PRIM

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Prim, S.A. and Dependent Companies

Consolidated Financial Statements and Directors' Report for the year ended 31 December 2015 drafted in accordance with International Financial Reporting Standards adopted by the European Union

PRIM

PRIM, S.A. and Dependent Companies
Consolidated Financial Statements
for the year ended 31 December 2015
drafted in accordance with International Financial Reporting Standards

PRIM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

2015 and 2014

PRIM

PRIM, S.A. and Dependent Companies

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2015 and 2014 (expressed in euro)

	NOTES	31/12/2015	31/12/2014
ASSETS		**116.213.553,12**	**116.543.167,12**
Non-current assets		33.350.589,68	39.478.060,45
Intangible assets	5	213.967,96	283.737,82
Property, plant and equipment	6	9.037.072,88	9.509.363,21
Investment property	7	3.304.339,54	3.267.939,70
Investment in associates	8	847.030,01	700.624,01
Other non-current financial assets	9	17.989.648,23	23.818.885,38
Deferred tax assets	9	384.535,06	323.514,33
Goodwill	10	1.573.996,00	1.573.996,00
Current assets		82.862.963,44	77.065.106,67
Inventories	11	26.294.012,22	20.809.514,20
Trade and other accounts receivable	12	37.631.828,44	42.547.780,53
Other current financial assets	13	15.136.190,58	4.433.454,52
Cash and cash equivalents	14	3.800.932,20	9.274.357,42
LIABILITIES AND EQUITY		**116.213.553,12**	**116.543.167,12**
Equity	15	92.246.346,87	92.664.608,74
Parent company		92.246.346,87	92.664.608,74
Share capital		4.336.781,00	4.336.781,00
Share premium		1.227.059,19	1.227.059,19
Own shares		-2.088.750,18	-1.180.169,31
Interim dividend paid during the year		-954.091,82	-954.091,82
Revaluation reserve		578.507,47	578.507,47
Income for the year		10.702.847,49	9.961.527,05
Other reserves		78.146.927,13	77.029.760,05
Value adjustments		297.066,59	1.665.235,12
Non-current liabilities		2.649.822,71	3.783.327,89
Interest-bearing debt	16	120.984,80	786.266,38
Other liabilities	17	1.991.537,58	2.061.605,31
Deferred tax liabilities	18	537.300,33	935.456,20
Current liabilities		21.317.383,54	20.095.230,49
Trade and other accounts payable	19	18.541.922,92	16.577.013,23
Interest-bearing debt	16	2.050.167,27	1.990.921,41
Corporate income tax payable	20	725.293,35	1.527.295,85

The Consolidated Statement of Financial Position for 2014 is presented solely and exclusively for comparison purposes.

CONSOLIDATED INCOME STATEMENT

2015 and 2014

PRIM

PRIM, S.A. and Dependent Companies
CONSOLIDATED INCOME STATEMENT

As of 31 December 2015 and 2014 (expressed in euro)

	NOTES	31/12/2015	31/12/2014
Net sales	23.1	99.227.781,20	94.205.582,82
Other revenues		850.994,91	453.758,95
Change in finished goods and work-in-process inventories		273.389,19	217.254,08
OPERATING REVENUES		100.352.165,30	94.876.595,85
Consumables and other external expenses	23.2	-45.931.222,09	-41.714.060,99
External and operating expenses	23.3	-13.815.874,05	-13.558.259,33
Personnel expenses	23.4	-26.780.913,60	-26.938.007,88
Depreciation and amortisation expense	5, 6 & 7	-1.923.814,46	-1.789.227,53
Variation in operating provisions	23.7	-369.456,80	999.055,78
Other operating expenses		-68.263,76	-58.316,90
OPERATING EXPENSES		-88.889.544,76	-83.058.816,85
NET OPERATING INCOME		11.462.620,54	11.817.779,00
Income from undertakings accounted for using the equity method	8	70.563,00	11.659,00
Financial revenues	23.5	1.837.868,96	2.127.141,93
Financial expenses	23.5	-58.948,76	-154.556,29
Exchange differences	23.5	574.498,73	393.633,69
Impairment and disposal of other financial assets		729.517,68	85.303,33
FINANCIAL INCOME		3.153.499,61	2.463.181,66
INCOME BEFORE TAXES		**14.616.120,15**	**14.280.960,66**
Corporate income tax	20	-3.913.272,66	-4.319.433,61
NET INCOME FROM CONTINUING OPERATIONS		10.702.847,49	9.961.527,05
NET INCOME FOR THE YEAR		**10.702.847,49**	**9.961.527,05**
Net income attributable to the parent company		10.702.847,49	9.961.527,05
Earnings per share	**23.6**		
Basic earnings per share attributable to equity holders of the parent		0,62	0,58
Diluted earnings per share attributable to equity holders of the parent		0,62	0,58

The Consolidated Statement of Income for 2014 is presented solely and exclusively for comparison purposes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

2015 and 2014

PRIM

PRIM, S.A. and Dependent Companies

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2015 and 2014 (euro)

NET INCOME RECOGNISED DIRECTLY IN EQUITY	2015			2014		
	Parent company	Non-controlling interests	Total	Parent company	Non-controlling interests	Total
IN OTHER RESERVES						
Fair value changes of available-for-sale financial assets (Notes 9 & 13)	-1.185.067,23	-	-1.185.067,23	2.102.955,48	-	2.102.955,48
Tax effect (Notes 9 & 18)	296.266,81	-	296.266,81	-519.861,18	-	-519.861,18
TOTAL NET INCOME RECOGNISED DIRECTLY IN EQUITY	-888.800,42	-	-888.800,42	1.583.094,30	-	1.583.094,30
Transfers to Consolidated Profit & Loss	-639.970,69	-	-639.970,69	-	-	-
Tax effect (Notes 9 & 18)	160.602,58	-	160.602,58	-	-	-
TOTAL NET INCOME RECOGNISED IN INCOME FOR THE YEAR	-479.368,11	-	-479.368,11	-	-	-
NET INCOME FOR THE YEAR	10.702.847,49	-	10.702.847,49	9.961.527,05	-	9.961.527,05
TOTAL RECOGNISED REVENUES AND EXPENSES	9.334.678,96	-	9.334.678,96	11.544.621,35	-	11.544.621,35

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

2015 and 2014

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The composition of, and changes in, the Group's equity as of 31 December 2015 and 2014 are as follows:

a) Year ended 31 December 2015 (euro)

	Balance as of 31.12.14	Interim dividend out of 2015 income	Own shares	Capital increase out of reserves	Income from transactions with own shares	Other changes	Obligations with respect to shares	Distribution of 2014 income		Income for the year		Balance as of 31.12.15
								Dividends	Reserves	Equity holders of parent company	Non-controlling interests	
Share capital	4.336.781,00											4.336.781,00
Sharepremium	1.227.059,19											1.227.059,19
Parent Company shares	-1.180.169,32		-908.580,86									-2.088.750,18
Interim dividend	-954.091,82	-954.091,82						954.091,82				-954.091,82
Revaluation reserve	578.507,47											578.507,47
Income for the year												
Equity holders of the parent company	9.961.527,05							-9.214.492,27	-747.034,78	10.702.847,49		10.702.847,49
Non-controlling interests	0,00											0,00
Other reserves												
Legal reserve	1.153.637,59											1.153.637,59
Reserve for amortised capital	1.256.814,96											1.256.814,96
Other reserves	72.014.588,00				202.345,01	1.223.838,01		101.958,90	-1.955.905,15			71.586.824,77
Reserve for remeasurement of unrealised assets and liabilities	0,00											
Reserves at												
Fully consolidated undertakings	2.295.085,50					645.075,88		-101.958,90	914.311,33			3.752.513,81
Equity-accounted affiliates	309.634,00								87.502,00			397.136,00
Value adjustments	1.665.235,12									-1.368.168,53		297.066,59
Equity of equity holders of the parent company	92.664.608,74	-954.091,82	-908.580,86	0,00	202.345,01	1.868.913,89	0,00	-8.260.400,45	-1.701.126,60	9.334.678,96	0,00	92.246.346,87
Equity of non-controlling interests	0,00											0,00
Total	92.664.608,74	-954.091,82	- 908.580,86	0,00	202.345,01	1.868.913,89	0,00	-8.260.400,45	- 1.701.126,60	9.334.678,96	0,00	92.246.346,87

b) Year ended 31 December 2014

	Balance as of 31.12.13	Interim dividend out of 2014 income	Own shares	Capital increase out of reserves	Income from transactions with own shares	Other changes	Obligations with respect to shares	Distribution of 2013 income: Dividends	Distribution of 2013 income: Reserves	Income for the year: Equity holders of parent company	Income for the year: Non-controlling interests	Balance as of 31.12.14
Share capital	4.336.781,00											4.336.781,00
Share premium	1.227.059,19											1.227.059,19
Parent Company shares	-2.017.689,96		837.520,65									-1.180.169,31
Interim dividend	-867.356,20	-954.091,82							867.356,20			-954.091,82
Revaluation reserve	578.507,47											578.507,47
Income for the year												
Equity holders of the parent company	9.699.009,24							-3.500.000,00	-6.199.009,24	9.961.527,05		9.961.527,05
Non-controlling interests	0,00											0,00
Other reserves												
Legal reserve	1.153.637,59											1.153.637,59
Reserve for amortised capital	1.256.814,96											1.256.814,96
Other reserves	66.289.848,76				12.410,83	606.998,20		107.093,59	4.998.236,62			72.014.588,00
Reserve for remeasurement of unrealised assets and liabilities	0,00											
Reserves at												
Fully consolidated undertakings	1.799.492,51							-107.093,59	602.686,58			2.295.085,50
Equity-accounted affiliates	260.660,00								48.974,00			309.634,00
Value adjustments	82.140,82									1.583.094,30		1.665.235,12
Equity of equity holders of the parent company	83.798.905,38	-954.091,82	837.520,65	0,00	12.410,83	606.998,20	0,00	-3.500.000,00	318.244,16	11.544.621,35	0,00	92.664.608,74
Equity of non-controlling interests	0,00											0,00
Total	83.798.905,38	-954.091,82	837.520,65	0,00	12.410,83	606.998,20	0,00	-3.500.000,00	318.244,16	11.544.621,35	0,00	92.664.608,74

CONSOLIDATED CASH FLOW STATEMENTS

2015 and 2014

PRIM, S.A. and Dependent Companies

CONSOLIDATED CASH FLOW STATEMENTS

For the years ended 31 December 2015 and 2014 (euro)

Notes		2015	2014
	Receipts from customers and other debtors	124.213.572,94	118.401.592,78
	Payments to suppliers and other creditors	-76.644.728,48	-61.297.836,43
	Payments to employees	-26.506.621,46	-25.958.594,06
	VAT settlements, net	-5.432.736,07	-3.567.349,26
	Other taxes	-499.326,90	-298.054,10
	Corporate income tax	-4.690.099,97	-4.095.463,42
	Net cash from operating activities	10.440.060,06	23.184.295,51
6	Acquisition of property, plant and equipment	-1.419.627,82	-1.722.111,11
5	Acquisition of intangible assets	-34.613,05	-219.978,77
7	Acquisition of investment property	-66.209,70	0,00
9	Acquisition of other non-current financial assets	-898.000,00	-7.848.500,00
9	Disposals of other non-current financial assets	5.512.400,01	1.996.000,00
	Acquisition of other current financial assets	-10.597.013,70	-3.542.394,93
	Deposits provided	-41.768,88	-35.000,00
	Cash subsidies received	14.864,46	22.483,63
	Interest received	1.846.072,91	2.200.317,35
	Dividends received	0,00	56.830,97
	Net investing cash flow	-5.683.895,77	-9.092.352,86
	Net cash in transactions with own shares	-706.235,86	877.911,66
	Cash movements due to long-term bank loans	34.182,94	-1.402.795,39
16.1	Cash inflows due to long-term bank loans	4.902.078,71	1.060.218,35
	Cash outflows due to long-term bank loans	-4.867.895,77	-2.463.013,74
	Cash movements due to short-term bank loans	-690.953,78	-2.311.133,04
	Cash outflows due to short-term bank loans	-690.953,78	-2.311.133,04
	Dividends paid	-9.136.439,53	-3.500.000,00
	Interest paid	-40.326,65	-874.910,97
	Net financing cash flow	-10.539.772,88	-7.210.927,74
	Net increase in cash and cash equivalents	-5.783.608,59	6.881.014,91
	Net exchange differences	310.183,37	292.469,67
	Change in cash in year	-5.473.425,22	7.173.484,58
14	Beginning cash and cash equivalents	9.274.357,42	2.100.872,84
14	Ending cash and cash equivalents	3.800.932,20	9.274.357,42

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cross references enable the reader to connect the information contained in these notes to consolidated financial statements with the various line-items of the Consolidated Income Statement, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity.

1. DESCRIPTION OF CONSOLIDATED COMPANIES AND THEIR BUSINESS ACTIVITY

PRIM, S.A. has its registered offices at Polígono Industrial 1, Calle F, 15, Móstoles, Madrid, and it has seven regional offices and a factory at the following locations:

Factories

Móstoles (Madrid) - Polígono Industrial nº 1; Calle C, nº 20

Casarrubios del Monte (Toledo)– Polígono Industrial Monte Boyal. Avenida Constitución P-221

Regional offices

Barcelona - Nilo Fabra, 38
Bilbao - Avda. Madariaga, 1
La Coruña - Rey Abdullah, 7-9-11
Sevilla - Juan Ramón Jiménez, 5
Valencia - Maestro Rodrigo, 89-91
Las Palmas de Gran Canaria - Habana, 27
Palma de Mallorca – San Ignacio, 77

Although the Parent Company's business has been carried on since 1870, it was incorporated on 21 July 1966 by means of a public instrument executed before the Madrid notary José Luis Álvarez Álvarez, with number 3.480 of his protocol, and registered at the Madrid Mercantile Register on 9 January 1967 on sheet 11.844, folio 158, tome 2.075 general 1.456 of section 3 of the Companies Book.

The Articles of Association establish that the Parent Company has indefinite duration and that its purpose is to engage in all types of legal transactions of commerce or industry relating to the manufacture, sale or distribution of orthopaedic, medical, surgical or similar material, and the construction, operation and management of retirement homes and any type of real estate transaction.

On 29 June 1992, before the Madrid notary, Mr. Enrique Arauz Arauz, with number 1053 of his protocol, the Articles of Association were adapted to the new Corporations Law of 1989, and that adaptation was registered with the Madrid Mercantile Register in Tome 3652, Folio 1, Section 8, Sheet M-61451, Inscription 36, dated 7 October 1992.

The companies owned directly or indirectly by PRIM, S.A. which form part of the Consolidated Group are as follows:

DEPENDENT COMPANIES	REGISTERED OFFICE	GROSS COST OF OWNERSHIP	%
ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A.	Polígono Industrial nº1, Calle F, nº 15, de Móstoles –Madrid-	1.322.102,77	100,00
ENRAF NONIUS IBÉRICA, S.A.	Polígono Industrial nº1, Calle F, nº 15, de Móstoles –Madrid-	690.461,45	100,00
SIDITEMEDIC, S.L. (SOCIEDAD UNIPERSONAL)	D. Ramón de la Cruz, 83 Madrid	3.035,06	100,00
NETWORK MEDICAL PRODUCTS LTD.	North Yorkshire United Kingdom	379.331,01	43,68
INMOBILIARIA CATHARSIS, S.A. (SOCIEDAD UNIPERSONAL)	C/ F, no. 15. Polígono Industrial 1, Móstoles (Madrid)	2.494.204,13	100,00
ENRAF NONIUS IBÉRICA PORTUGAL, LDA (1)	Rua Aquiles Machado –Lisbon- Portugal	100.000,00	100,00

(1) *The stake in ENRAF NONIUS IBÉRICA PORTUGAL LDA. is held through ENRAF NONIUS IBÉRICA, S.A., which owns 99.99%, and PRIM S.A., which owns 0.01%.*

(*) There were no changes in the consolidation scope in 2015 and 2014.

Merger of Luga Suministros Médicos, S.L. into Prim, S.A.

As of 31 December 2014, the Prim Group owned 100% of Luga Suministros Médicos, S.L. (99% was held by the controlling company, Prim, and the other 1% by dependent company Inmobiliaria Catharsis, S.A.)

In 2015, Prim acquired the stake in Luga from Catharsis, with the result that it owned 100% of Luga.

The Shareholders' Meeting on 27 June 2015 approved the merger of Luga Suministros Médicos, S.L. into the parent company, Prim; the merger was registered in the Mercantile Register on 30 October 2015.

Companies within the Consolidation Scope

None of the companies included in the consolidation scope and owned, directly or indirectly, by PRIM, S.A. is listed on an organized securities market.

The dependent companies engage in the following activities:

The corporate purpose of ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A. is to engage in all types of transactions of commerce or industry relating to the manufacture, purchase, sale, import, export, adaptation, placement and distribution of orthopaedic, medical, surgical and similar material.

The corporate purpose of ENRAF NONIUS IBÉRICA, S.A. is the distribution, sale and installation of products in the area of physiotherapy, home medical care and rehabilitation.

The corporate purpose of ENRAF NONIUS IBÉRICA, PORTUGAL, LDA. is the distribution, sale and installation of products in the area of physiotherapy, home medical care and rehabilitation.

The corporate purpose of INMOBILIARIA CATHARSIS S.A. (SOCIEDAD UNIPERSONAL) is to engage in all types of real estate transactions involving the purchase and sale of rural and urban properties, exploiting properties, repairing and refurbishing buildings, construction of industrial buildings, and the sale of properties of all types.

The corporate purpose of SIDITEMEDIC, S.L. (SOCIEDAD UNIPERSONAL), formerly called MEDIPRIM, S.L., is to engage in the marketing, sale, distribution, import and export of all types of orthopaedic, medical, surgical and similar equipment, and the holding and purchase and sale of assets of all types.

The corporate purpose of LUGA SUMINISTROS MÉDICOS, S.L. was the sale, manufacture, packaging, packing, sealing, import and export of all types of medical and surgical instruments, orthopaedic devices, dressings, bandages, podology equipment and materials of therapy and hygiene, podology chairs and instrumentation. As indicated above, that company was merged into the parent company, PRIM, S.A., in 2015.

The corporate purpose of NETWORK MEDICAL PRODUCTS LTD. is the marketing, distribution and sale of medical products.

The companies forming part of the consolidated group closed their financial year, which has a duration of one year, as of 31 December 2015.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Accounting standards applied

The Consolidated Financial Statements of the PRIM Group for 2015, which the Directors authorised on 31 March 2016, are presented in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union in conformity with (EC) Regulation no. 1606/2002 of the European Parliament and of the Council. The directors of PRIM expect the Shareholders' Meeting to approve these Consolidated Financial Statements without changes.

These Consolidated Financial Statements have been prepared on a historical cost basis, except for available-for-sale financial assets, which have been measured at fair value.

Prim Group has adopted the latest version of all standards issued by the European Union's Regulatory Committee (hereinafter EU-IFRS) that are mandatory for annual periods beginning on or after 1 January 2015.

The separate 2015 financial statements of the Group companies will be submitted for approval by their respective General Meetings of Shareholders within the deadlines established by the regulation in force. The directors of the parent Company do not expect changes to arise that would significantly impact the 2015 consolidated financial statements.

The amounts contained in the documents comprising these consolidated financial statements are expressed in euro, except where noted otherwise.

2.1.1. Improvements to IFRS and impact of applying new IFRS

a) *Standards and interpretations approved by the European Union that are applicable for the first time in the year.*

IFRS - Annual Improvements cycle 2011-2013

These changes, which are applicable in these consolidated financial statements for the first time, include the following:

IFRS 3 "Business Combinations".

This amendment is applicable prospectively and clarifies the exceptions to the scope of IFRS 3, as follows:

- *Joint arrangements, and not just joint ventures, are outside the scope of IFRS 3.*
- *The exception applies only to accounting in the financial statements of the joint arrangement itself.*

This amendment is not relevant.

IFRS 13 "Fair value measurement".

This amendment is applied prospectively and clarifies that the exception whereby an entity may measure a group of financial assets and liabilities at fair value can apply not only to financial assets and liabilities but also to other contracts under the scope of IAS 39. This amendment did not have a material effect on the Consolidated Financial Statements.

IAS 40 "Investment property".

The description of ancillary services in IAS 40 distinguishes between investment property and owner-occupied property (i.e. property, plant and equipment). This amendment is applicable retrospectively and clarifies that it is necessary to use IFRS 3 and not the description of ancillary services in IAS 40 to determine whether a transaction is an asset purchase or a business combination. This amendment did not have a material effect on the Consolidated Financial Statements.

IFRIC 21 "Levies".

IFRIC 21 clarifies that an entity must recognise a liability for a levy when the entity performs the activity defined by law as being subject to the levy. If the obligation is triggered on reaching a minimum threshold, the liability is not recognised until that minimum threshold is reached. IFRIC 21 is applicable retroactively for annual periods that began on or after 17 June 2014 in the European Union. This amendment did not have a material effect on the Consolidated Financial Statements.

In 2014, the European Union adopted the following standards, interpretations and amendments which come into force for annual periods beginning on or after 1 January 2016 and which were not adopted early or which were pending application:

IFRS - Annual Improvements cycle 2010-2012

These improvements to the IFRS, which are applicable in the European Union for annual periods beginning on or after 1 February 2015, include the following changes:

IFRS 3 "Business Combinations".

This amendment applies prospectively and clarifies that all contingent consideration classified as a liability (or asset) arising from a business combination must be subsequently recognised at fair value through profit or loss, regardless of whether or not it is classified as a financial instrument in accordance with IAS 39

IFRS 8 "Operating segments".

The amendments, which apply retroactively, clarify that:

An entity is required to disclose the judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8, including a brief description of the operating segments that are being aggregated and the economic characteristics (e.g. revenues and gross margin) used to assess whether the segments are "similar".

Reconciliations of the segment assets and the total assets need only be disclosed if the reconciliation is reported to the chief operating decision maker, and the same approach is applied to the disclosures required for segments' liabilities.

IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets".

This modification is applied retroactively and clarifies that the asset may be remeasured by reference to observable market data, adjusting its gross carrying amount to market value or by determination of the market value, and adjusting the gross carrying amount proportionately such that the resulting value is equal to the market value. Additionally, accumulated depreciation and amortisation is the difference between the gross amount and the carrying amount of the asset.

IAS 24 "Related party disclosures".

The amendment applies retroactively and clarifies that when the key management personnel are not employees of the entity but of another entity which provides management services to group entities, it is necessary to disclose transactions with the management entity and not with the executives. Additionally, management expenses incurred must be disclosed.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial instruments". Addresses the classification, measurement and recognition of financial assets and financial liabilities. The full version of IFRS 9 was released in July 2014 and replaces the Implementation Guidance of IAS 39 on the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed valuation model and establishes three main categories of measurement for financial assets: amortised cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the characteristics of the financial asset's contractual cash flows. Investments in equity instruments must be measured at fair value through profit or loss with the irrevocable option at the outset to present the changes in fair value in non-recyclable other comprehensive income, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are reported in profit or loss.

There were no changes as regards the classification and measurement of financial liabilities, expect for the recognition of changes in the risk of own debt instruments through other comprehensive income for liabilities carried at fair value through profit or loss. IFRS 9 provides a new model for impairment losses, the expected credit loss model, which replaces the impairment loss model under IAS 39 and which will give rise to the recognition of losses earlier than was the case under IAS 39. IFRS 9 relaxes the requirements for hedges to be classified as effective. Under IAS 39, a hedge must be highly effective both prospectively and retrospectively. IFRS 9 replaces this approach by requiring an economic relation between the hedged item and the hedging instrument, and that the hedged ratio be the same as that actually used by the entity in its risk management. Contemporaneous documentation remains necessary but is different from what was prepared under IAS 39. Extensive disclosures are required, including reconciliation between the opening and closing amounts of the provision for expected credit losses, assumptions and data, and reconciliation in the transition from the original IAS 39 categories to the new IFRS 9 categories.

IFRS 9 is applicable for annual periods beginning on or after 1 January 2018, although early adoption is allowed. IFRS 9 will apply retroactively but does not require that comparative figures be restated. If an entity opts for early adoption of IFRS 9, it must apply all requirements at the same time. Entities that apply the standard prior to 1 February 2015 retain the option of a phased introduction of the standard. The PRIM Group has not adopted this standard early and the impact of its application is not expected to be material.

IFRS 15 "Revenue from contracts with customers".

IFRS 15 "Revenue from contracts with customers" In May 2014, the IASB and the FASB jointly issued a convergent standard regarding the recognition of revenue from contracts with customers. Under this standard, revenue is recognised when a customer obtains control over the good or service sold, i.e. when it has the capacity both to direct the use of, and to obtain benefits from, the good or service. This standard includes new guidelines for determining whether to recognise revenue over time or at a particular time. IFRS 15 requires extensive disclosures of both recognised revenue and revenue expected to be recognised in the future in relation to existing contracts. Quantitative and qualitative information is also required about the significant judgments made by management in determining recognised revenue, as well as any changes in these judgments. IFRS 15 will be effective for annual periods starting on or after 1 January 2018; early application is permitted. The Prim Group will assess the impact of early application of this standard and expects that it will not have a material impact on the Group's consolidated financial statements.

IFRS 16 "Leases"

In January 2016, the IASB published IFRS 16, which introduced substantial changes for lessees since, in most cases, they must recognise an asset on the balance sheet for the usage right and a liability for the amounts due. For lessors, there are few changes with respect to the current IAS 17.
The new standard will derogate the previous standard on leases. The standard may be adopted with full retroactive effect or with modified retroactive effect for annual periods beginning on or after 1 January 2019, and early application is allowed, although the standard has not yet been adopted by the European Union. The Group plans to adopt the new standard when effectively required to do so, using the modified retroactive method. The Group has begun a preliminary assessment of IFRS 16 and its effects on the consolidated financial statements.

The Company as lessee
Except for contracts already classified as leases under IAS 17, and which continue to be classified as such under the new standard, the Group does not have other contracts that might be classified as leases due to holding the right to control the use of the identified assets, since there are no service agreements based on asset utilisation.
For finance leases that are current on the date of application of the new standard, the practical solution allowing them to be recognised under the existing standard (IAS 17) will be adopted.

Amendments to IAS 16/IAS 38 "Clarification of acceptable methods of depreciation and amortization"
These amendments clarify that revenues reflect a pattern of obtainment of economic benefits from the exploitation of a business (of which the asset forms part), rather than the consumption of the economic benefits embodied in the asset. Therefore, property, plant and equipment cannot be depreciated using a method based on revenues, which may be used only in very limited circumstances to amortise intangible assets. These amendments will be effective prospectively for annual periods beginning on or after 1 January 2016. Early application of the standard is allowed. El Group does not expect any impact since it does not apply depreciation/amortisation based on revenues.

IFRS Annual Improvements cycle 2010-2012
These amendments are applicable to annual periods beginning on or after 1 January 2016. They include the following amendments:

IFRS 7 "Financial instruments: Disclosures"
(i) Servicing contracts
The amendment clarifies that a servicing contract including remuneration may constitute continuing involvement in the transferred financial asset. An entity must assess the nature of compensation and the agreement, considering the rules included in IFRS 7 regarding continuing involvement, to determine the disclosures to be made. The assessment as to whether or not a servicing contract constitutes continuing involvement must be made retroactively. However, it is not necessary to disclose comparative information from before the year of first application.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the disclosures on offsetting financial assets and liabilities are not required in condensed interim financial statements unless such disclosures represent a material update of the information contained in the most recent annual financial statements. The amendment will be applicable retroactively.

IAS 34 "Interim Financial Reporting"
The amendment clarifies that the disclosures required in interim financial statements may be contained in the interim financial statements or the interim financial statements may contain a cross-reference to elsewhere in the interim financial information (e.g. in the directors' report). The disclosures contained in the interim financial information must be available for users in the same conditions as the interim financial statements and at the same time. This amendment will be applicable retroactively.
These amendments are not expected to have any impact on the Group.

IAS 1 Amendments - Disclosure initiative
The amendments to IAS 1 "Presentation of Financial Statements" clarify the requirements of IAS 1 but does not make material changes. They clarify the following aspects:

- *Materiality requirements in IAS 1.*
- *That the specific items in the income statement, statement of other comprehensive income and the statement of financial position can be disaggregated.*
- *That entities have flexibility as to the order of the notes to financial statements.*
- *That the stake in associates' other comprehensive income and joint arrangements that are recognised using the equity method must be presented in aggregate form on a single line, distinguishing between those items that will subsequently be recycled through profit or loss and those that will not.*

The amendments also clarify the requirements that apply when additional subtotals are presented in the statement of financial position and in the income statement and statement of other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, though early adoption is permitted. These amendments are not expected to have any impact on the Group.

IAS 7 (Amendments) - "Statement of cash flows"

This limited-scope amendment sets out an additional disclosure requirement in the financial statements to allow users to assess the changes in liabilities as a result of financing activities. The amendment is effective for annual periods beginning on or after 1 January 2017, but early adoption is permitted. Upon first-time application, an entity is not obliged to present comparative information for previous periods. The Group will analyse the impact that this standard may have on its consolidated financial statements.

Amendments to IAS 12 - "Recognition of Deferred Tax Assets for Unrealised Losses"

These amendments clarify how to recognise deferred tax asset for debt instruments measured at fair value. These amendments are effective for annual periods beginning on or after 1 January 2017, though early adoption is permitted. These amendments will not have any impact.

2.2. *True and fair view*

The Consolidated Financial Statements were prepared from the accounting records of the Controlling Company and its Dependent Companies and associates by applying the current legislation on accounting in order to present a true and fair view of the equity, financial position and income of the Group Companies. The consolidated cash flow statement was prepared in order to provide an accurate picture of the source and application of the monetary flows representing the Group's cash and other liquid assets.

2.3. *Comparative information*

As required by mercantile legislation, for comparison purposes the figures for the preceding year are presented in addition to the figures for 2015 for each item in the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement. The notes also include quantitative information for the preceding year, except where an accounting standard states specifically that it is not necessary.

On 29 January 2016, Spain's Institute of Accounting and Auditing issued a resolution on the disclosures to be made in the notes to financial statements in connection with the average time taken to pay suppliers in commercial transactions, which approved a new form of disclosure for the purposes of fulfilling the disclosure requirement set out in the third additional provision of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which established certain measures to combat late payment in commercial transactions. That Resolution is applicable to financial statements referring to years commencing on or after 1 January 2015; consequently, the information for 2015 is presented in accordance with the new format approved in that resolution. As regards the information for 2014, the Resolution of 29 January 2016 establishes that the financial statements for the first year of application of the resolution should not contain comparative information in respect of this new obligation, and that the financial statements are classified as initial statements, for these purposes only, with regard to the principle of uniformity and the comparability requirement.

Consequently, the information on average supplier payment times in commercial operations corresponding to the previous year, 2014, has not been restated to adapt it to the new format approved by the Spanish Institute of Accounting and Auditing resolution dated 29 January 2016.

In accordance with the provisions of that Resolution, the information on deferred payment to suppliers in commercial transactions is disclosed only for fully consolidated undertakings based in Spain (therefore, the calculations do not include Enraf Nonius Ibérica Portugal Lda, which is part of the consolidated group but is based in Portugal).

2.4. Correction of errors and changes in approach

It was not necessary to restate the figures for previous periods, by application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

2.5. Estimates

In preparing the accompanying consolidated financial statements, estimates by Group Management have occasionally been used to quantify certain assets, liabilities, revenues and expenses listed in them. Those estimates refer basically to:

- *Measurement of assets and goodwill to determine the existence of impairment losses (see note 3.2).*
- *The useful life of intangible assets, property, plant & equipment, and real estate (see note 3).*
- *Non-current trade accounts payable that were estimated on the basis of current data about average collection periods (balances expected to be collected within more than one year are classified as non-current).*

These estimates were based on the best available information at the time of authorisation of these consolidated financial statements.

The Prim Group of Companies recognised provisions for contingencies in line with the accounting policy set out in section 3.19 of these notes. The Prim Group of Companies made judgements and estimates as to the probability that those risks will occur and the amount of those risks, and recognised a provision when the risk was considered to be probable, estimating the costs the Company would incur for such risks.

2.6. Consolidation methods

The consolidated financial statements include those of Prim, S.A. and its dependent companies. The dependent companies' financial statements are authorised for the same accounting year as those of the Parent Company, using the same accounting policies. Where necessary, adjustments are made to homogenise any differences between accounting policies.

The dependent companies over which the PRIM Group has control are fully consolidated. By application of IFRS 10, the PRIM Group considers that the criteria for determining whether a company should or should not belong to the consolidated group and, therefore, whether or not it should be classified as a subsidiary, are:

- *Power*
- *Risk exposure*
- *Capacity to influence performance*

Dependent companies are consolidated from the date they are acquired by the group and they cease to be consolidated when control is transferred outside of the Group. Where there is a loss of control of a dependent company, the consolidated financial statements include the results for the part of the year that the Group maintained control.

Associated companies over which the PRIM Group does not exercise control but in which it does have a significant influence are accounted for by the equity method in the Consolidated Statement of Financial Position. For the purposes of preparing these Consolidated Financial Statements, significant influence is generally presumed to exist when an interest of at least 20% is held, except where there is evidence to the contrary. Specifically, the company Network Medical Products is recognised by the equity method.

The closing date of the financial statements of dependent and associated undertakings is 31 December. Those companies' accounting policies are the same as, or have been standardised with, those of the PRIM Group in preparing these Consolidated Financial Statements.

The financial statements of each of the foreign companies were prepared in their functional currency, i.e. the currency of the economic area in which each company operates and in which it generates and uses its cash.

The operations of PRIM and the consolidated dependent and associated undertakings are consolidated in accordance with the following basic principles:

1) Business combinations and goodwill

a. Business combinations since 1 January 2010

Business combinations are accounted for by the acquisition method.

The identifiable assets acquired and the liabilities assumed are recognised initially at their acquisition date fair value. For each business combination, the buyer will measure non-controlling interest in the acquiree at fair value or at the proportionate share of identifiable net assets of the acquiree.
Acquisition-related costs are recognised in profit or loss.

When the Group acquires a business, it will classify or designate the identifiable assets acquired and liabilities assumed as needed based on contractual arrangements, economic conditions, accounting and operating policies and other relevant conditions at the acquisition date.

If the business combination is created in stages, the Group will reassess its equity interests in the acquired company which were previously recognised at fair value on the acquisition date, and it will recognise any resulting gains or losses in profit or loss.

Any contingent consideration which the Group transfers will be recognised at acquisition date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability will be recognised in accordance with IAS 39, recognising any resulting gain or loss in profit or loss. If the contingent consideration is classified under equity, it should not be measured again, and subsequent settlement should be recognised under equity.

Goodwill acquired in a business combination will be recognised initially (upon acquisition) at cost as the difference between the consideration transferred plus any non-controlling stake in the acquired company and the amount of the identifiable assets acquired and the liabilities assumed. If the consideration is less than the fair value of the acquired company's assets, the difference is recognised directly in profit or loss.

After initial recognition, goodwill will be recognised at cost less accumulated impairment losses. Impairment testing of goodwill is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each Cash Generative Unit (CGU) or group of CGUs expected to benefit from the synergies of the combination, independently of any other assets or liabilities of the Group assigned to those units or groups of units.

Goodwill impairment is determined by evaluating the recoverable amount of the CGU or group of CGUs to which the goodwill is related. If the recoverable amount of the CGU(s) is less than the carrying amount, the Group recognises an impairment loss.

Impairment losses on goodwill may not be reversed in future periods.

If goodwill has been distributed to a CGU and the undertaking sells or otherwise disposes of an activity within that unit, the goodwill associated with the activity will be included in the activity's carrying amount when determining the result from the sale or disposal by other means and will be measured using the relative values of the activity that was sold or otherwise disposed of and the part of the CGU that is retained.

2) *The result of measuring the holdings by the equity method (after eliminating the result of intra-group transactions) is recognised under "Other reserves" and "Income of equity-accounted affiliates - net of taxes" in the Consolidated Statement of Financial Position and Consolidated Income Statement, respectively.*

3) *The value of minority interests in the equity and income of fully consolidated dependent companies is presented, respectively, under "Equity – Non-controlling interests" on the Liabilities side of the Consolidated Statement of Financial Position and "Non-controlling interests" in the Consolidated Income Statement.*

4) *Purchases of holdings from non-controlling interests in companies over which the Company exercises control and sales of holdings that do not result in a loss of control are treated as transactions between owners and, therefore, the income is recognised as a debit or credit against reserves.*

5) *Foreign companies' financial statements are translated at the year-end closing exchange rate. Under this method, all assets, rights and obligations are translated to euro using the exchange rates prevailing at the closing date of the Consolidated Financial Statements, while the average exchange rates for the year are applied to items in the Consolidated Income Statement, and equity is translated at the historical exchange rates at the date of acquisition (or the average exchange rate in the year of origin in the case of retained earnings, provided that there are no significant transactions that make the use of the average exchange rates inappropriate).*

The resulting translation difference is recognised in Reserves.

6) *All balances and transactions between fully consolidated companies are eliminated in consolidation.*

2.7. *Consolidated Cash Flow Statement*

The following terms are used in the Consolidated Cash Flow Statements, which were prepared using the direct method, with the meanings indicated below:

- *Cash flows: Inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments with a low risk of changes in value.*

- *Operating activities: The normal revenue-producing activities of Group companies and other activities that cannot be classified as investing or financing activities.*

- *Investing activities: The acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.*

- *Financing activities: Activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.*

3. VALUATION STANDARDS

3.1. Intangible assets

Intangible assets acquired individually are measured initially at the acquisition price. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any impairment. Interest costs are expensed in the year in which they are incurred.

The useful life of these intangible assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite life-span are amortised over their economic useful life and impairment is measured whenever there is any indication that the intangible asset may have been impaired. The amortisation period and amortisation method of intangible assets with a finite life-span are reviewed at least at the end of each year. Intangible assets with an indefinite lifetime are not amortised but are measured for impairment each year. The amortisation expense for intangible assets with finite life-spans is recognised in the Consolidated Income Statement under amortisation.

Concessions, patents, licenses, brands and similar are measured at the acquisition price. Where operating and distribution rights have a specific term, they are amortised on a straight-line basis over that period. Other rights are amortised on a straight-line basis over five years.

Computer software is carried at acquisition cost. It is amortised on a straight-line basis over three to four years.

Distribution rights are carried at the acquisition or payment price and are amortised on a straight-line basis over ten years, which is their validity period.

3.2. Goodwill

Goodwill in consolidation represents the future economic benefits from assets that cannot be identified individually and recognised separately.

Goodwill acquired since 1 January 2004 is recognised at acquisition cost. Goodwill is not amortised; at each year-end, goodwill is measured to assess if there has been any impairment that reduced its recoverable value, in which case it is written down.

3.3. Property, plant & equipment

Property, plant and equipment are carried at the acquisition or production cost, net of accumulated depreciation and any impairment, and include the value of legal revaluations under Royal-Decree Law 7/1996. In addition to the amount invoiced by the supplier, the acquisition price includes any additional expenses incurred up until the asset comes into service. Interest costs incurred until property, plant and equipment become operational and for a period exceeding one year are capitalised in accordance with the mandatory accounting treatment under IAS 23 (2009 amendment).

Depreciation is taken using constant percentages determined on the basis of the asset's estimated useful life.

The depreciation rates applied by the Group, which are reviewed each year, are as follows:

Asset	Annual rate
Buildings and other structures	2% - 3%
Machinery, fixtures and tools	8% - 25%
Transport equipment	16%
Furniture and fixtures	8%- 10%
Computer hardware	25%

Fixed asset maintenance and repair expenses are charged to income in the year in which they are incurred unless they entail an improvement or expansion, in which case they are capitalised.

Leased assets, where substantially all the risks and benefits of ownership are assumed by the Group under the contract terms, are classified as finance leases. Assets acquired under such leases are recognised at the lower of their fair value or the present value of the minimum payments at commencement of the lease contract, less accumulated depreciation and any impairment loss.

Potential impairments are analysed at the end of each year, by comparing the historical value recognised in the books with the recoverable value, i.e. the fair value less the cost of sale, or the value in use, whichever is higher.

3.4. Investment property

Investment property is carried at acquisition price less accumulated depreciation and any impairment. The acquisition price includes the amount paid to the seller plus additional expenses and interest incurred for a period of more than one year until the asset becomes operational, in accordance with the mandatory accounting treatment under IAS 23 (2009 amendment).

Depreciation is taken using constant percentages determined on the basis of the asset's estimated useful life.

The depreciation rates applied by the Group are as follows:

Asset	*Annual rate*
Buildings	*2%*
Plant	*8% - 12 %*

Investment property maintenance and repair expenses are charged to income in the year in which they are incurred unless they entail an improvement or expansion, in which case they are capitalised.

Impairment tests are performed at the end of each year, by comparing the historical value recognised in the books with the recoverable value, i.e. the fair value less the cost of sale, or the value in use, whichever is higher.

The value in use at year-end is determined by analysing the lease contracts in force at year-end, their estimated expiration and the projected future rental revenues. These assumptions yield an estimated value in use by means of the revenue capitalisation approach.

3.5. Investment in associated undertakings

The Group's investment in associates is carried by the equity method. To this end, a company is classified as an associate if the parent company has a significant influence but it is not a dependent company.

Under the equity method, the investment in the associate is recognised in the Consolidated Statement of Financial Position at cost plus any post-acquisition changes in the Group's interest in the associate's net assets. Goodwill in an associate is included in the carrying amount of the investment and is not amortised. After applying the equity method, the Group determines if it is necessary to recognise additional impairment with respect to the Group's net investment in the associate. The Consolidated Statement of Financial Position reflects the share in income from the associate. Where changes are recognised directly by the associate in its equity, the Group recognises its share in that change, disclosing it in the statement of changes in equity, if appropriate.

3.6. Financial assets

Financial assets

The Group measures current and non-current financial assets as follows:

Loans and receivables: These are initially recognised in the Consolidated Statement of Financial Position at market value (the economic consideration at the transaction date) and are subsequently measured at amortised cost using the effective interest rate.

The PRIM Group provisions the difference between the amount of the receivables considered recoverable and their carrying amount.

Available-for-sale assets: These are all the investments that are not in the preceding category: financial investments in equity instruments and in securities representing debt issued by private and public sector issuers of acknowledged solvency.

These investments are also reported in the Consolidated Statement of Financial Position at year-end fair value; in the case of unlisted companies, the fair value is obtained through alternative methods such as comparison with similar transactions or, if sufficient information is available, by discounting expected cash flows.

a. Fixed-income securities (debt securities)

The debt securities in this item of the Consolidated Statement of Financial Position are financial instruments that are traded in an active market; accordingly, the market value is determined based on the price in that market. Consequently, for the purpose of the levels referred to in paragraph 97 of IFRS 13, all these financial instruments are classified as level 1.

b. Equity instruments

Value adjustments (both positive and negative) are disclosed in the Consolidated Statement of Comprehensive Income.

Any impairments (reduction in fair value above a certain percentage for a certain time, issuer default, etc.) are recognised in the Consolidated Statement of Income, while reversals of impairment are recognised in the Consolidated Statement of Comprehensive Income.

Equity interests in unlisted companies whose market value can not be measured reliably are valued at acquisition cost.

In practice, all of these available-for-sale financial assets are measured at historical cost due to the impossibility of measuring fair (market) value since they are not listed in an organised market and it is impossible to obtain information about comparable transactions that would enable us to obtain a market value other than historical cost.

The equity instruments classified as Financial assets available for sale which do not have a listed market price are measured at cost in accordance with IAS 39. At year-end, the Consolidated Group did not intend to sell or otherwise dispose of these financial instruments.

The PRIM Group determines the most appropriate classification for each asset upon acquisition, reviews it at the end of each year, and recognises conventional purchases and sales of financial assets on the transaction date.

Derecognition of financial assets: *A financial asset is derecognised when:*

- *The contractual rights to receive cash flows from the asset have expired.*

- *The PRIM Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full to a third party and has transferred substantially all the asset's benefits and risks or does not retain them substantially.*

- *The PRIM Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.*

Impairment of financial assets

The Group adjusts the carrying amount of financial assets against the Consolidated Income Statement when there is objective evidence of impairment.

To determine impairment loss, the Group assesses the potential loss of both individual assets and groups of assets with similar risk characteristics.

Debt instruments

There is objective evidence of impairment of debt instruments (i.e. accounts receivable, debt claims and debt securities) when, after initial recognition, an event occurs with a negative impact on estimated future cash flows.

The Group classifies as impaired (doubtful) assets those debt instruments for which there is objective evidence of impairment, basically the existence of bad debts, default, breach, refinancing or data evidencing that the agreed future flows may not be collected in full or that there may be a delay in collection.

For financial assets carried at amortised cost, the amount of impairment losses is equal to the negative difference between the carrying amount and the present value of future cash flows that it is estimated they will generate, discounted at the effective interest rate existing at the time of initial recognition of the assets. For financial assets at floating rates, the effective interest rate at the closing date of the financial statements is used. Trade and other receivables where the balances are more than six months past due and there is no assurance of recovery, and balances of companies that have declared themselves to be insolvent, are classified as doubtful assets. In particular, accounts receivable from private customers are classified as doubtful and provisioned once they are six months past due. Accounts receivable from public authorities are provisioned only where there are reasonable doubts as to recovery, regardless of the age of the debt.

In the case of listed instruments, the Group uses market value instead of the present value of future cash flows, provided that it is sufficiently reliable.
In the case of "Financial assets available for sale", where there is objective evidence that a reduction in fair value is due to impairment, the unrealised capital loss recognised as "Impairment loss" in equity is transferred to profit and loss.

The reversal of impairment is recognised in the Consolidated Statement of Income as revenue and is limited to the carrying amount that would have been recognised at the reversal date had no impairment loss been recognised for the asset.

Equity instruments

There is objective evidence of impairment of equity instruments when, after initial recognition, an event or combination of events occurs with the result that the carrying amount will not be recovered due to a prolonged or significant decline in fair value. For these purposes, the Group considers in any event that listed equity instruments are impaired when their value has decreased over 18 months and by 40% of their initial quoted price without having recovered their initial value.

In the case of equity instruments measured at cost and classified under "Financial assets available for sale", impairment loss is measured as the difference between acquisition cost and fair value less previously-recognised impairment losses. Unrealised capital losses recognised directly as "Value adjustments" in equity are transferred immediately to the Consolidated Income Statement if it is determined that the decline in fair value is due to impairment. If part or all of the impairment losses are subsequently recovered, their amount is recognised as "Value adjustments" in equity.

In the case of equity instruments recognised at cost that are categorised as "Financial assets available for sale", the impairment loss is calculated as the difference between the carrying amount and the recoverable amount, which is the higher of the fair value less the cost of sale and the present value of the future cash flows arising from the investment. Except where there is better evidence, impairment is estimated taking account of the investee company's net equity corrected for any unrealised capital gains existing at the measurement date.

The reversal of impairment is recognised in the Consolidated Income Statement and is limited to the carrying amount that would have been recognised at the reversal date had no impairment loss been recognised for the asset, in the case of investments in group and associated undertakings; impairment recognised in previous years on financial assets available for sale cannot be reversed.

Reclassification of financial assets

When an investment in equity is no longer classified as such, the investment in that undertaking is measured according to the rules on financial assets available for sale.

3.7. Financial liabilities

a) Trade accounts payable, loans and other accounts payable

Trade accounts payable arising in the ordinary course of business are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

b) Interest-bearing loans

These debts are initially recognised at the fair value of the consideration received, net of the costs directly attributable to the transaction. In subsequent periods, they are measured at amortised cost based on the effective interest method. Any difference between the cash received (net of transaction costs) and the reimbursement value is recognised in the P&L over the contract period.

Financial liabilities are derecognised in the Consolidated Statement of Financial Position when the corresponding obligation is settled or cancelled or it expires. When a financial liability is replaced by another in substantially different terms, the change is treated as a derecognition of the original liability and the recognition of the new liability, the difference between the respective carrying amounts being recognised in P&L.

3.8. Inventories

Inventories are measured at the average acquisition or production cost, or at net realisable value (if lower).

For these purposes, the acquisition cost of merchandise, raw materials and ancillary materials is taken to be that on the supplier invoice plus all additional expenses incurred until the goods are in the warehouse.

The production cost of finished and semi-finished products is the acquisition cost of the raw materials and other consumables plus the costs directly allocable to the product and the reasonably allocable part of indirect costs, insofar as such costs correspond to the manufacturing period.

The impairment of inventories is measured at year-end, taking account of expired, obsolete or slow-moving items. The approach is to classify as obsolete any product which has been in inventory for more than one year but which has not registered any purchases or sales in the last six months.

The Parent Company has licence contracts for some of the products it manufactures.

3.9. Cash and cash equivalents

Cash and cash equivalents recognised in the Consolidated Statement of Financial Position comprise cash on hand and at bank, demand deposits and other highly-liquid investments maturing at under three months from the date of arrangement. These items are carried at historical cost, which does not differ materially from realisable value.

For the purposes of the consolidated cash flow statement, the balance of cash and cash equivalents defined in the preceding paragraph is presented net of any bank overdrafts.

3.10. Treasury shares

At year-end, the PRIM Group's treasury shares are recognised as a reduction of "Equity-Own shares" in the Consolidated Statement of Financial Position and are measured at acquisition cost.

Gains and losses obtained by the companies on disposal of treasury shares are recognised in "Other reserves" in the Consolidated Statement of Financial Position.

3.11. Dividends

The interim dividends declared by the Board of Directors are presented as a deduction from PRIM Group equity.

3.12. Recognition of revenues and expenses

In general, revenues and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Sales are considered to be completed upon physical delivery and acceptance by the customer.

Revenues for services are recognised when the result of the transaction can be estimated reliably, for which purpose the percentage of performance of the service at year-end is considered. Consequently, revenues for the provision of services are recognised only if all of the following conditions are met:

a. *The revenue amount can be estimated reliably*
b. *The Group is likely to receive the economic benefit or yield arising from the transaction*
c. *The degree to which the service has been delivered as of year-end can be measured reliably, and*
d. *The costs already incurred in providing the service and those that remain to be incurred until its completion can be measured reliably.*

Revenues from the sale of goods and the provision of services are measured at the fair value of the consideration received or to be received as a result. The taxes on the sale of goods and the provision of services that the company must charge to third parties, such as value added tax and excise tax, do not form part of revenues.

The Group reviews and, if necessary, modifies the estimates of revenues to be received as the service provision advances.

Where the outcome of a service provision transaction cannot be estimated reliably, revenues are recognised only to the extent that the recognised expenses can be classified as recoverable.

3.13. Corporate income tax

Corporate income tax is recognised in the Consolidated Income Statement or in equity in the Consolidated Statement of Financial Position depending on where the gains or losses leading to it were recognised. Differences between the carrying amount of assets and liabilities and their tax base lead to deferred tax asset or liability accounts, which are calculated using the tax rates that are expected to be in force when the assets and liabilities are realised.

Variations during the year in deferred tax assets and liabilities not arising from business combinations are recognised in the Consolidated Income Statement or in equity in the Consolidated Statement of Financial Position, as appropriate.

Deferred tax assets are recognised only when it is expected that there will be sufficient future taxable income against which to offset the tax credits for timing differences or there are offsetting deferred tax liabilities.

The Group companies pay tax on an individual basis.

3.14. Earnings per share

Earnings per share are calculated as the ratio between net income in the period attributable to the Parent Company and the weighted average number of ordinary shares that were outstanding in that period, not including shares of the PRIM Parent Company held by PRIM Group companies.

Diluted earnings per share are calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would be issued if all potential ordinary shares were converted into ordinary shares of PRIM.
For these purposes, shares are assumed to be converted at the beginning of the year (or at the date of issue, in the case of potential ordinary shares issued during the current year).

In the consolidated financial statements of the PRIM Group for the years ended 31 December 2015 and 2014, basic earnings per share coincide with diluted earnings per share since there were no instruments outstanding during these years that could be converted into ordinary shares.

3.15. Transactions and balances in foreign currency

Transactions in foreign currency are recognised in euro at the exchange rate in force at the transaction date. Exchange differences resulting from foreign currency transactions are recognised as financial income in the Consolidated Income Statement when they arise.

Accounts receivable and payable in foreign currency are measured at year-end at the exchange rate in force at the time. Exchange gains and losses that arise are recognised as financial income in the Consolidated Income Statement.

3.16. Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the Consolidated Statement of Financial Position as current or non-current. Assets and liabilities are classified as current when they are associated with the normal operating cycle of the Group companies and it is expected that they will be sold, consumed, realised or settled within the normal course of that cycle; if they differ from the aforementioned assets, but are expected to mature, or be sold or settled within one year; if they are held for trading or are cash and cash equivalents whose use is not restricted for more than one year.

The normal operating cycle for all activities is one year.

3.17. Environmental assets and liabilities

Environmental expenses correspond to the Group's environmental activities and are registered under "Other operating expenses" in the Consolidated Income Statement in accordance with the accrual principle.

Environmental assets are recognised at acquisition price or production cost, and are depreciated over their useful lives.

3.18. Related-party transactions

Related-party transactions are measured as described above.

The prices of related-party transactions are properly documented; accordingly, the Group's directors do not consider it likely that significant tax liabilities will arise.

3.19. Provisions

Provisions are recognised in the Consolidated Statement of Financial Position when the Group has a present obligation (derived from law, a contract, or an implicit or tacit commitment) as a result of past events and it is considered likely that a quantifiable outflow of resources will be required to settle the obligation.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party, and adjustments arising due to updating the provision are recognised as a financial expense as they accrue. Provisions falling due within one year, where the financial effect is not material, are not discounted. Provisions are reviewed at each closing date of the Consolidated Statement of Financial Position and are adjusted to reflect the current best estimate of the related liability.

3.20. Leases

Leases are considered to be finance leases when, based on the economic terms of the arrangement, substantially all risks and rewards inherent to ownership of the leased item are transferred to the lessee. All other lease arrangements are classified as operating leases.

Group companies as lessees

Assets acquired under financial lease arrangements are recognised, based on their nature, at the fair value of the leased item or, if lower, the present value of the minimum lease payments at the commencement of the lease. A financial liability is recognised for the same amount. Lease payments are apportioned between finance charges and reduction of the lease liability. These assets are depreciated, impaired, and derecognised using the same criteria applied to other assets of a similar nature.

Operating lease payments are recognised as expenses in the Consolidated Income Statement when accrued.

The Group's main operating leases relate to vehicles, structures and furniture.

Group companies as lessors

Operating lease revenues are recognised in consolidated profit and loss when accrued. Direct costs attributable to the contract are recognised as an increase in the value of the leased asset and as an expense over the term of the contract using the same method as for recognising lease revenues.

3.21. Critical aspects of measuring and estimating uncertainty

There are no material uncertainties or aspects about the future entailing a significant risk that might entail significant changes in the value of assets and liabilities in the following year.

There were no changes in accounting estimates such as to materially affect the current year or future years.

4. SEGMENT REPORTING

The Group's information is reported, primarily, by business segment and, secondarily, by geographical segment.

The group's operating businesses are organised and managed separately in accordance with the nature of the products and services they sell, so that each business segment represents a strategic business unit offering different products and supplying different markets.

There are no other segments in the Consolidated Financial Statements apart from the ones that are identified.

As regards the Medical and Orthopaedic Supplies segment, the Group adopts all strategic and operating decisions on a joint basis for all activities in this area; accordingly, there is no additional breakdown for this segment.

The Board of Directors is the ultimate authority in making operating decisions to define operating segments.

4.1. Business segments

a) Medical and orthopaedic supplies

The "medical supplies" business focuses on selling a number of products grouped into the following families:

- *Cardiovascular*
- *Reconstructive plastic surgery*
- *Pain unit*
- *Endosurgery*
- *Otorhinolaryngology*
- *Prim Spa*
- *Surgery*
- *Traumatology, neurosurgery and biomaterials*

The "orthopaedic supplies" business consists of the production and distribution of orthopaedic products and technical aids and the sale of applied orthopaedic products and technical aids of different types, including articulated electric beds, trolleys, patient hoists, chairs, cupboards and all types of accessories and furniture, particularly geriatric.

As a result, there is a clear difference between the "medical supplies" and "orthopaedic supplies" activities.

The revenue breakdown is as follows:

	31/12/2015	31/12/2014
Segment I. (Medical-Hospital)	**98.859.884,40**	**93.850.852,13**
"Medical supplies" activity	74.713.961,10	70.081.170,43
"Orthopaedic supplies" activity	24.145.923,30	23.769.681,70
Segment II. (Real Estate)	**367.896,80**	**354.730,69**
REVENUES	**99.227.781,20**	**94.205.582,82**

We do not have the necessary information to distinguish, within Medical-Hospital, between the assets and results of the Medical Supplies and Orthopaedic Supplies segments.

b) Real estate segment

The real estate business involves engaging in all types of real estate transactions: purchasing and selling rural and urban properties, exploiting properties, repairing and refurbishing buildings, construction of industrial buildings, and the sale of properties of all types.

The only Group-owned property in the real estate segment is the property owned by the parent company located at avenida Llano Castellano, 43 (Madrid). This property, which is the former headquarters of the parent company, was refurbished for lease to third parties and became operational in the year ended 31 December 2006.

4.2. Geographical segments

The Group's geographical segments are based on the customers' location.

There are two geographical segments:

a) Spain: This includes commercial activity with customers in Spain.

b) International: This includes commercial activity with customers in European Union countries other than Spain, and in other non-EU countries.

4.3. Segment figures

The table below presents information about the revenues and income and certain assets and liabilities corresponding to the Group's business segments in the years ended 31 December 2015 and 2014.

a) *Year ended 31 December 2015:*

Segment I: *Medical-hospital segment*
Segment II: *Real estate segment*

	Segment I	Segment II	Total
Net sales			
External customers	98.859.884,40	367.896,80	99.227.781,20
Between segments	0,00	0,00	0,00
Other revenues	670.473,61	180.521,30	850.994,91
Change in inventories	273.389,19	0,00	273.389,19
Segment revenues	99.803.747,20	548.418,10	100.352.165,30
Segment net operating income	11.344.215,15	118.405,39	11.462.620,54
Net financial income	1.778.920,20	0,00	1.778.920,20
Impairment and income from disposal of other financial assets	729.517,68	0,00	729.517,68
Share in income of undertakings accounted for by the equity method	70.563,00	0,00	70.563,00
Other revenues and expenses	0,00	0,00	0,00
Income before taxes	13.923.216,03	118.405,39	14.041.621,42
Corporate income tax			-3.913.272,66
Non-controlling interests			0,00
Income for the year attributable to controlling company (continuing operations)			**10.128.348,76**
Segment assets and liabilities			
Investment in associated undertakings	847.030,01	0,00	847.030,01
Other assets of the segment	112.062.183,57	3.304.339,54	115.366.523,11
Total assets	112.909.213,58	3.304.339,54	116.213.553,12
Total liabilities	23.967.206,25	0,00	23.967.206,25
Other segment information			
Investment in assets			
Intangible assets	49.953,05	0,00	49.953,05
Property, plant & equipment	1.429.368,05	0,00	1.429.368,05
Investment property	0,00	66.209,70	66.209,70
Impairment and disposal of other financial assets	729.517,68	0,00	729.517,68
Period depreciation and amortisation	-1.775.697,36	-148.117,10	-1.923.814,46
Cash flows	-5.614.225,90	140.800,68	-5.473.425,22

b) *Year ended 31 December 2014*

Segment I:	*Medical-hospital segment*
Segment II:	*Real estate segment*

	Segment I	Segment II	Total
Net sales			
External customers	93.850.852,13	354.730,69	94.205.582,82
Between segments	0,00	0,00	0,00
Other revenues	320.835,98	132.922,97	453.758,95
Change in inventories	217.254,08	0,00	217.254,08
Segment revenues	94.388.942,19	487.653,66	94.876.595,85
Segment net operating income	11.573.999,23	243.779,77	11.817.779,00
Net financial income	2.366.219,33	0,00	2.366.219,33
Impairment and income from other financial assets	85.303,33	0,00	85.303,33
Share in income of undertakings accounted for by the equity method	11.659,00	0,00	11.659,00
Other revenues and expenses	0,00	0,00	0,00
Income before taxes	14.037.180,89	243.779,77	14.280.960,66
Corporate income tax			-4.319.433,61
Non-controlling interests			0,00
Income for the year attributable to controlling company (continuing operations)			**9.961.527,05**

Segment assets and liabilities

	Segment I	Segment II	Total
Investment in associated undertakings	700.624,01	0,00	700.624,01
Other assets of the segment	112.574.603,41	3.267.939,70	115.842.543,11
Total assets	113.275.227,42	3.267.939,70	116.543.167,12
Total liabilities	23.878.558,38	0,00	23.878.558,38

Other segment information

	Segment I	Segment II	Total
Investment in assets			
Intangible assets	219.779,58	0,00	219.779,58
Property, plant & equipment	2.878.764,78	0,00	2.878.764,78
Investment property	0,00	0,00	0,00
Impairment and income from other financial assets	85.303,33	0,00	85.303,33
Period depreciation and amortisation	-1.699.660,59	-89.566,94	-1.789.227,53
Cash flows	6.955.207,45	218.277,13	7.173.484,58

4.4. Geographical segments

The table below presents information about the revenues and income and certain assets and liabilities corresponding to the Group's geographical segments in the years ended 31 December 2015 and 2014.

a) Year ended 31 December 2015

Segment I:	*Spain*
Segment II:	*Rest of European Union and other countries*

	Segment I	*Segment II*	*Total*
Net sales			
External customers	87.955.440,35	11.272.340,85	99.227.781,20
Between segments	0,00	0,00	0,00
Other operating revenues	850.994,91	0,00	850.994,91
Change in inventories	273.389,19	0,00	273.389,19
Segment revenues	89.079.824,45	11.272.340,85	100.352.165,30
Segment assets			
Total assets	112.955.505,52	3.258.047,60	116.213.553,12
Other segment information			
Investment in assets			
Intangible assets (Note 5)	49.953,05	0,00	49.953,05
Property, plant & equipment (Note 6)	1.429.368,05	0,00	1.429.368,05
Investment property (Note 7)	66.209,70	0,00	66.209,70
Total	1.545.530,80	0,00	1.545.530,80

b) Year ended 31 December 2014

Segment I:	*Spain*
Segment II:	*Rest of European Union and other countries*

	Segment I	*Segment II*	*Total*
Net sales			
External customers	*83.431.973,54*	*10.773.609,28*	*94.205.582,82*
Between segments	*0,00*	*0,00*	*0,00*
Other operating revenues	*453.758,95*	*0,00*	*453.758,95*
Change in inventories	*217.254,08*	*0,00*	*217.254,08*
Segment revenues	*84.102.986,57*	*10.773.609,28*	*94.876.595,85*
Segment assets			
Total assets	*113.596.977,57*	*2.946.189,55*	*116.543.167,12*
Other segment information			
Investment in assets			
Intangible assets (Note 5)	*219.580,39*	*199,19*	*219.779,58*
Property, plant & equipment (Note 6)	*2.877.651,04*	*1.113,74*	*2.878.764,78*
Investment property (Note 7)	*0,00*	*0,00*	*0,00*
Total	*3.097.231,43*	*1.312,93*	*3.098.544,36*

5. INTANGIBLE ASSETS

The variations in 2015 and 2014 are as follows:

a) Year ended 31 December 2015

	BALANCE 31.12.14	TRANSFERS	RECOGNITION / PROVISION	BALANCE 31.12.15
COST				
Computer software	1.056.131,25	15.340,00	34.613,05	1.106.084,30
Concessions, patents, licences, brands and similar	960.664,05			960.664,05
Distribution rights	0,00			0,00
Other intangible assets	55.000,00			55.000,00
TOTAL	2.071.795,30	15,340.00(1)	34.613,05	2.121.748,35
AMORTISATION				
Computer software	-794.500,43		-114.226,91	-908.727,34
Concessions, patents, licences, brands and similar	-960.664,05			-960.664,05
Distribution rights	0,00			0,00
Other intangible assets	-32.893,00		-5.496,00	-38.389,00
TOTAL	-1.788.057,48	0.00	-119.722,91	-1.907.780,39
NET INTANGIBLE ASSETS	**283.737,82**			**213.967,96**

(1) Corresponds to transfers from the construction in progress to computer software accounts.

b) *Year ended 31 December 2014*

	BALANCE 31.12.13	RECOGNITION/ PROVISION	DERECO GNITION	BALANCE 31.12.14
COST				
Computer software	*836.351,67*	*219.779,58*		*1.056.131,25*
Concessions, patents, licences, brands and similar	*960.664,05*			*960.664,05*
Distribution rights	*703.184,16*		*-703.184,16*	*0,00*
Other intangible assets	*55.000,00*			*55.000,00*
TOTAL	*2.555.199,88*	*219.799,58*	*-703.184,16*	*2.071.795,30*
AMORTISATION				
Computer software	*-684.037,76*	*-110.462,67*		*-794.500,43*
Concessions, patents, licences, brands and similar	*-960.664,05*			*-960.664,05*
Distribution rights	*-703.184,16*		*703.184,16*	*0,00*
Other intangible assets	*-27.397,00*	*-5.496,00*		*-32.893,00*
TOTAL	*-2.375.282,97*	*-115.958,67*	*703.184,16*	*-1.788.057,48*
NET INTANGIBLE ASSETS	***179.916,91***			***283.737,82***

In particular, distribution rights of the company Enraf Nonius Ibérica, S.A. were derecognised in the amount of 703,184.16. These rights had been fully amortised at 2013 year-end.

New software for improvement in the various areas of operations, including virtualisation of the Group's computing systems, was recognised in 2014.

The fully amortised items in use under this heading amounted to 1,586,688.34 euro as of 31 December 2014 and 1,801,484.14 euro as of 31 December 2015.

6. PROPERTY, PLANT AND EQUIPMENT

The variations in 2015 and 2014 are as follows:

a) Year ended 31 December 2015

	BALANCE 31.12.14	TRANSFERS	RECOGNITION/ PROVISIONS	DERECOGNITION / REDUCTIONS	BALANCE 31.12.15
COST					
Land and other structures	7.569.047,07	331.923,25	0,00	0,00	7.900.970,32
Plant and machinery	1.979.003,03	208.449,54	181.056,36	-56.972,87	2.311.536,06
Other installations, tools and furniture	13.236.066,69	67.989,83	1.151.183,07	-157.455,32	14.297.784,27
Other assets	1.885.523,63	0,00	87.388,40	-5.780,22	1.967.131,81
In progress	614.100,72	-623.702,62	9.740,70	-138,80	0,0
TOTAL	25.283.741,14	-15.340,00 (1)	1.429.368,53	-220.347,21	26.477.422,46
DEPRECIATION					
Land and other structures	-3.124.284,25	0,00	-233.107,04	0,00	-3.357.391,290
Plant and machinery	-1.351.125,86	0,00	-128.901,29	56.972,87	-1.423.054,28
Other installations, tools and furniture	-9.697.121,83	0,00	-1.258.833,85	60.175,76	-10.895.779,92
Other assets	-1.601.845,99	0,00	-168.058,32	5.780,22	-1.764.124,09
TOTAL	-15.774.377,93	0,0	-1.788.900,50	122.928,85	-17.440.349,58
NET PROPERTY, PLANT AND EQUIPMENT	**9.509.363,21**				**9.037.072,88**

(1) Corresponds to transfers from the construction in progress to computer software accounts.

b) *Year ended 31 December 2014*

	BALANCE 31.12.13	TRANSFERS	RECOGNITION/ PROVISIONS	DERECOGNITION / REDUCTIONS	BALANCE 31.12.14
COST					
Land and other structures	7.176.721,71	392.325,36	0,00	0,00	7.569.047,07
Plant and machinery	1.858.255,08	0,00	123.573,95	-2.826,00	1.979.003,03
Other installations, tools and furniture	16.476.317,96	14.731,70	1.231.198,98	-4.486.181,95	13.236.066,69
Other assets	1.811.883,65	0,00	73.639,98	0,00	1.885.523,63
In progress	90.215,67	-407.057,06	930.942,11	0,00	614.100,72
TOTAL	27.413.394,07	0,0	2.359.355,02	-4.489.007,95	25.283.741,14
DEPRECIATION					
Land and other structures	-2.959.495,62	0,00	-164.788,63	0,00	-3.124.284,250
Plant and machinery	-1.258.908,72	0,00	-93.969,18	1.752,04	-1.351.125,86
Other installations, tools and furniture	-12.919.555,30	0,00	-1.219.015,62	4.441.449,09	-9.697.121,83
Other assets	-1.472.807,97	0,00	-129.583,80	545,78	-1.601.845,99
TOTAL	-18.610.767,61	0,0	-1.607.357,23	4.443.746,91	-15.774.377,93
NET PROPERTY, PLANT AND EQUIPMENT	**8.802.626,46**				**9.509.363,24**

Recognitions in 2015 and 2014 relate mainly to tools for the various divisions.

Transfers refer basically to the expansion of the facilities in Casarrubios del Monte (Toledo).

Notable derecognitions in 2014 related to fully depreciated assets that were in disuse. The assets that were derecognised had a cost (and accumulated depreciation) of 4,428,973.44 euro.

Fully depreciated assets that were in disuse were derecognised in 2015 for a cost (and accumulated depreciation) of 115,648.57 euro (in the machinery and furniture accounts).

6.1. Revaluation of property, plant and equipment

The Parent Company availed itself of the asset revaluations allowed under Royal Decree-Law 7/1996, dated 7 June, and included the corresponding revaluation entries in the 1996 Consolidated Statement of Financial Position.

The increase in value or net capital gain was calculated using the revaluation coefficients depending on the year of acquisition of the asset.

Those coefficients were applied to both the cost and the accumulated depreciation, and the following values were obtained:

	(euro)
Revaluation of cost	*1.673.663*
Revaluation of depreciation	*-301.322*
Net capital gain (before tax charge)	*1.372.341*

The undepreciated amount of the revaluation was 64,948.41 euro as of 31 December 2014 and 61,713.45 euro as of 31 December 2015.

The effect of the revaluation on the following year's depreciation is not material.

6.2. Fully depreciated assets

The Company has a number of fully depreciated items of property, plant and equipment which are not obsolete and are still in use.

The detail of the amount is as follows:

Fully depreciated assets		*(euro)*
	2015	*2014*
Structures	*893.383,30*	*893.383,30*
Installations, machinery, tools and furniture	*10.228.866,35*	*8.469.678,79*
Other tangible fixed assets	*83.197,89*	*61.585,50*
TOTAL	***11.205.447,54***	***9.424.647,59***

6.3. *Impairment analysis*

As of 31 December 2015 and 2014, the Group analysed whether there were any indications of asset impairment. Since no such indications were observed, it was not considered necessary to perform impairment tests.

6.4. *Use in operations and insurance*

All the property, plant and equipment is used in operations in pursuit of the object of the various undertakings within the consolidated group. Moreover, those assets are properly insured with sufficient coverage for common contingencies that may arise in the course of the undertaking's business, and none of them are subject to liens of any type.

6.5. *Capitalised financial expenses*

There are no capitalised financial expenses and none that should be capitalised. In this regard, the Group has not received specific funding for the purchase of any item of property, plant and equipment.

6.6. *Property, plant and equipment with liens*

In 2011, Prim, S.A. established a mortgage on the property at Calle C, Polígono Industrial número 1, Móstoles, in favour of the Spanish State Tax Agency as surety for the payment of the amounts assessed as a result of the tax audits of 2006 and 2007 (See note 17). For this purpose, the mortgaged property was appraised at 2,680,300.00 euro by TasaMadrid on 25 May 2011.

The mortgage guaranteed payment of the amount assessed against the controlling company (Prim, S.A.) under those audits.

7. INVESTMENT PROPERTY

The variations in 2015 and 2014 are as follows:

a) Year ended 31 December 2015

	BALANCE 31.12.14	RECOGNITION/ PROVISIONS	OTHERS	BALANCE 31.12.15
COST				
Land and other structures	4.235.065,32	0,00	0,00	4.235.065,32
Other installations, tools and furniture	1.734.168,19	66.209,70	0,00	1.800.377,89
TOTAL	5.969.233,51	66.209,70	0,00	6.035.443,21
DEPRECIATION				
Land and other structures	-985.303,60	-75.687,98	50.724,00	-1.010.267,58
Other installations, tools and furniture	-1.715.990,21	-4.845,88	0,00	-1.720.836,09
TOTAL	-2.701.293,81	-80.533,86	50.724,00	-2.731.103,67
INVESTMENT PROPERTY	3.267.939,70	-14.324,16	50.724,00	3.304.339,54

b) Year ended 31 December 2014

	BALANCE 31.12.13	RECOGNITION/ PROVISIONS	OTHERS	BALANCE 31.12.14
COST				
Land and other structures	4.235.065,32	0,00	0,00	4.235.065,32
Other installations, tools and furniture	1.734.168,19	0,00	0,00	1.734.168,19
TOTAL	5.969.233,51	0,00	0,00	5.969.233,51
DEPRECIATION				
Land and other structures	-909.615,04	-75.688,56	0,00	-985.303,60
Other installations, tools and furniture	-1.711.148,33	-4.841,88	0,00	-1.715.990,21
TOTAL	-2.620.763,37	-80.530,44	0,00	-2.701.293,81
INVESTMENT PROPERTY	3.348.470,14	-80.530,44	0,00	3.267.939,70

The Group's real estate assets correspond to a building in Avenida de Llano Castellano 43 (Madrid) that is for lease to third parties.

General description of the leases

The leases refer to the building at Avenida del Llano Castellano, 43, in Madrid, which has a total gross lettable area of 7,329 square metres and 70 parking spaces.

In addition to the lettable area (which may not be used as dwelling space), the contracts generally include the lease of several parking spaces.

The contracts are governed by Law 29/1994, of 24 November on Urban Leases and, otherwise, by the applicable rules of the Civil Code and the Commercial Code.

Rent is adjusted each year in line with variations in the Consumer Price Index (for Spain as a whole, published by the Spanish National Statistics Institute or any other body that takes its place) during the twelve months immediately preceding the date of the update or revision.

A lease is currently in force with a one-year term starting from 1 April 2015, which may be extended by one-year increments.

As of 31 December 2014, there were two lease contracts, one signed on 1 November 2013 for two years and one signed on 1 April 2014 for one year.

Analysis of impairment and fair value estimate at year-end

Investment property is measured and reported at cost in the Consolidated Statement of Financial Position.

Potential impairments are analysed at the end of each year by comparing the historical value recognised in the books with the recoverable value, i.e. the fair value less the cost of sale, or the value in use, whichever is higher.

Recoverable value is analysed by comparing historical cost, per books, with the value in use estimated at year-end. The value in use is estimated on the basis of our market knowledge and professional judgment, together with other variables such as: lessee profile, future revenue flows, state of upkeep of the building and its installations, and estimates of necessary repairs in the future. All of this data is weighted for the specific features of the property market in the city of Madrid, where the investment property is located.

The value in use at year-end is determined by analysing the lease contracts in force at year-end, their estimated expiration and the projected future rental revenues. These assumptions yielded an estimated value in use by means of the revenue capitalisation approach.

At the end of 2015 and 2014, the value in use exceeded the cost, with the result that no correction in value was required.

Methods and assumptions used to determine the fair value of investment property

The value in use is determined at the end of each year using the revenue capitalisation approach, based on the following assumptions:

- *The revenues to be capitalised are those collected as rent for leases, strictly speaking, i.e. excluding reimbursement of costs incurred by the lessor (surveillance, cleaning, etc.).*
- *All contracts in force at the end of the year were included.*
- *At year-end, an estimate is made for the next five years, and a perpetual rent is assumed thereafter.*
- *The leased floor space is assumed to increase each year (by 5% of the available area, i.e. the area that is not leased at year-end, each year) A 20% increase was assumed in 2014.*
- *Rent is assumed to increase in line with the inflation projected for the coming years (estimated at 2% year-on-year)*
- *A discount rate similar to WACC for the sector in which the company operates was used (10.1%).*
- *Using this assumption, a value in use was calculated, confirming that there is no need to recognise any impairments by comparison with the carrying amount of the investment property In 2014, that value in use was 6.9 million euro, reduced to 4.1 million euro in 2015 as a result of the reduction in leased floor space.*

Impact on the recoverable value of investment property as a result of a plausible change in the key assumptions

In compliance with IAS 1.122, below is disclosed the impact on the investment property's value in use of a plausible change in the key assumptions:

Increase in lettable area (as % of the total available)	Discount rate (%)	CPI (%)	Estimated value in use (million euro)
5	10,1	2	4,1
5	10,1	4	4,4
10	10,1	2	5,4
10	10,1	4	5,9
5	8	2	5,4
5	8	4	5,9
10	8	2	7,2
10	8	4	7,9

The outcome of the sensitivity analysis performed in 2014 is as follows:

Increase in lettable area (as % of the total available)	Discount rate (%)	CPI (%)	Estimated value in use (million euro)
20	10,1	2	6,9
20	10,1	4	7,5
10	10,1	2	5,6
10	10,1	4	6,1
20	8	2	9,1
20	8	4	9,9
10	8	2	7,4
10	8	4	8,0

Breakdown of operating costs from investment property

Operating costs associated with the property which generated rent revenues totalled 95,751.92 euro in 2014 and 145,477.41 euro in 2015, and operating costs which did not generate rent revenues totalled 148,121.97 euro in 2014 and 284,535.30 euro in 2015.

Lease revenues from the Llano Castellano property amounted to 354,730.69 euro in 2014 and to 367,871.40 in 2015.

Operating costs which generate revenues are costs related to the specific property and, while they are originally borne by Prim, S.A., they are later passed on to tenants (security, cleaning, etc.).

Operating costs which do not generate revenues are those costs related to the specific property which are originally borne by Prim, S.A. and are not passed on to tenants; the most significant such cost is depreciation of the property.

Recognition of accrued revenues from investment property

Prim Group recognises rent revenues on a straight-line basis, in accordance with the rent amounts agreed with the tenants. Information related to the Group's operating leases is detailed in notes 23.1 and 4.3 to these Consolidated Financial Statements.

<u>*Minimum future receipts*</u>

As of 2015 year-end, the Group calculated the minimum future lease receipts under this lease contract. Those minimum lease payments up to the next annual renewal, in April 2016, amount to 79,200.00 euro (71,934.60 euro in net present value).

(The discounted amount of minimum future payments was calculated using the WACC of the sector in which the company operates: 10.1% for 2015)

8. INVESTMENT IN ASSOCIATES

The detail of the Group's associates, carried by the equity method, and the variations in 2015 and 2014 are as follows:

a) Year ended 31 December 2015

COMPANY	Balance 31/12/14	Income for the year	Changes in % ownership	Exchange differences	Balance 31/12/15
Network Medical Products, Ltd.	700.624,01	70.563,00	0,00	75.843,00	847.030,01
TOTAL	700.624,01	70.563,00	0,00	75.843,00	847.030,01

b) Year ended 31 December 2014

COMPANY	Balance 31/12/13	Income for the year	Changes in % ownership	Exchange differences	Balance 31/12/14
Network Medical Products, Ltd.	675.179,01	11.659,00	0,00	13.786,00	700.624,01
TOTAL	675.179,01	11.659,00	0,00	13.786,00	700.624,01

The information about the main associates is as follows:

a) Year ended 31 December 2015

Figures in euro	Network Medical Products, Ltd
Assets	2.069.149,37
Liabilities	456.209,98
Income for the year	161.545,97
Revenues	5.950.799,77

b) Year ended 31 December 2014

Figures in euro	*Network Medical Products, Ltd*
Assets	*1.635.227,22*
Liabilities	*351.899,15*
Income for the year	*26.363,31*
Revenues	*4.745.256,38*

9. OTHER NON-CURRENT FINANCIAL ASSETS AND DEFERRED TAX ASSETS

The variations in 2015 and 2014 are as follows:

OTHER NON-CURRENT FINANCIAL ASSETS AND DEFERRED TAX ASSETS (euro)								
	Available-for-sale investments				*Held to maturity*	*Loans and receivables*	*Deferred tax assets*	*Total*
	Equity holdings							
	Historical cost	*Correction for impairment*	*Net carrying amount*	*Debt securities*	*Debt securities*			
Balance as of 31.12.13	**7.624.086,89**	**-3.432.511,81**	**4.191.575,08**	**0,00**	**11.502.868,75**	**190.071,48**	**133.853,48**	**16.018.368,79**
Recognitions/Provisions	0,00		0,00	10.069.014,06		23.026,61	189.660,85	**10.281.701,52**
Period provisions		-121.472,91	-121.472,91					**-121.472,91**
Derecognitions	-7.500,00		-7.500,00	-2.016.398,00		-12.299,69		**-2.036.197,69**
Transfers				11.502.868,75	-11.502.868,75			
Balance as of 31.12.14	**7.616.586,89**	**-3.553.984,72**	**4.062.602,17**	**19.555.484,81**	**0,00**	**200.798,40**	**323.514,33**	**24.142.399,71**
Recognitions/Provisions				898.000,00		1.830,29	61.020,73	**960.851,02**
Value adjustments		-350.504,27	-350.504,27	-213.731,48				**-564.235,75**
Transfer to profit or loss of value adjustments due to sale				-639.970,69				**-639.970,69**
Derecognitions				-5.524.861,00				**-5.524.861,00**
Transfers								
Balance at 31.12.15	**7.616.586,89**	**-3.904.488,99**	**3.712.097,90**	**14.074.921,64**	**0,00**	**202.628,69**	**384.535,06**	**18.374.183,29**
Valuation standard			*Fair value*	*Fair value*	*Amortised cost*	*Amortised cost*	*Unused tax credits (not discounted)*	

9.1. Equity instruments available for sale

Equity instruments available for sale in this section of the Consolidated Statement of Financial Position (apart from the stakes in Alphatec and Saarema, the latter since 2015) are measured at cost due to the impossibility of measuring fair (market) value since they are not listed in an organised market and it is impossible to obtain information about comparable transactions that would enable us to obtain a market value other than historical cost.

The equity instruments classified as Financial assets available for sale which do not have a listed market price are measured at cost in accordance with IAS 39.

The shares in Alphatec are measured at their market price on NASDAQ, applying the year-end exchange rate. In 2015, it was possible to analyse financial information and comparable market transactions to obtain the fair value of Saarema. The value obtained in that exercise did not differ materially from the carrying amount at the beginning of the year; consequently, the carrying amount was maintained unchanged. The fair value of that holding was determined using the following main assumptions: the existence of long-term contracts with insurance companies securing the company's core business, trends in net interest-bearing debt, and the existence of comparable transactions.

The carrying amount of these available-for-sale investments was reduced by 350,504.27 euro in 2015 as a result of the following transactions:

a) The carrying amount of Alphatec was reduced by 351,694.95 euro.

b) The carrying amount of Tissuemed was increased by 1,190.68 euro.

The carrying amount of these available-for-sale investments was reduced by 128,972.91 euro in 2014 as a result of the following transactions:

a) The investment in ESTA Healthcare, which was recognised at acquisition cost (7,500.00 euro), was reduced.

b) The carrying amount of Alphatec was reduced by 117,558.91 euro

c) The carrying amount of Tissuemed was reduced by 3,914.00 euro

The breakdown of equity instruments available for sale as of 31 December 2015 is as follows:

	31/12/2014			Changes in 2015		31/12/2015		
Investment to which correction refers	Cost	Correction	Net carrying amount	Cost	Correction	Cost	Correction	Net carrying amount
Hesperis Chirurgical	600,00	-600,00	0,00	0,00	0,00	600,00	-600,00	0,00
Alphatec	1.999.998,04	-1.538.940,46	461.057,58	0,00	-351.694,95	1.999.998,04	-1.890.635,41	109.362,63
Esta HealthCare	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
SAS SAFE	226.400,00	-226.400,00	0,00	0,00	0,00	226.400,00	-226.400,00	0,00
Choice Therapeutics	305.250,31	-305.250,31	0,00	0,00	0,00	305.250,31	-305.250,31	0,00
Tissuemed	276.701,72	-239.218,76	37.482,96	0,00	1.190,68	276.701,72	-238.028,08	38.673,64
Saarema	4.807.636,82	-1.243.575,19	3.564.061,63	0,00	0,00	4.807.636,82	-1.243.575,19	3.564.061,63
Total	7.616.586,89	-3.553.984,72	4.062.602,17	0,0,00	-350.504,27	7.616.586,89	-3.904.488,99	3.712.097,90

The breakdown of equity instruments available for sale as of 31 December 2014 was as follows:

	31/12/2013			Changes in 2014		31/12/2014		
Investment to which correction refers	Cost	Correction	Net carrying amount	Cost	Correction	Cost	Correction	Net carrying amount
Hesperis Chirurgical	600,00	-600,00	0,00	0,00	0,00	600,00	-600,00	0,00
Alphatec	1.999.998,04	-1.421.381,55	578.616,49	0,00	-117.558,91	1.999.998,04	-1.538.940,46	461.057,58
Esta HealthCare	7.500,00	0,00	7.500,00	-7.500,00	0,00	0,00	0,00	0,00
SAS SAFE	226.400,00	-226.400,00	0,00	0,00	0,00	226.400,00	-226.400,00	0,00
Choice Therapeutics	305.250,31	-305.250,31	0,00	0,00	0,00	305.250,31	-305.250,31	0,00
Tissuemed	276.701,72	-235.304,76	41.396,96	0,00	-3.914,00	276.701,72	-239.218,76	37.482,96
Saarema	4.807.636,82	-1.243.575,19	3.564.061,63	0,00	0,00	4.807.636,82	-1.243.575,19	3.564.061,63
Total	7.624.086,89	-3.432.511,81	4.191.575,08	-7.500,00	-121.472,91	7.616.586,89	-3.553.984,72	4.062.602,17

9.2. Debt securities

These are debt securities, specifically bonds issued by public institutions and private undertakings of acknowledged solvency, in which cash surpluses are invested.

During 2014 it became apparent that these investments would be realised if more attractive investment opportunities became available; consequently, they were reclassified as available for sale. As a result, those investments were recognised as of 31 December 2014 not at amortised cost but, rather, at fair value (as is appropriate for financial assets classified as available for sale).

Investments in long-term debt securities available for sale are mainly fixed-income securities in which the Parent Company's cash surpluses have been invested (particularly as a result of the implementation of the Supplier Payment Plan). These are debt securities issued by public institutions and private undertakings of acknowledged solvency which are traded in organised secondary markets.

The balance of those investments as of 2015 year-end was 14,074,921.64 euro, as detailed below, showing also the Moody's credit rating.

Type of investment	Amount	Rating
Tesoro Público	4.948.450,51	Baa2
Castilla y Leon	2.210.996,00	Baa2
Comunidad de Madrid	0,00	Baa2
Europa bonds	2.025.700,00	N.A.
Empresa ICO bonds	3.931.635,13	Baa2
Eurostoxx bonds	433.908,00	N.A.
Mutual funds	524.232,00	N.A.
Long-term deposits, etc.	0,00	N.A.
Total	14.074.921,64	

The balance of those investments as of 2014 year-end was 19,555,484.41 euro, as detailed below, showing also the Moody's credit rating.

Type of investment	Amount	Rating
Tesoro Público	7.563.034,58	Baa2
Castilla y Leon	2.772.023,80	Baa2
Comunidad de Madrid	100.764,00	Baa2
Europa bonds	2.090.520,00	A2
Empresa ICO bonds	3.469.742,06	Baa2
Mutual funds	3.559.400,37	N.A.
Long-term deposits, etc.		N.A.
Total	19.555.484,81	

As of 31 December 2015 and 2014, those financial instruments in the form of debt securities were recognised at fair value.

The debt securities in this item of the Consolidated Statement of Financial Position are financial instruments that are traded in an active market; accordingly, the market value is determined based on the price in that market. Consequently, for the purpose of the levels referred to in paragraph 97 of IFRS 13, all these financial instruments are classified as level 1.

Some of those financial instruments were disposed of in 2014, as follows:

Securities	Derecognised cost (1)
Bonos del Tesoro (Caixa)	-1.996.000,00
TOTAL	-1.996.000,00

(1) *The amount for which this investment was derecognised (1,996,000.00 euro) is included in the total amount of derecognitions (2,016,398.00) stated in the table at the beginning of this Note 9 to the Consolidated Financial statements as derecognition of "Investment in debt securities".*

Some of those financial instruments were disposed of in 2015, as follows:

Securities	Derecognised cost (1)
Comunidad de Madrid bonds	-100.000,00
Bonos del Tesoro	-1.920.400,00
Castilla y León bonds	-492.000,00
International mutual funds	-3.000.000,00
Other	-12.461.00
TOTAL	-5.524.861,00

(1) *The amount for which this investment was derecognised (5,515,018 euro) is included in the total amount of derecognitions (5,524,861.00) stated in the table at the beginning of this Note 9 to the Consolidated Financial statements as derecognition of "Investment in debt securities".*

Investments amounting to 10,069,014.06 euro were recognised in 2014. That amount comprises new investments in 2014 (7,848,500.00 euro) and the revaluation performed as of 31 December 2014 to adapt the carrying amount of the investments to their year-end fair value (2,220,514.06 euro for all the long-term debt securities recognised in this item of the Consolidated Statement of Financial Position).

Investments amounting to 898,000.00 euro were recognised in 2015. The value adjustment recognised as of 31 December 2015 to adapt the carrying amount of the investments to their year-end fair value was 213,731.48 euro for all the long-term debt securities recognised in this item of the Consolidated Statement of Financial Position, while the transfer of value adjustments on sales amounted to 639,970.69 euro, as shown in the table at the beginning of this Note 9.

9.3. Loans and receivables

The balance as of 31 December 2015 and 2014 related entirely to long-term deposits provided by a number of Prim Group undertakings arising from lease contracts signed by those companies as lessees.

That balance increased by 1,830.29 euro in 2015, with the result that it amounted to 202,628.69 euro at 2015 year-end.

9.4. Deferred tax assets

The deferred tax assets recognised in 2014 are due mainly to the application of tax law in force in 2013 and 2014 under which book depreciation, amounting to 288,246.66 euro, was not considered to be tax deductible in the year. The other 35,267.67 euro arose from the tax effect of remeasuring the investment in Alphatec (classified as available for sale) at fair value.

The deferred tax assets recognised in 2015 are due mainly to the application of tax law in force in 2013 and 2014 under which book depreciation, amounting to 261,343.66 euro, was not considered to be tax deductible in the year. The other 123,191.40 euro arose from the tax effect of remeasuring the investment in Alphatec (classified as available for sale) at fair value.

None of the Consolidated Group companies recognise deferred tax assets for tax losses available for carryforward.

It was decided not to recognise deferred tax assets for tax losses available for carryforward (relating to a tax base of 361,755.50 euro at Enraf Nonius Ibérica Portugal Lda.) because of reasonable doubts about the recoverability of these amounts.

10. GOODWILL AND BUSINESS COMBINATIONS

The detail of goodwill in the various cash-generative units (CGUs) to which it is assigned, and the variations in 2015 and 2014, are as follows:

GOODWILL			**(euro)**
	BALANCE 31.12.13	Change	BALANCE 31.12.14
Luga Suministros Médicos, S.L.	1.573.996,00	0,00	1.573.996,00
Goodwill	1.573.996,00	0,00	1.573.996,00

GOODWILL			**(euro)**
	BALANCE 31.12.14	Change	BALANCE 31.12.15
Luga Suministros Médicos, S.L.	1.573.996,00	0,00	1.573.996,00
Goodwill	1.573.996,00	0,00	1.573.996,00

The goodwill relates entirely to the company Luga Suministros Médicos, S.L., which was acquired at the end of 2005.

The premium paid for the stake in Luga Suministros Médicos, S.L. could not be assigned to specific assets and liabilities of that company and is justified by the synergy that was expected to be obtained. That synergy is due basically to:

- *They engage in activities that are expected to be complementary in the future.*
- *They share many customers, both actual and potential*

As of 2015 and 2014 year-end, an impairment test of that goodwill was performed by estimating its value in use from projections of cash flow based on the operating results and business projections of the Farma division. The future operating cash flows were estimated for the period 2016-2020 (2015-2019 in 2014). Those cash flows were discounted in 2015 and 2014 using the weighted average cost of capital (WACC), 10.10%, based on market interest rates and the risk premium associated with the company's business.

That discount rate was applied to projected future cash flows, which were estimated from projections for the next five years and applying an EBIT growth rate of 0.7% through 2020 and 1% thereafter.

An analysis of sensitivity to variations in projected growth and WACC gave the following results:

WACC	Growth	Calculated valuation (million euro)
10.1	1%	6.4
11.1	1%	5.9
9.1	1%	7.9

Estimates were based on projections for the coming years, in view of the current economic situation. The Management of Prim considers an adverse change in the assumptions that would reduce future cash flows to less than the carrying amount to be unlikely.

Since the calculations did not reveal the need to recognise an impairment at 2015 or 2014 year-end, no value adjustment was made in connection with the goodwill in consolidation.

11. INVENTORIES

The detail of this caption as of 31 December 2015 and 2014 is as follows:

Figures in euro	*BALANCE 31/12/2015*	*BALANCE 31/12/2014*
Commercial inventories	22.668.209,72	17.561.808,63
Raw materials and other purchases	2.784.077,00	2.256.152,29
Semi-finished products and products in process	678.570,00	722.177,13
Finished products	2.237.964,00	1.920.967,68
Byproducts and waste	0,00	0,00
Supplier advances	756.519,31	979.715,65
Value adjustments	-2.831.327,81	-2.631.307,18
Total	**26.294.012,22**	**20.809.514,20**

The variation in the inventory value adjustments was included in the Consolidated Income Statement under "Variation in operating provisions". (Note 23.7)

The approach to provisioning for obsolescence is to classify as obsolete any product which has been in the company's catalogue for more than one year but which has not registered any purchases or sales in the last six months.

12. TRADE AND OTHER ACCOUNTS RECEIVABLE

The detail of this caption as of 31 December 2015 and 2014 is as follows:

Figures in euro	*BALANCE 31/12/2015*	*BALANCE 31/12/2014*
Trade receivables for sales and services	0,00	0,00
Total non-current	**0,00**	**0,00**
Trade receivables for sales and services	39.293.376,14	43.433.830,93
Other receivables	27.209,52	774.534,51
Personnel receivables	128.657,87	112.145,90
Public authorities (Note 20.3)	141.870,78	90.888,61
Value adjustments	-1.959.285,87	-1.863.619,42
Accrual adjustments	0,00	0,00
Total current	**37.631.828,44**	**42.547.780,53**

In 2015 and 2014, no part of the balance of customer receivables was considered to be receivable in the long term; consequently, the entire balance is presented in current assets in the Consolidated Statement of Financial Position.

Impairment

The changes in the value adjustments in 2015 and 2014 are as follows:

	2015	2014
Beginning balance	-1.863.619,42	-2.583.144,48
Provisions	-1.959.285,87	-1.863.619,42
Released	1.863.619,42	2.583.144,48
Ending balance	-1.959.285,87	-1.863.619,42

13. OTHER CURRENT FINANCIAL ASSETS

The detail of this caption in the Consolidated Statement of Financial Position as of 31 December 2015 and 2014 is as follows:

	Loans to companies	Time deposits	Short-term deposits	Other financial assets	Short-term accruals	Total
Balance as of 31 December 2014	12.299,84	4.598,34	4.412.197,26	4.416.795,60	4.359,08	8.850.250,12
Balance as of 31 December 2015	0,00	4.598,34	9.750.000,00	5.381.171,38	420,86	15.136.190,58

The "Other financial assets" item includes short-term investments in mutual funds of cash surpluses generated by companies in the consolidated Group.

The Short-term deposits item includes investments in deposits maturing at less then one year of cash surpluses which arose mainly from the Supplier Payment Plan and, to a lesser extent, from the Autonomous Region Liquidity Fund.

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

14. CASH AND CASH EQUIVALENTS

The detail of this caption as of 31 December 2015 and 2014 is as follows:

Cash and cash equivalents	*BALANCE 31/12/2015*	*BALANCE 31/12/2014*
Cash on hand in domestic currency	*43.460,58*	*31.968,14*
Cash on hand in foreign currency	*5.250,38*	*4.152,92*
Subtotal Cash on hand	*48.710,96*	*36.121,06*
Cash at banks in domestic currency	*2.960.663,96*	*8.877.107,61*
Cash at banks in foreign currency	*791.557,28*	*361.128,75*
Subtotal Cash at Banks	*3.752.221,24*	*9.238.236,36*
Total	***3.800.932,20***	***9.274.357,42***

15. EQUITY

15.1. Share capital

All the shares are listed on the Madrid Stock Exchange; they have also been listed on the Valencia Stock Exchange since 8 February 2005.

On 14 March 2005, the National Securities Market Commission (CNMV) notified Prim that it had decided that Prim's shares would be traded by the fixing mechanism. The change of trading method took effect on 1 April 2005.
On 1 June 2005, PRIM, S.A.'s shares commenced trading on the electronic market.

As of 31 December 2015 and 2014, the capital stock of Prim, S.A. amounted to 4,336,781.00 euro, represented by 17,347,124 shares of 0.25 euro par value each, all of which were fully paid and had the same rights and obligations. The shares are represented by book entries.

Resolutions by the Parent Company's governing bodies in 2015 and 2014 that affected equity were as follows:

<u>BOARD OF DIRECTORS RESOLUTIONS IN 2014</u>

- *27 February 2014*
    - *Approved the Board of Directors Regulation.*

- *31 March 2014*

    - *Authorised the financial statements, directors' report, and distribution of income for the Parent Company, as well as the financial statements and directors' report for the Consolidated Group for 2013, and proposed to submit them to the General Meeting of Shareholders for approval.*
    - *Approved the full text of the Annual Corporate Governance Report for 2013.*

- *22 December 2014*

    - *Declared an interim dividend out of income for the year amounting to 0.055 euro per share, payable on 16 January 2015.*

SHAREHOLDERS' MEETING RESOLUTIONS IN 2014

- *28 June 2014*

    - *Authorised the separate financial statements (balance sheet, income statement, statement of recognised revenues and expenses, statement of total changes in net equity, cash flow statement, and notes to financial statements) and the directors' report of the parent company, and the consolidated financial statements (consolidated statements of financial position, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes to net equity, consolidated cash flow statements and consolidated notes to financial statements) and the directors' report of Prim, S.A. and Dependent Companies for the year 2013, the Annual Corporate Governance Report, and the proposed distribution of income, consisting of a gross dividend of 3,500,000.00 euro.*

    - *Approved the Board of Directors' performance in 2013.*

BOARD OF DIRECTORS RESOLUTIONS IN 2015

- *26 February 2015*

    - *Unanimous resolution to commence the necessary proceedings to merge Luga Suministros Médicos, S.L. into Prim, S.A.*

- *31 March 2015*

    - *Authorisation of the financial statements, directors' report and proposed distribution of income of the Company, and the consolidated financial statements and directors' report of the Group for the year 2014, for submission to the Shareholders' Meeting.*
    - *Approval of the full text of the Annual Corporate Governance Report for 2014.*
    - *Acquisition of the minority stake, number 100, held by group company INMOBILIARIA CATHARSIS, S.A. (SOCIEDAD UNIPERSONAL) in group company LUGA SUMINISTROS MÉDICOS, S.L. so that PRIM can attain 100% of LUGA.*

- *20 May 2015*

    - *Approval of the common plan for merger into PRIM (acquiring company) of its wholly owned subsidiary LUGA SUMINISTROS MÉDICOS.*
    - *Resolution to insert the common merger plan under the preceding resolution and the other documents referred to in article 39 of Law 3/2009, of 3 April, on structural modifications of mercantile companies.*

- *A dividend of 954,091.82 euro charged to income for the year 2015 was declared in December 2015, as detailed in note 24.2 to these Consolidated Financial Statements.*

<u>SHAREHOLDERS' MEETING RESOLUTIONS IN 2015</u>

- *27 June 2015*

    - *Approval of the separate and consolidated financial statements and directors' reports of the company and the Group of which it is the parent company for the year 2014.*
    - *Approval of the distribution of income for 2014*
    - *Granting of discharge to the Board of Directors for 2014*
    - *Approval of the merger of LUGA SUMINISTROS MÉDICOS into PRIM in the conditions established in the common merger plan approved by the Board of Directors of the absorbed company on 20 May 2015. The purpose of the merger is to simplify the Prim Group structure.*

15.2. Reserve for amortised capital

In compliance with current legislation, the Group has recognised reserves for the amount by which capital has been reduced in preceding years. Under current legislation, this reserve is restricted. The detail of the reserve, in terms of the years in which it was recognised, is as follows:

Year of capital reduction	*(euro)*
1997	*774.103,96*
2001	*362.861,00*
2002	*119.850,00*
TOTAL	***1.256.814,96***

15.3. Legal reserve

This reserve has reached the required level of 20% of capital stock. In accordance with the Spanish Capital Companies Law, the balance of this reserve may only be used to offset losses in the income statement if there are no other unrestricted reserves available for this purpose, or to increase capital stock, provided that its balance is not reduced to less than 10% of the increased amount of capital stock.

15.4. Revaluation reserve

The balance of this item is the Revaluation Reserve under Royal Decree-Law 7/1996, dated 7 June, which was recognised in the 1996 Consolidated Statement of Financial Position and is the result of revaluing the Parent Company's property, plant and equipment in accordance with the regulations governing those transactions, less the 3% tax charge applied to the revaluations.

The revaluation entries and the balance of this reserve were approved by the tax inspection authorities on 24 November 1998. From the date of approval of the reserve, it may be used to offset book losses, increase capital stock at the company, or, from 31 December 2006 (ten years after the date of the balance sheet disclosing the revaluation), it may be transferred to unrestricted reserves.

The detail of the Revaluation Reserve is as follows:

Figures in euro	*BALANCE 31/12/2014*	*CHANGES*	*BALANCE 31/12/2015*
Revaluation of property, plant and equipment (note 6)	*596.399,45*	*0,00*	*596.399,45*
Tax charge (3% of the revaluation)	*-17.891,98*	*0,00*	*-17.891,98*
Total	*578.507,47*	*0,00*	*578.507,47*

15.5. Own shares

The variations in 2015 and 2014 are as follows:

a) Year ended 31 December 2015

Figures in euro	Number of securities	Measured at cost
Situation as of 31 December 2014	203.239,00	1.180.169,31
Acquisitions	164.335,00	1.480.452,83
Shares received in capital increases	0,00	0,00
Decreases	-95.909,00	-571.871,96
Situation as of 31 December 2015	271.665,00	2.088.750,18

b) Year ended 31 December 2014

Figures in euro	Number of securities	Measured at cost
Situation as of 31 December 2013	352.772,00	2.017.689,96
Acquisitions	123.310,00	725.647,62
Shares received in capital increases	0,00	0,00
Decreases	-272.843,00	-1.563.168,27
Situation as of 31 December 2014	203.239,00	1.180.169,31

Own shares represented the following percentages of total outstanding shares as of 31 December 2015 and 2014:

DESCRIPTION	31/12/15	31/12/14
No. of treasury shares	271.665	203.239
Total no. of outstanding shares	17.347.124	17.347.124
Treasury shares as % of total	1,56%	1,17%

Profit on the sale of own shares amounted to 12,410.83 euro in 2014 and 202,345.01 euro in 2015.

15.6. Reserves at fully consolidated companies

The detail of this item for the years ended 31 December 2015 and 2014 is as follows:

a) Year ended 31 December 2015

	E.O.P. S. A.	Enraf Nonius Ibérica , S. A.	Siditemedic S. L.	Enraf Nonius Ibérica Portugal, S. A.	Luga Suministros Médicos S.L.	Inmobiliaria Catharsis, S. A.	Total
Legal reserve	102.170,03	79.333,60	607,01	15.124,85		23.642,25	220.877,74
Other reserves	576.068,97	3.387.768,40	575.809,99	-24.527,74		-983.483,55	3.531.636,07
TOTAL	678.239,00	3.467.102,00	576.417,00	-9.402,89	0,00	-959.841,30	3.752.513,81

In 2015, Luga Suministros Médicos, S.L. ceased to exist as it was merged into Prim, S.A.; consequently, the amounts corresponding to the former no longer appear under "Reserves at fully consolidated companies".

b) Year ended 31 December 2014

	E.O.P. S. A.	Enraf Nonius Ibérica , S. A.	Siditemedic S. L.	Enraf Nonius Ibérica Portugal, S. A.	Luga Suministros Médicos S.L.	Inmobiliaria Catharsis, S. A.	Total
Legal reserve	102.170,03	79.333,60	607,01	15.124,85	1.202,02	23.642,25	222.079,76
Other reserves	100.934,97	2.931.771,40	575.774,99	-23.955,44	-571.893,02	-939.627,16	2.073.005,74
TOTAL	203.105,00	3.011.105,00	576.382,00	-8.830,59	-570.691,00	-915.984,91	2.295.085,50

Reserves at fully consolidated companies include the legal reserve of fully consolidated companies, which cannot be treated as unrestricted.

15.7. Distribution of income for the year attributed to equity holders of the parent

The Parent Company will propose that its Shareholders' Meeting approve the following distribution of income:

2015			
DISTRIBUTION BASIS		DISTRIBUTION	
Income for the year	9.526.394,30	Dividends	6.505.171,50
		Voluntary reserve	3.021.222,80
TOTAL	9.526.394,30		9.526.394,30
Total number of shares issued by Parent Company			17.347.124
Dividends per share			€0.375/share

2014			
DISTRIBUTION BASIS		*DISTRIBUTION*	
Income for the year	*9.215.873,83*	*Dividends* *Voluntary reserve*	*9.214.792,27* *1.081,56*
TOTAL	*9.215.873,83*		*9.215.873,83*
Total number of shares issued by Parent Company			*17.347.124*
Dividends per share			*€0.5312/share*

Limits on the distribution of dividends

The Parent Company must transfer 10% of income for each year to the legal reserve until it represents at least 20% of capital stock. The reserve is restricted unless it exceeds 20% of capital stock.

As provided by current legislation, once the allocations required by law and the Articles of Association have been made, dividends may only be distributed out of income for the year or unrestricted reserves if net equity is not less than capital stock either before or after such distribution.

For these purposes, income allocated directly to equity may not be distributed, either directly or indirectly. Where, as a result of prior years' losses, the Parent Company's net equity is less than the amount of capital stock, income must be allocated to offset those losses.

15.8. Share premium

There were no changes in the share premium account in 2015 and 2014.
The share premium account is unrestricted and fully called.

15.9. Consolidated income

Consolidated income is obtained by aggregating the individual results of the companies comprising the Consolidated Group that are attributable to the parent company, plus consolidation adjustments. These items are detailed below:

Figures in euro	*2015*	*2014*
COMPANY	*Income attributable to the parent company*	
Prim, S.A.	*9.526.394,30*	*9.215.873,83*
Establecimientos Ortopédicos Prim, S.A.	*506.604,95*	*475.134,48*
Enraf Nonius Ibérica, S.A.	*631.219,71*	*455.997,07*
Luga Suministros Médicos, S.L.	*0,00*	*437.047,81*
Siditemedic	*1.720,24*	*34,68*
Enraf Nonius Ibérica Portugal Lda	*35.026,96*	*51.300,76*
Inmobiliaria Catharsis, S.A.	*120.075,23*	*101.958,90*
AGGREGATE INCOME	*10.821.041,39*	*10.737.347,53*

The main adjustments to Income attributed to the Parent Company that were made as a result of the consolidation process are shown below:

Figures in euro	*2015*	*2014*
AGGREGATE INCOME	*10.821.041,39*	*10.737.347,53*
Financial revenues. Holdings in Group and associated undertakings (15.9.1)	*-101.958,90*	*-107.093,59*
Impairments and losses on financial instruments (15.9.2)	*-42.941,58*	*-636.529,47*
Share in income of companies carried by the equity method (15.9.3)	*70.563,00*	*11.659,00*
Depreciation of structures (15.9.4)	*-43.856,42*	*-43.856,42*
Impairment of goodwill in consolidation (10)	*0,00*	*0,00*
CONSOLIDATED INCOME	*10.702.847,49*	*9.961.527,05*

15.9.1. Financial revenues. Holdings in Group and associated undertakings

The adjustments performed in the consolidation process refer to cancellation of dividends collected from companies in the consolidated group, as follows:

Figures in euro *Dividends paid by:*	*2015*	*2014*
Inmobiliaria Catharsis, S. A	*-101.958,90*	*-107.093,59*
CONSOLIDATED INCOME	*-101.958,90*	*-107.093,59*

15.9.2. Impairments and losses on financial instruments

The adjustments made in the consolidation process refer to the cancellation of value adjustments made to investments in undertakings that are part of the Consolidated Group, as follows:

Figures in euro *Value adjustments at company:*	*2015*	*2014*
Establecimientos Ortopédicos Prim, S.A.	*0,00*	*-148.888,00*
Enraf Nonius Ibérica Portugal, Lda	*-20.445,11*	*-65.764,30*
Luga Suministros Médicos, S.L.		*-421.877,17*
Income from the sale of holdings in group undertakings (*)	*-22.496,47*	
CONSOLIDATED INCOME	*-42.941,58*	*-636.529,47*

(*) The adjustment to the income from the sale of holdings is due to the elimination in consolidation of the income recognised by dependent company Inmobiliaria Catharsis upon the sale to the controlling company, Prim, of a stake in dependent company Luga Suministros Médicos.

15.9.3. Share in income of companies carried by the equity method

The adjustments in the process of consolidation refer to the holdings in undertakings carried by the equity method, as follows:

Figures in euro *Share in income of companies carried by the equity method*	*2015*	*2014*
Network Medical Products, Ltd.	*70.563,00*	*11.659,00*
CONSOLIDATED INCOME	*70.563,00*	*11.659,00*

15.9.4. Depreciation of structures

The adjustment corresponds to the depreciation of the building at Calle F, no. 15, in Polígono Industrial número 1, Móstoles. That building is owned by Group undertaking Inmobiliaria Catharsis, S.A. and is leased to the parent company, Prim, S.A.

On the date of first consolidation of Inmobiliaria Catharsis, S.A., that property was stepped up as part of the consolidation process. That increase in value is being depreciated by 58,4745.23 euro per year (43,856.42 euro net of the tax effect).

Depreciation of that property will conclude in 2026.

16. INTEREST-BEARING DEBT

16.1. Non-current interest-bearing debt

The detail of, and net changes in, the non-current loans during 2015 and 2014 are as follows:

a) Year ended 31 December 2015

Figures in euro	31/12/2014	Recognitions	Decreases	Business combinations	31/12/2015
Credit lines	2,90	4.902.078,71	-4.867.264,24		34.817,37
Finance leases	0,00	0,00	0,00		0,00
Other loans	786.263,48	0,00	-700.096,05		86.167,43
Total	**786.266,38**	**4.902.078,71**	**-5.567.360,29**		**120.984,80**

b) Year ended 31 December 2014

Figures in euro	31/12/2013	Recognitions	Decreases	Business combinations	31/12/2014
Credit lines	2.402.620,57	10.492.621,28	-12.895.238,95		2,90
Finance leases	0,00	0,00	0,00		0,00
Other loans	331.099,00	1.108.335,10	-653.170,62		786.263,48
Total	**2.733.719,57**	**11.600.956,38**	**-13.548.409,57**		**786.266,38**

16.1.1. Credit lines

These are credit lines in euro arranged with various banks, which accrue interest at Euribor plus a spread.

The total amount not drawn against these long-term credit lines was 9,149,997.10 euro as of 31 December 2014 and 6,565,182.63 euro as of 31 December 2015.

As of 31 December 2015, the total limit of the credit lines was 6,600,000.00 euro, which will be cancelled according to the following schedule:

Year	(euro)
2017	0,00
2018	6.600.000,00
2019 and thereafter	0,00
TOTAL	**6.600.000,00**

As of 31 December 2014, the total limit of the credit lines was 9,150,000.00 euro, which will be cancelled according to the following schedule:

Year	*(euro)*
2016	*5.550.000,00*
2017	*3.600.000,00*
2018 and thereafter	*0,00*
TOTAL	***9.150.000,00***

16.1.2. Other non-current interest-bearing loans

A loan amounting to 592,500.00 euro was arranged in 2010. That loan began to be repaid in 2012. (Loan VI)

In 2014, a loan amounting to 1,400,000.00 euro was arranged to finance the Consolidated Group's operations, taking advantage of low interest rates. (Loan V)

The detail of these payments made during the year and the amounts payable in future years is as follows:

	Loans V	*Loans VI*	*Total bank debt*
Initial principal	*1.400.000,00*	*592.500,00*	*1.992.500,00*
Starting date	*2014*	*2012*	
Maturity date	*2016*	*2017*	
Instalments	*Quarterly*	*Monthly*	
Interest	*Euribor plus a spread*	*Euribor plus a spread*	
2014	340.413,18	161.280,57	*501.693,75*
2015	463.523,30	103.401,00	*566.924,30*
I. Amount repaid	*803.936,48*	*402.931,57*	*1.206.868,05*
2016	*596.063,52*	*103.401,00*	*699.464,52*
II. Maturing in the short term	*596.063,52*	*103.401,00*	*699.464,52*
2017	*0,00*	*86.167,43*	*86.167,43*
2018			*0,00*
2019			*0,00*
2020 and thereafter			*0,00*
III. Maturing in the long term	*0,00*	*86.167,43*	*86.167,43*
Total (I+II+III)	*1.400.000,00*	*592.500,00*	*1.992.500,00*

As of 31 December 2015, the "Interest-bearing debt" item under non-current liabilities included 86,167.43 euro corresponding to loan VI.

16.2. Current interest-bearing debt

This item basically includes the amounts maturing in the short term of the aforementioned loans and unmatured discounted bills and the amounts drawn on short-term credit lines, the latter amounting to 2,455.21 euro as of 31 December 2015 and 126,484.69 euro as of 31 December 2014 (Note 21.1).

A total of 3,403,515.31 euro of these short-term credit lines was undrawn as of 31 December 2014 and 6,047,544.79 euro as of 31 December 2015.

The interest accrued but not yet matured on bank debt amounted to 4,909.97 euro as of 31 December 2014 and 0.00 euro as of 31 December 2015. That amount is classified under "Interest-bearing debt" in Current liabilities.

The breakdown of short-term debt, as shown also in point 21, is as follows:

	31/12/2015	31/12/2014	Interest rate	Benchmark
Long-term debt				
Long-term credit lines	34.817,37	2,90	Floating-rate	Euribor
Mortgage loan	0,00	0,00	Floating-rate	Interbank rate
Other loans	86.167,43	786.263,48	Floating-rate	Euribor
	120.984,80	786.266,38		
Short-term debt	31/12/2015	31/12/2014		
Short-term credit lines	2.455,21	126.484,69	Floating-rate	Euribor
Mortgage loan	0,00	0,00	Floating-rate	Interbank rate
Discounted notes	1.348.247,54	1.292.602,45	Floating-rate	1-month Euribor
Short-term interest on debt	0,00	4.909,97	Does not accrue	Does not apply
Funding of payments to suppliers	0,00	0,00	Floating-rate	Euribor
Other loans	699.464,52	566.924,30	Floating-rate	Euribor
	2.050.167,27	1.990.921,41		

17. OTHER NON-CURRENT LIABILITIES

The detail of, and changes in, this caption in 2015 and 2014 are as follows:

(euro)	*Other liabilities (17.1)*	*Provision for taxes (17.3)*	*TOTAL*
Balance as of 31.12.13	*172.194,35*	*1.926.578,46*	*2.098.772,81*
Recognitions	*13.016,00*	*121.292,20*	*134.308,20*
Decreases	*-29.978,15*	*-141.497,55*	*-171.475,70*
Balance as of 31.12.14	*155.232,20*	*1.906.373,11*	*2.061.605,31*
Recognitions	*0,00*	*0,00*	*0,00*
Decreases	*-70.067,73*	*0,00*	*-70.067,73*
Balance as of 31/12/15	*85.164,47*	*1.906.373,11*	*1.991.537,58*

17.1. Other liabilities

The balance as of 31 December 2013 consisted mainly of the debt to a third party for the acquisition of distribution rights by Enraf Nonius Ibérica, S.A., which matured in at most 10 years from the date of the agreement (17 November 1997). Since it matured, this agreement has been renewed tacitly each year. The outstanding balance was 63,695.00 euro as of 31 December 2014 and 39,203.27 as of 31 December 2015.

This item in the Consolidated Statement of Financial Position also included long-term deposits received by the Controlling Company in connection with leases of its investment property amounting to 89,133.15 euro as of 2014 year-end and 45,961.20 euro as of 2015 year-end.

17.2. Provisions for taxes

As a result of the tax inspection of group undertakings Prim, S.A. and Enraf Nonius Ibérica, S.A. for 2006 and 2007 in connection, in both cases, with the following taxes:

- *Corporate income tax*
- *Value added tax*
- *Personal income tax*

The tax situation of each of those companies is described below, together with the variations in 2015 in the provisions for taxes recognised at each one.

17.2.1. Prim, S.A.

In consultation with its tax advisors, the Board of Directors resolved to recognise that provision as a function of the Company's assessment of the risk of claims.

During 2014, the provision under "Other provisions" as part of current liabilities decreased by 114,919.09 euro as a result of the payment by the Company of value added tax assessed following tax audits in connection with tax assessment no. A2885014030000520.

All of these settlements and penalties have since been cancelled by virtue of the following Resolutions:

- *Central Economic Administrative Tribunal (TEAC) Resolution 25/07/2013, in connection with corporate income tax for 2006-2007, partially accepting the Company's appeal and annulling the settlement agreement and the two penalties, which must be replaced by others for a lower amount. However, an appeal has been filed before the Spanish National Court in connection with the part of the settlement that was upheld, including suspension of enforcement. The hearing process has concluded and the case is pending a vote and a decision.*

- *assessment and the two fines, to be replaced by smaller amounts. However, an appeal has been filed before the Madrid High Court of Justice in connection with the part of the assessment that was upheld. The hearing process has concluded and the case is pending a vote and a decision.*

17.2.2.Enraf Nonius Ibérica, S.A.

In 2014, that provision was derecognised due to payment, on 5 March 2014, of the amounts corresponding to the decisions of the Madrid Regional Economic-Administrative Tribunal dated 25 June 2013 and 26 June 2013; consequently, it is not recognised in the Consolidated Statement of Financial Position as of 31 December 2014. (The amount of provision that was derecognised was 26,758.46 euro).

18. DEFERRED TAX LIABILITIES

	Reinvestment	Other differences	Step-up of Catharsis property in consolidation	Fair value adjustments of available-for-sale assets	Unrestricted depreciation	(euro) TOTAL
Balance as of 31.12.13	114.412,40	24.334,04	247.823,70	0,00	48.796,20	435.366,34
Recognitions		7.420,20	0,00	555.128,52		562.548,72
Decreases	-23.403,66	-3.954,60	-14.618,81	0,00	-20.481,79	-62.458,86
Balance as of 31.12.14	91.008,74	27.799,64	233.204,89	555.128,52	28.314,41	935.456,20
Recognitions						
Value adjustments				-207.529,76		-207.529,76
Decreases	-5.516,94	-1.845,48	-14.618,05	-160.602,58	-8.042,16	-190.625,21
Balance as of 31/12/15	85.491,80	25.954,16	218.586,04	186.996,08	20.272,25	537.300,33

18.1. Reinvestment

This caption refers to outstanding corporate income tax which has been deferred under the regulations governing the reinvestment of capital gains on the disposal of intangible assets and financial investments in 1996, 1997 and 1999.

In accordance with the applicable tax legislation, future payments of this deferred debt to the Administration will be made in accordance with the depreciation of the assets in which the gains were reinvested, in some cases, and by an increase of one-seventh on the originally deferred amount, in other cases. The amount paid in 2015 was 5,516.94 euro (23,403.66 euro in 2014), and it is estimated that a similar amount will be paid in 2016.

18.2. Unrestricted depreciation

In 2011, the company availed itself of the unrestricted depreciation allowed under Royal Decree Law 13/2010 and recognised timing differences in the amount of 83,358.00 euro. In 2014, that balance was reduced by 20,481.79 euro and it amounted to 28,314.41 euro as of 31 December 2014. During 2015, this balance was reduced by 8,042.16 euro to the additional 20,272.25 euro.

18.3. Step-up of Inmobiliaria Catharsis property in consolidation

The acquisition of Inmobiliaria Catharsis by Prim, S.A. generated goodwill in consolidation that was allocated to the property owned by Inmobiliaria Catharsis at Calle F, 15 in Móstoles.

That increase in the carrying amount of Inmobiliaria Catharsis led to a difference between the tax value of the property and its carrying amount in the Consolidated Statement of Financial Position, generating a deferred tax liability.

That deferred tax liability is being reversed in line with the depreciation taken on the property.

18.4. Fair value adjustments of available-for-sale assets

The Parent Company has invested part of its cash surplus in long-term debt (fixed-income) securities which the company classifies as financial assets available for sale. Consequently, at year-end, those financial assets were measured at year-end fair value.

This change in valuation method led to a difference between the tax value (acquisition cost) and the carrying amount (fair value) of those financial assets, disclosing a deferred tax liability which will be eliminated when those available-for-sale financial assets are disposed of.

In 2014, these long-term investments in debt securities classified as available for sale were revalued by 2,220,514.06 euro in order to adapt their carrying amount to year-end fair value. This resulted in a deferred tax liability of 555,128.52 euro (calculated at a tax rate of 25%).

As a result of changes disclosed in available-for-sale financial assets, the balance was reduced by 160,602.58 euro as a result of the disposal of financial assets, and by 207,529.86 as a result of fair value adjustments of the financial instruments that formed part of the assets as of 31 December 2015. That value adjustment was also calculated using a 25% tax rate.

19. TRADE AND OTHER ACCOUNTS PAYABLE

Figures in euro	*31/12/2015*	*31/12/2014*
Liabilities related to non-current assets available for sale	*0,00*	*0,00*
Short-term provisions	*0,00*	*0,00*
Short-term debt	*1.409.988,84*	*1.572.566,61*
Bonds and other marketable securities	*0,00*	*0,00*
Due under finance leases	*0,00*	*0,00*
Derivatives	*0,00*	*0,00*
Other financial liabilities (a)	*1.409.988,84*	*1.572.566,61*
Trade and other accounts payable	*17.131.934,08*	*15.004.446,62*
Supplier accounts payable	*8.412.585,33*	*7.061.532,16*
Supplier accounts payable – group and associated undertakings	*0,00*	*0,00*
Sundry creditors	*2.615.919,60*	*2.449.413,47*
Creditors – group and associated undertakings	*0,00*	*0,00*
Personnel (compensation payable)	*3.545.879,30*	*3.423.844,67*
Other debt to public authorities (Note 20.3)	*1.914.934,57*	*1.584.029,87*
Customer advances	*642.615,28*	*485.626,45*
Short-term accruals	*0,00*	*0,00*
Total trade and other accounts payable	*18.541.922,92*	*16.577.013,23*

a) The "Other financial liabilities" caption contains basically:

(1) As of 31 December 2014, 954,091.82 euro corresponding to the amount committed to the shareholders in dividends for 2014, which were paid at the beginning of 2015. As of 31 December 2014, 954,091.82 euro corresponding to the amount committed to the shareholders in dividends for 2015, which were paid at the beginning of 2016.

(2) The amount of short-term debt owed by Group undertaking Enraf Nonius Ibérica, S.A. to non-Group undertaking Enraf Nonius B.V. That debt amounted to 251,754.30 euro as of 2014 year-end and to 276,246.03 as of 31 December 2015.

20. TAX SITUATION

The corporate income tax expense is calculated as follows:

	2015	*2014*
Income before tax	**14.616.120,15**	**14.280.960,66**
Permanent differences	-70.262,98	163.055,92
Timing differences	-167.353,83	528.260,87
Consolidation adjustments	118.193,90	775.820,48
Adjusted income	**14.496.697,24**	**15.748.097,93**
Tax losses carried forward	-464.816,23	-475.169,16
Taxable income	**14.031.881,01**	**15.272.928,77**
Gross tax payable	-3.928.926,69	-4.582.729,75
Tax credits	24.214,09	19.015,13
Deductions	3.855,15	49.401,80
Net tax payable	**-3.900.857,45**	**-4.514.312,82**
Withholdings and prepayments	3.220.692,49	2.987.016,97
Net tax payable/(receivable)	**-680.164,96**	**-1.527.295,85**
Current tax expense	*-3.900.857,45*	*-4.514.312,82*
Deferred tax expense	*-46.375,97*	*172.982,10*
Prior years' tax expense	*0,00*	*0,00*
Tax adjustments at Prim, S.A.	*33.960,76*	*21.897,13*
Corporate income tax expense	*-3.913.272,66*	*-4.319.433,60*
Corporate income tax expense attributable to continuing operations	*-3.913.272,66*	*-4.319.433,60*
Corporate income tax expense attributable to discontinued operations	*0,00*	*0,00*

The tax rate is 28% (30% in 2014) for all companies except ENRAF NONIUS IBÉRICA PORTUGAL, LDA, which is taxed at 25.0%.

Corporate income tax payable is disclosed in "Current tax liabilities" in the Consolidated Statement of Financial Position (725,293.35 euro).

The amount of corporate income tax that is recoverable is disclosed in the "Debt to public authorities" item under "Trade and other accounts receivable" in the Consolidated Statement of Financial Position (45,128.39 euro).

The difference between those two amounts (680,164.96 euro) is the figure shown in the preceding table of the consolidated group's tax position at 2015 and 2014 year-end.

The detail of permanent differences in consolidation is as follows:

(euro)	*2015*	*2014*
Equity-accounted affiliates	*-70.563,00*	*-11.659,00*
Value corrections in portfolio of group undertakings (1)	*20.445,11*	*636.529,47*
Dividends received from group and associated undertakings (2)	*101.958,90*	*107.093,59*
Depreciation of structures (3)	*43.856,42*	*43.856,42*
Income on disposal of equity holdings (4)	*22.496,47*	
TOTAL	***118.193,90***	***775.820,48***

(1) *The amount in 2014 corresponds to the reversal of the 421,877.17 euro provision recognised to correct the valuation of Luga Suministros Médicos, S.L. and of the 214,652.30 euro provision recognised to correct the valuation of Establecimientos Ortopédicos Prim, S.A. The amount in 2015 relates to the reversal of impairment recognised in previous years for Group company Enraf Nonius Ibérica Portugal.*

(2) *These dividends, paid by Group undertaking Inmobiliaria Catharsis (in 2015 and 2014), were eliminated in consolidation.*

(3) *The adjustment corresponds to the depreciation of the building at Calle F, no. 15, in Polígono Industrial número 1, Móstoles. That building is owned by Group undertaking Inmobiliaria Catharsis, S.A. and is leased to the parent company, Prim, S.A.*

On the date of first consolidation of Inmobiliaria Catharsis, S.A., that property was stepped up as part of the consolidation process. That increase in value is being amortised; the amount in 2014, net of the tax effect, was 43,856.42 euro.

Depreciation of that building will conclude in 2026.

(4) *In 2015, dependent company Inmobiliaria Catharsis sold a stake in dependent company Luga Suministros Médicos, S.L. to the parent company, Prim, S.A. As a result of that disposal, Catharsis recognised a gain of 22,496.47 euro, which was eliminated in consolidation.*

20.1. Years open for review

Under current legislation, tax settlements cannot be considered final until they have been audited by the tax authorities or the statute of limitations period (currently four years) has elapsed. The Group has the last four years open for inspection for all applicable taxes, considering also the events discussed in Note 17.2.

20.2. Tax losses at individual companies

Additionally, the current legislation establishes that tax losses may be offset against taxable income in the following fifteen years.

As of 31 December 2015, the unused tax losses (not counting the estimate of tax in the current year) were as follows:

Year	*Amount (euro)*
ESTABLECIMIENTOS ORTOPÉDICOS PRIM	
2009	*448.797,28*
2010	*14.298,71*
	463.095,99
SIDITEMEDIC	
2006	*3.943,30*
2009	*293,48*
2010	*346,12*
	4.582,90
ENRAF NONIUS IBERICA	
2010	*33.946,84*
2011	*156.873,58*
2012	*132.353,00*
2013	*38.582,08*
	361.755,50

As of 31 December 2014, the unused tax losses (not counting the estimate of tax in the current year) were as follows:

Year	*Amount (euro)*
ESTABLECIMIENTOS ORTOPÉDICOS PRIM	
2006	*55.130,97*
2007	*21.205,00*
2008	*17.065,11*
2009	*830.531,12*
2010	*14.298,71*
	938.230,91
SIDITEMEDIC	
2006	*3.943,30*
2009	*293,48*
2010	*346,12*
	4.582,90
ENRAF NONIUS IBERICA	
2010	*33.946,84*
2011	*156.873,58*
2012	*132.353,00*
2013	*38.582,08*
	361.755,50

20.3. Assets and liabilities with public authorities

20.3.1. Assets and liabilities

The assets and liabilities with public administrations are shown below:

	31/12/2015	31/12/2014
Assets		
Non-current assets		
Deferred tax assets	384.535,06	323.514,33
Current assets		
Current tax assets	45.128,39	66,15
Other receivables from public authorities		
VAT receivable	87.186,61	78.911,36
IGIC receivable	0,00	6.017,68
Corporate income tax receivable	0,00	0,00
Withholdings and prepayments	9.555,78	5.893,42
	141.870,78	90.888,61
Liabilities		
Non-current liabilities		
Deferred tax liabilities	537.300,33	935.456,20
Current liabilities		
Current tax liabilities	725.293,35	1.527.295,85
Other debt to public authorities		
VAT payable	729.528,11	442.729,56
Tax withholdings payable	691.843,37	723.723,02
IGIC payable	34.702,44	0,00
Social Security payable	458.860,65	417.577,29
	1.914.934,57	1.584.029,87

As a result of the tax reforms approved in Spain in 2014, which include the modification of the basic corporate income tax rate to 28% for 2015 and 25% for 2016 and subsequent years, the Group adjusted deferred tax assets and liabilities to the expected recovery rate. The effects of this regularisation were recognised under "Income tax" in the Consolidated Statement of Financial Position for 2014, in the amount of 22,121.55 euro. At that time, the assets and liabilities were recalculated at the 25% rate, with the result that it was not necessary to recalculate in 2015.

20.3.2. Deferred tax assets and liabilities

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

	2014	2015	Change
Deferred tax assets	323.514,33	384.535,06	61.020,73
Deferred tax liabilities	-935.456,20	-537.300,33	398.155,87
Total	-611.941,87	-152.765,27	459.179,60

The changes in deferred tax assets and liabilities in 2014 were as follows:

	2013	2014	Change
Deferred tax assets	133.853,48	323.514,33	189.660,85
Deferred tax liabilities	-435.366,34	-935.456,20	-500.089,86
Total	-301.512,86	-611.941,87	-310.429,01

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's main financial instruments are bank loans, demand deposits, short-term deposits and debt securities (fixed-income). The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities, such as trade accounts receivable and payable, which arise directly in its operations.

The general risk policy commits all the Group's capacities to appropriately identify, measure, manage and control the risks of all types based on the following principles:

- *Separation of functions, at operating level, between the areas of decision-making, on the one hand, and analysis, control and supervision, on the other.*
- *Assurance of short- and long-term business and financial stability by maintaining an appropriate balance between risk, value and profit.*
- *Compliance with the current legislation regarding control, management and supervision of risks.*
- *Transparency in reporting on the Group's risks and the working of its risk control systems.*

Group policy, which was maintained in 2015 and 2014, is not to negotiate financial instruments; however, financial instruments may be disposed of occasionally in order to invest the proceeds in higher-yield instruments.

The main risks deriving from the Group's financial instruments are the interest rate risk of cash flows, liquidity risk, exchange rate risk, and credit risk. The directors of the controlling company review and agree upon policies for managing these risks, which are summarised below.

21.1. Interest rate risks on cash flows

The Group is exposed to the risk of changes in the market interest rate, since its loans are at floating rates (see note 16).

The reference index of these bank loans is the interbank market rate, to which a spread is added. That reference index has not changed significantly in recent years and, consequently, it is not considered that such changes will have a material impact on the Group's consolidated income statement.

The debt structure as of 31 December 2015 and 2014 is as follows:

		31/12/2015	31/12/2014	Interest rate	Benchmark
Long-term debt					
	Long-term credit lines	34.817,37	2,90	Floating-rate	Euribor
	Mortgage loan	0,00	0,00	Floating-rate	Interbank rate
	Other loans	86.167,43	786.263,48	Floating-rate	Euribor
		120.984,80	786.266,38		
Short-term debt		31/12/2015	31/12/2014		
	Short-term credit lines	2.455,21	126.484,69	Floating-rate	Euribor
	Mortgage loan	0,00	0,00	Floating-rate	Interbank rate
	Discounted notes	1.348.247,54	1.292.602,45	Floating-rate	1-month Euribor
	Short-term interest on debt	0,00	4.909,97	Does not accrue	Does not apply
	Funding of payments to suppliers	0,00	0,00	Floating-rate	Euribor
	Other loans	699.464,52	566.924,30	Floating-rate	Euribor
		2.050.167,27	1.990.921,41		

The sensitivity of earnings to variations in interest rates is as follows: (assuming a variation of +/-25% with respect to current reference indices)

		+25%	-25%	+25%	-25%
		Effect on income		Effect on income	
		31/12/2014	31/12/2014	31/12/2015	31/12/2015
Long-term debt					
	Long-term credit lines	-5.961,51	5.961,51	-39,17	39,17
	Mortgage loan	0,00	0,00	0,00	0,00
	Other loans	-4.497,38	4.497,38	-4.497,38	4.497,38
		-10.458,89	10.458,89	-4.536,56	4.536,56
Short-term debt					
	Short-term credit lines	-1.266,94	1.266,94	-145,06	145,06
	Mortgage loan	0,00	0,00	0,00	0,00
	Discounted notes	-5.256,43	5.256,43	-3.301,06	3.301,06
	Short-term interest on debt	0,00	0,00	0,00	0,00
	Funding of payments to suppliers	-2.110,29	2.110,29	0,00	0,00
	Other loans	-5.345,62	5.345,62	-5.097,22	5.097,22
		-13.979,28	13.979,28	-8.543,33	8.543,33

The sensitivity of equity is not analysed since interest rate fluctuations have no impact on equity as they are reflected directly in P&L accounts.

There were no interest rate hedges as of 31 December 2015 and 2014.

21.2. Exchange rate risk

The Group makes sales and purchases in currencies other than the euro. Nevertheless, most foreign currency transactions are made in currencies whose fluctuations against the euro are small, and with short collection or payment periods; consequently, the potential impact of this risk on the consolidated income statement is not material.

The main transactions in 2015 and 2014 in currencies other than the euro are the purchases from suppliers, mainly of raw materials and merchandise, as detailed below:

Purchases from suppliers	**Equivalent value in euro 2015**	**2014**
Total purchases in foreign currency	*9.420.322,75*	*7.658.001,25*

The following items may be affected by exchange rate risk:

- *Bank current accounts in currencies other than the local or functional currency of the Prim Group companies: The balance of the group's foreign currency current accounts was 791,557.28 euro as of 31 December 2015 and 361,128.75 euro as of 31 December 2014.*

- *Payments for supplies or services in currencies other than the euro. Payments by the Group in foreign currency (including prepayments) amounted to 8,839,541.71 euro in 2015 and 7,678,780.41 in 2014.*

The main non-euro currency in which the Prim Group operates is the US dollar. The sensitivity of the Prim Group's earnings and equity to variations in the euro/dollar exchange rate is as follows:

	Changes in the dollar/euro exchange rate	**(euro) Effect on income before taxes**
2015	*+5%*	*392.669,86*
	-5%	*-434.003,53*
2014	*+5%*	*316.628,47*
	-5%	*-349.957,78*

There are no interest-bearing debts in non-euro currencies.
There were no exchange rate hedges as of 31 December 2015 and 2014.

21.3. Credit risk

21.3.1. Overview

The Group's main customers are public and private entities of acknowledged solvency. Any customer wishing to buy on credit is screened using the Group's procedures for assessing solvency. Additionally, accounts receivable are monitored continuously, analysing customer balances and trends by customer type and region. As a result of intensive management of accounts receivable, the Group's doubtful accounts receivable are not material.

There was not a material concentration of credit in the PRIM Group as of 31 December 2015 and 2014.

The analysis of financial assets by age as of 31 December 2015 and 2014 is as follows:

Year ended 31 December 2015:

		Total	Not yet matured	<=90	>90 and <=180	>180 and <=360	>360
Private sector							
	Long-term customer receivables	0,00	0,00	0,00	0,00	0,00	0,00
	Short-term customer receivables	15.028.687,66	8.682.769,05	3.290.663,54	2.317.019,04	930.462,88	-192.226,85
	Total	15.028.687,66	8.682.769,05	3.290.663,54	2.317.019,04	930.462,88	-192.226,85
Public sector							
	Long-term customer receivables	0,00	0,00	0,00	0,00	0,00	0,00
	Short-term customer receivables	22.305.402,61	5.764.559,17	9.589.401,17	3.691.411,53	3.111.620,73	148.410,01
	Total	22.305.402,61	5.764.559,17	9.589.401,17	3.691.411,53	3.111.620,73	148.410,01
Total							
	Long-term customer receivables	0,00	0,00	0,00	0,00	0,00	0,00
	Short-term customer receivables	37.334.090,27	14.447.328,22	12.880.064,70	6.008.430,57	4.042.083,61	-43.816,83
	Total	37.334.090,27	14.447.328,22	12.880.064,70	6.008.430,57	4.042.083,61	-43.816,83

Year ended 31 December 2014:

		Total	Not yet matured	Under 90	90-180	180-360	Over 360
Private sector							
Long-term customer receivables		0,00	0,00	0,00	0,00	0,00	0,00
Short-term customer receivables		14.094.422,96	8.279.746,04	3.875.811,59	1.382.719,00	818.693,98	-262.547,66
	Group and associated undertakings	0,00	0,00	0,00	0,00	0,00	0,00
	Other	14.094.422,96	8.279.746,04	3.875.811,59	1.382.719,00	818.693,98	-262.547,66
Total		14.094.422,96	8.279.746,04	3.875.811,59	1.382.719,00	818.693,98	-262.547,66
Public sector							
Long-term customer receivables		0,00	0,00	0,00	0,00	0,00	0,00
Short-term customer receivables		27.475.788,55	1.268.585,62	12.223.305,58	6.332.595,92	7.037.518,77	613.782,67
	Group and associated undertakings	0,00	0,00	0,00	0,00	0,00	0,00
	Other	27.475.788,55	1.268.585,62	12.223.305,58	6.332.595,92	7.037.518,77	613.782,67
Total		27.475.788,55	1.268.585,62	12.223.305,58	6.332.595,92	7.037.518,77	613.782,67
Total							
Long-term customer receivables		0,00	0,00	0,00	0,00	0,00	0,00
Short-term customer receivables		41.570.211,51	9.548.331,66	16.099.117,17	7.715.314,92	7.856.212,75	351.235,01
Total		41.570.211,51	9.548.331,66	16.099.117,17	7.715.314,92	7.856.212,75	351.235,01

The amount under customer receivables, both short- and long-term, refers solely to balances with companies outside the group, since balances with group companies are eliminated in consolidation and we understand that it is not possible to speak of credit risk between companies in the same consolidated group.

21.3.2. Credit quality

Receivables from public sector customers have proven credit quality and the Group considers that they should not be impaired. Receivables from private sector customers are provisioned appropriately when there are reasonable doubts as to their credit quality. Consequently, there are no doubts as to the credit quality of private customers for which no provisions have been recognised.

21.3.3. Collateral and credit enhancement

No customer receivables or other receivable balances are collateralised or enjoy credit enhancements requiring disclosure in the notes to consolidated financial statements or recognition in specific items of the consolidated financial statements.

21.3.4. Recognition of provisions and impairment

None of the Prim group companies uses a generic approach to provisioning accounts receivable (by provisioning a given percentage of receivable balances, or a percentage depending on the age of the balance or the customer type).

Rather, provisions are recognised based on an individual analysis of the risk associated with each customer and invoice; i.e. provisions are recognised for specific invoices. Also, when it is decided that an invoice is doubtful, it is written off. Consequently, impaired balances exactly match the amounts due and the recognised impairments.

As detailed in note 12. Value adjustments to "Trade and other accounts receivable" amounted to 1,959,285.87 euro as of 2015 year-end and 1,863,619.42 euro as of 2014 year-end.

As indicated in note 12, at the end of each year, the consolidated Group companies analyse the status of customer balances to ascertain the need to recognise impairment. The analysis is based on the age of balances with customers whose balance is positive at the closing date. No corrections are recognised for public sector customers, since there are no reasonable doubts as to the recoverability of the Group companies' balances with public administrations.

21.3.5. Customer concentration

No single customer accounts for 10% or more of the Consolidated Group's ordinary revenues.

21.3.6. Liquidity risk

The Group's goal is to strike a balance between continuity and flexibility in financing, mainly by using bank loans.

The maturity of those financial instruments coincides in time with the cash flows generated by the Group's ordinary activities, which minimises the liquidity risk and ensures the continuity of operations.

The following aspects are noteworthy:

- *The Group has positive working capital amounting to 61,545,579.90 euro (56,969,876.18 euro as of the end of the preceding year), which assures the cancellation of current liabilities. (Working capital is defined as the difference between current assets and current liabilities)*
- *The group has a significant amount available in credit lines which it has not yet used. Specifically, the unused balance in these credit lines at 2014 year-end was 9,149,997.10 euro in long-term credit lines and 3,403.515.31 euro in short-term credit lines. The corresponding amounts as of 2015 year-end were 6,565,182.63 euro and 4,624,082.36 euro, respectively. Consequently, the Group has sufficient liquidity to address any difficulty that may arise in future years.*
- *In 2015 and 2014, the parent company collected a sizeable amount of debt plus default interest from certain government administrations: 1,119,817.45 euro in 2015 and 1,736,722.25 euro in 2014.*

21.4. Capital management

The Board of Directors of Prim, S.A., which is responsible for managing the Group's capital, considers the following aspects to be vital for determining the consolidated Group's capital structure:

- *Consideration of the cost of capital at all times, in search of an optimal balance between debt and equity to optimise the cost of capital.*

- *Maintaining a level of working capital and a leverage ratio that enable Prim, S.A. to obtain and maintain the desired credit rating over the medium term, and to combine cash flow with other alternative uses that may arise from time to time in pursuit of business growth.*

- *The equity/debt ratio went from 3.88 in 2014 to 3.84 in 2015, and this is considered appropriate to cover the structural and operating needs that have been detected. As a result, all of the assets are financed. Fixed assets represented 33.87% in 2014 (28.69% in 2015) and current assets 66.13% (71.31% in 2015), thereby achieving the desired structure in relation to working capital.*

22. FINANCIAL INSTRUMENTS

Financial assets and liabilities whose fair value has been calculated are shown below: The corresponding carrying amount is shown alongside each fair value amount.

The fair value of financial instruments was calculated since they are required to be stated at fair value in the consolidated financial statements.

Other cases must be reported in the consolidated financial statements at cost, although their fair value is calculated at year-end as part of the analysis performed to determine whether or not it is necessary to recognise impairment.

		Level	Carrying amount		Fair value	
	Note		2015	2014	2015	2014
Assets						
Non-current assets						
Investment property	7	3	3.304.339,54	3.267.939,70	4.113.977,22	6.909.692,67
Goodwill	10	3	1.573.996,00	1.573.996,00	3.424.062,48	2.827.430,98
Other non-current financial assets						
Equity instruments available for sale						
Investment in Alphatec	9.1	1	109.362,63	461.057,58	109.362,63	461.057,58
Investment in Saarema	9.1	3	3.564.061,63	3.564.061,63	3.564.061,63	-
Investment in debt securities	9.1	1	14.074.921,64	19.555.484,81	14.074.921,64	19.555.484,81
Current assets						
Other current financial assets						
Equity instruments (mutual funds)	13	1	5.381.171,38	0,00	5.381.171,38	0,00

The Group does not capitalise long-term customer accounts receivable since the effect is offset by capitalising the default interest collected from public administrations due to late payment. The effect is offset and is not material either in aggregate or individually.

23. REVENUES AND EXPENSES

The detail of the principal line items of the Consolidated Income Statement for 2015 and 2014 is as follows:

23.1. Net sales

	2015	2014
Revenues	*97.713.654,37*	*92.719.681,62*
Services provided	*1.580.461,14*	*1.570.672,10*
Sales returns and volume discounts	*-66.334,31*	*-84.770,90*
Total	*99.227.781,20*	*94.205.582,82*

Sales were broken down as follows:

	2015	2014
Spain	*87.955.440,35*	*83.431.973,54*
Exports	*11.272.340,85*	*10.773.609,28*
Total	*99.227.781,20*	*94.205.582,82*

Since the object of Prim, S.A. includes "performing any type of real estate transaction", it was considered advisable to include revenues obtained by the parent company from leasing the former headquarters as part of net sales. Those revenues amounted to 354,730.69 euro in 2014 and 367,896.80 euro in 2015, as disclosed in section 4.3 "Segment disclosures".

The Other operating revenues item includes subsidies received, as follows:

	2015	2014
Training	*54.615,89*	*34.511,83*
Export subsidies	*0,00*	*0,00*
Operating subsidies	*10.864,46*	*42.483,63*
TOTAL	***65.480,35***	***76.995,46***

There are no contingencies related to the foregoing subsidies, and the conditions required to collect them have been complied with.

23.2. Consumables and other external expenses

The detail of "Consumables and other external expenses" for the years ended 31 December 2015 and 2014 is as follows:

(The effect of variation in inventories is presented separately from in-house consumption in the tables).

2015			
	Purchases	***Change in inventories***	***Total consumption***
Merchandise consumed	*44.712.633,04*	*-5.097.716,09*	*39.614.916,95*
Raw materials and other consumables consumed	*6.324.358,49*	*-527.924,71*	*5.796.433,78*
Other external expenses	*519.871,36*	*0,00*	*519.871,36*
TOTAL	***51.556.862,89***	***-5.625.640,80***	***45.931.222,09***

2014			
	Purchases	***Change in inventories***	***Total consumption***
Merchandise consumed	*37.282.480,79*	*-894.943,69*	*36.387.537,10*
Raw materials and other consumables consumed	*4.821.333,17*	*-91.129,00*	*4.730.204,17*
Other external expenses	*596.319,72*	*0,00*	*596.319,72*
TOTAL	***42.700.133,68***	***-986.072,69***	***41.714.060,99***

23.3. External and operating expenses

	2015	*2014*
Outside services	*13.380.270,27*	*12.955.756,47*
Taxes other than income tax	*242.121,23*	*388.450,66*
Other current operating expenses	*193.482,55*	*214.052,20*
Total external and operating expenses	*13.815.874,05*	*13.558.259,33*

Below is a detail of the Outside Services account:

	2015	2014
Leases and fees	1.779.308,92	1.830.880,94
Repairs and upkeep	482.742,43	502.679,86
Independent professional services	2.095.525,37	2.109.978,25
Transport	1.857.959,50	1.672.419,30
Insurance premiums	342.079,53	293.238,15
Banking and similar services	74.726,83	30.334,91
Advertising and public relations	1.057.118,32	968.365,07
Utilities	309.010,50	287.556,51
Other services	5.381.798,87	5.260.303,48
Total outside services	13.380.270,27	12.955.756,47

23.4. Personnel expenses

	2015	2014
Wages, salaries and similar	21.784.054,23	21.951.640,31
Employee welfare expenses	4.996.859,37	4.986.367,57
Total personnel expenses	26.780.913,60	26.938.007,88

Employee welfare expenses consist mainly of employer social security payments by the group companies. There are no pension or similar commitments.

The Group's average workforce, by gender, is as follows:

	2015			2014		
	Men	Women	Total	Men	Women	Total
Sales and technical staff	164,00	37,00	201,00	150,00	38,00	188,00
Clerical staff	64,00	93,00	157,00	48,00	81,00	129,00
Plant staff	65,00	75,00	140,00	68,00	89,00	157,00
Total	293,00	205,00	498,00	266,00	208,00	474,00

The workforce as of 31 December did not differ materially from those average figures.

The Company's Board of Directors comprises six members, all male.

23.5. *Financial revenues and expenses*

The detail of financial revenues is as follows:

	2015	2014
Revenues from equity holdings	*0,00*	*56.830,97*
Other financial revenues	*1.837.868,96*	*2.070.310,96*
Exchange gains	*574.498,73*	*393.633,69*
Financial revenues	*2.412.367,69*	*2.520.775,62*

The other financial revenues include basically default interest on long-standing accounts receivable from a number of government agencies. That amount was 1,119,817.45 as of 2015 year-end, and 1,736,722.25 euro as of 2014 year-end.

The detail of financial expenses is as follows:

	2015	2014
Financial expenses	*58.948,76*	*154.556,29*
Exchange losses	*0,00*	*0,00*
Financial expenses	*58.948,76*	*154.556,29*

No financial expenses were capitalised in 2015 or 2014.

23.6. *Earnings per share*

The amount of basic earnings per share is calculated by dividing net income for the year attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding in that year. Outstanding shares are those which are tradeable on an organised market; accordingly, shares of the parent company held by the parent itself or any of its dependent companies are excluded.

The amount of diluted earnings per share is calculated by dividing the net income for the year attributable to shareholders by the weighted average number of ordinary shares in that year (adjusting for the effect of any options and convertible bonds). At year-end, no bonds convertible into shares had been issued; consequently, the basic earnings per share is equal to the diluted earnings per share.

The table below shows the income and share numbers used to calculate basic and diluted earnings per share:

Figures in euro	*BALANCE 31/12/2015*	*BALANCE 31/12/2014*
CONTINUING OPERATIONS		
Net income attributable to equity holders of the parent	*10.702.847,49*	*9.961.527,05*
Weighted average of ordinary shares (excluding treasury shares)	*17.156.485,28*	*17.104.904,88*
Earnings per share		
Basic	*0,62*	*0,58*
Diluted	*0,62*	*0,58*
DISCONTINUED OPERATIONS		
Net income attributable to equity holders of the parent	*0,00*	*0,00*
Weighted average of ordinary shares (excluding treasury shares)	*17.156.485,28*	*17.104.904,88*
Earnings per share		
Basic	*0,00*	*0,00*
Diluted	*0,00*	*0,00*

No transactions affecting ordinary shares arose between the closing date and the date on which these financial statements were completed.

23.7. Variation in operating provisions

Figures in euro	*BALANCE 31/12/2015*	*BALANCE 31/12/2014*
Impairment of merchandise, raw materials and other procurements (1)	*-200.020,63*	*348.476,33*
Losses, impairment and change in trade provisions (2)	*-169.436,17*	*650.579,45*
Overprovision	*0,00*	*0,00*
TOTAL CHANGE IN OPERATING PROVISIONS	*-369.456,80*	*999.055,78*

Below is a reconciliation of the foregoing items from the Consolidated Statement of Income and the items in the Consolidated Statement of Financial Position which contain the corresponding impairment:

Figures in euro	BALANCE 31/12/2015	BALANCE 31/12/2014	TREND PERIOD	
IMPAIRMENT				
Merchandise, raw materials and other procurements				
Commercial	2.524.493,81	2.489.522,18	-34.971,63	
Raw materials and other purchases	211.213,00	85.772,00	-125.441,00	
Semi-finished products and products in process	0,00	0,00	0,00	
Finished products	95.621,00	56.013,00	-39.608,00	
Byproducts and waste	0,00	0,00	0,00	
TOTAL IMPAIRMENT (Note 11)	2.831.327,81	2.631.307,18	-200.020,63	(1)
IMPAIRMENT				
Trade and other accounts receivable				
Customer receivables for sales and services (Note 12)	1.959.285,87	1.863.619,42	-95.666,45	
LOSSES DUE TO BAD DEBTS			-73.769,72	
TOTAL LOSSES AND IMPAIRMENTS			-169.436,17	(2)

24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

24.1. Director and senior executive remuneration and other information

		(euro)
	31.12.15	*31.12.14*
Remuneration	*650.031,95*	*649.228,07*
Share in income	*300.000,00*	*350.000,00*
TOTAL	***950.031,95***	***999.228,07***

The remuneration for the Directors of the Parent Company arises from their functions as managers of the functional areas within the Group for which they are responsible. The Annual Report on Director Remuneration discloses the itemised remuneration of the directors and senior managers.

The share in profits was provisioned as of 2015 year-end in the amount of 300,000.00 euro for that year (350,000.00 euro in 2014).

The Parent Company's Articles of Association authorise the Board of Directors to receive remuneration of up to 10% of the Company's net profits.

During the last two years, director remuneration was much lower than the maximum set out in the Articles of Association. Based on a recommendation by the Remuneration and Appointments Committee, the Board of Directors proposes the remuneration amount, which is submitted to the General Meeting of Shareholders for approval.

The amount, which is provisioned at the end of the year, is paid the following year, after the General Meeting of Shareholders. The last payment was made on 20 July 2015.

In connection with article 229 of the Capital Companies Law (CCL), the directors have not disclosed any conflicts of interest.

In accordance with article 114 of the Securities Market Law, it is disclosed that neither the Directors of the Parent Company nor persons acting on their behalf performed transactions with the Parent Company (or other companies in its Group) other than in the normal course of business or other than on an arm's-length basis. The Parent Company's directors have stated that they do not hold shares or stakes in any company whose corporate purpose is similar to that of Prim, S.A.

As required by the Capital Companies Law, it is hereby stated that the members of the Board of Directors of the Parent Company (Prim, S.A.) do not have direct holdings in companies whose object is the same as, or similar or complementary to, that of the company.

24.2. Information about the shareholders

There were no transactions with shareholders or related parties apart from the declared dividends.

A dividend of 954,091.82 euro charged to income for the year 2014 was declared in December 2014.

The provisional financial statement approved by the Directors, in accordance with the legal requirements (Article 277 of the Capital Companies Law), disclosing the existence of sufficient liquidity to distribute the interim dividend declared by the Board of Directors in December 2014 (November 2014 accounting close), was as follows:

REPORT ON AVAILABILITY OF LIQUIDITY PRIOR TO THE RESOLUTION TO DISTRIBUTE AN INTERIM DIVIDEND OUT OF 2014 INCOME

(This report fulfils the provisions of article 277 of the Capital Companies Act)

	(euro)
Available liquidity as of 30 November 2014	1.999.598,51
Balance available in credit lines	9.905.174,00
Projected receipts less projected payments in the period	217.384,13
Available liquidity projected as of 30 November 2015	**12.122.156,64**
Proposed dividend	**954.091,82**
Income obtained since the last year (January to November 2014)	9.281.868,00
Estimated tax payable on that income	-2.784.560,40
Total	**6.497.307,60**
Proposed dividend	**954.091,82**

In view of the financial statement and undrawn credit lines, the Company estimated that it had sufficient liquidity to make the payment on the date that dividend was declared.

A dividend of 954,091.82 euro charged to income for the year 2015 was declared in December 2015.

The provisional financial statement approved by the Directors, in accordance with the legal requirements (Article 277 of the Capital Companies Law), disclosing the existence of sufficient liquidity to distribute the interim dividend declared by the Board of Directors in December 2015 (November 2015 accounting close), was as follows:

REPORT ON AVAILABILITY OF LIQUIDITY PRIOR TO THE RESOLUTION TO DISTRIBUTE AN INTERIM DIVIDEND OUT OF 2015 INCOME

(This report fulfils the provisions of article 277 of the Capital Companies Act)

	(euro)
Available liquidity as of 30 November 2015	1.400.859,33
Balance available in credit lines	*8.192.195,00*
Projected receipts less projected payments in the period	*-517.401,61*
Available liquidity projected as of 30 November 2016	***9.075.652,72***
Proposed dividend	***954.091,82***
Income obtained since the last year (January to November 2015)	*10.909.159,00*
Estimated tax payable on that income	*-3.054.564,52*
Total	***7.854.594,48***
Proposed dividend	***954.091,82***

In view of the financial statement and undrawn credit lines, the Company estimated that it had sufficient liquidity to make the payment on the date that dividend was declared.

24.3. Information about associates

There were no material transactions with associates.

25. GUARANTEES TO THIRD PARTIES

25.1. Sureties

In 2011, Prim, S.A. established a mortgage on the property at Calle C, Polígono Industrial número 1, Móstoles, in favour of the Spanish State Tax Agency as surety for the payment of the amounts assessed as a result of the tax audits of 2006 and 2007. For this purpose, the mortgaged property was appraised at 2,680,300.00 euro by TasaMadrid on 25 May 2011.

The mortgage guarantees payment of the amount assessed under those audits against the parent company (Prim, S.A.) and its subsidiary (Enraf Nonius Ibérica, S.A.).

As of 31 December 2014, the Group had provided bonds to third parties in guarantee of supplies (government tenders) for a total of 664,453.24 euro at Prim, S.A., 251,465.57 euro at Enraf Nonius Ibérica, S.A. and 85,249.75 euro at Establecimientos Ortopédicos Prim, S.A. Additionally, Luga Suministros Médicos, S.L. had provided bonds amounting to 16,600.00 euro relating to work carried out at its facilities in Casarrubios del Monte (Toledo).

As of 31 December 2015, the Group had provided bonds to third parties in guarantee of supplies (government tenders) for a total of 587,447.37 euro at Prim, S.A., 316,692.31 euro at Enraf Nonius Ibérica, S.A. and 89,120.00 euro at Establecimientos Ortopédicos Prim, S.A. Additionally, Prim, S.A. had provided bonds amounting to 12,000.00 euro relating to work carried out at its facilities in Casarrubios del Monte (Toledo). Other minor bonds amounted to 25,950.00 euro at Prim and 7,757.51 euro at Enraf Nonius Ibérica, S.A.

25.2. Operating leases

The Group has operating leases on certain vehicles and items of computer hardware. Those leases have an average term of 3-5 years and the contracts do not contain renewal clauses. The lessee is not subject to any restrictions in arranging those leases.

Additionally, the Group has certain premises, which are used as sales offices, under operating lease.

The operating lease payments recognised as expenses in the year are as follows:

	31/12/2015	31/12/2014
STRUCTURES	463.728,99	477.419,18
VEHICLES	1.146.881,91	1.144.100,19
FURNITURE	61.224,45	100.347,53
OFFICE EQUIPMENT	84.389,16	78.910,44
OTHERS	23.084,41	30.103,60
TOTAL	1.779.308,92	1.830.880,94

Because the leases of structures represent material amounts, the following tables detail the minimum future payments to be made under those operating leases (both discounted and undiscounted).

Committed future payments for leases of structures are as follows:

	Under 1 year	1 to 5 years	Over 5 years	TOTAL
As of 31 December 2014	284.966,11	1.057.194,20	877.797,43	2.219.957,74
As of 31 December 2015	370.654,20	1.132.360,57	643.429,53	2.146.444,30

The present value of the minimum net payments is as follows:

	Under 1 year	1 to 5 years	Over 5 years	TOTAL
As of 31 December 2014	279.675,86	952.279,45	691.324,01	1.923.279,32
As of 31 December 2015	363.761,16	1.022.135,72	514.774,83	1.900.671,71

The present value of the minimum net payments was calculated using a 3.5% nominal annual discount rate.

The main operating lease contracts in force are as follows:

Company	Location
Prim, S. A	Avenida Madariaga, 1 - Bilbao
Prim, S.A.	Calle Islas Timor 22 - Madrid
Prim, S.A.	Juan Ramón Jiménez, 5-Sevilla
Prim, S.A.	Maestro Rodrigo, 89-91-Valencia
Prim, S.A.	Habana, 27 - Las Palmas de Gran Canaria
Prim, S.A.	San Ignacio 77-Palma de Mallorca
Prim, S.A.	Rey Abdullah, 7-9-11 - La Coruña
Prim, S.A. (*)	C/ Conde de Peñalver 26, Madrid
Prim, S.A. (*)	C/F nº 15. Polígono Industrial 1, Móstoles
Establecimientos Ortopédicos Prim, S.A. (*)	C/C nº20. Polígono Industrial 1, Móstoles
Establecimientos Ortopédicos Prim, S.A. (*)	C/ Conde de Peñalver 26, Madrid
Establecimientos Ortopédicos Prim, S.A.	Rey Abdullah, 7-9-11 - La Coruña
Establecimientos Ortopédicos Prim, S.A.	Don Ramón de la Cruz, 83 – Madrid
Establecimientos Ortopédicos Prim, S.A.	Zamora, 94 – Vigo
Establecimientos Ortopédicos Prim, S.A.	Cruceiro Quebrado, 10 – Orense
Establecimientos Ortopédicos Prim, S.A.	Fray Rosendo Salvado, 20 - Santiago de Compostela
Establecimientos Ortopédicos Prim, S.A.	Avenida de Córdoba 10 – Madrid
Enraf Nonius Ibérica Portugal, Lda	Aquiles Machado 5-J - Lisbon – Portugal
Enraf Nonius Ibérica, S.A. (*)	C/ Monte Boyal. Casarrubios del Monte

Apart from the foregoing contracts, specific leases are arranged for premises at which presentations of our products are given. Because of their nature, those leases are not predictable and there are no future commitments in connection with them.

(*) Under those lease contracts, one Group undertaking is the lessor and another is the lessee. Consequently, the amount of future lease payments does not include those contracts since the corresponding amounts are eliminated in consolidation.

26. ENVIRONMENTAL ASPECTS

During the year, the Group did not incorporate systems, equipment or installations and did not recognise material expenses in connection with environmental protection and improvement.

The accompanying Consolidated Statement of Financial Position does not contain any provisions for environmental matters since the directors of the Parent Company consider that, at year-end, there were no liabilities to be settled in the future arising from actions to prevent, abate or repair damage to the environment, and that any such liabilities would be non-material.

27. INFORMATION ON DEFERRAL OF PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DISCLOSURE OBLIGATION" OF LAW 15/2010 OF 5 JULY.

On 29 January 2016, Spain's Institute of Accounting and Auditing issued a resolution on the disclosures to be made in the notes to financial statements in connection with the average time taken to pay suppliers in commercial transactions, which approved a new form of disclosure for the purposes of fulfilling the disclosure requirement set out in the third additional provision of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which established certain measures to combat late payment in commercial transactions. That Resolution is applicable to financial statements referring to years commencing on or after 1 January 2015; consequently, the information for 2015 is presented in accordance with the new format approved in that resolution. As regards the information for 2014, the Resolution of 29 January 2016 establishes that the financial statements for the first year of application of the resolution should not contain comparative information in respect of this new obligation, and that the financial statements are classified as initial statements, for these purposes only, with regard to the principle of uniformity and the comparability requirement. Consequently, the information on average supplier payment times in commercial operations corresponding to the previous year, 2014, has not been restated to adapt it to the new format approved by the Spanish Institute of Accounting and Auditing resolution dated 29 January 2016.

In accordance with the provisions of that Resolution, the information on deferred payment to suppliers in commercial transactions is disclosed only for fully consolidated undertakings based in Spain (therefore, the calculations do not include Enraf Nonius Ibérica Portugal Lda, which is part of the consolidated group but is based in Portugal).

	31-12-15 Group
*Total (number of days payment delay * amount of payment)*	3.423.270.463,45
Total amount of payments made	68.898.750,55
Ratio of payments made	49,69
*Total (number of days outstanding * amount outstanding)*	1.901.494.279,47
Total amount of payments outstanding	5.563.797,10
Ratio of payments outstanding	341,76
	0,00
Average supplier payment period. Numerator	5.324.764.742,92
Average supplier payment period. Denominator	74.462.547,65
Average supplier payment period. Denominator	71,51

28. AUDITORS' FEES

The fees paid to the main auditor for the audit of the consolidated financial statements for the years 2014 and 2015, including those for the parent company and subsidiaries, amounted to 87,440.00 euro in 2014 and 78,000.00 in 2015, plus 26,090.05 euro for services other than the audit which were provided before their appointment as the Group's auditors.

29. SUBSEQUENT EVENTS

- *On 29 February 2016, the Parent Company filed information on its results in the second half of 2015.*

- *On 2 March 2016, the Company disclosed the recent incorporation of a company in Mexico.*

- *On 9 December 2015, Saarema resolved to perform a capital increase by issuing new shares for cash and amending article 5 of its Articles of Association. At the date of authorisation of these financial statements, that capital increase had not yet been registered with the Mercantile Register. The Prim Group does not intend to subscribe for that capital increase.*

This document was authorised by the Board of Directors on 31 March 2016.

The composition of the Company's Board of Directors is as follows:

VICTORIANO PRIM GONZÁLEZ	*Chairman*
BARTAL INVERSIONES, S.L. represented by	
ANDRÉS ESTAIRE ÁLVAREZ	*Vice-Chairman*
JOSÉ LUIS MEIJIDE GARCÍA	*Director*
ENRIQUE GIMÉNEZ-REYNA RODRÍGUEZ	*Director*
MS BELÉN AMATRIAIN CORBI	*Director*
IGNACIO ARRAEZ BERTOLÍN	*Director and Vice-Secretary*

PRIM

DIRECTORS' REPORT

2015 and 2014

1. SIGNIFICANT FIGURES AND BUSINESS PERFORMANCE

(euro)

		2015	Change	2014
Net sales				
Continuing operations		99.227.781,20	5,33%	94.205.582,82
Total		99.227.781,20	5,33%	94.205.582,82
Net operating income		11.462.620,54		11.817.779,00
Period depreciation and amortisation		1.923.814,46		1.789.227,53
Variation in operating provisions		369.456,80		-999.055,78
EBITDA		13.755.891,80	9,10%	12.607.950,75
Consolidated income before tax				
Continuing operations		14.616.120,15		14.280.960,66
Discontinued operations		0,00		0,00
Total		14.616.120,15	2,35%	14.280.960,66
Income for the year attributable to				
the parent company		10.702.847,49	7,44%	9.961.527,05
non-controlling interests		0,00		0,00
Equity				
Attributable to equity holders of the parent company		92.246.346,87	-0,45%	92.664.608,74
Non-controlling interests		0,00		0,00
Average workforce in the year				
Sales and technical staff		201,00	6,91%	188,00
Clerical staff		157,00	21,71%	129,00
Plant staff		140,00	-10,83%	157,00
Total		498,00	5,06%	474,00
Earnings per share (*)				
	Income for the year	10.702.847,49	7,44%	9.961.527,05
	No. of shares	17.156.485,28	0,30%	17.104.904,88
Basic		0,62	6,90%	0,58
	Income for the year	10.702.847,49	7,44%	9.961.527,05
	No. of shares	17.156.485,28	0,30%	17.104.904,88
Diluted		0,62	6,90%	0,58

(*) The number of shares was calculated on the basis of IAS 33 (Earnings per share).

	2015	Change	2014
Debt ratio			
Total debt	23.967.206,25	0,37%	23.878.558,38
Total assets	116.213.553,12	-0,28%	116.543.167,12
	0,21	5,00%	0,20
Gearing			
Long-term interest-bearing debt	120.984,80	-84,61%	786.266,38
Short-term interest-bearing debt	2.050.167,27	2,98%	1.990.921,41
Total interest-bearing debt	2.171.152,07	-21,82%	2.777.187,79
Total assets	116.213.553,12	-0,28%	116.543.167,12
	0,019	-21,60%	0,024

1.1. Business performance and changes in the economic environment

At the time of drafting this report, the matters that we considered to be most salient with regard to their potential impact on the economic situation in the coming months are as follows:

- *Deceleration of global growth*

On 18 February 2016, the OECD lowered its estimates for global growth by 0.3 points. This situation is affected mainly by emerging countries whose economies are highly exposed to commodity exports. For example, Brazil is expected to experience a recession of 4%.

This situation is due mainly to slowing growth in China and to falling prices of commodities, particularly oil. While this fall should have a positive effect by reducing production costs in industrialised countries, the latter will be negatively affected by reduced demand in the countries that produce those commodities.

The European Union's top three economies – Germany, France and Italy – are expected to grow by less than 2%.

- *Uncertainty about Brexit*

Despite the recent agreement between the UK and the European Union to change the Union's ground rules in line with David Cameron's demands, there is still uncertainty about the outcome of the referendum scheduled for June 2016 to decide whether or not the United Kingdom should stay in the European Union.

- *Political instability in Spain*

There are evident difficulties in choosing a prime minister. Regardless of the outcome, it appears clear that the government that emerges may not be in a position to implement its programme because of the number of seats in Congress and the Senate; consequently, another round of elections in 2016 cannot be ruled out.

This instability has already resulted in a downgrade of Spain by some of the leading rating agencies.

1.2. Segment performance

Below is a summary of the changes in the main figures relating to the identified business segments, which are the principal segments identified for drafting the consolidated financial statements.

	2015	Change	2014
Total segment revenues			
Medical-hospital segment	99.803.747,20	5,74%	94.388.942,19
Real estate segment	548.418,10	12,46%	487.653,66
	100.352.165,30	5,77%	94.876.595,85
Net operating income			
Medical-hospital segment	11.344.215,15	-1,99%	11.573.999,23
Real estate segment	118.405,39	-51,43%	243.779,77
	11.462.620,54	-3,01%	11.817.779,00
Total asset volume			
Medical-hospital segment	112.909.213,58	-0,32%	113.275.227,42
Real estate segment	3.304.339,54	1,11%	3.267.939,70
	116.213.553,12	-0,28%	116.543.167,12

Note 4 to the consolidated financial statements provides detailed information about the business and geographical segments.

1.3. Taxes

The corporate income tax expense is analysed in note 20 to the consolidated financial statements. The table below analyses the variation in the effective tax rate.

Effective tax rate	2015	Change	2014
Income before taxes from continuing operations	14.616.120,15		14.280.960,66
Income before taxes from discontinued operations	0,00		0,00
Consolidated income before tax	14.616.120,15	2,35%	14.280.960,66
Corporate income tax - continuing operations	3.913.272,66		4.319.433,61
Corporate income tax - discontinued operations	0,00		0,00
Total corporate income tax expense	3.913.272,66	-9,40%	4.319.433,61
Effective tax rate	26,77%	-11,48%	30,25%

It is notable that the nominal tax rate for Spanish companies was reduced from 30% in 2014 to 28% in 2015.

1.4. Capital remuneration

See note 15.1 to the Consolidated Financial Statements.

1.5. Liquidity and capital

The Consolidated Cash Flow Statement shows a negative change in the amount of cash and cash equivalents of 5,473,425.22 euro in the year ended 31 December 2015 and a positive variation of 7,173,484.50 euro in the year ended 31 December 2014.

1.6. Leverage and indebtedness

The calculation of leverage does not include non-interest-bearing liabilities.

The Group's leverage is within the acceptable limits established by management; as shown in the table at the beginning of this directors' report, leverage declined from 0.024 in 2014 to 0.019 in 2015, a 21.60% decrease, mainly because the funds received were used to cancel loans and other debts of the Group at the end of the preceding year.

The table also shows that Consolidated group leverage increased by 5.00%, from 0.20 as of 2014 year-end to 0.21 as of 2015 year-end, remaining within the limits which Consolidated Group management considers to be acceptable.

2. *RESEARCH AND DEVELOPMENT*

Prim, S.A.'s R&D Department focused on the following projects in 2015:

1) Implementation of the Thermo-shaping section for the launch of the new AVANT framework (Models C35+ Avant and C35 Basic AVANT).
2) Orthosis line – ONE SIZE breathable.
3) New girdle for pregnant women (Happy Mammy).
4) Slipper line (assistance for upper and lower limb amputees).
5) New tooling for improving High Frequency processes
6) Improvements in processes and manufacturing of semi-rigid cervical collars.
7) New Bebax models in larger sizes (14.5, 15.5 and 16.5 inches)
8) New TIELLE 523 Black girdle.

3. TRANSACTIONS WITH OWN SHARES

During 2014, own shares were purchased and sold, ending the year with 203,239 shares, i.e. 1.17% of capital stock.

During 2015, own shares were purchased and sold, ending the year with 271,665 shares, i.e. 1.57% of capital stock.

4. SUBSEQUENT EVENTS

- *On 29 February 2016, the Parent Company filed information on its results in the second half of 2015.*

- *On 2 March 2016, the Company disclosed the recent incorporation of a company in Mexico.*

- *On 9 December 2015, Saarema resolved to perform a capital increase by issuing new shares for cash and amending article 5 of its Articles of Association. At the date of authorisation of these financial statements, that capital increase had not yet been registered with the Mercantile Register. The Prim Group does not intend to subscribe for that capital increase.*

5. DISCLOSURES UNDER ARTICLE 116 BIS OF THE SECURITIES MARKET LAW.

5.1. Capital structure

Capital stock is represented by 17,347,124 shares of 0.25 euro par value each, all of which are fully paid and have the same rights and obligations; accordingly, the total par value is 4,336,781.00 euro. The shares are represented by book entries.

5.2. Restrictions on share transfer

There are no legal restrictions on the acquisition or transfer of shares in capital.

5.3. Significant holdings in capital, both direct and indirect

In accordance with the information reported by the CNMV, the significant holdings in the capital of Prim, S.A. are as follows:

Shareholder	% of direct voting rights	% of indirect voting rights	% of total voting rights
CARTERA DE INVERSIONES MELCA, S.L.	12,382	0,000	12,382
BROWN BROTHERS	0,000	10,006	10,006
GARCIA ARIAS, JOSE LUIS	0,000	12,382	12,382
ONCHENA, S.L.	5,861	0,000	5,861
PRIM BARTOMEU, ELISA	2,361	7,568	9,929
PRIM GONZALEZ, ANA MARÍA	4,117	0,000	4,117
PRIM GONZALEZ, MARÍA DOLORES	5,633	0,000	5,633
RUIZ DE ALDA RODRI, FRANCISCO JAVIER	3,546	0,000	3,546
YBARRA CAREAGA, CARMEN	0,000	5,861	5,861
Shareholder (Director)	% of direct voting rights	% of indirect voting rights	% of total voting rights
Amatrian Corbi, María Belén	0,000	0,000	0,000
Arráez Bertolín, Ignacio	0,019	0,000	0,019
Bartal Inversiones, S.L.	7,568	0,000	7,568
Giménez-Reyna Rodríguez, Enrique	0,017	0,000	0,017
Meijide García, José Luis	0,669	0,000	0,669
Prim González, Victoriano	9,418	0,020	9,437

5.4. Restrictions on voting rights

There no restrictions on shareholders' voting rights under either the law or the Articles of Association.

5.5. Shareholder agreements

There are no shareholder agreements.

5.6. Rules governing the appointment and removal of members of the Board of Directors and amendments to its Articles of Association

5.6.1. Rules governing the appointment and removal of members of the Board of Directors

There must be at least 4 and at most 10 directors.

Based on recommendations from the Appointments and Remuneration Committee, the Board of Directors makes proposals to the Shareholders' Meeting for the appointment and removal of directors and with regard to their number, based on the Company's circumstances. The Board of Directors determines, at any given time, the procedures for appointing, re-appointing, evaluating and removing directors.

Under article 13 of the Board of Directors Regulation, directors' duties include the obligation to resign if their continuance on the Board might jeopardise the Board's performance or the Company's credit and reputation.

Article 4 of the Board of Directors Regulation establishes an age limit of 75 for directors, except for those who had already reached that age and are still active. There are no term limits.

None of the members of Board of Directors has a golden handshake clause in the event of removal. Such clauses require authorisation by the Board of Directors but the Shareholders' Meeting need not be notified.

5.6.2. Rules governing amendments to the Articles of Association

Article 13 of the Articles of Association provides that the Ordinary or Extraordinary Shareholders' Meeting may validly decide to issue bonds, increase or decrease capital, change the company's corporate form or merge or demerge it and, generally, make any other amendment to the Articles of Association; in general, to make any amendment to the Articles of Association, the meeting must be attended at first call by at last 50% of the subscribed voting capital.

At second call, 25% will suffice although, if the shareholders in attendance represent less than 50% of the subscribed voting stock, the resolutions referred to in this paragraph may only be validly adopted with the favourable vote of two-thirds of the capital present or represented at the Meeting.

Article 11.3 of the Shareholders' Meeting Regulation establishes that, if any items in the agenda require a special majority and that majority is not present, the agenda will be reduced to the items which do not require such a majority.

Also, article 11.14 establishes that the Chairman may put motions that have been debated in the Shareholders' Meeting to the vote, votes being cast individually for each motion. Article 11.15 establishes that votes may be cast by shareholders of record by any of the electronic or postal means that may be accepted in the future for the purpose of voting.

5.7. *Powers of the members of the Board of Directors, particularly with respect to the issuance and repurchase of shares.*

On 27 June 2015, the Shareholders' Meeting resolved:

"To authorise the Board of Directors to acquire own shares and to authorise subsidiaries to acquire shares of the Parent Company by any legal means, in line with the limits and requirements set out in article 509 of the Capital Companies Law and other related legislation.

The maximum number of shares to be acquired was set at 10% of capital stock, at a price of at least 1 euro and at most 18 euro.

This authorisation, which expires after 18 months, revoked the unused portion of the authorisation granted by the Shareholders' Meeting on 28 June 2014.

Regarding the Board's power to issue shares, it is subservient to the Shareholders' Meeting as provided in article 13 of the Articles of Association, which is reproduced above in section 5.6.2 (Rules governing amendments to the Articles of Association).

6. *DISCLOSURES UNDER ROYAL DECREE 1362/2007*

Article 8.b).1 of Royal Decree 1362/2007 makes it obligatory to disclose the risks and uncertainties facing the Group.

The risks are described in sufficient detail in note 21 of the Notes to the Consolidated Financial Statements.

6.1. Interest rate risks on cash flows

See note 21.1 of the Notes to the Consolidated Financial Statements.

6.2. Exchange rate risk

See note 21.2 of the Notes to the Consolidated Financial Statements.

6.3. Credit risk

See note 21.3 of the Notes to the Consolidated Financial Statements.

6.4. Liquidity risk

See note 21.4 of the Notes to the Consolidated Financial Statements.

6.5. Capital management

See note 21.5 of the Notes to the Consolidated Financial Statements.

7. INFORMATION ON DEFERRAL OF PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DISCLOSURE OBLIGATION" OF LAW 15/2010 OF 5 JULY.

See note 27 to the Consolidated Financial Statements.

8. CORPORATE GOVERNANCE REPORT

The accompanying Annual Corporate Governance Report, in accordance with Directive 206/46 of the CNMV on Financial Statements, is an integral part of this Consolidated Directors' Report and was authorised by the Directors together with the Consolidated Financial Statements and Consolidated Directors' Report of PRIM, S.A. and its subsidiaries for the year ended 31 December 2015.

This document was authorised by the Board of Directors on 31 March 2016.

The composition of the Company's Board of Directors is as follows:

VICTORIANO PRIM GONZÁLEZ	*Chairman*
BARTAL INVERSIONES, S.L. represented by	
ANDRÉS ESTAIRE ÁLVAREZ	*Vice-Chairman*
JOSÉ LUIS MEIJIDE GARCÍA	*Director*
ENRIQUE GIMÉNEZ-REYNA RODRÍGUEZ	*Director*
BELÉN AMATRIAIN CORBI	*Director*
IGNACIO ARRAEZ BERTOLÍN	*Director and Vice-Secretary*