Young Oy		
audit	201	277
other services	28	20
Total	229	297

Board's dividend proposal

In 2016 the Board will propose to the AGM a new dividend policy and will recommend a EUR 0.02 per share distribution where EUR 0.01 per share will be paid in May 2016 and subject to market conditions a further EUR 0.01 will be paid in August 2016.

SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

Helsinki 31 March 2016

Alfredo Parodi
Chairman

Alistair Ruiters
Member of the Board, Chief Executive Officer

Jelena Manojlovic
Member of the Board

Michael Lillja
Member of the Board

Markku Kankaala
Member of the Board

Barry Rourke
Member of the Board

Ivan Jakovcic
Member of the Board

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Helsinki 31 March 2016

Ernst & Young Oy

Erkka Talvinko
Authorised Public Accountant