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FINANCIAL STATEMENTS 2015

1. CONSOLIDATED BALANCE SHEET

before profit appropriation

in EUR million	NOTES	31-12-2015	31-12-2014
ASSETS			**RESTATED***
Intangible assets	10	1,049.8	900.0
Property, plant and equipment	11	736.4	726.3
Deferred income tax assets	17	13.1	14.0
Total non-current assets		**1,799.3**	**1,640.3**
Inventories	12	498.8	489.4
Trade receivables	13	342.7	318.5
Income tax receivables		10.8	7.6
Other current assets	14	43.6	61.5
Cash and cash equivalents	16	45.6	34.8
Total current assets		**941.5**	**911.8**
TOTAL ASSETS		**2,740.8**	**2,552.1**
EQUITY AND LIABILITIES			
Shareholders' equity	4	1,268.7	1,130.8
Non-controlling interests	4	16.0	32.4
Total equity		**1,284.7**	**1,163.2**
Non-current borrowings	16	557.7	428.3
Employee benefit plans	18	81.4	87.0
Deferred income tax liabilities	17	117.1	98.5
Other provisions	18	7.2	18.2
Total non-current liabilities		**763.4**	**632.0**
Current borrowings	16	148.8	192.9
Current portion of non-current borrowings	16	56.7	104.0
Trade and other payables	19	307.4	300.3
Income tax payables		18.6	22.5
Other current liabilities	20	161.2	137.2
Total current liabilities		**692.7**	**756.9**
TOTAL EQUITY AND LIABILITIES		**2,740.8**	**2,552.1**

* We refer to note 7.2 for details of the restatement.

2. CONSOLIDATED INCOME STATEMENT

in EUR million	NOTES	2015	2014
REVENUE	9	**2,475.3**	**2,200.8**
Raw materials and work subcontracted		(954.0)	(868.9)
Personnel expenses	21	(713.9)	(617.8)
Depreciation of property, plant and equipment	11	(95.3)	(84.8)
Amortisation of intangible assets	10	(24.8)	(20.4)
Other operating expenses	22	(440.1)	(382.7)
Total operating expenses		**(2,228.1)**	**(1,974.6)**
OPERATING PROFIT		**247.2**	**226.2**
Net interest expense	23	(17.8)	(15.7)
Foreign currency exchange results	23	1.0	(1.1)
Derivative financial instruments	23	(1.0)	(0.7)
Net interest expense on employee benefit plans	18	(2.6)	(2.7)
Net finance cost		**(20.4)**	**(20.2)**
PROFIT BEFORE INCOME TAX		**226.8**	**206.0**
Income tax expense	24	(58.6)	(56.4)
PROFIT AFTER INCOME TAX		**168.2**	**149.6**
Attributable to:			
Shareholders		165.7	147.5
Non-controlling interests		2.5	2.1
Earnings per share (in EUR)			
Basic	25	1.50	1.33
Diluted	25	1.50	1.33
Earnings per share (before amortisation) (in EUR)			
Basic	25	1.72	1.52
Diluted	25	1.72	1.52

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR million	2015	2014
Profit for the period	**168.2**	**149.6**
Other comprehensive income:		
Remeasurements of employee benefit obligations	7.9	(17.5)
Income tax effect	(1.6)	3.7
Other comprehensive income that will not be reclassified to profit or loss	**6.3**	**(13.8)**
Currency translation differences	19.8	14.5
Fair value changes derivative financial instruments, net of income tax	(0.5)	1.8
Income tax effect	(0.6)	(1.1)
Other comprehensive income that may subsequently be reclassified to profit or loss	**18.7**	**15.2**
Total other comprehensive income for the year, net of income tax	**25.0**	**1.4**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**193.2**	**151.0**
Attributable to:		
Shareholders	190.8	145.9
Non-controlling interests	2.4	5.1

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR million	ISSUED AND PAID-UP SHARE CAPITAL	SHARE PREMIUM ACCOUNT	OTHER RESERVES	CURRENCY TRANSLATION AND HEDGING RESERVE	RETAINED EARNINGS	SHARE-HOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
AS AT 1 JANUARY 2014	**27.6**	**200.8**	**712.9**	**(33.2)**	**134.2**	**1,042.3**	**12.1**	**1,054.4**
Dividend 2013	–	–	–	–	(45.3)	**(45.3)**	(0.4)	**(45.7)**
Addition to other reserves	–	–	88.9	–	(88.9)	**-**	–	**-**
Share based payments	–	–	(0.4)	–	–	**(0.4)**	–	**(0.4)**
Acquisitions	–	–	–	–	–	**-**	17.7	**17.7**
Transactions with non-controlling interests	–	–	0.8	–	–	**0.8**	(2.1)	**(1.3)**
Profit for the period	–	–	–	–	147.5	**147.5**	2.1	**149.6**
Other comprehensive income for the year, net of income tax	–	–	(13.8)	12.2	–	**(1.6)**	3.0	**1.4**
AS AT 31 DECEMBER 2014	**27.6**	**200.8**	**788.4**	**(21.0)**	**147.5**	**1,143.3**	**32.4**	**1,175.7**
Effect of prior period restatement	–	–	(12.5)	–	–	**(12.5)**	–	**(12.5)**
AS AT 31 DECEMBER 2014 (RESTATED)	**27.6**	**200.8**	**775.9**	**(21.0)**	**147.5**	**1,130.8**	**32.4**	**1,163.2**
Dividend 2014	–	–	–	–	(50.9)	**(50.9)**	(0.3)	**(51.2)**
Addition to other reserves	–	–	96.6	–	(96.6)	**-**	–	**-**
Share based payments	–	–	0.9	–	–	**0.9**	–	**0.9**
Transactions with non-controlling interests	–	–	(2.9)	–	–	**(2.9)**	(18.5)	**(21.4)**
Profit for the period	–	–	–	–	165.7	**165.7**	2.5	**168.2**
Other comprehensive income for the year, net of income tax	–	–	6.3	18.8	–	**25.1**	(0.1)	**25.0**
AS AT 31 DECEMBER 2015	**27.6**	**200.8**	**876.8**	**(2.2)**	**165.7**	**1,268.7**	**16.0**	**1,284.7**

5. CONSOLIDATED CASH FLOW STATEMENT

in EUR million	NOTES	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	2	247.2	226.2
Adjustments for:			
Depreciation of property, plant and equipment	11	95.3	84.8
Amortisation of intangible assets	10	24.8	20.4
Result on sale of equipment		(2.6)	(1.2)
Changes in provisions		(13.5)	(16.3)
Changes in inventories		6.0	(18.9)
Changes in trade and other receivables		(12.6)	(2.3)
Changes in trade and other payables		(14.5)	14.6
Changes in working capital		**(21.1)**	**(6.6)**
Cash flow from operations		**330.1**	**307.3**
Finance cost paid		(21.4)	(15.0)
Income taxes paid		(69.9)	(56.8)
NET CASH GENERATED BY OPERATING ACTIVITIES		**238.8**	**235.5**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	28	(126.4)	(258.0)
Disposal of subsidiaries	28	32.9	11.9
Purchase of property, plant and equipment		(91.9)	(85.6)
Purchase of intangible assets	11	(7.6)	(4.3)
Proceeds from sale of equipment		12.3	4.3
NET CASH GENERATED BY INVESTING ACTIVITIES		**(180.7)**	**(331.7)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from non-current borrowings	16	198.4	323.5
Repayment of non-current borrowings	16	(120.2)	(120.9)
Dividends paid	4	(50.9)	(45.3)
Cash flow to non-controlling interests	28	(24.1)	(2.0)
NET CASH GENERATED BY FINANCING ACTIVITIES		**3.2**	**155.3**
NET INCREASE/(DECREASE) IN CASH AND CURRENT BORROWINGS		**61.3**	**59.1**
Cash and current borrowings at beginning of period		(158.1)	(207.7)
Net increase/(decrease) in cash and current borrowings		61.3	59.1
Currency differences on cash and current borrowings		(6.4)	(9.5)
CASH AND CURRENT BORROWINGS AS AT END OF PERIOD		**(103.2)**	**(158.1)**
Cash		45.6	34.8
Current borrowings		(148.8)	(192.9)
CASH AND CURRENT BORROWINGS AS AT END OF PERIOD	16	**(103.2)**	**(158.1)**

6. GENERAL INFORMATION

Aalberts Industries N.V., founded in 1975 and quoted on the Euronext Amsterdam stock exchange since March 1987, is a technology company building leading niche market positions in defined businesses serving diverse end markets by focusing on selected core technologies with strong brand names. The company operates from more than 200 locations in more than 30 countries, divided in the activities Building Installations, Climate Control, Industrial Controls and Industrial Services.

Building Installations produces and sells complete connection systems and valves to distribute and control water or gas in heating, cooling, (drinking) water, gas and sprinkler installations in residential, commercial and industrial buildings.

Climate Control develops and produces complete hydronic systems-from source to emitter- for heating and cooling systems. The systems are designed for residential, commercial and industrial building, both new build and renovation.

Industrial Controls develops and produces regulation and control systems for selected niche markets. These technology-market combinations are characterised by an increasing demand for complex, high-value and specific applications.

Industrial Services offers a unique combination of advanced material technology know-how, highly specialised manufacturing expertise and a global network of more than 100 locations with excellent local knowledge and service.

Aalberts Industries N.V. has been incorporated in Utrecht and is domiciled in Langbroek, the Netherlands. The consolidated IFRS financial statements of the company for the year ended 31 December 2015 comprise the company and its subsidiaries ('the Group'). The financial statements were adopted by the Supervisory Board on 24 February 2016 and will be submitted for approval to the General Meeting on 19 April 2016. The Management Board released the full-year results on 25 February 2016.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

7.2 BASIS FOR PREPARATION

The Group has adopted the International Financial Reporting Standards (IFRS) for the preparation of the consolidated financial statements issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The financial statements also comply with the financial reporting requirements included in section 9 of Book 2 of the Netherlands Civil Code, as far as applicable. In accordance with section 2:402 of the Netherlands Civil Code, an abbreviated version of the statement of operations is prepared in the Parent Company Financial Statements.

The financial statements are presented in EUR million, unless otherwise stated. The financial statements are prepared on the historical costs basis except derivative financial instruments which are stated at their fair value. Employee benefits are based on the projected unit credit method. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 7.30.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Prior period restatements

The financial statements include prior period restatements for:

- *Adjustments due to finalisation of the preliminary purchase price allocations*
  The fair value of the identifiable assets and liabilities at acquisition date were only determined provisionally by the end of 2014. The purchase price allocations were finalised in 2015 within 12 months from the respective acquisition dates. This has led to some changes in the fair value of tangible fixed assets, inventories and the related deferred tax position. These changes, including the impact on goodwill, have been applied retrospectively in the consolidated balance sheet as at 31 December 2014. These adjustments had no impact on shareholders' equity, cash flow, net profit or earnings per share. We refer to note 28.2 for further details.

- *Adjustments of deferred tax positions originating from acquisitions*
  During the current year, the Group performed a review of past purchase price allocations, as well as other temporary differences and determined that the recognition of deferred tax liabilities and subsequent measurements required adjustments. The adjustments have been applied retrospectively in the consolidated balance sheet as at 31 December 2014 with a total impact on shareholders' equity of EUR 12.5 million. It was considered impracticable to determine the impact on shareholders' equity, net profit or earnings per share for 2014 and earlier years. The impact of any earlier restatement is, however, not expected to be material.

- *Adjustments due to offsetting of assets and liabilities*
  During the current year, the Group completed its reassessment of the impact of amendments to IAS 32 and concluded that amounts previously offset in the presentation of trade debtors, cash and cash equivalents and tax related balance sheet items should be reclassified since the conditions to offset were not met in all circumstances. These changes have been applied retrospectively in the consolidated balance sheet as at 31 December 2014 and mainly impact the gross presentation of customer related payables (EUR 70.8 million) and cash and cash equivalents (EUR 34.7 million) with corresponding entries in current liabilities. In addition the gross presentation of income tax receivables (EUR 7.6 million) and deferred income tax assets (EUR 15.6 million) have been adjusted with corresponding entries in income tax liabilities and deferred income tax liabilities. These adjustments and reclassifications had no impact on shareholders' equity, cash flow, net profit or earnings per share.

These changes have been recognised in the relevant notes to the financial statements.

7.3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

No new standards have become effective or have been, adopted by the Group for the first time for the financial year 2015. The amendments to IAS 19 (Defined Benefit Plans) and the changes related to the annual improvements to IFRSs had no material impact on the Group.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS	TOPIC	EFFECTIVE DATE
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

- IFRS 9 (Financial Instruments) replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.
  IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The standard will be effective for accounting periods beginning on or after 1 January 2018.
  The Group does not plan on early adoption of this standard and the impact on the Group's equity and profit is not yet determined.

- IFRS 15 (Revenue from Contracts with Customers) replaces the existing standards and interpretations related to revenue recognition. The new standard contains significantly more prescriptive and precise requirements in comparison with existing IFRS. This means that the timing and profile of revenue recognition might change. IFRS 15 is effective for accounting periods beginning on or after 1 January 2018 and either a full or modified retrospective application is required.
  The Group does not plan on early adoption of this standard and the impact on the Group's equity and profit is not yet determined.

- Under IFRS 16 (Leases) a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period. The standard will be effective for accounting periods beginning on or after 1 January 2019.
  The Group does not plan on early adoption of this standard and the impact on the Group's equity and profit is not yet determined.

In addition, the Group has not applied the following new and revised IFRSs that have been issued and are effective as of 1 January 2016:

IFRS	TOPIC	EFFECTIVE DATE
Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
Amendments IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2014 Cycle	1 January 2016

These changes are not expected to have a material effect on the total equity attributable to shareholders or profit of the Group.

7.4 BASIS FOR CONSOLIDATION

7.4.1 Subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company and its subsidiaries. Control is achieved when the company:

- has power over the investee,
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

An overview of the main operational Group companies is disclosed in note 28.5.

7.4.2 Business combinations

Business combinations are accounted for by applying the acquisition method. This means that at the time of acquisition the identifiable assets and liabilities of the acquire are included at their fair value, taking into account any contingent liabilities, indemnification assets, reacquired rights and the settlement of existing clients with the newly acquired Group company.
The purchase consideration is set at the payment transferred and consists of the fair value of all assets transferred, obligations entered into and shares issued in order to obtain control of the acquired entity (including an estimate of the conditional purchase consideration).

All identifiable intangible assets of the acquired company are recorded at fair value. Intangible assets are separately identified and valued. An asset is identifiable when it either arises from contractual or other legal rights or if it is separable. An asset is separable if it can be sold on its own or with other assets. The transferred payment is allocated across the fair value of all assets and liabilities with any residual allocated to goodwill. Excess of the acquirer's interest in the net fair value of the acquires identifiable assets over the fair value of the payment is recognised immediately in the statement of comprehensive income.

Transaction costs incurred by the acquirer in relation to the business combination are not included in the cost price of the business combination but once incurred are recognised as a charge in the income statement unless they refer to the issue of debt instruments or equity instruments.

The accounting of non-controlling interests is determined per transaction. The non-controlling interests are valued either at the fair value on the acquisition date or at a proportionate part of the acquiree's identifiable assets and liabilities. If an acquisition is effected by consecutive purchases (step acquisition) the identifiable assets and liabilities of the acquiree are included at their fair value once control is acquired. Any profit or loss pursuant to the difference between the fair value of the interest held previously in the acquiree and the carrying amount is included in the statement of comprehensive income.

Newly acquired Group companies are included in the consolidation once a controlling interest has been acquired.

7.4.3 Intercompany and related party transactions

The Management and Supervisory Board and the pension funds in the United Kingdom have been identified as related parties. Transactions with the Management Board and the Supervisory Board only consist of remuneration and dividends. Transactions between Group companies including unrealised gains on these transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Transactions with non-controlling interests are treated as third party transactions.

Intercompany and related party transactions are determined on an arm's length basis.

7.5 SEGMENT REPORTING

Operational segment reporting is performed consistently with the internal reporting as provided to the Management Board (the chief operating decision maker). The Management Board is responsible for the allocation of the available resources, the assessment of the operational results and strategic decisions.

7.6 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

7.6.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Euros, which is the presentation currency of the Group and the functional currency of the parent company.

7.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions (spot rate). Foreign currency exchange gains and losses resulting from the settlement of financial transactions and from the translation at year-end exchange rates of borrowings and cash denominated in foreign currencies are recognised in the income statement as finance cost. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euros at foreign currency exchange rates effective at the date the values were determined.

A summary of the main currency exchange rates applied in the year under review and the preceding year reads as follows:

CURRENCY EXCHANGE RATES	1 BRITISH POUND (GBP) = EUR	1 US DOLLAR (USD) = EUR
2015 Year-end	1.357	0.917
2015 Average	1.377	0.901
2014 Year-end	1.277	0.821
2014 Average	1.241	0.753

7.6.3 Group companies

The results and financial position of all the Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates.

All resulting exchange differences are recognised in equity through other comprehensive income. This also is applicable to currency, exchange differences on intercompany loans which are treated as investments in foreign activities.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

7.7 INTANGIBLE ASSETS

7.7.1 Goodwill

Goodwill represents the excess of the costs of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is allocated to cash generating units, being the parts of the segments benefiting from the business combination in which the goodwill arose. Goodwill is not amortised but is tested annually for impairment, or more frequently when there is an indication that the unit may be impaired. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

7.7.2 Software

Acquired software is capitalised and stated at cost less accumulated amortisation and impairment losses. Software is amortised over the estimated useful life, normally 3 years.

7.7.3 Research and development

Expenditure on research and development activities, undertaken with the prospect of gaining new technical knowledge and new commercially feasible products is recognised in the income statement.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

7.7.4 Other intangible assets

Other intangible assets include brand names and customer base. Intangible assets that are acquired through acquired companies are initially valued at fair value. This fair value is subsequently treated as deemed cost. These identifiable intangibles are then systematically amortised over the estimated useful life which is between 10 and 20 years.

7.7.5 Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

7.7.6 Amortisation

The straight-line amortisation method is used, based on the estimated useful life of the intangible asset. The amortisation period and the amortisation method have been reviewed at least at each financial year-end. If the expected useful life of the intangible asset was significantly different from previous estimates, the amortisation period has been changed accordingly. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill is not subject to amortisation.

7.8 PROPERTY, PLANT AND EQUIPMENT

7.8.1 Valuation

Property, plant and equipment are stated at cost less accumulated depreciation based on the estimated useful life of the assets concerned and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of directly attributable overheads.

7.8.2 Subsequent expenditure

The Group recognises in the net book amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other

costs such as repair and maintenance costs are recognised in the income statement as an expense as incurred. The difference between opening and closing balance of assets under construction normally consists of additions and reclassifications to other categories of property, plant and equipment.

7.8.3 Depreciation

For depreciation, the straight-line method is used. The useful life and residual value are reviewed periodically through the life of an asset to ensure that it reflects current circumstances. Depreciation will be applied to property, plant and equipment as soon as the assets are put into operation. The following useful lives are used for depreciation purposes:

CATEGORY	USEFUL LIFE (MINIMUM)	USEFUL LIFE (MAXIMUM)
Land	Indefinite	Indefinite
Buildings and installations	5 years	40 years
Machinery	5 years	15 years
Other factory equipment	3 years	10 years
Office equipment	3 years	5 years
Computer hardware	3 years	5 years
Company cars	3 years	5 years
Commercial vehicles	3 years	6 years

7.8.4 Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

7.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Circumstances may arise where the net book amount of an asset may not be economically recoverable from future business activity. Although future production may be technically possible and for commercial reasons necessary, this may be insufficient to recover the current carrying value in the future. Under these circumstances, it is required that a write-down of the net book amount to the recoverable amount (the higher of its fair value less cost to sell and its value in use) is charged as an immediate impairment expense in the income statement. Goodwill and intangible assets with infinite lives are tested for impairment annually, whereas other assets should be tested when circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). : If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. An impairment loss will be reversed if there is a change in the estimates used to determine the recoverable amount of the assets since the last impairment loss was recognised. The net book amount of the asset will be increased to its recoverable amount. Goodwill is never subject to reversion of impairment losses recognised.

7.10 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories, other than those for which specific identification of costs are appropriate, is assigned by using weighted average cost formula. Borrowing costs are excluded.

7.11 TRADE RECEIVABLES

Trade receivables are recognised initially at fair value. After their initial recognition trade receivables are carried at amortised cost, taking into account unrecoverable receivables. Indications for unrecoverable receivables are based on the past due aging. When receivables are considered to be uncollectible a provision for impairments is accounted for.

7.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and current borrowings for the purpose of the cash flow statement.

7.13 SHARE CAPITAL

Share capital is classified as equity.

7.14 SHARE-BASED PAYMENTS (PERFORMANCE SHARE PLAN)

A limited number of employees of the Group are given the opportunity to participate in a long-term equity-settled incentive plan. The fair value of the rights to shares is expensed on a straight-line basis over the vesting period with a corresponding increase in equity . The total amount taken into account is determined based on the fair value of the shares as determined on the grant date without taking into account the non-market related performance criteria and continued employment conditions ("vesting conditions"). These vesting conditions are included in the expected number of shares that will be vested and this estimate will be revised at the end of each reporting period. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the other reserves. The shares in question are new shares to be issued by Aalberts Industries N.V.

7.15 DERIVATIVES AND BORROWINGS

The Group enters into a variety of derivative financial instruments to manage its exposure to commodity and foreign exchange rate risks. Derivatives are stated at fair value. The change in fair value is included in net finance cost if no hedge accounting is applied. Fair value changes for derivatives which are accounted for under cash flow hedges are added or charged through the total comprehensive income into equity, taking taxation into account. Upon expiration the result from derivatives is brought to the income statement in association with the hedged items.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

7.16 FINANCE LEASES

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has the majority of all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

7.17 DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their net book amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit or loss, it is not accounted for. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The deferred tax asset is recognised for the carry-forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax asset will be realised.

7.18 EMPLOYEE BENEFIT PLANS

The Group has a number of pension plans in accordance with local conditions and practices. Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee- administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. In the UK, Germany, France, Italy and Norway, the plans are partly defined benefit plans. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit obligations are measured at present value, taking into account actuarial assumptions; plan assets are valued at fair value.

The service costs including past service costs and the impact of curtailments and settlements are recognised as personnel expenses. The interest expenses are recognised as net interest expenses on employee benefit plans as part of net finance cost. Curtailment gains and losses are accounted for as past service costs. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Remeasurements, including actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are recognised in other comprehensive income and therefore immediately charged or credited to equity. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

7.19 PROVISIONS

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions have been made in connection with liabilities related to normal business operations. These comprise mainly restructuring costs and environmental restoration.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.
The provisions are mainly non-current.

7.20 TRADE AND OTHER PAYABLES

Trade and other payables are payables arising from the Group's normal business operations and are mainly current.

7.21 CURRENT INCOME TAX LIABILITIES

Current income tax liabilities are liabilities arising from the Group's normal business operations. The tax currently payable is based on taxable profit for the year and are mainly current.

7.22 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue includes the proceeds of goods and services supplied, excluding VAT and net of price discounts and bonuses.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

Sales of services are recognised in the accounting period in which the services are rendered on the basis of the actual service provided as a proportion of the total services to be provided. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period,
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.
When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

7.23 OTHER INCOME

Other income is income not related to the key business activities of the Group or relates to incidental and/or non-recurring items, like income from the sale of nonmonetary assets and or liabilities, commissions from third parties, government grants and insurance amounts received. Grants from the government are recognised at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all related conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match the costs they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of that property, plant and equipment. Insurance amounts received relate to business interruption insurance and for material damage insurance the excess amounts received above the net book value of the lost assets.

7.24 NET FINANCE COST

Interest expense and income on current and non-current borrowings, foreign currency exchange results and fair value changes on derivative financial instruments are recognised in the income statement in net finance cost if no hedge accounting is applied. Results from derivative interest instruments for which hedge accounting is applied are brought from equity to net finance cost upon expiration and in relation with the hedged item.

7.25 TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax. Taxable profit differs from ‘profit before tax’ as reported in the consolidated [statement of profit or loss and other comprehensive income/ statement of profit or loss] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

7.26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement is drawn up using the indirect method. The cash paid for the acquired Group companies, less the available cash, is recorded under cash flow from investing activities. The changes in assets and liabilities as a result of acquisitions are eliminated from the cash flows arising from these assets and liabilities. These changes have been incorporated in the cash flow from investment activities under ‘Acquisition of subsidiaries’.
The net cash flow consists of the net change of cash and current borrowings in comparison with the previous year.

7.27 OPERATIONAL LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operational leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

7.28 DIVIDEND DISTRIBUTION

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders.

7.29 ACCOUNTING FOR HEDGING ACTIVITIES

The Group uses financial instruments like interest rate swaps, currency contracts and commodity futures to hedge cash flow risks from non-current borrowings, foreign currency exchange and commodity prices. In accordance with its treasury policy, the Group neither holds nor issues derivate financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Changes in the fair value of these financial instruments are recognised immediately in the income statement. However, where the derivatives qualify for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item being hedged. The valuation of the fair value is derived from observable market information.

If a derivative financial instrument is designated as a hedge against the variability in the cash flows of a recognised asset, liability or highly probable forecasted transaction, the effective part of the hedge is recognised through the total result into equity. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or liability, the associated gain or loss that was recognised directly in equity is brought to the income statement. Where hedge accounting is applied, the Group has documented at inception of the hedge relationship the relationship between hedging instruments and hedged items, as well as its risk management objectives for undertaking these hedge transactions.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

7.30 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenues and expenses. The estimates and assumptions are based on experience and factors that are believed to be reasonable under circumstances. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The accounting policies have been consistently applied by Group entities to all periods presented in these consolidated financial statements.

7.30.1 Estimated impairments of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 7.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The impairment model used is the discounted cash flow method using a weighted average cost of capital (WACC). The determination of useful lives and residual values require the use of estimates. Details on the impairment tests performed are stated in note 10.

7.30.2 Estimated useful lives and residual values

For depreciation and amortisation, the straight-line method is used. The useful life and residual value of property, plant and equipment and intangible assets are reviewed periodically during the life of the asset to ensure that it reflects current circumstances.

7.30.3 Pension plans

Since the Group is dealing with long-term obligations and uncertainties, assumptions are necessary for estimating the amount the Group needs to invest to provide those benefits. Actuaries calculate the defined benefit obligation partly based on information from management such as future salary increase, the rate of return on plan investments, mortality rates, and the rates at which plan participants are expected to leave the system because of retirement, disability and termination.

7.30.4 Taxes

The Group is subject to taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the company tax and deferred tax provisions in the period in which such determination is made.

7.30.5 Purchase Price Allocation

For the purpose of the Purchase Price Allocation judgments, estimates and assumptions are made to determine the fair value of the identifiable assets and liabilities at acquisition date. This is mainly related to fair value assessment of tangible fixed assets, intangible assets and the related deferred tax liabilities.

7.30.6 Other critical accounting estimates and assumptions
Accounting estimates and assumptions in relation to specific risks are commented in the respective disclosure notes.

8. FINANCIAL RISK MANAGEMENT

8.1 FINANCIAL RISK FACTORS

The Group's activities are exposed to a variety of financial risks: market risk, credit risk, liquidity risk, cash flow and interest rate risk and capital risk. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by Group Treasury under policies approved by the Management Board. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency exchange risk, interest rate risk, credit risk, and the use of derivative financial instruments and non-derivative financial instruments. These principles may differ per Group company or business segment being a result of different local market circumstances.

8.1.1 Market risk

The Group operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures, primarily with respect to the US dollar and the British pound. Foreign currency exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign currency exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency. In general, remaining substantial currency risks are covered by using currency instruments. The Group has several foreign subsidiaries of which the net equity is subject to currency risk. This currency risk is monitored but not hedged.

The US dollar and British pound are the major foreign currencies for the Group. As at 31 December 2015, if the Euro had weakened against the US dollar by 10%, with all other variables held constant, the net profit of the Group would have been impacted by positive EUR 0.8 million (2014: positive EUR 0.8 million). The net equity as at year-end would have been impacted by positive EUR 22.5 million (2014: positive EUR 14.7 million). As at 31 December 2015, if the Euro had weakened against the British pound by 10%, with all other variables held constant, the net profit of the Group would have been impacted by positive EUR 0.7 million (2014: positive EUR 1.5 million). The net equity as at year-end would have been impacted by positive EUR 12.8 million (2014: positive EUR 10.6 million).

The Group is exposed to commodities price risk because of its dependence on certain raw materials, especially copper. Generally, commodity price variances are absorbed in the sales price. Additionally the Group makes use of its strong position in the market for commodities to realise the purchase and delivery of raw materials at the best possible terms and conditions. Where considered necessary, exposures with high risk may be covered through commodity future contracts.

8.1.2 Credit risk

The Group has no significant concentrations of credit risk due to the diversification of activities and markets. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history, as also required by credit insurance. The vast majority of the group companies make use of credit insurance. Derivative and cash transactions are executed with creditworthy financial institutions.

The maximum credit risk on financial assets, being the total carrying value of these assets before provisions for impairment of receivables, amounts to EUR 439.1 million (2014: EUR 420.1 million):

in EUR million	**31-12-2015**	**31-12-2014**
Trade receivables (before provision for impairment of receivables)	349.9	323.8
Other current assets	43.6	61.5
Cash and cash equivalents	45.6	34.8
TOTAL	**439.1**	**420.1**

8.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping credit lines available at a number of well-known financial institutions. On the basis of cash flow forecasting models the Group tests, on a periodic basis, whether the available credit facilities will cover the expected credit need. Based on these analyses, the Group believes that the current expected credit need is sufficiently covered. On a going concern basis, except for major acquisitions, the Group therefore expects to be able to cover cash flow from investing and financing activities out of the cash flow from operating activities and existing credit facilities.

8.1.4 Cash flow and interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises mainly from current and non-current borrowings. Group policy is to maintain the majority of its borrowings in floating rate instruments. Where considered applicable the Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. As at 31 December 2015, if the Euribor would have been 100 basis points higher, with all other variables constant, the net profit of the Group would have been impacted by negative EUR 5.6 million (2014: negative EUR 5.5 million), mainly as a result of higher interest expenses on floating rate borrowings. The net equity as at year-end would have been impacted with the same amount. The change in the market value as at balance sheet date of the derivative financial instruments, as a result of the interest adjustment, is excluded from this sensitivity analysis.

8.1.5 Capital risk

In order to manage going concern for shareholders and other stakeholders the Group periodically monitors the capital structure in consistency with the industry through the following principal financial ratios: leverage ratio (net debt / EBITDA on 12 months rolling basis), 2015: 1.8 (2014: 1.9), interest cover ratio (EBITDA / net interest expense on 12 months rolling basis), 2015: 21.8 (2014: 22.6), and gearing (net debt / total equity), 2015: 0.6 (2014: 0.6).

9. SEGMENT REPORTING

9.1 REPORTABLE SEGMENTS

Aalberts Industries is organised in the following four businesses that are identified as the reportable segments:

- Building Installations
- Climate Control
- Industrial Controls
- Industrial Services

Within these businesses the focus is on leading technology and market positions with high added value for specific end users. This spread in businesses, end markets and geographical areas offers, besides a stable basis, the possibility to make use of the global footprint to realise new business opportunities.

The businesses are each managed separately by a segment manager who is held directly responsible for the functioning and performance of the business and who reports to the Management Board (the chief operating decision maker). The results of the businesses are monitored on the level of operating profit (EBITA) which does not include amortisation, interest and tax related expenses or income.

Besides the identified reportable segments there are head-office activities, unallocated items and eliminations of intersegment transfers or transactions. These are grouped together as Holding/Eliminations and are mainly related to supporting activities and projects at the level of the head-office.
The related gains and losses are directly monitored by the Management Board. Unallocated assets mainly consist of (deferred) income tax assets.

Intersegment transfer or transactions are entered into under transfer pricing terms and conditions that are comparable with terms and conditions with unrelated third parties.

Information regarding the operating activities and performance of each reportable segment is as follows:

2015	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES	HOLDING / ELIMINATIONS	TOTAL
Revenue						
External customers	1,124.4	384.3	362.0	604.6	–	**2,475.3**
Inter-segment	28.8	22.3	5.3	6.1	(62.5)	**-**
TOTAL REVENUE	**1,153.2**	**406.6**	**367.3**	**610.7**	**(62.5)**	**2,475.3**
Operating profit (EBITA)	122.5	41.2	45.9	77.1	(14.7)	**272.0**
EBITA as % of revenue	10.6	10.1	12.5	12.6	–	**11.0**
Assets	1,058.6	392.0	496.8	720.5	72.9	**2,740.8**
Liabilities	275.1	82.2	78.5	111.2	10.2	**557.2**
Depreciation	38.0	7.6	10.6	37.6	1.5	**95.3**
Capital expenditures	37.7	6.8	13.6	37.8	0.3	**96.2**

2014	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES	HOLDING / ELIMINATIONS	TOTAL
Revenue						
External customers	1,012.1	318.0	406.9	463.8	–	**2,200.8**
Inter-segment	33.4	21.8	11.0	4.9	(71.1)	**-**
TOTAL REVENUE	**1,045.5**	**339.8**	**417.9**	**468.7**	**(71.1)**	**2,200.8**
Operating profit (EBITA)	99.8	35.4	53.5	62.7	(4.8)	**246.6**
EBITA as % of revenue	9.5	10.4	12.8	13.4	–	**11.2**
Assets (restated)	1,004.0	400.7	370.4	717.4	59.6	**2,552.1**
Liabilities (restated)	259.9	86.6	63.0	116.3	16.9	**542.7**
Depreciation	35.6	6.4	12.7	28.7	1.4	**84.8**
Capital expenditures	27.1	4.7	11.4	41.2	0.1	**84.5**

Reconciliation of reportable segment EBITA to profit before tax is as follows:

	2015	2014
Total operating profit (EBITA) of reportable segments	272.0	246.6
Amortisation of intangible assets	(24.8)	(20.4)
Net finance cost	(20.4)	(20.2)
CONSOLIDATED PROFIT BEFORE INCOME TAX	**226.8**	**206.0**

Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, trade debtors and other current assets.

Segment liabilities do not include borrowings, finance leases and other liabilities that are incurred for financing rather than operating purposes. In addition, segment liabilities do not include deferred tax liabilities and current income tax liabilities.

Reconciliation to consolidated balance sheet is as follows:

	2015	2014
Total liabilities of reportable segments	557.2	542.7
Non-current and current borrowings	750.8	706.0
Finance leases	12.4	19.2
Tax liabilities	135.7	121.0
Equity	1,284.7	1,163.2
CONSOLIDATED TOTAL EQUITY AND LIABILITIES	**2,740.8**	**2,552.1**

9.2 GEOGRAPHICAL INFORMATION

Revenue is allocated based on the geographical location of the customers:

REVENUE	2015	%	2014	%
Western & Northern Europe	1,428.3	57.7	1,283.9	58.3
North America	559.1	22.6	450.4	20.5
Eastern Europe	213.2	8.6	228.9	10.4
Southern Europe	80.2	3.2	76.8	3.5
Middle East & Africa	61.0	2.5	61.4	2.8
Far East	57.8	2.3	42.6	1.9
Other countries	75.7	3.1	56.8	2.6
TOTAL	**2,475.3**	**100.0**	**2,200.8**	**100.0**

Assets are allocated based on the country in which the assets are located and include goodwill, other intangible assets and tangible fixed assets:

NON-CURRENT ASSETS	2015	%	2014	%
Western & Northern Europe	1,355.8	75.4	1,251.6	76.3
North America	266.3	14.8	227.5	13.9
Eastern Europe	95.2	5.3	88.2	5.4
Southern Europe	44.5	2.5	47.1	2.8
Middle East & Africa	0.2	0.0	0.1	0.0
Far East	37.3	2.0	25.8	1.6
TOTAL	**1,799.3**	**100.0**	**1,640.3**	**100.0**

9.3 ANALYSES OF REVENUE BY CATEGORY

REVENUE	2015	%	2014	%
Sales of goods	2,006.9	81.1	1,862.7	84.6
Services	468.4	18.9	338.1	15.4
TOTAL	**2,475.3**	**100.0**	**2,200.8**	**100.0**

10. INTANGIBLE ASSETS

	GOODWILL	OTHER INTANGIBLES	SOFTWARE	TOTAL
AS AT 1 JANUARY 2014				
Cost	513.2	264.2	33.8	**811.2**
Accumulated amortisation	–	(92.2)	(28.2)	**(120.4)**
NET BOOK AMOUNT	**513.2**	**172.0**	**5.6**	**690.8**
Additions	–	1.7	2.6	**4.3**
Acquisition of subsidiaries	100.4	106.7	4.2	**211.3**
Disposal of subsidiaries	–	(0.2)	–	**(0.2)**
Amortisation	–	(17.6)	(2.8)	**(20.4)**
Currency translation	11.1	6.5	0.2	**17.8**
CLOSING NET BOOK AMOUNT	**624.7**	**269.1**	**9.8**	**903.6**
AS AT 31 DECEMBER 2014				
Cost	624.7	389.2	43.9	**1,057.8**
Accumulated amortisation	–	(120.1)	(34.1)	**(154.2)**
NET BOOK AMOUNT	**624.7**	**269.1**	**9.8**	**903.6**
Effect of prior period restatement	(3.6)	–	–	**(3.6)**
AS AT 31 DECEMBER 2014 (RESTATED)	**621.1**	**269.1**	**9.8**	**900.0**
Additions	–	3.0	4.6	**7.6**
Acquisition of subsidiaries	71.0	79.1	0.3	**150.4**
Disposal of subsidiaries	–	–	(0.1)	**(0.1)**
Amortisation	–	(21.0)	(3.8)	**(24.8)**
Currency translation	10.1	5.2	1.4	**16.7**
CLOSING NET BOOK AMOUNT	**702.2**	**335.4**	**12.2**	**1,049.8**
AS AT 31 DECEMBER 2015				
Cost	702.2	483.6	49.3	**1,235.1**
Accumulated amortisation	–	(148.2)	(37.1)	**(185.3)**
NET BOOK AMOUNT	**702.2**	**335.4**	**12.2**	**1,049.8**

Other intangible assets mainly consist of intangible assets from acquisitions. Approximately two third of the book amount relates to customer relations. The remainder relates to brand names and technology.

10.1 GOODWILL

Goodwill is not amortised and has an infinite useful life at the time of recognition.

Impairment tests

The book amount of goodwill has been allocated to the cash generating units within Building Installations, Climate Control, Industrial Controls and Industrial Services for the purpose of impairment testing. The allocation of the book amount of goodwill to the reportable segments is, on aggregated level, as follows:

	2015	2014
Building Installations	259.9	259.5
Climate Control	105.7	102.1
Industrial Controls	144.9	69.6
Industrial Services	191.7	189.9
TOTAL	**702.2**	**621.1**

The recoverable amount of a cash generating unit is determined based on their calculated value in use. These calculations are pre-tax cash flow projections based on the financial budgets for 2016 which are approved by management and extrapolated for the four years thereafter. Management determined budgeted growth rates based on past performance and its expectations of market developments. For the period after 2020 a growth rate equal to expected long term inflation is taken into account. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash generating units.

The assumptions used for impairment tests are as follows:

2015	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES
Average growth rate (first 5 years)	3.7% - 5.4%	4.5%	4.7%	4.7%
Long-term average growth rate (after 5 years)	1.0%	1.0%	1.0%	1.0%
Discount rate (pre-tax)	10.7% - 14.9%	11.1%	10.1% - 12.5%	10.7%
Discount rate (post-tax)	8.2% - 9.0%	8.2%	7.5% - 8.0%	7.8%

2014	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES
Average growth rate (first 5 years)	3.0% - 5.0%	3.8%	4.4% - 4.8%	4.3%
Long-term average growth rate (after 5 years)	1.0%	1.0%	1.0%	1.0%
Discount rate (pre-tax)	10.5% - 12.7%	10.5%	10.5% - 11.0%	10.8%
Discount rate (post-tax)	7.8% - 7.9%	8.0%	7.9% - 8.0%	7.9%

No impairment was necessary following impairment tests on all cash generating units within the Group, since the discounted future cash flows from the cash generating units exceeded the value of the goodwill and other relevant net assets.

It is inherent in the method of computation used that a change in the assumptions may lead to a different conclusion on the impairment required. Therefore a sensitivity analysis is performed based on a change in an assumption while holding all other assumptions constant. The following changes in assumptions are assessed:

- Decrease of the average growth rate by 2%
- Decrease of the long term average growth rate by 1%
- Increase of the discount rate (post-tax) by 1%

Based on the sensitivity analysis performed it is concluded that any reasonable change in the key assumptions would also not require an impairment.

11. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	OTHER	UNDER CONSTRUCTION	TOTAL
AS AT 1 JANUARY 2014					
Cost	445.6	1,228.5	76.5	45.3	**1,795.9**
Accumulated depreciation	(200.9)	(913.2)	(65.6)	–	**(1,179.7)**
NET BOOK AMOUNT	**244.7**	**315.3**	**10.9**	**45.3**	**616.2**
Additions	13.3	44.3	3.7	23.2	**84.5**
Assets taken into operation	5.2	21.2	0.2	(26.6)	**-**
Disposals	(0.3)	(2.1)	–	(0.9)	**(3.3)**
Acquisition of subsidiaries	48.2	44.4	3.9	5.6	**102.1**
Disposal of subsidiaries	(1.9)	(1.8)	(0.6)	(0.1)	**(4.4)**
Depreciation	(14.8)	(65.7)	(4.3)	–	**(84.8)**
Currency translation	(0.5)	9.0	(0.5)	2.0	**10.0**
CLOSING NET BOOK AMOUNT	**293.9**	**364.6**	**13.3**	**48.5**	**720.3**
AS AT 31 DECEMBER 2014					
Cost	530.7	1,445.1	91.7	48.5	**2,116.0**
Accumulated depreciation	(236.8)	(1,080.5)	(78.4)	–	**(1,395.7)**
NET BOOK AMOUNT	**293.9**	**364.6**	**13.3**	**48.5**	**720.3**
Effect of prior period restatement	6.0	–	–	–	**6.0**
AS AT 31 DECEMBER 2014 (RESTATED)	**299.9**	**364.6**	**13.3**	**48.5**	**726.3**
Additions	9.9	50.0	3.8	32.5	**96.2**
Assets taken into operation	9.1	28.0	1.6	(38.7)	**-**
Disposals	(5.4)	(2.8)	(0.9)	–	**(9.1)**
Acquisition of subsidiaries	5.5	4.4	–	0.1	**10.0**
Disposal of subsidiaries	(6.7)	(1.6)	(0.7)	–	**(9.0)**
Depreciation	(16.9)	(73.5)	(4.9)	–	**(95.3)**
Currency translation	5.3	9.9	–	2.1	**17.3**
CLOSING NET BOOK AMOUNT	**300.7**	**379.0**	**12.2**	**44.5**	**736.4**
AS AT 31 DECEMBER 2015					
Cost	555.7	1,534.8	94.3	44.5	**2,229.3**
Accumulated depreciation	(255.0)	(1,155.8)	(82.1)	–	**(1,492.9)**
NET BOOK AMOUNT	**300.7**	**379.0**	**12.2**	**44.5**	**736.4**

At year-end, Group companies had investment commitments outstanding in respect of property, plant and equipment to the amount of EUR 47.7 million (2014: EUR 51.8 million) of which EUR 44.5 million (2014: EUR 48.5 million) has been capitalised on the balance sheet as advance payment.

Some subsidiaries have encumbered their land and buildings as well as machines by a mortgage.

12. INVENTORIES

	31-12-2015	31-12-2014
Raw materials	116.9	117.2
Work in progress	126.9	120.5
Finished goods	250.1	245.5
Other inventories	4.9	6.2
TOTAL	**498.8**	**489.4**

The costs of inventories recognised as an expense and impairment losses on inventories are included in 'raw materials and work subcontracted'. In 2015 EUR 901.7 million (2014: EUR 823.2 million) raw materials is recognised in the consolidated income statement as raw materials used.

The provision for write-down of inventories, due to obsolescence and slow moving stock, amounts to EUR 29.2 million (2014: EUR 30.8 million). During 2015 a write-off expense of EUR 2.3 million (2014: EUR 1.5 million) is recognised in the consolidated income statement.

No inventories are pledged as security for liabilities.

The majority of the inventory has a turnover of less than one year.

13. TRADE RECEIVABLES

	31-12-2015	31-12-2014
Trade receivables	349.9	323.8
Provision for impairment of receivables	(7.2)	(5.3)
TRADE RECEIVABLES (NET)	**342.7**	**318.5**

There is no concentration of credit risk with respect to trade receivables, as the Group has a large customer base which is internationally dispersed and makes use of credit insurance for a majority of its receivables.

Impairment losses on trade receivables are included in the 'other operating expenses' and amount to EUR 3.1 million (2014: EUR 1.1 million). The carrying amount approximates the fair value.

The movement in the provision for impairment of receivables is as follows:

	2015	2014
AS AT 1 JANUARY	**5.3**	**4.9**
Additions	3.1	1.3
Used during year	(1.3)	(0.7)
Unused amounts reversed	–	(0.2)
Acquisition of subsidiaries	–	0.2
Disposal of subsidiaries	–	(0.3)
Currency translation	0.1	0.1
AS AT 31 DECEMBER	**7.2**	**5.3**

The provision for impairment of receivables of EUR 7.2 million (2014: EUR 5.3 million) is related to receivables past due more than 90 days. The impairment of receivables is based on individual cases.

The past due aging analysis of the trade receivables is as follows:

	31-12-2015	31-12-2014
Not past due	287.2	260.8
Past due less than 30 days	37.3	42.5
Past due between 30 days and 60 days	9.7	10.6
Past due between 60 days and 90 days	5.4	2.7
Past due more than 90 days	10.3	7.2
TRADE RECEIVABLES	**349.9**	**323.8**

The majority of the carrying amounts of the trade receivables are denominated in the functional currency of the reported entities.

	31-12-2015	31-12-2014
Euro	167.8	171.7
US dollar	91.9	70.5
British pound	43.7	38.7
Other currencies	46.5	42.9
TRADE RECEIVABLES	**349.9**	**323.8**

14. OTHER CURRENT ASSETS

	31-12-2015	31-12-2014
Prepaid and accrued income	14.3	12.8
Other receivables	29.3	48.7
TOTAL	**43.6**	**61.5**

Other receivables include receivables related to the disposal of subsidiaries for an amount of EUR nil (2014: EUR 21.0 million) and the carrying amount approximates the fair value.

15. EQUITY

15.1 SHARE CAPITAL

The total number of shares outstanding at year-end was 110.6 million shares (2014: 110.6 million shares) with a par value of EUR 0.25 per share.
In addition, there are 100 priority shares issued with a par value of EUR 1.00 per share. An explanation of the total number of shares outstanding is included in note 33.5.

15.2 SHARE BASED PAYMENTS (PERFORMANCE SHARE PLAN)

Aalberts Industries reviews on an annual basis whether awards from the existing Performance Share Plan will be granted to a limited number of employees. This plan is a share based equity-settled incentive plan. Conditional shares are awarded that become unconditional three years after the start of the performance period as long as the related conditions with regard to employment and performance have been met. The performance conditions attached to the granting of Performance Shares are based on the company's financial performance over a three-year performance period. The financial performance over the three calendar years is measured based on the average growth of the earnings per share before amortisation (EPS). The conditions of the plan stipulate that ultimately a maximum of 125% of the number of conditionally granted shares at the start of the performance period can be paid out.

PSP 2013-2015: In June/July 2013, a total number of 82,000 (100%) conditional shares were granted and accepted and another 10,000 (100%) shares in May 2014. As at the end of 2015, there are still 78,000 conditional shares in circulation because a number of employees left (2014: 78,000 shares). Based on the average growth of the earnings per share before amortisation (EPS) over the three-year period (2013-2015) it is expected that 73% of the conditional shares will vest in April 2016, which is equal to a total of 56,940 shares (market value of EUR 1.8 million as at the end of 2015). An amount of EUR 0.1 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

PSP 2015-2017: In May/June 2015, a total number of 135,500 (100%) conditional shares were granted and accepted. The fair value of the Performance Shares is based on the share price on the grant date, minus the discounted value (risk-free rate of minus 0.090% - minus 0.169%) of the expected dividends in the period that the shares were granted conditionally, in view of the fact that the participants are not entitled to dividends during the vesting period.
The expected dividends are based on the company's dividend policy. As at the end of 2015, the total fair value of the 135,500 conditional shares was EUR 3.6 million. An amount of EUR 0.8 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

The Management Board members of Aalberts Industries N.V. participate in the Performance Share Plan. The details are mentioned in the remuneration of the board on page 94.

15.3 DIVIDEND

The dividends paid in 2015 were EUR 0.46 per share (2014: EUR 0.41 per share). A dividend in respect of the year ended 31 December 2015 of EUR 0.52 per share will be proposed at the General Meeting to be held on 19 April 2016. These financial statements do not reflect this dividend payable.

15.4 NON-CONTROLLING INTERESTS

Non-controlling interests amount to EUR 16.0 million (2014: EUR 32.4 million). The decrease in 2015 is mainly related to Impreglon SE. Aalberts Industries N.V. achieved 100% ownership of Impreglon SE after successfully finalising the squeeze out process. The purchase price paid for the expansion of the controlling interest from 86.0% to 100.0% has been recognised (including transaction costs) as a transaction with shareholders and is therefore charged to equity.

16. BORROWINGS

Aalberts Industries has agreed the following covenants with her banks which are tested twice a year:

COVENANTS	LEVERAGE RATIO	INTEREST COVER RATIO
As at 30 June of each year	< 3.5	> 3.0
As at 31 December of each year	< 3.0	> 3.0

The interest rate surcharges are made dependant on the leverage ratio achieved.

Definitions:

- Leverage ratio: Net debt / EBITDA on 12 months rolling basis
- Interest cover ratio: EBITDA / net interest expense on 12 months rolling basis

At year-end the requirements in the covenants are met as stated below:

COVENANT RATIOS AS AT YEAR END	2015	2014
Leverage ratio	1.8	1.9
Interest cover ratio	21.8	22.6

	BANK BORROWINGS	FINANCE LEASES	TOTAL 2015	TOTAL 2014
AS AT 1 JANUARY 2015	**513.1**	**19.2**	**532.3**	**272.5**
New borrowings	197.7	0.7	198.4	323.5
Repayments	(117.5)	(2.7)	(120.2)	(120.9)
Acquisition of subsidiaries	–	(4.9)	(4.9)	48.2
Translation differences	8.7	0.1	8.8	9.0
AS AT 31 DECEMBER 2015	**602.0**	**12.4**	**614.4**	**532.3**
Current portion of non-current borrowings	(55.0)	(1.7)	(56.7)	(104.0)
NON-CURRENT BORROWINGS AS AT 31 DECEMBER 2015	**547.0**	**10.7**	**557.7**	**428.3**

The current portion of non-current borrowings amounts to EUR 56.7 million (2014: EUR 104.0 million) and is presented within the current liabilities. The carrying amount approximates the fair value; the effective interest rate approximates the average interest rate. The average effective interest rate on the portfolio of borrowings outstanding in 2015, including hedge instruments related to these borrowings, amounted to 1.9% (2014: 2.5%).

16.1 BANK BORROWINGS

The maturity of the future undiscounted cash flows related to bank borrowings is as follows:

	REPAYMENTS BANK BORROWINGS	INTEREST PAYMENTS	TOTAL 2015	TOTAL 2014
2015	–	–	–	113.8
2016	55.0	10.1	65.1	64.3
2017	93.1	8.2	101.3	99.1
2018	113.4	6.1	119.5	80.1
2019	106.3	4.4	110.7	74.5
2020	104.3	2.8	107.1	73.3
2021 and thereafter	129.9	1.4	131.3	62.0
TOTAL	**602.0**	**33.0**	**635.0**	**567.1**

The Group's bank borrowings are denominated in the following currencies:

BANK BORROWINGS	2015	2014
Euro	542.7	424.2
US dollar	52.2	81.8
Other currencies	7.1	7.1
TOTAL	**602.0**	**513.1**

16.2 FINANCE LEASES

MATURITY FINANCE LEASES	2015	2014
Minimum lease payments		
Within 1 year	2.8	3.7
Between 1-5 years	14.6	16.3
Over 5 years	8.7	13.3
	26.1	**33.3**
Future finance charges		
Within 1 year	1.2	1.3
Between 1-5 years	4.7	4.8
Over 5 years	7.9	8.0
	13.8	**14.1**
Present value of finance lease		
Within 1 year	1.7	2.4
Between 1-5 years	10.0	11.5
Over 5 years	0.7	5.3
PRESENT VALUE OF FINANCE LEASE IN THE BALANCE SHEET	**12.4**	**19.2**

16.3 CASH AND CURRENT BORROWINGS

BANK BORROWINGS	31-12-2015	31-12-2014
Cash	45.6	34.8
Current borrowings	(148.8)	(192.9)
CASH AND CURRENT BORROWINGS	**(103.2)**	**(158.1)**

The cash and current borrowings amount to EUR 103.2 million negative (2014: EUR 158.1 million negative). The cash consists of cash and bank balances: EUR 41.8 million (2014: EUR 34.8 million) and cash in transit: EUR 3.8 million (2014: EUR nil). The current borrowings are drawn on credit facilities which consist of cash pool agreements with several domestic and foreign financial institutions. Cash is freely disposable.

Current borrowings are short-term credit facilities consisting of committed and uncommitted lines, provided by a number of credit institutions. The total of these facilities at year-end 2015 amounted to EUR 856.0 million (2014: EUR 778.0 million), of which EUR 148.8 million was used (2014: EUR 192.9 million). The carrying amount approximates the fair value.

17. DEFERRED INCOME TAXES

	TAX LOSSES	INTANGIBLE ASSETS	PLANT AND EQUIPMENT	PROVISIONS	WORKING CAPITAL AND OTHER	OFF-SETTING	(NET ASSET) / LIABILITY
Assets	3.6	0.1	0.7	15.9	4.9	(4.8)	20.4
Liabilities	–	40.2	26.6	0.8	6.7	(4.8)	69.5
AS AT 1 JANUARY 2014	**(3.6)**	**40.1**	**25.9**	**(15.1)**	**1.8**	**–**	**49.1**
Income statement	–	(2.7)	(1.1)	0.2	(1.6)	–	(5.2)
Direct to other comprehensive income	–	–	–	(3.2)	0.7	–	(2.5)
Acquisition subsidiaries	–	31.7	–	(1.6)	1.0	–	31.1
Disposal subsidiaries	–	–	(0.5)	0.3	(0.1)	–	(0.3)
Currency translation	–	1.8	0.9	(0.8)	–	–	1.9
Movements 2014	**–**	**30.8**	**(0.7)**	**(5.1)**	**–**	**–**	**25.0**
Assets	3.6	0.2	1.2	21.8	4.9	(2.1)	29.6
Liabilities	–	71.1	26.4	1.6	6.7	(2.1)	103.7
AS AT 31 DECEMBER 2014	**(3.6)**	**70.9**	**25.2**	**(20.2)**	**1.8**	**–**	**74.1**
Effect of prior period restatement	(0.5)	4.6	9.0	(1.5)	(1.2)	–	10.4
Assets (restated)	4.1	0.1	1.2	23.3	6.1	(20.8)	14.0
Liabilities (restated)	–	75.6	35.4	1.6	6.7	(20.8)	98.5
AS AT 31 DECEMBER 2014 (RESTATED)	**(4.1)**	**75.5**	**34.2**	**(21.7)**	**0.6**	**–**	**84.5**
Income statement	(0.4)	(2.1)	(3.9)	2.6	(0.3)	–	(4.1)
Direct to other comprehensive income	–	(0.1)	–	2.4	(0.1)	–	2.2
Acquisition subsidiaries	–	19.7	(0.1)	(0.2)	–	–	19.4
Currency translation	(0.1)	1.5	1.8	(1.2)	–	–	2.0
Movements 2015	**(0.5)**	**19.0**	**(2.2)**	**3.6**	**(0.4)**	**–**	**19.5**
Assets	4.6	0.2	1.3	19.8	9.9	(22.7)	13.1
Liabilities	–	94.7	33.3	1.7	10.1	(22.7)	117.1
AS AT 31 DECEMBER 2015	**(4.6)**	**94.5**	**32.0**	**(18.1)**	**0.2**	**–**	**104.0**

Deferred income tax assets mainly relate to temporary differences on pension provisions and recognised tax losses. Deferred income tax liabilities mainly relate to temporary differences on other intangible assets which arose from acquisitions and temporary depreciation differences on property, plant and equipment.

17.1 UNRECOGNISED UNUSED TAX LOSSES

The Group has unrecognised carry-forward tax losses amounting to some EUR 27.6 million (2014: EUR 19.0 million). The related deferred income tax assets have not been recorded, since future usage is mainly depending on profit-earning capacity.

UNRECOGNISED UNUSED TAX LOSSES	31-12-2015	31-12-2014
Expire in less than 1 year	–	–
Expire between 1 and 5 years	9.4	–
Expire from 5 years or more	0.7	1.0
Indefinite	17.5	18.0
TOTAL UNRECOGNISED UNUSED TAX LOSSES	**27.6**	**19.0**

18. PROVISIONS

18.1 RETIREMENT BENEFIT OBLIGATIONS

	PRESENT VALUE (PARTLY) FUNDED OBLIGATIONS	FAIR VALUE PLAN ASSETS	NET LIABILITY	PRESENT VALUE UNFUNDED OBLIGATIONS	TOTAL
AS AT 1 JANUARY 2014	**138.6**	**(91.9)**	**46.7**	**17.1**	**63.8**
Current service cost	0.7	–	**0.7**	0.7	**1.4**
Curtailments and settlements	–	–	**-**	0.1	**0.1**
Interest expense / (income)	6.3	(4.2)	**2.1**	0.6	**2.7**
Total recognised in income statement	7.0	(4.2)	**2.8**	1.4	**4.2**
Actuarial gains and losses (demographic assumptions)	(0.2)	–	**(0.2)**	(0.1)	**(0.3)**
Actuarial gains and losses (financial assumptions)	18.1	–	**18.1**	3.2	**21.3**
Actuarial gains and losses (experience adjustments)	(0.2)	–	**(0.2)**	0.6	**0.4**
Re-measurements of plan assets	–	(3.9)	**(3.9)**	–	**(3.9)**
Total recognised in other comprehensive income	17.7	(3.9)	**13.8**	3.7	**17.5**
Contributions by employer	–	(3.1)	**(3.1)**	–	**(3.1)**
Contributions by participants	–	(0.3)	**(0.3)**	–	**(0.3)**
Benefits paid	(4.7)	4.7	**-**	(1.7)	**(1.7)**
Acquisition subsidiaries	20.9	(17.5)	**3.4**	0.5	**3.9**
Disposal subsidiaries	(0.3)	–	**(0.3)**	(0.2)	**(0.5)**
Currency translation	9.0	(5.8)	**3.2**	–	**3.2**
AS AT 31 DECEMBER 2014	**188.2**	**(122.0)**	**66.2**	**20.8**	**87.0**

	PRESENT VALUE (PARTLY) FUNDED OBLIGATIONS	FAIR VALUE PLAN ASSETS	NET LIABILITY	PRESENT VALUE UNFUNDED OBLIGATIONS	TOTAL
AS AT 1 JANUARY 2015	**188.2**	**(122.0)**	**66.2**	**20.8**	**87.0**
Current service cost	1.3	–	**1.3**	0.6	**1.9**
Past service cost	(0.8)	–	**(0.8)**	–	**(0.8)**
Interest expense / (income)	6.3	(4.1)	**2.2**	0.4	**2.6**
Total recognised in income statement	6.8	(4.1)	**2.7**	1.0	**3.7**
Actuarial gains and losses (demographic assumptions)	(0.3)	–	**(0.3)**	(0.2)	**(0.5)**
Actuarial gains and losses (financial assumptions)	(5.4)	–	**(5.4)**	–	**(5.4)**
Actuarial gains and losses (experience adjustments)	(2.0)	–	**(2.0)**	(0.2)	**(2.2)**
Re-measurements of plan assets	–	0.2	**0.2**	–	**0.2**
Total recognised in other comprehensive income	(7.7)	0.2	**(7.5)**	(0.4)	**(7.9)**
Contributions by employer	(0.1)	(4.1)	**(4.2)**	–	**(4.2)**
Contributions by participants	0.3	(0.3)	**-**	–	**-**
Benefits paid	(7.3)	7.3	**-**	(1.3)	**(1.3)**
Currency translation	10.2	(6.1)	**4.1**	–	**4.1**
AS AT 31 DECEMBER 2015	**190.4**	**(129.1)**	**61.3**	**20.1**	**81.4**

The retirement benefit obligations are largely related to defined benefit plans in the UK, Germany and France. The liability in the balance sheet and the amounts recognised in the income statements are divided over the countries as follows:

	UNITED KINGDOM	GERMANY	FRANCE	OTHER	TOTAL
Present value of (partly) funded obligations	158.1	4.8	1.9	25.6	**190.4**
Fair value of plan assets	(105.1)	(2.7)	(0.1)	(21.2)	**(129.1)**
	53.0	**2.1**	**1.8**	**4.4**	**61.3**
Present value of unfunded obligations	–	11.5	7.6	1.0	**20.1**
LIABILITY IN THE BALANCE SHEET AS AT 31 DECEMBER 2015	**53.0**	**13.6**	**9.4**	**5.4**	**81.4**
LIABILITY IN THE BALANCE SHEET AS AT 31 DECEMBER 2014	**57.2**	**19.0**	**8.5**	**2.3**	**87.0**

AMOUNTS RECOGNISED IN INCOME STATEMENT	UNITED KINGDOM	GERMANY	FRANCE	OTHER	TOTAL
Current service cost	0.2	0.1	0.5	1.1	**1.9**
Past service costs	–	–	–	(0.8)	**(0.8)**
Total recognised in personnel expenses	0.2	0.1	0.5	0.3	**1.1**
Interest expense / (income)	2.1	0.2	0.2	0.1	**2.6**
TOTAL RECOGNISED IN INCOME STATEMENT	**2.3**	**0.3**	**0.7**	**0.4**	**3.7**

The significant actuarial assumptions used for the calculations of the defined benefit obligations are:

ACTUARIAL ASSUMPTIONS 2015	UNITED KINGDOM	GERMANY	FRANCE
Discount rate	3.80%	2.20%	2.00%
Rate of inflation	3.10%	1.50%	2.00%
Future salary increases	2.10%	2.00%	2.00%

ACTUARIAL ASSUMPTIONS 2014	UNITED KINGDOM	GERMANY	FRANCE
Discount rate	3.50%	1.80%	2.50%
Rate of inflation	3.00%	1.75%	2.00%
Future salary increases	2.00%	1.75%	2.00%

Assumptions regarding future mortality are based on published statistics and mortality tables in the respective countries.

The sensitivity of the defined benefit obligation to changes in the actuarial assumptions is:

		IMPACT ON DEFINED BENEFIT OBLIGATION	
ACTUARIAL ASSUMPTION	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	0.50%	Decrease by 8.1%	Increase by 8.0%
Rate of inflation	0.50%	Increase by 6.7%	Decrease by 6.9%
Future salary increases	0.50%	Increase by 3.3%	Decrease by 3.5%
Life expectancy	1 year	Increase by 2.7%	Decrease by 2.7%

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, the outcome will deviate from this analysis because assumptions may be correlated.

The plan assets consist of the following categories:

PLAN ASSET CATEGORIES	2015	2014
Equities	54%	55%
Bonds	5%	6%
Other net assets	41%	39%
TOTAL	**100%**	**100%**

The other net assets mainly comprise of collective insurance contracts held by insurance companies.
The Dutch subsidiaries participate in multi-employer pension plans, under IFRS these plans qualify as defined contribution plans.
The Group expects EUR 5.3 million in contributions to be paid to its defined benefit plans in 2016 of which EUR 3.2 million is related to the UK defined benefit plans.

UK Defined Benefit Plans

The defined benefit plans in the UK comprise the Yorkshire Fittings Pension Scheme and the TTI Group Pension Scheme. These are separate trustee administrated funds holding the pension assets to meet long term pension liabilities for some 740 pension scheme members. The defined benefit plans can be classified as final salary benefit plans. The actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out by an external company. Both actuaries are Fellow of the Institute and Faculty of Actuaries.
None of the fair values of the related assets include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by, the company. All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance. The plan asset scheme of Yorkshire Fittings Pension Scheme holds next to equities, bonds, property and cash also Liability Driven Investments ('LDI'). The LDI aim to hedge 50% of the inflation risk and 30% of the interest risk rate to the liabilities. The asset is classified as 'other net assets' as at December 2015 and as at December 2014 (restated).
The average duration of the defined benefit obligation at the period ended 31 December 2015 is 18 years for the Yorkshire Fittings Pension Scheme and 17 years for the TTI Group Pension Scheme.

Together with the trustees, the investment strategy is reviewed at the time of each funding valuation. The pension schemes are subject to a tri-annual actuarial review at which point the future funding strategy is agreed between the trustees and the company.

As at 31 December 2015, the actuarial valuation of the Yorkshire Fittings Pension Scheme showed a deficit of EUR 51.7 million. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 15 years from 1 April 2012 by the payment of EUR 2.2 million per annum in respect of the deficit, increasing 4% per annum. Based on the actuarial review held in 2015, an update of the annual payment is currently re-assessed.

As at 31 December 2015, the actuarial valuation of TTI Group Pension Scheme showed a deficit of EUR 7.4 million. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 17 years and 3 months from 31 December 2012 by the payments of contributions of EUR 0.4 million for the year 2013, followed by contributions of EUR 0.6 million per annum thereafter.

In addition and in accordance with the actuarial valuation, the Group has agreed with the trustees that it will meet expenses of the plans and levies to the Pension Protection Fund as and when they are due.

18.2 OTHER PROVISIONS

	2015	2014
AS AT 1 JANUARY	**18.2**	**9.3**
Additions	1.6	2.6
Used during year	(3.8)	(1.7)
Unused amounts reversed	(1.9)	(1.1)
Acquisition subsidiaries	1.8	6.7
Disposal subsidiaries	–	(0.3)
Reclassified to current	(9.6)	–
Currency translation	0.9	0.2
AS AT 31 DECEMBER	**7.2**	**15.7**
Effect of prior period restatement		2.5
AS AT 31 DECEMBER (RESTATED)		**18.2**

The other provisions consist of liabilities related to normal business operations and provisions for restructuring and environmental restoration. The unpaid parts of purchase considerations for acquisitions included in other provisions are EUR nil (2014: EUR 9.8 million) because they will be settled in 2016 and therefore included in other current liabilities.

19. TRADE AND OTHER PAYABLES

	31-12-2015	31-12-2014
Trade creditors	218.0	219.8
Investment creditors	14.3	9.7
Customer related payables	75.1	70.8
TOTAL	**307.4**	**300.3**

20. OTHER CURRENT LIABILITIES

	31-12-2015	31-12-2014
Social security charges and taxes	23.8	22.0
Value added tax	6.5	8.2
Accrued expenses	36.4	38.8
Amounts due to personnel	52.2	48.1
Contingent purchase considerations	24.6	-
Derivative financial instruments	5.0	3.6
Other	12.7	16.5
TOTAL	**161.2**	**137.2**

The contingent purchase considerations are related to the unpaid part of recent acquisitions and will be paid in full in the first half year 2016.

The derivative financial instruments consist of the following items:

	31-12-2015	31-12-2014
Interest rate swap contracts	3.4	2.9
Foreign currency exchange contracts	0.7	0.5
Metal hedging contracts	0.9	0.2
TOTAL	**5.0**	**3.6**

The principal amounts of the outstanding interest rate swap contracts at 31 December 2015 were EUR 375.0 million (2014: EUR 90.0 million), for foreign currency exchange contracts EUR 156.1 million (2014: EUR 37.0 million) and for metal hedging contracts EUR 11.5 million (2014: EUR 8.0 million).

The majority of the outstanding foreign currency exchange and metal hedging contracts has a short term nature. Interest rate swaps maturity is directly related to the bank borrowings concerned (note 16). The fair value of financial instruments equals the market value at 31 December 2015. All financial instruments are classified as level 2.

The valuation of foreign currency hedging contracts is based on future cash flows which are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. For interest rate swaps the valuation is based on future cash flows which are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties. An assessment had been made of a potential debit situation, however, has not been recorded as adjustment as deemed immaterial. This approach is equal to prior years.

For all other items included in other current liabilities, the carrying amount approximates the fair value.

21. PERSONNEL EXPENSES

	2015	2014
Wages and salaries	(570.2)	(491.0)
Social security charges	(105.0)	(92.9)
Defined benefit plans	(1.1)	(1.5)
Defined contribution plans	(17.4)	(15.4)
Other expenses related to employees	(20.2)	(17.0)
TOTAL	**(713.9)**	**(617.8)**

In the year under review, the average number of full-time employees amounted to 14,843 (2014: 13,338) of which 12,917 (2014: 11,472) full-time employees are active outside The Netherlands.

The remuneration of the Management and Supervisory Board is disclosed as part of the company financial statements (note 33.10).

22. OTHER OPERATING EXPENSES

	2015	2014
Production expenses	(249.4)	(212.2)
Selling expenses	(76.3)	(66.8)
Housing expenses	(41.8)	(34.6)
General expenses	(88.5)	(87.0)
Warranty costs	(3.6)	(3.0)
Other operating income	19.5	20.9
TOTAL	**(440.1)**	**(382.7)**

Production expenses mainly comprise energy costs, repair and maintenance costs and freight and packaging costs.

Other operating income is income not related to the key business activities of the Group or relates to non-recurring items like government grants and insurance amounts received. The realised book profit on the disposals of subsidiaries recognised in 2015 amounts to EUR 4.9 million (2014: EUR 20.0 million). The proceeds from the 2015 transactions were used to further strengthen the existing market positions and operations.
Several projects started in 2014 and continued in 2015 lead to non-recurring expenses for an amount of EUR 12.7 million (2014: EUR 14.8 million).

23. NET FINANCE COST

	2015	2014
Interest income	**0.6**	**1.9**
Interest expenses:		
Bank borrowings	(17.7)	(16.9)
Finance leases	(0.7)	(0.7)
Total interest expense	**(18.4)**	**(17.6)**
Net interest expense	**(17.8)**	**(15.7)**
Foreign currency exchange results	**1.0**	**(1.1)**
Fair value results on financial instruments:		
Interest/foreign currency swaps	(0.4)	(0.6)
Metal price hedge contracts	(0.6)	(0.1)
Total fair value results on derivative financial instruments	**(1.0)**	**(0.7)**
Net interest expense on employee benefit plans	**(2.6)**	**(2.7)**
NET FINANCE COST	**(20.4)**	**(20.2)**

24. INCOME TAX EXPENSES

	2015	2014
Current tax:		
Current year	60.5	59.6
Prior years	2.2	1.9
	62.7	**61.5**
Deferred tax	(4.1)	(5.1)
TOTAL INCOME TAX EXPENSE	**58.6**	**56.4**

	2015	2014
Profit before tax	**226.8**	**206.0**
Tax calculated at domestic rates applicable to profits	67.6	59.8
Expenses not deductible for tax purposes	4.4	2.7
Tax-exempt results and tax relief facilities	(15.7)	(6.9)
Other effects	2.3	0.8
TOTAL INCOME TAX EXPENSE	**58.6**	**56.4**
Effective tax rate	25.8%	27.4%

The weighted average applicable domestic tax rate increased due to changes in the country mix. For 2015 the weighted average applicable domestic tax rate amounted to 29.8% (2014: 29.0%).

25. EARNINGS AND DIVIDENDS PER SHARE

	2015	2014
Net profit (in EUR million)	165.7	147.5
Weighted average number of shares in issue (x1)	110,580,102	110,580,102
Basic earnings per share (in EUR)	**1.50**	**1.33**
Net profit (in EUR million)	165.7	147.5
Weighted average number of shares in issue including effect of performance share plan (x1)	110,772,542	110,658,102
Diluted earnings per share (in EUR)	**1.50**	**1.33**
Net profit before amortisation (in EUR million)	190.4	167.9
Weighted average number of shares in issue (x1)	110,580,102	110,580,102
Basic earnings per share before amortisation (in EUR)	**1.72**	**1.52**
Net profit before amortisation (in EUR million)	190.4	167.9
Weighted average number of shares in issue including effect of performance share plan (x1)	110,772,542	110,658,102
Diluted earnings per share before amortisation (in EUR)	**1.72**	**1.52**

The dividends paid in 2015 were EUR 0.46 per share (2014: EUR 0.41 per share). A dividend in respect of the year ended 31 December 2015 of EUR 0.52 per share will be proposed at the General Meeting to be held on 19 April 2016. These financial statements do not reflect this dividend payable.

26. CONTINGENCIES

The Group has contingent liabilities in respect of bank and other guarantees arising from the ordinary course of business. It is not anticipated that any material liabilities will rise from the contingent liabilities. The Group has provided guarantees in the ordinary course of business amounting to EUR 18.6 million (2014: EUR 20.8 million) to third parties.

Outstanding commitments related to the purchase of copper, brass and aluminium for the European Building Installations and Climate Control operations amounted to EUR 47.7 million as at year-end (2014: EUR 35.0 million).

27. OPERATIONAL LEASE AND RENT COMMITMENTS

It has been agreed with banks that no security will be provided to third parties without the banks' permission. The real estate as well as some machines of some subsidiaries are encumbered by a mortgage.

OPERATIONAL LEASE AND RENT COMMITMENTS	2015	2014
Due in less than 1 year	19.7	18.3
Due between 1 and 5 years	45.9	40.5
Due from 5 years or more	17.1	14.8
TOTAL COMMITMENTS	**82.7**	**73.6**

28. BUSINESS COMBINATIONS

The Group acquired the following entities during 2015:

GROUP COMPANY	HEAD OFFICE IN	CONSOLIDATED AS FROM	INTEREST	GROUP ACTIVITY
VENTREX Automotive GmbH	Austria	1 October 2015	100.0%	Industrial Controls

Next to the VENTREX acquisition, Aalberts Industries acquired a small location within the segment Industrial Services.

28.1 VENTREX AUTOMOTIVE GmbH (VENTREX)

Aalberts Industries N.V. has reached an agreement to acquire 100% of the shares of VENTREX Automotive GmbH (VENTREX). The company with 145 employees, based in Graz, Austria, generates an annual revenue of approximately EUR 50.0 million. VENTREX has a leading global market position as a tier 1 and 2 supplier for charge valves for automotive air conditioning, CNG regulators and valves for the automotive industry. The company is also a leading supplier of seat compressors for the agricultural and heavy duty industrial machinery. With customers all over the world, VENTREX has a reputation as innovative leader with highly automated manufacturing, sophisticated clean room assembly facilities, strong research & development and highly skilled staff. Consistent innovation in all operational areas with strict quality management is the basis of its continuous sustainable profitable growth.

Our group company Ventil Technik International GmbH (VTI) based in Menden, Germany, is also specialised in high pressure valve and regulator technology and has a complementary portfolio in the markets for automotive, medical, air-fire and technical gases. The combination VENTREX-VTI enables us to offer combined technologies in different end markets; develop regions with combined strength and joint research & development capabilities, such as North America and Asia; optimise manufacturing and assembly processes by using the best practices; accelerate organic growth through joint and intensified investments in research & development.

The results of VENTREX are consolidated effective 1 October 2015 and directly contributed to the earnings per share. The acquisition has been financed from credit facilities.

28.2 FAIR VALUE AND CONTRIBUTION OF BUSINESS COMBINATIONS

As at acquisition date the fair values of assets, liabilities and cash flow on account of these acquisitions were as follows:

FAIR VALUES OF ASSETS AND LIABILITIES ARISING FROM BUSINESS COMBINATIONS	TOTAL
Intangible assets	79.4
Property, plant and equipment	10.0
Inventories	3.9
Receivables and other current assets	6.6
Cash and current borrowings	9.9
Payables and other current liabilities	(8.3)
Net deferred tax assets (liability)	(19.4)
Other provisions	(1.8)
Net assets acquired	**80.3**
Purchase consideration settled in cash	136.3
Contingent purchase consideration	15.0
Total purchase consideration	**151.3**
GOODWILL	**71.0**
Purchase consideration settled in cash	(136.3)
Cash and current borrowings	9.9
CASH OUTFLOW ON ACQUISITIONS	**(126.4)**

The fair values of the identifiable assets and liabilities as at acquisition date mainly relate to the VENTREX acquisition and were determined provisionally and are subject to change. This is mainly related to fair value assessment of tangible fixed assets, intangible assets and the related deferred tax liabilities. The fair values are based on the outcome of the preliminary purchase price allocation which will be finalised within 12 months from acquisition date.

The contingent purchase consideration of EUR 15.0 million relates to agreed upon additional considerations depending on the results for the year 2015. The contingent purchase consideration relating to these transactions represents its fair value as at acquisition date. The contingent purchase consideration is recognised under other current liabilities.

The goodwill connected with the acquired business mainly consists of anticipated synergies and knowhow and is not tax deductible.

The increase of the 2015 revenue due to the consolidation of acquisitions amounted to EUR 11.0 million. Total 2015 revenue reached an amount of EUR 50.0 million (pro forma). The contribution to the 2015 operating profit of Aalberts Industries amounted to EUR 3.3 million where a total operating profit for the year was reached of EUR 18.0 million (pro forma). The nominal value of the acquired receivables amounts to EUR 6.6 million (fair value EUR 6.6 million).

In 2014 the following entities were acquired:

GROUP COMPANY	HEAD OFFICE IN	CONSOLIDATED AS FROM	INTEREST	GROUP ACTIVITY
Nexus Valve Inc.	United States	1 March 2014	100.0%	Climate Control
Flamco Holding BV	The Netherlands	1 July 2014	100.0%	Climate Control
Impreglon SE	Germany	1 October 2014	86.0%	Industrial Services

In 2015 Aalberts Industries N.V. achieved 100% ownership of Impreglon SE after successfully finalising the squeeze out process. The integration and improvement plans, which were already in place, will be accelerated in the coming period. The purchase price paid for the expansion of the controlling interest from 86.0% to 100.0% amounts to EUR 19.5 million. Together with the expansion of other non-controlling interests this leads to a total amount of EUR 24.1 million which has been recognised in the cash flow from financing activities.

The fair value of the identifiable assets and liabilities at acquisition date were only determined provisionally by the end of 2014 based on the outcome of the preliminary purchase price allocations. These purchase price allocations were finalised in 2015 within 12 months from the respective acquisition dates. This has led to some changes in the fair value, mainly related to tangible fixed assets, intangible assets and the related deferred tax liabilities. These changes have been adjusted retrospectively and included in the restated consolidated balance sheet as at per 31 December 2014.

The impact of the finalisation of the purchase price allocation can be summarised as follows:

FAIR VALUES OF ASSETS AND LIABILITIES ARISING FROM BUSINESS COMBINATIONS	AS REPORTED	ADJUSTMENT	RESTATED
Intangible assets	110.9		110.9
Property, plant and equipment	102.0	6.0	108.0
Inventories	46.1	(2.0)	44.1
Receivables and other current assets	46.2		46.2
Cash and current borrowings	(44.1)		(44.1)
Payables and other current liabilities	(39.9)		(39.9)
Net deferred tax assets (liability)	(31.1)	4.8	(26.3)
Other provisions	(5.2)		(5.2)
Non-current borrowings	(48.2)		(48.2)
Net assets acquired	**136.7**	**8.8**	**145.5**
Purchase consideration settled in cash	213.9		213.9
Contingent purchase consideration	5.5	2.5	8.0
Non-controlling interest	17.7		17.7
Total purchase consideration	**237.1**	**2.5**	**239.6**
GOODWILL	**100.4**	**(6.3)**	**94.1**
Purchase consideration settled in cash	(213.9)		(213.9)
Cash and current borrowings	(44.1)		(44.1)
CASH OUTFLOW ON ACQUISITIONS	**(258.0)**		**(258.0)**

28.3 ACQUISITION RELATED COSTS

The Group incurred acquisition related costs such as external legal fees and due diligence costs for an amount of EUR 0.6 million (2014: EUR 1.3 million). These costs have been included in other operating expenses (general expenses). The costs related to the expansion of the controlling interest in Impreglon SE have been charged to equity for an amount of EUR 1.0 million.

28.4 DIVESTMENTS

In 2015, Aalberts Industries divested the entities Overeem B.V. and BSM Actuators & Controls B.V. (both in The Netherlands and part of the segment Industrial Controls). Aalberts Industries will put more focus on the defined business segments, end markets and core technologies where a leading position and sustainable profitable growth can be achieved. Divestment of non-core activities is part of this strategy.

These transactions were closed in 2015 and resulted in a net cash inflow of EUR 12.1 million. The realised book profit (EUR 4.9 million) on the disposed activities, after transaction related costs, is recognised in other operating income (see note 22). The proceeds from this transaction will be used to strengthen existing market positions and operations. Overeem B.V. and BSM Actuators & Controls B.V. have been deconsolidated as from 1 December 2015.

The book value of the assets and liabilities disposed of and derecognised as at 1 December 2015 is as follows:

BOOK VALUE OF THE ASSETS AND LIABILITIES DISPOSED	TOTAL
Intangible assets	0.1
Property, plant and equipment	9.0
Inventories	3.9
Receivables and other current assets	3.1
Cash and current borrowings	(0.1)
Non-current borrowings	(4.5)
Payables and other current liabilities	(4.0)
NET ASSETS DISPOSED	**7.5**

The contribution of the disposed activities to the 2015 revenue of Aalberts Industries amounted to approximately EUR 16.8 million. The contribution to the 2015 operating profit amounted to approximately EUR 1.3 million.

Next to the 2015 disposals, the Company received cash from the 2014 disposals of Broen LAB and Clesse for an amount of EUR 20.8 million. The total net cash inflow from disposals amounted to EUR 32.9 million.

28.5 OVERVIEW OF SIGNIFICANT SUBSIDIARIES

The consolidated financial statements of Aalberts Industries N.V. include the assets and liabilities of more than 200 legal entities. The overview on page 102 and 103 shows the most important operational legal entities including the country in which their main operations are located. They all are wholly owned subsidiaries, unless indicated otherwise.

29. RELATED PARTIES

The Management and Supervisory Board and the pension funds in the United Kingdom have been identified as related parties. No material transactions have been executed other than intercompany transactions and remuneration, as stated in note 33.10, under normal business conditions.

30. SUBSEQUENT EVENTS

30.1 ACQUISITION USHERS MACHINE & TOOL CO., INC. (UNITED STATES)

In January 2016 Aalberts Industries N.V. reached an agreement to acquire 100% of the shares of Ushers Machine & Tool Co., Inc. (Ushers) with locations in Round Lake, NY, Sunapee, NH and Greenville, SC. Ushers generates an annual revenue of approximately USD 40.0 million and will strengthen the position of Industrial Services in the power generation end market. Ushers services the OEM in the power generation end market directly with several high grade technologies, such as precision machining, welding, assembly and testing of complex parts and modules for industrial gas turbines (IGT).

For many years, Ushers works closely together with our brazing and heat treatment activity in North America. The complex parts and modules are applied in the combustion chamber and hot gas path of an industrial gas turbine. The market for IGT is growing fast due to the worldwide need for ‘green’ energy.

The results of Ushers will be consolidated effective from 1 January 2016 and will directly contribute to the earnings per share. The acquisition is financed from existing credit facilities.

30.2 ACQUISITION SCHROEDER INDUSTRIES, INC. (UNITED STATES)

In February 2016, Aalberts Industries N.V. reached an agreement to acquire 100% of the shares of Schroeder Industries, Inc. (Schroeder). The company, based in San Antonio, Texas, generates an annual revenue of approximately USD 13 million and strengthens our global position in the beverage dispense market, part of our Industrial Controls business.

Schroeder is known for its strong innovation and patented products, such as: bar dispensers, non-carbonated post-mix and beverage dispensers, carbonators, chillers and accessories. The product lines of Schroeder are complementary to our existing dispensing technologies, Taprite (also in San Antonio, Texas, USA) and DSI (Germany).

By combining our portfolios, utilising our strong brands and sales & distribution channels, we are able to offer an even more complete dispensing system to our global customers. Also we see many possibilities to improve our supply chain, optimise our manufacturing and strengthen our R&D developments.

The results of Schroeder will be consolidated from 1 February 2016.

31. COMPANY BALANCE SHEET

before profit appropriation

In EUR million	NOTES	31-12-2015	31-12-2014
ASSETS			**RESTATED***
Intangible assets			
Intangible assets		0.4	–
Financial fixed assets			
Investments in subsidiaries	33.2	1,245.7	1,211.5
Loans to Group companies	33.3	277.6	202.1
Fixed assets		**1,523.7**	**1,413.6**
Debtors			
Other debtors, prepayments and accrued income	33.4	44.9	41.5
Current assets		**44.9**	**41.5**
TOTAL ASSETS		**1,568.6**	**1,455.1**
EQUITY AND LIABILITIES			
Issued and paid-up share capital		27.6	27.6
Share premium account		200.8	200.8
Other reserves		876.8	775.9
Currency translation and hedging reserve		(2.2)	(21.0)
Retained earnings		165.7	147.5
Shareholders' equity	33.5	**1,268.7**	**1,130.8**
Provisions			
Deferred taxation		2.7	6.2
Current borrowings		0.8	13.4
Current portion of non-current borrowings		–	20.0
Trade creditors		0.8	0.1
Taxation and social security charges		0.1	0.1
Payables to Group companies, other payables, accruals and deferred income		295.5	284.5
Current liabilities		**297.2**	**318.1**
TOTAL EQUITY AND LIABILITIES		**1,568.6**	**1,455.1**

* We refer to note 7.2 for details of the restatement.

32. COMPANY INCOME STATEMENT

in EUR million	2015	2014
Profit from subsidiaries after tax	155.1	145.0
Other income and expenses after tax	10.6	2.5
NET PROFIT	**165.7**	**147.5**

33. NOTES TO THE COMPANY FINANCIAL STATEMENTS

33.1 ACCOUNTING PRINCIPLES

The company financial statements of Aalberts Industries N.V. are prepared in accordance with Generally Accepted Accounting Principles in the Netherlands and compliant with the requirements included in Part 9 of Book 2 of the Dutch Civil Code. As from 2005, Aalberts Industries N.V. prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS) as adopted by the European Union.

In accordance with article 362 sub 8 of Part 9, Book 2 of the Dutch Civil Code, we have prepared our Company Financial Statements in accordance with Dutch GAAP applying the accounting principles as adopted in the Consolidated Financial Statements, except for the accounting for investments in subsidiaries. Subsidiaries of the parent company are accounted for using the net equity value. In case of a negative net equity value of a subsidiary, the negative value is deducted from the loan due from the respective subsidiary. The company income statement has been drawn up using the exemption of article 402 of Part 9, Book 2 of the Dutch Civil Code.
The subsidiaries are stated at net asset value, based upon policies applied in the consolidated financial statements.

33.2 FINANCIAL FIXED ASSETS

	INVESTMENTS IN SUBSIDIARIES
AS AT 1 JANUARY 2014	**1,145.4**
Share in 2014 profit	145.0
Capital repayment	(50.0)
Dividends paid	(16.0)
Currency translation and remeasurements	(1.7)
Other movements	1.3
AS AT 31 DECEMBER 2014	**1,224.0**
Effect of prior period restatement	(12.5)
AS AT 31 DECEMBER 2014 (RESTATED)	**1,211.5**
Share in 2015 profit	155.1
Capital repayment	(109.7)
Dividends paid	(36.2)
Currency translation and remeasurements	25.0
Other movements	–
AS AT 31 DECEMBER 2015	**1,245.7**

33.3 LOANS TO GROUP COMPANIES

	2015	2014
AS AT 1 JANUARY	**202.1**	**229.3**
New loans	100.5	–
Repayments	(25.0)	(27.2)
AS AT 31 DECEMBER	**277.6**	**202.1**

All loans to group companies relate to intercompany group loans. Loans to group companies are determined on an arm’s length basis.

33.4 DEBTORS

	31-12-2015	31-12-2014
Intercompany debtors	30.7	30.4
Prepaid and accrued income	0.1	0.1
Current tax receivable	14.1	11.0
TOTAL DEBTORS	**44.9**	**41.5**

Intercompany transactions are determined on an arm's length basis.

33.5 SHAREHOLDERS' EQUITY

	ISSUED AND PAID-UP SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	CURRENCY TRANSLATION AND HEDGING RESERVE	RETAINED EARNINGS	TOTAL SHARE-HOLDERS' EQUITY
AS AT 1 JANUARY 2014	**27.6**	**200.8**	**712.9**	**(33.2)**	**134.2**	**1,042.3**
Dividend 2013	–	–	–	–	(45.3)	**(45.3)**
Addition to other reserves	–	–	88.9	–	(88.9)	**-**
Share based payments	–	–	(0.4)	–	–	**(0.4)**
Transactions with non-controlling interests	–	–	0.8	–	–	**0.8**
Profit financial year	–	–	–	–	147.5	**147.5**
Remeasurements of employee benefit obligations	–	–	(17.5)	–	–	**(17.5)**
Currency translation differences	–	–	–	11.5	–	**11.5**
Fair value changes derivative financial instruments	–	–	–	1.8	–	**1.8**
Income tax effect on direct equity movements	–	–	3.7	(1.1)	–	**2.6**
AS AT 31 DECEMBER 2014	**27.6**	**200.8**	**788.4**	**(21.0)**	**147.5**	**1,143.3**
Effect of prior period restatement	–	–	(12.5)	–	–	**(12.5)**
AS AT 31 DECEMBER 2014 (RESTATED)	**27.6**	**200.8**	**775.9**	**(21.0)**	**147.5**	**1,130.8**
Dividend 2014	–	–	–	–	(50.9)	**(50.9)**
Addition to other reserves	–	–	96.6	–	(96.6)	**-**
Share based payments	–	–	0.9	–	–	**0.9**
Transactions with non-controlling interests	–	–	(2.9)	–	–	**(2.9)**
Profit financial year	–	–	–	–	165.7	**165.7**
Remeasurements of employee benefit obligations	–	–	7.9	–	–	**7.9**
Currency translation differences	–	–	–	19.9	–	**19.9**
Fair value changes derivative financial instruments	–	–	–	(0.5)	–	**(0.5)**
Income tax effect on direct equity movements	–	–	(1.6)	(0.6)	–	**(2.2)**
AS AT 31 DECEMBER 2015	**27.6**	**200.8**	**876.8**	**(2.2)**	**165.7**	**1,268.7**

The authorised share capital amounts to EUR 50.0 million divided into:
- 200,000,000 ordinary shares of EUR 0.25 par value each
- 100 priority shares of EUR 1.00 par value each

The issued and paid-up share capital did not change in the course of the year under review. As at 31 December 2015, a total of 110,580,102 ordinary shares and 100 priority shares were issued and paid-up. The currency translation and hedging reserve is not to be used for profit distribution.

33.6 PROFIT APPROPRIATION

In accordance with the resolution of the General Meeting held on 21 April 2015, the profit for 2014 has been appropriated in conformity with the proposed appropriation of profit stated in the 2014 Financial Statements.

The net profit for 2015 attributable to the shareholders amounting to EUR 165.7 million shall be available in accordance with the articles of association.

The Management Board proposes to declare a dividend of EUR 0.52 solely in cash per share of EUR 0.25 par value. Any residual profit shall be added to reserves.

33.7 NON-CURRENT BORROWINGS

For the purpose of financing acquisitions, the company took up a 7 year loan in 2008 issued by a Dutch credit institution against a floating interest rate based upon Euribor plus an agreed margin. The loan is fully repaid in 2015.

33.8 AUDIT FEES

The following amounts are paid as audit fees and included in other operating expenses (amounts in EUR x1,000).

2015	DELOITTE ACCOUNTANTS B.V.	OTHER DELOITTE ACCOUNTANTS B.V. NETWORK	TOTAL DELOITTE ACCOUNTANTS B.V. NETWORK
Audit of annual accounts	465	1,620	2,085
Other audit services	–	8	8
Tax advisory services	–	606	606
Other non-audit services	–	21	21
TOTAL	**465**	**2,255**	**2,720**

2014	PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V.	OTHER PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V. NETWORK	TOTAL PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V. NETWORK
Audit of annual accounts	390	1,561	1,951
Other audit services	6	15	21
Tax advisory services	–	249	249
Other non-audit services	–	–	–
TOTAL	**396**	**1,825**	**2,221**

The fees listed above relate to the services applied to the Company and its consolidated Group entities by accounting firms and independent external auditors as referred to in Section 1(1) of the Dutch Audit Firms (Supervision) Act (Wta), as well as by Dutch and foreign-based audit firms, including their tax services and advisory groups.

33.9 EMPLOYEES

The average number of employees amounted to 16 full time equivalents (2014: 16), as at year-end 21 (2014: 15).

33.10 REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARD (amounts in EUR x1,000)

The total remuneration of the members of the Management Board for 2015 amounted to EUR 3.2 million (2014: EUR 3.2 million) and is determined in accordance with the remuneration policy as disclosed in the Report of the Supervisory Board.

Mr. W.A. Pelsma (CEO) received a salary of EUR 600 (2014: EUR 540), a bonus amounting to EUR 450 (2014: EUR 393) and a pension contribution of EUR 79 (2014: EUR 79). At year-end he held a total number of 72,175 shares in Aalberts Industries N.V. (2014: 70,175 shares). The number of conditional performance share awards that were granted in 2015 (PSP 2015-2017) amounted to 30,000 shares for which EUR 173 was charged to the profit and loss. It is expected that 73% of the 20.000 conditional shares that were granted in 2013 (PSP 2013-2015) will vest in April 2016, which is equal to a total of 14,600 shares for which EUR 10 was charged to the profit and loss (2014: EUR 97).

Mr. J. Eijgendaal (CFO) received a salary of EUR 520 (2014: EUR 490), a bonus amounting to EUR 390 (2014: EUR 357) and a pension contribution of EUR 87 (2014: EUR 84). At year-end he held a total of 130,000 shares in Aalberts Industries N.V. (2014: 125,000 shares). The number of conditional performance share awards that were granted in 2015 (PSP 2015-2017) amounted to 25,000 shares for which EUR 142 was charged to the profit and loss. It is expected that 73% of the 20.000 conditional shares that were granted in 2013 (PSP 2013-2015) will vest in April 2016, which is equal to a total of 14,600 shares for which EUR 13 was charged to the profit and loss (2014: EUR 115).

Mr. O.N. Jäger joined the Management Board as Executive Director as at 22 April 2014. He received a salary of EUR 390 (2014: EUR 233) and a bonus amounting to EUR 293 (2014: EUR 147). At year-end he held a total of 8,457 shares in Aalberts Industries N.V. (2014: 4,200 shares). The number of conditional performance share awards that were granted in 2015 (PSP 2015-2017) amounted to 15,000 shares for which EUR 85 was charged to the profit and loss. It is expected that 73% of the 10.000 conditional shares that were granted in 2013 (PSP 2013-2015) will vest in April 2016, which is equal to a total of 7,300 shares for which EUR 6 was charged to the profit and loss (2014: EUR 33).

Additional information regarding conditional performances share awards originating from the Performance Share Plan is disclosed in note 15.2. The share price as at 31 December 2015 amounted to EUR 31.79 per share.

The following fixed individual remunerations were paid to members of the Supervisory Board:

	2015	2014
H. Scheffers	50	50
M.C.J. van Pernis	40	40
J. van der Zouw	30	–
W. van de Vijver	10	40
R.J.A. van der Bruggen	–	20
TOTAL	**130**	**150**

No loans, advances or guarantees have been granted to the members of the Management Board and the Supervisory Board. No options have been granted to members of the Supervisory Board and at year-end they did not hold any shares in Aalberts Industries N.V.

33.11 LIABILITY

The company has guaranteed the liabilities of most of its Dutch group companies in accordance with the provisions of article 403, paragraph 1, Book 2, Part 9 of the Netherlands Civil Code. As a consequence, these companies are exempt from publication requirements. The company forms a tax unity with almost all of its Dutch subsidiaries for both the income tax and value added tax. The company therefore is liable for the tax obligations of the tax unity as a whole.

The company has guaranteed the non-current borrowings and the current portion of the non-current borrowings of the Group companies for an amount of EUR 570.4 million (2014: EUR 472.1 million).

Langbroek, 24 February 2016

The Management Board
Wim Pelsma (CEO)
John Eijgendaal (CFO)
Oliver Jäger (Executive Director)

The Supervisory Board
Henk Scheffers (Chairman)
Martin van Pernis (Member)
Jan van der Zouw (Member)

OTHER INFORMATION

1. SPECIAL CONTROLLING RIGHTS UNDER THE ARTICLES OF ASSOCIATION

One hundred issued and paid-up priority shares are held by Stichting Prioriteit 'Aalberts Industries N.V.', whose board members consist of Management Board and Supervisory Board members of Aalberts Industries N.V. and an independent third party.

- Every board member who is also a member of the Management Board of Aalberts Industries N.V. has the right to cast as many votes as there are board members present or represented at the meeting who are also members of the Supervisory Board of Aalberts Industries N.V.
- Every board member who is also a member of the Supervisory Board of Aalberts Industries N.V. has the right to cast as many votes as there are board members present or represented at the meeting who are also members of the Management Board of Aalberts Industries N.V. The independent member of the board has the right to cast a single vote.

The following principal powers are vested in the holders of priority shares:

- authorisation of every decision to issue shares;
- authorisation of every decision to designate a corporate body other than the General Meeting to issue shares;
- authorisation of every decision to limit or exclude the preferential rights of shareholders in the event of an issue of shares;
- authorisation of every decision to repurchase paid-up shares in the capital of the company or depositary receipts thereof for no consideration or subject to conditions;
- authorisation of every decision to dispose of shares held by the company in its own capital;
- authorisation of every decision to reduce the issued capital through the cancellation of shares or through a decrease in the par value of shares by amending the articles of association;
- determination of the number of members of the Management Board;
- to make a binding nomination to the General Meeting concerning the appointment of members of the Management Board and Supervisory Board;
- to approve the sale of a substantial part of the operations of the company;
- to approve acquisitions that would signify an increase of more than 15% in the company's revenue, or that would involve more than 10% of the company's balance sheet total;
- to approve the borrowing of funds that would involve an amount of EUR 100 million or more; and
- to approve a change in the Articles of Association, a legal merger, a split-up or the dissolution of the company.

The full text of the Articles of Association of Aalberts Industries N.V. can be found on the website: www.aalberts.com.

2 . PROFIT APPROPRIATION AND DIVIDEND

The profit appropriation and dividend are disclosed in note 33.6.

3. SUBSEQUENT EVENTS

Reference is made to note 30.

4. INDEPENDENT AUDITOR'S REPORT

To: the Shareholders and Supervisory Board of Aalberts Industries N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2015

Our Opinion

We have audited the accompanying financial statements 2015 of Aalberts Industries N.V. ('the Company') based in Utrecht. The financial statements include the consolidated financial statements and the company financial statements as set out on the pages 57 to 96.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of Aalberts Industries N.V. as at 31 December 2015, its financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU') and with Part 9 of Book 2 of the Dutch Civil Code; and
- The company financial statements give a true and fair view of the financial position of Aalberts Industries N.V. as at 31 December 2015, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2015;
- The following statements for 2015: consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended; and
- The notes to the consolidated financial statements, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2015;
- The company income statement for 2015; and
- The notes to the company financial statements comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Aalberts Industries N.V. in accordance with the Regulation on Auditor Independence in Assurance Engagements *['Verordening inzake de onafhankelijkheid van accountants' – ViO]* and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Regulation on Rules of Professional Conduct and Practice of Accountants *['Verordening Gedrags- en Beroepsregels Accountants' – VGBA].*

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

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we have set the materiality for the financial statements as a whole at EUR 10 million (2014: EUR 7 million). The materiality has been set by applying a factor of 5% of profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We have agreed with the Supervisory Board to report to them any misstatements identified during the audit in excess of EUR 500 thousand (2014: EUR 350 thousand), as well as smaller misstatements that in our view must be reported on qualitative grounds.

Materiality overview	
Group materiality level	EUR 10 million
Basis for group materiality level	5% of profit before tax
Threshold for reporting misstatements	EUR 0.5 million

Scope of the group audit

Aalberts Industries N.V. is the ultimate parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Aalberts Industries N.V.

Because we are ultimately responsible for the opinion, we are also responsible for managing, supervising and performing the group audit. We have thus determined the nature and extent of the audit procedures to be carried out for group entities, with which the size and/or the risk profile of the group entities or operations were decisive. This is the basis on which we have selected group entities for which an audit or review had to be performed on the complete set of financial information or on specific items.

Aalberts Industries N.V. is divided into four reportable segments, as disclosed in note 9 of the consolidated financial statements of Aalberts Industries N.V. These four reportable segments encompass 28 operating companies or groups of operating companies (hereinafter referred to as: components) that report to responsible management. Assurance procedures are performed on each of these 28 components. Due to the composition and spread of the group and the number of components, no component individually contributes more than 20% to the Company's sales or assets. The most significant components are Material Technology Group, Conbraco Industries, Inc and Pegler Yorkshire Group which contribute 14%, 11% and 9% of consolidated sales, respectively.

Our group audit mainly focused on the group entities that are considered most relevant from a quantitative or qualitative perspective. We ourselves have performed audit procedures at the components Industrial Products Group, VSH, Flamco, Trateriber, Mamesta and some of the holding companies in the Netherlands and United States.

For the remainder of the components we have involved other auditors to perform audit procedures, review procedures or audit procedures on specific account balances or transactions. In our capacity of group auditor we have

had a strong involvement in these component audits, in accordance with the International Standard on Auditing 600. This involvement includes the issuance of audit instructions to the component auditors, organizing a centralised kick-off meeting with the teams responsible for the larger components, involvement in determining the audit approach on significant risks, frequent consultations with these component auditors during the audit process and the finalization phase, assessing and discussing their reporting for group purposes, visiting selected component locations together with group management and the component auditor, and attending the closing meetings of the respective component auditors with management.

Considering their share in the consolidated sales, 96% of the components is subject to audit procedures. Specific audit or analytical procedures have been performed in respect of components that have not been not audited, mostly at group level.

Audit coverage*	
Audit coverage of consolidated revenues	96%
Audit coverage of profit before tax	92%
Audit coverage of total assets	98%

Performing the procedures at the components as referred to above, together with additional procedures at group level, has allowed us to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in the audit
Risk in relation to auditor's rotation and planning and performing the group audit for the first time Taking into account the mandatory rotation legislation, Aalberts Industries decided to change auditor effective 2015. We have identified risks and attention areas that relate to carrying out the audit for the first time, including areas such as: ○ Gaining sufficient understanding of the Company and its operations including its control environment and information systems, to enable our group-wide audit risk assessment, audit strategy and audit plan; ○ Obtaining sufficient appropriate evidence regarding the opening balances, including the selection and application of accounting principles; ○ Communicating with the previous auditor about the scope and the approach of the previous audit and the conclusions reached; ○ Selecting specialists to support the audit team in certain areas; and ○ Selecting and instructing (local) component auditors to carry out audit procedures based on our instructions.	In cooperation with the Company's management and key personnel we developed and executed an audit transition plan, which embedded all relevant risks and judgment areas. As part of the transition plan we have visited several Dutch and foreign components including those in Germany, France, Belgium, Spain, the United Kingdom, Denmark and the United States. We also organised a global planning meeting in May 2015, which was attended by representatives of all key audit teams as well as key financial management of the Company and its components. The observations and conclusions from these transition procedures have been communicated with the Management Board and the Supervisory Board and have been incorporated in our 2015 group audit plan. At group level we have spent approximately 1,300 hours on our transition activities, including 400 hours at partner and director level.

Key audit matter	How the key audit matter was addressed in the audit
Risk in relation to the decentralised group structure Aalberts Industries is a group with more than 200 legal entities, grouped in 28 components that are part of the four reportable segments. The geographical decentralised structure and the relatively small size of some of these entities to the group as a whole, increase the complexity of the company's control environment and our ability as group auditor to obtain an appropriate level of understanding of these entities.	We have evaluated the Company's internal controls that address these risks, including centralised monitoring controls at both group and segment level. We noted that the company is in the process of setting up an internal audit department and implementing more harmonised systems and procedures across the group and as a result of our evaluation we shared with management areas in which we believe policies and documentation could be further improved. During our audit we have specifically focused on risks in relation to the decentralised structure and we have extended our involvement in local audit work performed by the component auditors. We organised site visits, meetings and conference calls with components in our audit scope. We have also requested component auditors to specifically address certain risks and attention areas defined at group level, by requiring all teams to complete specific risk-based questionnaires and detailed audit programs in order to ensure a consistent approach in areas that were deemed most relevant from a group audit perspective.

Key audit matter	How the key audit matter was addressed in the audit
Accounting for business combinations In 2015 the Company acquired Ventrex Automotive GmbH, based in Graz, Austria, and a preliminary purchase price allocation was performed. Furthermore, the purchase price allocations of the 2014 acquisitions of Nexus Valve Inc., Flamco Holding BV and Impreglon SE were finalised during the year. These purchase price allocations require management to identify and calculate the fair value of the acquired assets, including tangible and intangible assets. These fair value calculations represent important estimates that require the use of valuation models and a significant level of management judgement.	In our audit procedures we have obtained contractual information and business plans and forecasts to understand the acquisitions and we have involved valuation specialists to review the valuation model applied and some of the key assumptions. We have also assessed the reasonableness of changes made in the finalised purchase price allocation, compared to the preliminary assumptions used. We have met with the local audit teams of Ventrex and Impreglon to obtain an understanding of the entities acquired and the audit procedures performed on the acquired entities. Members of the group engagement team were also involved in the audit of Flamco. We have also evaluated the disclosures as included in the consolidated financial statements in note 28.

Key audit matter	How the key audit matter was addressed in the audit
Valuation of goodwill The Company has recorded a significant amount of goodwill that is subject to an annual impairment test. The goodwill is allocated to the cash generating units within the four reportable segments and amounts to EUR 702 million as at 31 December 2015 (2014 restated: EUR 621million). The Company performs an annual impairment test to identify impairment losses, arising when the recoverable amount for a cash generating unit is lower than the carrying amount recorded. Based on the impairment test, no impairment losses have been identified. The impairment review is based on valuation models that require the input of cash flow forecasts estimated by management as well as other key assumptions.	We have reviewed the impairment models and involved valuation specialists to assess the models used and the key assumptions applied. Furthermore we have evaluated the internal controls related to the preparation of the impairment model and the review of the forecasted cash flows, growth rates, discount rates and other relevant assumptions. In our audit procedures we have also compared actual performance per cash generating unit to assumptions applied in prior year models to address the risk of bias. Finally, we have assessed the adequacy of disclosure notes, including the disclosures on the sensitivity of assumptions used. Reference is made to notes 7 and 10 of the consolidated financial statements.

Key audit matter	How the key audit matter was addressed in the audit
Accounting for current and deferred taxes As the Company operates in various jurisdictions around the world, it is exposed to different tax regimes and regulations. We have considered taxation as a key audit matter, because of the inherent complexity that the many different tax regimes in which the group operates, but also because in many cases the composition of tax groups differs from the Company's reporting structure. Furthermore, acquisition accounting and temporary differences (especially related to depreciation timing differences) have resulted in the recognition of deferred tax assets and liabilities. The deferred tax position is disclosed in note 17 of the consolidated financial statements.	During our audit we have involved tax accounting specialists at the group level as well as in the most significant countries, to obtain an understanding of the current and deferred tax positions that have been recorded. As disclosed in note 7, the company has recorded an adjustment relating to prior years to correct understated deferred taxes in the United States amounting to EUR 9 million with corresponding entries to goodwill (EUR 4 million credit) and retained earnings (EUR 13 million debit). We have reviewed the adjustment and have recommended that management enhance the monitoring of the recorded deferred tax positions.

Responsibilities of the Management Board and the Supervisory Board for the financial statements
The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

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

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about such matters or when, in extremely rare circumstances, not communicating such matters is in the public interest.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Report of the Management Board and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code, concerning our obligation to report about the Report of the Management Board and other information, we declare that:

- We have no deficiencies to report as a result of our examination whether the Report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed; and
- We report that the Report of the Management Board, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the Annual General Meeting as auditor of Aalberts Industries N.V. on 21 April 2015 for the audit for the years 2015, 2016 and 2017.

Amsterdam, 24 February 2016

Deloitte Accountants B.V.

Signed by: B.E. Savert

OVERVIEW GROUP COMPANIES

The consolidated financial statements of Aalberts Industries N.V. include the assets and liabilities of more than 200 legal entities. Set out below is an overview of the most important operational legal entities including the country of the main activity. All of the subsidiaries are 100% owned, unless indicated otherwise.

Conbraco Industries, Inc.	USA
Elkhart Products Corporation	USA
Henco Industries N.V.	BEL
KAN Sp. z.o.o. (51%)	POL
LASCO Fittings, Inc.	USA
Pegler Yorkshire Group Limited	GBR
Raufoss Water & Gas AS	NOR
Seppelfricke Armaturen GmbH	DEU
Simplex Armaturen & Systeme GmbH	DEU
Standard Hidráulica S.A.U.	ESP
VSH Fittings B.V.	NLD
Westco Flow Control Limited	GBR

Comap S.A.	FRA
Flamco Holding B.V.	NLD
HSF Samenwerkende Fabrieken B.V.	NLD
Meibes System-Technik GmbH	DEU
Nexus Valve, Inc.	USA

We operate from more than 200 locations. At www.aalberts.com/contact a full overview is available.

Company	Country
Adex B.V.	NLD
BROEN A/S	DNK
BSM Valves Holding B.V.	NLD
Clorius Controls A/S	DNK
DSI Getränkearmaturen GmbH	DEU
Fijnmechanische Industrie Venray B.V.	NLD
Germefa B.V.	NLD
Hartman Fijnmechanische Industrie B.V.	NLD
Integrated Dynamics Engineering GmbH	DEU
Lamers High Tech Systems B.V.	NLD
Machinefabriek Technology Twente B.V.	NLD
Mifa Aluminium B.V.	NLD
Mogema B.V.	NLD
Taprite-Fassco Manufacturing, Inc.	USA
VENTREX Automotive GmbH	AUT
VTI Ventil Technik GmbH	DEU

Company	Country
Accurate Brazing Corporation	USA
Acorn Surface Technology Limited	GBR
AHC Benelux B.V.	NLD
AHC Oberflächentechnik GmbH	DEU
Cotterlaz Connectors Shenzhen Ltd.	CHN
DEC S.A.	FRA
Galvanotechnik Baum GmbH	DEU
GtO Slovakia s.r.o.	SVK
Hanghzou AHC Surface Treatment Technology Co., Ltd	CHN
Hauck Heat Treatment GmbH	DEU
Impreglon GmbH	DEU
Ionic Technologies Inc.	USA
Metalis S.A.S.	FRA
Nowak S.A.S.	FRA
SGI Société de Galvanoplastie Industrielle S.A.S.	FRA

KEY FIGURES 2011-2015

	2015	2014	2013	2012	2011
Results (in EUR million)					
Revenue	2,475	2,201	2,040	2,025	1,937
Added-value	1,521	1,332	1,223	1,197	1,146
Operating profit (EBITDA)	367	332	305	296	279
Operating profit (EBITA)	272	247	225	219	209
Net profit before amortisation	190	168	152	152	146
Depreciation	95	85	80	77	71
Cash flow* (net profit + depreciation)	286	253	232	229	216
Free cash flow (before interest and tax)	243	222	175	168	169
Balance sheet (in EUR million)					
Intangible assets	1,050	900	691	686	701
Property, plant and equipment	736	726	616	592	565
Capital expenditure	96	85	106	104	84
Net working capital	461	427	373	370	345
Total equity	1,285	1,163	1,054	950	859
Net debt	718	690	480	542	606
Capital employed	2,002	1,854	1,535	1,492	1,464
Total assets	2,741	2,552	1,996	1,965	1,932
Number of employees at end of period	14,709	14,492	12,311	12,048	12,282
Ratios					
Total equity as a % of total assets	46.9	45.6	52.8	48.3	44.4
Leverage ratio	1.8	1.9	1.6	1.8	2.0
EBITA as a % of revenue	11.0	11.2	11.0	10.8	10.8
Free cash flow conversion ratio	66.1	66.9	57.6	56.8	60.4
Return on capital employed (ROCE)	14.3	14.1	14.6	14.7	14.3
Added-value as a % of revenue	61.5	60.5	60.0	59.1	59.1
EBITDA as a % of revenue	14.8	15.1	14.9	14.6	14.4
Net profit* as a % of revenue	7.7	7.6	7.4	7.5	7.5
Net debt / total equity	0.6	0.6	0.5	0.6	0.7
Interest cover ratio	21.8	22.6	19.0	14.4	12.9
Shares issued (in millions)					
Ordinary shares (average)	110.6	110.6	110.1	108.9	107.5
Ordinary shares (at year-end)	110.6	110.6	110.6	109.4	108.1
Figures per share (in EUR)					
Cashflow*	2.58	2.29	2.10	2.10	2.01
Net profit*	1.72	1.52	1.38	1.40	1.36
Dividend	0.52	0.46	0.41	0.35	0.34
Share price at year-end	31.79	24.54	23.18	15.70	12.98

* Before amortisation