

Palma Pictures Annual Report 2016

The figures

The figures

Consolidated balance sheet at December 31, 2015 and 2014

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Assets	Notes	2016	2015
A) NON-CURRENT ASSETS		10,149,184	10,605,148
I. Intangible assets	5	1,918,453	2,128,837
1. Patents, licenses, trademarks and similar		1,912,639	2,103,626
2. Software		5,814	25,211
II. Property, plant and equipment	6	8,197,468	8,439,787
1. Land and buildings		7,607,539	7,813,772
2. Plant and other PP&E items		589,929	626,015
III. Long-term investments	7	1,043	1,043
1. Equity instruments		250	250
2. Loans to third parties		-	-
3. Other financial assets		793	793
IV. Deferred tax assets	11	32,220	35,481
B) CURRENT ASSETS		2,443,069	1,708,626
I. Trade and other receivables		1,322,366	1,030,610
1. Clients for sales and services rendered	7	817,892	661,086
2. Sundry debtors		-	5,632
3. Personnel		-	(238)
4. Current tax assets		-	24,214
5. Other receivables from Public Administrations	11	504,474	339,916
II. Short-term financial investments	7	10,490	14,149
1. Equity instruments		10,490	10,490
2. Loans to companies			3,659
III. Cash and cash equivalents	8	1,110,213	663,867
1. Cash		1,110,213	663,867
2. Cash equivalents			-
TOTAL ASSETS (A+B)		12,592,253	12,313,774

Liabilities	Notes	2016	2015
A) EQUITY		3,863,511	3,926,272
A-1) Equity	9	3,787,906	3,845,300
I. Share capital		3,400,000	3,400,000
1. Issued capital		3,400,000	3,400,000
II. Reserves		445,301	454,093
III. Result for the year attributable to the Parent Company	12.2	(57,395)	(8,793)
A-2) Grants, donations and legacies	9	75,605	80,972
B) NON-CURRENT LIABILITIES		5,960,261	6,404,628
I. Long-term borrowings	10	3,993,315	4,335,862
1. Bank borrowings		3,993,315	2,698,893
2. Other financial liabilities		-	1,636,969
II. Deferred tax liabilities	11	1,966,946	2,068,766
C) CURRENT LIABILITIES		2,768,481	1,982,874
I. Short-term borrowings	10	418,614	394,778
1. Bank borrowings		418,614	279,615
2. Other financial liabilities		-	115,163
II. Trade creditors and other accounts payable	10	2,349,867	1,588,095
1. Suppliers		1,914,229	1,118,505
2. Personnel (remuneration pending payment)		176,512	5,176
3. Current tax liabilities	11	41,518	-
4. Other payables to Public Administrations	11	78,857	28,374
5. Prepayments from clients		138,751	436,039
TOTAL EQUITY AND LIABILITIES (A+B+C)		12,592,253	12,313,774

Consolidated income statement corresponding to the years ended December 31, 2015 and 2014

Consolidated income statement	Notes	2016	2015
1. Revenue	12.1	15,948,793	17,612,876
2. Supplies	12.3	20,942	(105,789)
3. Other operating income		64,324	72,713
4. Personnel expenses	12.4	(2,243,294)	(1,798,878)
5. Other operating expenses		(13,277,929)	(14,971,531)
6. Amortisation and depreciation		(551,027)	(627,450)
7. Impairment losses and result for the sale of assets		81,840	22,304
8. Grants		7,156	6,870
9. Other results		(2,670)	49,425
A) OPERATING RESULT (1+2+3+4+5+6+7+8+9)		48,135	260,540
10. Finance income		915	3,797
11. Finance expenses		(122,661)	(195,355)
B) FINANCE RESULT (10+11+12)		(121,746)	(191,558)
C) RESULT BEFORE TAXES (A+B)		(73,612)	68,982
13. Income tax	11	16,216	(77,775)
D) RESULT FOR THE YEAR (C+13)	12.1	(57,395)	(8,793)

Consolidated statement of changes in equity

2016	SUBSCRIBED CAPITAL (NOTE 9)	CONSOLIDATED RESERVES	RESULTS FOR THE YEAR	GRANTS RECEIVED	TOTAL
BALANCE AT JANUARY 1, 2016	3,400,000	454,093	(8,793)	80,972	3,926,272
Total recognised income and expenses	-	-	(57,395)	(5,367)	(62,762)
Other variations in net equity	-	(8,793)	8,793	-	-
BALANCE AT DECEMBER 31, 2016	3,400,000	445,301	(57,395)	75,605	3,863,511

Consolidated statement of changes in equity corresponding to the years ending December 31, 2015 and 2014

	Notes	2016	2015	Result of
the consolidated income statement		(57,395)		(8,793)
Income and expenses carried directly to equity				
For valuation of financial instruments		-		-
Available-for sale financial assets		-		-
Other income/expenses		-		-
For cash flow hedges		-		-
Conversion differences		-		-
Grants, donations and legacies		-		-
For actuarial profit and loss and other adjustments		-		-
Tax effect due to change in tax rate		-		-
Total income and expenses carried directly to equity		-		-
Transfers to consolidated profit and loss account				
For valuation of financial instruments		-		-
Available-for-sale financial assets		-		-
Other income/expenses		-		-
For cash flow hedges		-		-
Grants, donations and legacies	9	(7,156)		(6,870)
Tax effect		1,789		1,503
Total transfers to consolidated income statement		(5,367)		(5,367)
TOTAL RECOGNISED INCOME AND EXPENSES		(62,762)		(14,160)

2015	SUBSCRIBED CAPITAL (NOTE 9)	CONSOLIDATED RESERVES	RESULTS FOR THE YEAR	GRANTS RECEIVED	TOTAL
BALANCE AT JANUARY 1, 2015	3,400,000	38,185	415,908	86,340	3,940,433
Total recognised income and expenses	-	-	(8,793)	(5,367)	(14,160)
Other variations in net equity	-	415,908	(415,908)	-	-
BALANCE AT DECEMBER 31, 2015	3,400,000	454,093	(8,793)	80,972	3,926,272

Consolidated cash flow statement

	2016	2015
CASH FLOWS OF OPERATING ACTIVITIES		
Result for the year before tax	(73,612)	68,982
Adjustments to results	585,903	812,138
Amortisation/Depreciation (+)	551,027	627,450
Grants (-)	(6,870)	(6,870)
Results for withdrawal and disposal of assets (+/-)	(80,000)	-
Finance income (-)	(915)	(3,797)
Finance expenses (+)	122,661	195,355
Changes in current capital	457,000	(29,016)
(Increase)/Decrease in Debtors and other accounts receivable	(279,111)	140,493
(Increase)/Decrease in Other current assets	3,659	(178)
(Increase)/Decrease in Creditors and other accounts payable	732,452	(175,939)
Other non-current assets and liabilities (+/-)	-	6,609
Other cash flows from operating activities	(186,236)	(478,116)
Interest payments (-)	(122,661)	(195,355)
Proceeds from interest (+)	915	3,797
Collections (payments) for income tax (+/-)	(64,490)	(286,558)
Cash flows of operating activities	783,055	373,988
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments (-)	(98,325)	(165,305)
Intangible assets	-	(11,360)
Property, plant and equipment	(98,325)	(153,945)
Proceeds from disinvestments (+)	80,000	-
Property, plant and equipment	80,000	-
Cash flows from investing activities	(18,325)	(165,305)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and payments from financial liability instruments	(318,384)	(543,845)
Issue	1,806,793	-
Bank borrowings (+)	1,806,793	-
Return and amortisation of	(2,125,177)	(543,845)
Bank borrowings (-)	(373,370)	(429,936)
Other borrowings (-)	(1,751,807)	(113,909)
Cash flows from financing activities	(318,384)	(543,845)
NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS	446,346	(335,162)
Cash and cash equivalents at January 1	663,867	999,029
Cash and cash equivalents at December 31	1,110,213	663,867

1. The group's nature, activities and consolidation perimeter

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The Parent Company PALMA PICTURES HOLDING, S.L. which was formed in Spain for an indefinite period on November 29, 2005, changed its name in 2007 to PALMA PICTURES THE MEDITERRANEAN PRODUCTION CENTER, S.L.U. (hereinafter the Parent Company), which is the name of its subsidiary acquired by merger, effective as of January 1, 2007. The 2007 individual annual accounts contain all the legally required information regarding said merger.

According to the Register of Companies, the Parent Company's business activities are, among others, providing film and video production services and the management, organisation and human and material resources for the filming of said films and videos.

The registered office of the Parent company is C/Siurells, Nº 4, 07141 Marratxí, Mallorca.

The Parent Company constituted the subsidiary Pathfinder Media, S.L. (Sole Shareholder Company) at the end of 2009, with the same registered address and a 100% participation in its share capital. Said company began its activity as the Company's production company in 2010, and said activity will be to perform projects and assignments undertaken by the Parent Company and third parties.

2. Basis of presentation of the consolidated annual accounts

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The consolidated annual accounts have been prepared in accordance with the Spanish GAAP approved by Royal Decree 1514/2007 of November 16, which has been modified in 2016 by Royal Decree 602/2016, dated December 2, as well as prevailing mercantile law.

The figures shown in these consolidated annual accounts are presented in euros, rounded off to the nearest unit, unless otherwise indicated.

2.1. True and fair view

The accompanying consolidated annual accounts have been prepared from the accounting records of PALMA PICTURES THE MEDITERRANEAN PRODUCTION CENTER, S.L. and its subsidiary, in accordance with the prevailing mercantile legislation, the standards established in the Spanish Chart of Accounts, approved by Royal Decree 1514/2007 of November 16 and the Standards for the Formulation of Consolidated Annual Accounts approved by Royal Decree 1159/2010, with the purpose of giving a true and fair view of the Company's consolidated equity at December 31, 2016, together with the consolidated results and consolidated changes in equity. The consolidated cash flow statement has been prepared to reliably present the origin and use of the Group's monetary assets such as cash and cash equivalents.

These consolidated annual accounts are voluntary and have been prepared by the Directors of the Parent Company and will be submitted for approval by the Shareholders in their General Meeting. It is expected that they will be approved without modification.

2.2 Comparison of Information

In accordance with mercantile legislation, for comparative purposes, the 2016 consolidated balance sheet, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement, include, in addition to the 2016, those of 2015. The Notes to the Consolidated Accounts also include quantitative information from 2015, except in those cases where an accounting standard specifically states that it is unnecessary.

As of January 1, 2016, Royal Decree 602/2016, dated December 2, is applicable for the first time. As a result, among other standards, the General Chart of Accounts is modified and, in accordance with said Decree, in 2016 goodwill and intangible assets considered to have indefinite useful life must be prospectively amortised. Moreover, according to Royal Decree 602/2016, these annual accounts do not include comparative information regarding the amount paid for the directors' civil liability insurance premium for damages incurred in respect of acts or omissions occurring in the performance of their duties (Note 15) and the average number of employees during the year with a disability equal to or over 33% (Note 16).

2.3 Going concern principle

At December 31, 2016 the Company's consolidated balance sheet presents a working capital deficit of 325,412 euros. Nonetheless, the Directors of the Parent Company consider that the cash flows generated by the business are sufficient to assume the current liabilities. Moreover, if necessary, the Parent Company has the financial support of its shareholders. As a result, the Directors of the Parent Company have prepared the consolidated annual accounts based on the going concern principle.

2.4 Accounting principles

The main accounting principles and valuation standards related to the consolidation process are as follows:

Reserves in Consolidated Companies and Consolidation Goodwill

In accordance with the sixth transitional Provision of Royal Decree 1159/2010, dated September 17, approving the Standards for the Preparation of Consolidated Annual Accounts, the first consolidation differences have been established at January 1, 2010, as this is the opening date of the first accounting period in which the consolidated annual accounts are formulated.

The first consolidation difference arising from the elimination of investment-equity, has been considered as a lesser reserve of the Parent Company.

Minority interest

Minority interest does not exist.

Temporary homogenisation

The accounting period for the companies included in the consolidation perimeter coincides with the natural year.

Valuation homogenisation

Assets and liabilities items, together with the income and expenses included in consolidation, have been measured using uniform methods and in accordance with the valuation standards established in the prevailing mercantile legislation.

Intercompany transactions

The effects arising from internal transactions, which are understood to be those transactions occurring between two Group companies, are eliminated so that the consolidated annual accounts only include transactions undertaken with third parties.

Moreover, intercompany credits, debits, income and expenses have also been eliminated from the consolidated annual accounts.

In the case that items arising from internal transactions do not agree or are still pending recognition, the corresponding adjustments have been made so that the appropriate eliminations can be performed.

Consolidation Principles

The subsidiary included in the consolidation perimeter has been fully integrated. Subsidiaries are those companies in which the direct or indirect participation exceeds 50% or the Parent Company has some degree of control. Following homogenisation, all the assets, liabilities, income and expenses have been aggregated.

The detail of the companies integrating the economic group Palma Pictures T.M.P.C., S.L. and subsidiaries is as follows:

PARTICIPATED COMPANY	SUBSIDIARY/ ASSOCIATED	% DIRECT PART.	SHARE CAPITAL(€)	RESERVES (€)	RNEA (€)	RESULT (€)	GRANTS (€)	EQUITY (€)
Palma Pictures T.M.P.C., S.L.	Parent Company	Parent Company	3,400,000	445,301	-	(57,395)	75,605	3,863,511
Pathfinder Media S.L.U.	Subsidiary	100%	3,006	25,230	(416,841)	(14,595)	-	(406,205)

2.5. Critical issues concerning the assessment of uncertainty

The Directors of the Parent Company have prepared the Company's consolidated annual accounts using estimates to determine the carrying amount of certain assets, liabilities, income and expenses and the breakdown of contingent liabilities. These estimates have been made based on the best information available at year-end. Nonetheless, given the uncertainty inherent to them, future events may occur which oblige their modification in the following years. Where necessary, said modifications would be undertaken prospectively.

The key assumptions regarding the future, in addition to other relevant information regarding the uncertainty estimation at the reporting date, which represent a considerable risk that the carrying amounts of assets and liabilities may require significant adjustments in the following financial year, are as follows:

IMPAIRMENT OF NON-CURRENT ASSETS

The valuation of non-current assets, different from financial assets, requires estimates to be made in order to determine their fair value, to assess possible impairment. In order to determine the fair value, the Directors of the Parent Company estimate future cash flows expected from the assets or cash-generating units in which they are included and use an appropriate discount rate to calculate the present value of these cash flows. Future cash flows depend on the budgets for the following five years being met and the discount rates depend on the interest rate and the risk premium related to each cash-generating unit.

DEFERRED TAX ASSETS

Deferred tax assets are recognised for all taxable temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that the companies will have taxable profit available which will allow the application of these assets. The Directors of the Parent Company make significant estimates to determine the amount of deferred tax assets that can be recognised, taking into account the amounts and dates on which the future taxable profit will be obtained and the reversion period of the taxable temporary difference.

3. Distribution of results

The appropriation of results of the Parent Company results proposed by the Directors, pending approval by the Shareholders in their General Meeting, is as follows:

EUROS	2016	2015
Basis of distribution		
Consolidated profit and loss account balance	(57,395)	(8,793)
Distribution	(57,395)	(8,793)
To losses from previous years	(57,395)	(8,793)
	(57,395)	(8,793)

4. Valuation criteria

The main recognition and measurement accounting policies applied in the preparation of these consolidated annual accounts are the following.

4.1. Intangible assets

Intangible assets are stated at acquisition or production cost, as applicable, less any accumulated amortisation and any possible losses due to impairment. An intangible asset is only recognised as such if it is probable that it will generate future profit for the Group and if its cost can be reliably valued.

Acquisition or production cost includes finance expenses related to specific or generic financing accrued before those assets which require more than a year to be ready for use have been put into use.

Intangible assets have a finite useful life and are systematically amortised during their estimated useful life and their recoverability is analysed in the case of events or changes which indicate that the carrying value may not be recoverable. The amortisation methods and periods applied are reviewed at year-end and, where applicable, adjusted on a prospective basis.

The amortisation of intangible assets is performed according to the following criteria:

- The Brand corresponds to the difference generated in the 2007 merger between the acquisition cost of the absorbed company and its notional book value, less the capital gains relating to property, plant & equipment and increased by the amount of the deferred taxes arising from the merger operation all based on an appraisal performed by an independent expert. The brand is amortised on the straight-line method over a twenty-year period starting from the merger date, January 1, 2007, as this is the period in which the Directors consider that it will generate profits for the Parent Company (See Note 5).

- The software applications, which are acquired from third parties, are amortised on the straight-line method over the five-year period in which they are expected to be in use. Software maintenance costs are carried to expenses when incurred.

4.2. Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost, less accumulated depreciation and possible losses due to impairment in value. Costs incurred to renovate, expand or improve property, plant and equipment are attributed to the asset as greater value to the extent that they imply an increase in capacity, productivity or length of useful life and as long as it is possible to reasonably know or estimate the carrying value of the assets, which, due to having been substituted, must be withdrawn from the inventory.

Acquisition or production cost includes finance expenses related to financing accrued before those assets which require more than a year to be ready for use have been put into use.

The Group depreciates property, plant and equipment on the straight-line method, distributing the cost between the estimated years of useful life.

ASSETS	% ANNUAL DEPRECIATION
Buildings and constructions	2-3
Machinery	12
Other installations	5-5
Furniture and fittings	5-7
Data processing equipment	12-5
Vehicles	12-5
Other assets	5-5

At each financial year end the Group reviews and adjusts, where necessary, the residual values, useful lives and depreciation methods and if appropriate adjusts them on a prospective basis.

4.3. Impairment of non-financial assets

The Group assesses at each year end whether there is an indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If any indication exists, and in any case for intangible assets with indefinite useful lives, the Group estimates the asset's recoverable amount.

The recoverable amount is the higher of fair value less cost to sell and value in use. When the carrying amount is higher than the recoverable amount, the asset is considered to be impaired. Value in use, is the present value of the expected future cash flows using risk free market rates, adjusted by the risks specific to the asset.

Impairment loss and its reversion are recognised in the consolidated income statement. Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist, except those relating to goodwill. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset.

4.4. Leases

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

COMPANY AS LESSEE

Assets acquired through finance lease are recognised in accordance with their nature, for the lower of the asset's fair value and the actual value at the beginning of the lease of the agreed minimum payments, including the purchase option and a financial liability is recorded for the same amount. The calculation of the minimum agreed payments does not include contingent instalments, the cost of the services and taxes recoverable by the lessor. Lease payments are apportioned between finance charges and reduction of the lease liability. The total financial charge of the contract is carried to consolidated results for the year in which it is accrued, applying the effective interest rate method. These assets are depreciated, impaired, and derecognised using the same criteria applied to assets of a similar nature. Operating lease payments are recognised as expenses in the consolidated income statement when accrued.

4.5. Inventories

Inventories are valued at acquisition cost, production cost or fair value. In general, for those goods whose acquisition or production cost is not individually identifiable, the weighted average cost will be used. Irreversible losses are withdrawn from inventories.

4.6. Cash and cash equivalents

This heading includes cash, current accounts, short-term deposits and temporary purchases of assets which fulfil all the following requirements:

- They are readily convertible to cash.
- They mature within less than three months from the acquisition date or they can be cancelled at any time without penalisation.
- The risk of change in value is insignificant.
- They are part of the Group's standard cash management strategy.

In terms of the consolidated cash flow statement, occasional bank overdrafts used as part of the Group's cash management strategy are recognised as a decrease in cash and cash equivalents.

4.7. Financial assets

4.7.1. Recognition and measurement

Loans and receivables

The Group recognises in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not quoted on active markets and for which the Group expects to recover the full initial investment, except, where applicable, in cases of credit deterioration.

Upon initial recognition in the consolidated balance sheet, they are recognised at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Following initial recognition, these financial assets are measured at amortised cost.

Nonetheless, those credits arising from trade operations which mature in less than a year and do not have a contracted interest rate, as well as advance payments and credits to personnel, the dividends

receivable and called-up payments on equity instruments which are expected to be received in the short-term, are valued at face value in both the initial and subsequent valuations, when the effect of not updating the cash flows is not significant.

HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments include debt instruments with fixed maturities and fixed or determinable payments traded on active markets which the Group has the positive intention and the financial ability to hold to maturity.

Upon initial recognition in the consolidated balance sheet, they are recognised at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Following initial recognition, these financial assets are measured at amortised cost.

4.7.2. Derecognition of financial assets

The Group derecognises a financial asset, or part of a financial asset, when the contractual rights to related cash flows have expired or when the assets are transferred, provided that related risks and rewards are substantially transferred.

The difference between the consideration received, net of attributable transaction costs, determines the gain or loss generated upon derecognition, and is included in the income statement in the year to which it relates.

4.7.3. Impairment of financial assets

The carrying amount of financial assets is adjusted against the consolidated income statement when there is objective evidence of actual impairment.

4.8. Financial liabilities

4.8.1. Recognition and measurement

Debits and accounts payable

This category includes financial liabilities generated by the purchase of goods and services arising from trade transactions, and non-trade payables that are defined as those financial liabilities which are not derivative instruments and therefore, are not of a trade nature.

Following initial recognition, financial liabilities are measured at amortised cost. Accrued interest is recognised in the consolidated income statement, using the effective interest rate method. Nevertheless, trade payables which mature within less than one year with no contractual interest rate, as well as called-up payments on shares, the amount of which is expected in the short term, in both the initial and subsequent valuations, are carried at the nominal value when the effect of not discounting cash flows is not significant.

4.8.2. Derecognition of financial liabilities

The Group derecognises a financial liability when the obligation under the liability is extinguished.

The difference between the carrying amount of the derecognised financial liability and the consideration paid, including any attributable transaction costs, which also includes any new asset transferred other than cash or liability assumed, is recognised in the consolidated income statement in the year to which it relates.

4.9. Provisions for risks and expenses

Liabilities with undetermined amounts and cancellation dates are recognised in the consolidated balance sheet as provisions when the Group has a present obligation (derived from a contract through its explicit or implicit terms, legislation or other operation of law), as a result of past events and it is probable 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 that an entity would rationally pay to settle the obligation or to transfer it to a third party, recognising provision discount adjustments as a finance cost as they accrue. No discounts are made on those provisions falling due within twelve months that do not have a significant financial effect. Provisions are reviewed at each consolidated balance sheet date and are adjusted to reflect the current best estimate of the liability corresponding to each moment.

4.10. Income tax

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognised deferred tax assets and liabilities. The corresponding tax expense is recognised in the consolidated income statement, except when it relates to transactions recognised directly in equity, in which case the corresponding tax expense is likewise recognised in equity.

Deferred income tax is recognised for the temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities" on the consolidated balance sheet, as applicable.

Deferred tax liabilities are recognised for all temporary differences, except where disallowed by prevailing tax legislation.

The Group recognises deferred tax assets for all deductible temporary differences, unused tax credits and unused tax loss carry forwards, to the extent that it is probable that future taxable profit will be available against which these assets may be utilised, except where disallowed by prevailing tax legislation.

At each financial year end, the Group assesses the deferred tax assets recognised and those that have not yet been recognised. Based on this analysis, the Group derecognises the asset recognised previously if it is no longer probable that it will be recovered, or it recognises any deferred tax asset that had not been recognised previously, provided that it is probable that future taxable profit will be available against which these assets may be utilised.

Deferred tax assets and liabilities are measured at the tax rate expected to apply to the period in which they reverse, as required by enacted tax laws and in the manner in which it reasonably expects to recover or settle the deferred tax asset or liability.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities irrespective of the date of their expected realisation or settlement.

4.11. Income and expenses

In accordance with the accruals principle, income and expenses are recognised when they are incurred, regardless of when actual payment or collection occurs.

INCOME FOR SALES OR SERVICES RENDERED

Income is recognised when it is probable that the profit or economic benefits from the transaction will flow to the entity and the amount of income and costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, less any discounts, rebates, and other similar items given by the Group, and any interest included in the nominal amount of loans. Applicable indirect taxes on transactions which are reimbursed by third parties are not included.

OTHER INCOME AND EXPENSES

In general, income and expenses are recognised applying the accruals principle, that is, when the goods or services they represent take place, regardless of when actual payment or collection occurs.

4.12. Transactions in foreign currency

Transactions in foreign currency are initially translated at the spot rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the consolidated balance sheet date. All exchange gains or losses arising from translation as well as those resulting on settlement of balance sheet items are recognised in the consolidated income statement of the year in which they occur.

4.13. Environmental assets and liabilities

Costs incurred in the acquisition of systems, equipment and installations whose aim is the elimination, limitation or control of the possible impact of the normal development of the Group's activity on the environment, are considered to be investments. Other expenses related to the environment which are not related to the acquisition of assets are considered to be expenses for the year.

4.14. Transactions with related parties

Transactions with related parties are recorded in accordance with the abovementioned valuation criteria. Since the cost of transactions with related parties are adequately borne, the Companies' Directors consider that there is no risk of significant tax liabilities arising.

4.15. Indemnities for dismissal

In accordance with prevailing labour legislation, the Group is obliged to pay indemnities to those employees who terminate their contracts under certain conditions. Indemnities for dismissal subject to reasonable quantification are recognised as an expense for the year in which a valid expectation exists, created by the Group before the affected third parties.

4.16. Grants

Grants are recognised as non-repayable when the requirements established for receiving them are met and are recognised directly in equity, net of the corresponding tax effect.

Grants received to finance specific expenses are released to the consolidated income statement in the year in which the financed expenses are incurred.

Grants received to acquire property, plant and equipment are released to income in proportion to the depreciation charged for the related assets.

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

Assets and liabilities are classified in the consolidated balance sheet as current and non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Group's normal operating cycle 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, and are expected to mature, to be sold or settled within one year, if they are held

for trading or are cash and cash equivalents the use of which is not restricted for more than one year. The normal operating cycle for all activities is less than one year.

4.18 Hedge accounting

Only those operations which effectively eliminate an inherent risk of the covered item or position throughout the period for which the hedge was designated are considered as hedge operations. This implies that at the inception of the hedge and in subsequent years, it is expected to be highly effective (prospective effectiveness) and that there is sufficient evidence that the hedge has been effective during the life of the item or position covered (retrospective effectiveness). Hedge accounting, when significant, is correctly documented including the manner in which it is expected to be achieved and how its effectiveness will be measured, in accordance with the Company's risk management policy. In order to measure the effectiveness of the hedges, the Company performs tests to verify that the differences arising from the variations in the flows of the hedged item and its cover are maintained within a range of 80% and 125% throughout the life of the hedge operations, thus fulfilling the provisions established at their inception. When the hedging relationship no longer complies with the criteria to be accounted for as such, it is reclassified as a trading derivative.

5. Intangible fixed assets

The breakdown and movement of intangible fixed assets during 2016 and 2015 are as follows:

EUROS	BALANCE AT JAN 1	ADDITIONS & PROVISIONS	TRANSFERS	BALANCE AT DEC 31
2016				
Cost				
Software	181,493	-	-	181,493
Brands	3,818,916	-	-	3,818,916
	4,000,409	-	-	4,000,409
Accumulated amortisation				
Software	156,282	19,396	-	175,678
Brands	1,715,290	190,987	-	1,906,277
	1,871,572	210,383	-	2,081,955
Carrying value	2,128,837	210,383		1,918,453
EUROS	BALANCE AT JAN 1	ADDITIONS & PROVISIONS	TRANSFERS	BALANCE AT DEC 31
2015				
Cost				
Software	170,133	11,360	-	181,493
Brands	3,818,916	-	-	3,818,916
	3,989,049	11,360	-	4,000,409
Accumulated amortisation				
Software	135,441	20,841	-	156,282
Brands	1,524,303	190,987	-	1,715,290
	1,659,744	211,828	-	1,871,572
Carrying value	2,329,305			2,128,837

The balance included under the subheading "Brand" relates to the difference between the notional book value of the acquired company decreased by the capital gains on property, plant & equipment and increased by the amount of deferred taxes deriving from the Parent Company's merger transaction mentioned in Note 1. Said amount, which is not tax deductible, is amortised on the straight-line method over a twenty-year period starting on January 1, 2007, which is the merger date, as the Directors of the Parent Company consider that this is the period in which it will generate profits.

The cost and accumulated amortisation of the brand at January 1, 2008 include a total of 772,753 euros and 38,638 euros, respectively, relating to deferred taxes which, in accordance to the 2007 General Accounting Plan, must be recognised on the transition date. Said deferred taxes are related to the capital gain which, following the merger mentioned in Note 1 was assigned to "Land" in 2007. In accordance with the valuations performed, said deferred tax has been recorded as a greater value of the brand, as the land was recorded at its fair value. Until 2016 the brand has been pledged in guarantee of the loan mentioned in Note 10.2 of these notes to the Consolidated Accounts.

Fully amortised items amount to 154,817 euros (154,817 euros at December 31, 2015).

6. Property, plant & equipment

The breakdown and movements of the various items included in property, plant & equipment are as follows:

EUROS	BALANCE AT JAN 1	ADDITIONS & PROVISIONS	DISPOSALS	TRANSFERS	BALANCE AT DEC 31
2016					
Cost					
Land	3,462,307	-	-	-	3,462,307
Buildings	7,490,103	-	-	-	7,490,103
Technical plant and machinery	2,035,906	8,398	(72,976)	-	1,971,328
Other PP&E items	957,806	2,903	-	-	960,709
Vehicles	630,178	70,764	(11,308)	-	689,634
Data processing equipment	247,105	15,620	-	-	262,726
Other tangibles	281,594	640	-	-	282,234
	15,105,000	98,325	(84,283)	-	15,119,042
Accumulated depreciation					
Land	3,138,638	206,233	-	-	3,344,871
Technical plant and machinery	1,808,939	47,790	(72,976)	-	1,783,753
Other PP&E items	734,438	52,674	-	-	787,113
Vehicles	590,011	17,915	(11,308)	-	596,620
Data processing equipment	202,547	11,852	-	-	214,399
Other tangibles	190,639	4,178	-	-	194,817
	6,665,213	340,643	(84,283)	-	6,921,574
Carrying value	8,439,787	(242,318)	-	-	8,197,469

EUROS	BALANCE AT JAN 1	ADDITIONS & PROVISIONS	DISPOSALS	TRANSFERS	BALANCE AT DEC 31
2015					
Cost					
Land	3,462,307	-	-	-	3,462,307
Buildings	7,490,103	-	-	-	7,490,103
Technical plant and machinery	1,948,870	135,174	(34,635)	-	2,049,409
Other PP&E items	952,601	5,206	-	-	957,807
Vehicles	616,674	-	-	-	616,674
Data processing equipment	237,982	9,123	-	-	247,105
Other tangibles	277,153	4,442	-	-	281,595
	14,985,690	153,945	(34,635)	-	15,105,000
Accumulated depreciation					
Land	2,884,178	254,460	-	-	3,138,638
Technical plant and machinery	1,783,469	60,105	(34,635)	-	1,808,939
Other PP&E items	674,386	60,051	-	-	734,437
Vehicles	571,124	18,887	-	-	590,011
Data processing equipment	189,801	12,743	-	-	202,544
Other tangibles	181,271	9,373	-	-	190,644
	6,284,229	415,619			6,665,213
Carrying value	8,701,462				8,439,787

At December 31, 2016, the land and building balances include capital gains amounting to 2,075,813 and 3,603,336 euros, respectively (2,075,813 and 3,757,764 euros in 2015), resulting from the merger of the Parent Company mentioned in Note 1, and based on two independent appraisals carried out in 2006. Said capital gains are not tax deductible. For this reason, the corresponding amortisation charge has been increased in the taxable basis for each year.

At December 31, 2016 totally depreciated items amount to 3,960,483 euros (2,251,525 euros in 2015).

The Parent Company's plots and properties are mortgaged with the guarantee of two similar loans which are detailed in Note 10. Machinery and tools were mortgaged together with the brand pledge for a total of 2.2 million euros, in guarantee of the loan mentioned in Note 10.2, which was cancelled in 2016.

The Parent Company has contracted insurance policies which cover the carrying value of the property, plant & equipment.

In previous years the Parent Company received two grants, as is mentioned in Note 9.5 of the accompanying consolidated annual accounts.

7. Financial assets

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The breakdown of this caption at December 31 is as follows:

EUROS	EQUITY INSTRUMENTS		CREDITS, DERIVATIVES AND OTHERS		TOTAL	
	2016	2015	2016	2015	2016	2015
Non-current financial assets						
Investments in Group companies	250	250	793	793	1,043	1,043
	250	250	793	793	1,043	1,043
Current financial assets						
Trade and other receivables	-	-	817,892	666,480	817,892	666,480
Short-term financial investments	10,490	10,490	-	3,659	10,490	14,149
	10,490	10,490	817,892	670,139	828,382	680,629
TOTAL	10,740	10,740	818,685	670,932	829,425	681,672

7.1. Trade and other receivables

The breakdown at December 31 is as follows:

EUROS	2016	2015
Clients for sales and services rendered	817,892	661,086
Sundry debtors	-	5,632
Personnel	-	(238)
Total	817,892	666,480

VALUE ADJUSTMENTS

The "Clients for sale and services rendered" balance is presented net of impairment adjustments. Movement for said adjustments has been as follows:

EUROS	2016	2015
Opening balance	-	10,321
Net charges	3,190	19,435
Write-offs	(3,190)	(29,756)
Closing balance	-	-

8. Cash and cash equivalents

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The breakdown and movement of this caption at December 31 are the following:

EUROS	2016	2015
Cash	22,990	10,793
Current accounts	1,087,223	653,074
Other cash equivalents	-	-
Total	1,110,213	663,867

Current accounts and other cash equivalents bear the market interest rates for this type of accounts and assets.

Cash and cash equivalents are unrestricted.

9. Equity

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9.1. Subscribed capital

The share capital of the Parent Company at December 31, 2016 consists of 3,400,000 registered shares with a par value of 1 euro each, fully subscribed and paid up. All the shares have the same political and economic rights. The Parent Company is not listed.

The only shareholder which is not an individual and holds more than 10% of the Parent Company's share capital is Zallaz, S.A., with a 43.37% participation. (47.24% in 2015).

9.2 . Legal reserve

As per Spanish mercantile legislation, the Company is required to transfer 10% of the profits for the year to a legal reserve until said reserve reaches an amount equal to at least 20% of the share capital. This reserve is non-distributable and may only be used to offset losses should no other reserves be available.

9.3. Other reserves

The amount recorded in this caption is freely distributable, subsequent to the offset of losses.

9.4 . Consolidation reserves

The breakdown of results contributed at December 31 and the movement of consolidation reserves at the same date are as follows:

2016 (EUROS)	BALANCE AT 31.12.2015	RESULT AT 31.12.2015	BALANCE AT 31.12.2016
Palma Pictures T.P.M.C., S.L.	660,879	176,033	836,912
Pathfinder Media, S.L. (Sole Shareholder Company)	(206,786)	(184,826)	(391,612)
Total	454,093	(8,793)	445,301
2015 (EUROS)	BALANCE AT 31.12.2014	RESULT AT 31.12.2014	BALANCE AT 31.12.2015
Palma Pictures T.P.M.C., S.L.	163,808	497,071	660,879
Pathfinder Media, S.L. (Sole Shareholder Company)	(125,623)	(81,163)	(206,786)
Total	38,185	415,908	454,093

9.5. Grants

The breakdown is as follows:

2016 (EUROS)	BALANCE AT JAN 1	TRANSFERS TO PROFIT & LOSS	CHANGE IN TAX RATE	BALANCE AT DEC 31
Cost				
Grants for purchase of assets	71,557	(3,423)	-	68,134
Grants for purchase of assets 2010	3,485	(852)	-	2,634
Grants for purchase of assets 2011	5,930	(1,092)	-	4,838
Total	80,972	(5,367)	-	75,605
2015 (EUROS)	BALANCE AT JAN 1	TRANSFERS TO PROFIT & LOSS	CHANGE IN TAX RATE	BALANCE AT DEC 31
Cost				
Grants for purchase of assets	74,980	(3,423)	-	71,557
Grants for purchase of assets 2010	4,337	(852)	-	3,485
Grants for purchase of assets 2011	7,022	(1,092)	-	5,930
Total	86,340	(5,367)	-	80,972

In previous years the Company received a non-refundable grant for an initial amount of 163,000 euros which is released to results at 3% on a yearly basis as it was intended for the acquisition of Property, Plant and Equipment items. At December 31, 2016 the amount recognised under "Grants" on the balance sheet is of 68,134 euros.

In 2010 and 2011, grants were obtained amounting to 12,176 euros and 15,602 euros, respectively, for the acquisition of property, plant and equipment. Both are carried to income by the straight-line method over 10 years, as this is the depreciation period of the elements acquired with the grant. At December 31, 2016 the amount recognised under "Grants" on the balance sheet is of 2,634 and 4,838 euros, respectively.

10. Financial liabilities

The breakdown of financial liabilities at December 31 is as follows:

EUROS	BANK BORROWINGS		CREDITS AND OTHERS		TOTAL
	2016	2015	2016	2015	2015
Long-term financial liabilities:					
Debits and accounts payable	3,993,315	2,698,893	-	1,636,969	3,993,315 4,335,862
	3,993,315	2,698,893	-	1,636,969	3,993,315 4,335,862
Current financial liabilities:					
Debits and accounts payable	418,614	279,615	-	115,163	418,614 394,778
Trade creditors and other accounts payable	-	-	2,229,492	1,559,720	2,229,492 1,559,721
	418,614	279,615	2,229,492	1,674,884	2,648,106 1,954,499
TOTAL	4,411,929	2,978,508	2,229,492	3,311,853	6,641,421 6,290,361

The breakdown of financial liabilities balances at December 31 is as follows:

EUROS	2016	2015
Non-current liabilities:		
Bank borrowings	3,993,315	2,698,893
Other finance liabilities	-	1,636,969
	3,993,315	4,335,862
Current liabilities:		
Bank borrowings	418,614	279,615
Finance lease creditors	-	115,163
Other financial liabilities	1,914,229	1,118,505
Suppliers	176,512	5,176
Debits with personnel	138,751	436,039
	2,648,105	1,954,499

10.1. Bank borrowings

The breakdown of bank borrowings is as follows:

	INITIAL AMOUNT	BALANCE AT 31.12.2016	BALANCE AT 31.12.2015	FORMALISATION DATE	MATURITY
Mortgage loan BMN - Sa Nostra	1,438,524	1,180,194	1,267,082	30.12.2014	31.12.2029
Mortgage loan B. March	1,470,235	1,220,110	1,308,286	30.12.2014	01.01.2030
Loan Sa Nostra	350,000	50,275	123,524	18.07.2011	02.08.2018
Loan La Caixa	1,000,000	743,590	-	18.03.2016	30.09.2022
Loan Bankinter	737,200	737,200	-	10.07.2016	10.09.2019
Loan Banco Sabadell		40,115	-		
Loan Targo Bank	29,477	21,831	-	24.09.2016	24.08.2021
Total long-term debt		3,993,315	2,698,892		
Short-term mortgage loans	-	174,962	170,020		
Short-term loans	-	243,652	109,595		
Total short-term debt		418,614	279,615		
Total bank borrowings		4,411,929	2,978,507		

The interest rate of loans is referenced to the Euribor rate.

On December 30, 2014, the mortgage loans held by the Parent Company con BMN – Sa Nostra and Banca March were renewed, extending the maturity date until December 31, 2029 and January 1, 2030, respectively. For accounting purposes, the renewal was treated as new loans since the interest rates were modified to prices considered to be in line with current market prices. Said treatment had no effect on the income statement since no deferred expenses from said financing were pending allocation.

During 2016, as well as the loan from La Caixa, a swap contract was signed fixing the interest rate at 2% during the loan's term. Since the fair value of the swap is insignificant (approximately 10 thousand euros), for simplicity, the accounting hedges have not been recognised and the expense has been recognised in the same way as the swap settlements.

The breakdown of the maturity of other finance debts is as follows:

AT 31.12.16	2016 (SHORT-TERM)	2017	2018	2019	2020	REMAINDER	TOTAL LONG-TERM
Loans		418,614	399,481	443,511	539,336	544,885	2,066,102
Total	418,614	399,481	443,511	539,336	544,885	2,066,102	3,993,315
AT 31.12.15	2016 (SHORT-TERM)	2017	2018	2019	2020	REMAINDER	TOTAL LONG-TERM
Loan		279,615	244,563	248,195	163,226	184,898	1,858,011
Total	279,615	244,563	248,195	163,226	184,898	1,858,011	2,698,893

The information regarding the nature and extent of risks arising from financial instruments is as follows:

- As a result of the development of its activity and operations, the Company is exposed to financial risks, mainly arising from interest rates, since the risk from exchange rates is minimum. To be specific, the Company is exposed to an interest rate risk arising from financing in euros, basically at a variable interest rate.
- At December 31, 2016, the Company is basically financed by loans with a variable interest rate. The Company does not use derivative financial instruments since it considers that the effect and fluctuations arising from other currencies different from the euro are not significant.
- The Company manages the risk of a temporary cash shortage through the supervision of its cash budget, which takes into account the maturity of financial investments, assets, liabilities and the operations' cash flow projections.

10.2. Other financial liabilities

The balance of this heading relates to the loan granted on July 1, 2011, by a former Director to a third party for an amount of 2,164,199 euros.

This loan has a duration of 15 years, is amortised by continuous instalments as of January 31, 2012 and therefore had a grace period of 6 months. The nominal annual interest rate until October 2013 was 5%. As of said date the interest rate has risen to 6.13%.

The breakdown of the maturity of other finance debts is as follows:

AT 31.12.15	2016 (SHORT-TERM)	2017	2018	2019	2020	REMAINDER	TOTAL LONG-TERM
Loan		115,163	122,426	130,144	138,350	147,073	1,098,976
							1,636,969

The cancellation of the loan has resulted in the pledge of the brand (Note 5) and the charges existing on property, plant & equipment and tools (Note 6) being released. Moreover, other restrictions and related commitments intended to guarantee the return of said loan have been cancelled.

10.3. Information on average payment period to suppliers

During 2016, the average payment period to suppliers has been 31.55 days (36.2 days in 2015), the ratio of paid transactions has been 32.63 days (34.6 days in 2015) and the ratio of transactions pending payment has been 25.68 days (139.2 days in 2015). The total payments made amount to 9,505,120 euros (9,156,927 euros in 2015) and pending payments amount to 1,741,014 euros (150,529 euros in 2015).

10.4. Prepayments from clients

This balance relates to invoices issued to clients for prepayments for services rendered. At December 31, 2016, an amount of 107 thousand euros (436 thousand euros in 2015) is pending collection under the clients heading. The remaining prepayments have been collected.

11. Tax

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At December 31 the breakdown of tax assets and liabilities is as follows:

EUROS	2016	2015
Deferred tax assets	32,220	35,481
Current tax assets	-	24,213
Other receivables from Public Administrations	504,474	339,917
Value Added Tax	767,718	720,144
Personal Income Tax	(237,055)	(209,499)
Others	(26,189)	(170,728)
	536,694	399,611
Deferred tax liabilities	1,966,946	2,068,766
Current tax liabilities	41,518	-
Other payables to Public Administrations	78,857	28,374
Social Security	78,857	25,407
Others	-	2,967
	2,087,321	2,097,140

As of January 1, 2014, Palma Pictures T.M.P.C., S.L together with its subsidiary, Pathfinder Media, S.L.U., will be subject to the special consolidated tax regime. The Corporate Tax payer will be the group of companies. As the Parent Company of the tax group, Palma Pictures T.M.P.C., S.L. will file a consolidated tax declaration including the individual tax bases, with the corresponding disposals and additions calculated according to the prevailing tax and mercantile legislation. Profit, which is determined according to tax legislation, is subject to a 28% tax rate on the consolidated tax base. Certain deductions can be performed on the resulting quota. On November 27, Law 27/2014 on Corporate Tax modified the general tax rate, reducing it from 30% in 2014 to 28% in 2015 and 25% in subsequent years. As a result, in 2014 the Group adjusted its previous deferred assets and liabilities depending on the tax rate prevailing on the estimated reversal date.

Under prevailing Spanish tax law, tax returns may not be considered final until they have either been inspected by tax authorities or until the inspection period has expired. The Company is open to inspection for the applicable taxes for the last four years. At the end of 2016, the Social Security authorities began a labour inspection and the Company has provided all the documentation required. The result of this inspection is still unknown.

The Company Directors consider that, in the case of an inspection, no significant tax contingencies could arise from possible differing interpretations of the tax regulations applicable to the transactions undertaken by the Company.

11.1. Corporate Income Tax calculation

The reconciliation of net income and expenses for the year with tax results for the year 2016 is as follows:

EUROS	CONSOLIDATED INCOME STATEMENT		INCOME AND EXPENSES DIRECTLY CHARGED TO EQUITY		TOTAL
2016	INCREASES	DECREASES	TOTAL	INCREASES	DECREASES
	Consolidated income and expenses balance before taxes		(73,612)		(73,612)
	Permanent differences:				
	Non-deductible expenses	6,642	6,642	-	-
					6,642
	Temporary differences:				
	Arising in previous years				
	Amortisation assets' capital gains	343,929	343,929	-	-
	Amortisation of assets (2001-2007)	30,203	30,203	-	-
	Reversal free amort. employment maintenance	25,995	25,995	-	-
	TD Reversal amortisation limitation 2013 and 2014				
	(ART. 7 LAW 16/2012))	(13,045)	(13,045)	-	-
			320,112		(13,045)
	Taxable income (prior)				320,112

EUROS	CONSOLIDATED INCOME STATEMENT		INCOME AND EXPENSES DIRECTLY CHARGED TO EQUITY		TOTAL
2015	INCREASES	DECREASES	TOTAL	INCREASES	DECREASES
	Consolidated income and expenses balance before taxes		68,982		68,982
	Permanent differences:				
	Non-deductible expenses	18,528	18,528	-	-
					13,117
	Temporary differences:				
	Arising in previous years				
	Amortisation assets' capital gains	343,929	343,929	-	-
	Amortisation of assets (2001-2007)	30,204	30,204	-	-
	Reversal free amort. employment maintenance	25,740	25,740	-	-
	TD Reversal amortisation limitation 2013 and 2014				
	(ART. 7 LAW 16/2012))	(13,045)	(13,045)		(13,045)
			474,338		474,338
	Taxable income (prior)				

AMORTISATION OF ASSETS' CASH SURPLUSES

In 2016 and 2015, this account relates to the amortisation of surpluses in the Parent Company related to the various assets which, by their nature, are not tax-deductible and are detailed in Notes 5 and 6.

AMORTISATION/DEPRECIATION

In 2016 and 2015, this balance relates to the reversal of accelerated depreciation of property, plant & equipment in the Parent company for tax purposes.

The reconciliation between the expense/(income) for the Corporate Income Tax and the result of multiplying the applicable tax rates to the total recognised income and expenses is as follows:

EUROS	INCOME STATEMENT	EQUITY 2015	2016 TOTAL STATEMENT	INCOME STATEMENT	EQUITY 2014	2014 TOTAL 2014
Income and expenses for the year before tax	(73,612)	(73,612)	(73,612)	68,982		68,982
Notional tax charge 19,315	(18,403)		(18,403)	19,315		19,315
(tax rate 30% in 2014, 28% in 2015)						
Change of tax rate	-	-	-	(431,615)	(5,756)	(437,370)
Non-deductible expenses	1,660		1,660	5,188		5,188
Quota deductions	(652)		(652)	(261)		(261)
Movement of provision (Neg. equity Pathfinder)	3,648		3,648	49,422		49,422
Corporate tax adjustments, previous years.	(2,469)		(2,469)	4,111		4,111
Effective tax expense/(income)	(16,216)		(16,216)	77,775		77,775

The breakdown of the aggregate Corporate Income Tax expense/(income) is as follows:

EUROS	CONS. INCOME STATEMENT	EQUITY	2015 TOTAL STATEMENT	INCOME STATEMENT	EQUITY	TOTAL 2015
Current taxes	80,605		80,605	132,554		132,554
Deferred taxes	(96,821)		(96,821)	(54,779)		(54,779)
Total	(16,216)		(16,216)	77,775	-	77,775

The payable or receivable Income Tax calculation is as follows:

(EUROS)	2016	2015
Current tax	81,922	132,554
Withholdings	(127)	(397)
Prepayments	(40,277)	(156,370)
Total Income Tax payable (receivable)	41,518	(24,213)

11.2. Deferred tax assets and liabilities

The breakdown and movement of the various items which make up deferred tax assets and liabilities are as follows:

2016	BALANCE AT JAN 1 2015	TRANSFERS	CONSOLIDATED INCOME STAT.	EQUITY	BALANCE AT DEC 31
Deferred tax assets					
Amortisation limitation for 2014 and 2015 and tax losses (*)	35,481		(3,261)		32,220
	35,481		(3,261)		32,220
Deferred tax liabilities					
Depreciation property, plant & equipment	18,729		(7,551)		11,178
Free amortisation - job creation	46,591		(6,498)		40,093
Cash gains on assets	1,976,169		(85,982)		1,890,187
Non-refundable grants	27,277		-	(1,789)	25,488
	2,068,766		(100,031)	(1,789)	1,966,946
2015					
Deferred tax assets					
Amortisation limitation for 2014 and 2015 and tax losses (*)	88,556		(53,075)		35,481
	88,556				35,481
Deferred tax liabilities					
Depreciation property, plant & equipment	21,157		(2,428)		18,729
Free amortisation - job creation	53,798		(7,207)		46,591
Cash gains on assets	2,078,498		(102,329)		1,976,169
Non-refundable grants	28,780		(1,503)		27,277
	2,182,233				2,068,766

12. Income and expenses

12.1. Income

The distribution of the Company's turnover corresponding to normal activities, by category, is as follows:

EUROS	2016	2015
Income from rendering of services	14,579,332	15,617,726
Income from photo shoots	1,369,461	1,995,150
Total	15,948,793	17,612,876

12.2. Consolidated results

The breakdown of consolidated results, by company, is as follows:

EUROS	2016	2015
Palma Pictures T.P.M.C.S.L.	(42,801)	176,033
Pathfinder Media, S.L. (Sole shareholder Company)	(14,595)	(184,826)
Total	(57,396)	(8,793)

12.3. Supplies

The breakdown of consumption of goods in the consolidated income statement is as follows:

EUROS	2016	2015
Purchase of goods and supplies	20,942	105,789
Variation in inventories	-	-
Total	20,942	105,789

12.4. Personnel expenses

The breakdown of personnel expenses stated in the consolidated income statement is as follows:

EUROS	2016	2015
Wages, salaries and similar	1,787,655	1,425,305
Social Security	417,798	342,223
Other welfare expenses	37,841	31,350
Total	2,243,294	1,798,878

13. Information on environmental issues

The Directors consider that potential contingencies that may arise with respect to environmental issues are sufficiently covered by the insurance policies subscribed.

No expenses for this concept have been incurred during in either 2016 or 2015.

14. Post-balance sheet events

There are no further post-balance sheet events.

15. Transactions with related parties

No remuneration was accrued by Board Members who do not hold executive positions in 2016 and 2015. Remuneration accrued in the year by top management, including a Board Member of the Parent Company and the subsidiary's Sole director, amounts to 321,689 euros (277,446 euros in 2015).

In accordance with Article 229 of the Spanish Corporation Law, the Directors have declared that they hold no positions which would imply a conflict of interest with the Company.

At December 31, 2016 and 2015, the Group had no pension plans or life insurance policies for previous or present Board members. Moreover, at December 31, 2016 and 2015, no advances or credits were granted to top management or to Board members and no obligations were assumed on their behalf as security.

During 2016 civil liability insurance premiums have been paid to the directors for damages incurred during the performance of their work for an amount of 2,123 euros.

16. Other disclosures

a) Average number of employees in 2016 and 2015:

The average number of employees by category is as follows:

CATEGORIES	2016		2015	
	MALE	FEMALE	MALE	FEMALE
Top management	3.32	-	3.32	-
Heads of Department	4.90	6.24	11.14	2.16
Clerks	6.22	4.01	10.23	5.68
Auxiliary staff	9.95	5.36	15.31	7.70
Total	24.39	15.61	40.00	16.15

34.69

At December 31, 2016 and 2015, the breakdown of employees by category does not significantly differ from the above. The average number of employees with a registered disability of over 33% has amounted to 0 people in 2016.

b) Audit fees

The fees for the 2016 individual and consolidated audits have amounted to 13,600 euros (13,600 euros in 2015). Moreover, the fees paid for other services rendered by the Parent Company auditors and other companies which are part of the Firm, amount to 3,775 euros (3,775 euros in 2015).

17. Explanation added for translation to english

These annual accounts are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries

ISSUANCE OF ANNUAL ACCOUNTS

In Palma de Mallorca, at April 24, 2017, the Parent company's Board of Directors issue these consolidated annual accounts are comprised of a 2-page consolidated balance sheet, a 1-page consolidated profit and loss account, a 2-page consolidated statement of changes in equity, a 1-page consolidated cash flow statement and Notes to the Consolidated Annual Accounts all of which have been signed by the Secretary of the Board. This last page has been signed by all the Board members.

1.- Business trend and Company's situation, together with a description of the main risks and uncertainties affecting the Company

2015 could be considered to be a record year. We have never before reached such significant figures and this shows us the path we need to follow for future years.

We understand that the key to this success has been the diversification of our activities with a significant move towards cinema and television related projects.

Our main activity, which is the filming of television commercials, has also undergone significant diversification, although in this case it is in geographical terms. Thanks to Palma Pictures, a large number of clients from many different countries have chosen Mallorca (and now also mainland Spain) as the setting for their filming.

The figures of the Photography department are still very significant, despite the changing trends which are typical of such a young, dynamic sector.

In general, profitability per project has exceeded expectations, demonstrating that the various cost control and resource optimisation initiatives that we have put in place are giving results.

Pathfinder is finding it difficult to position itself in the market. The market is recovering and therefore it is difficult for companies to accept the virtues of a cost-optimisation model.

2.- Post-balance sheet events

We are studying the possibility of filming another series of one of the television projects filmed here last year and which was very successful.

3.- Company's foreseeable evolution

In 2016, we expect to grow in the commercials market due to our improved commercialisation structures and the contracting of a new person in charge of the British market. With regard to the other activities, the Photo market experienced a high level of loyalty from large clients. We hope that this will help us to position ourselves more significantly in said market. Finally, the fact that we have been so active in the filming of television projects, together with the contracting of a specific salesperson for Said activity, should improve our access to future projects which are expected to be filmed in Spain.

4.- Research and development activities carried out by the Company

Apart from the activities already implemented in previous years no new activities have been undertaken.

5.- Acquisition of own shares

The Company has not acquired any own shares during the year.

In Palma de Mallorca, at March 21, 2016, the Company's Directors issue this Management Report, which consists of 2 pages, all signed by the Secretary of the Board. This last page has been signed by all the Board members.