ENEFI

ENEFI ENERGYEFFICIENCY PLC.

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

Prepared in accordance with International Financial Reporting Standards (IFRS)

General information

Members of Board of Directors

Csaba Soós

Attila Pálffy Gagyi

László Bálint

Member of Audit Committee

Gyula Bakacsi Dr.

Viktor Benke Szabó

Miklós Siska Dr.

Attila Fekete

Zoltán Poják

Group Contacts

1134 Budapest, Klapka utca 11.

Phone: +36-1-279-3550

Fax: +36-1-279-3551

Web: www.enefi.hu

Responsible for preparing the Financial Statements

Ildikó Sebők

Registration number: 190246

Auditor

BDO Hungary Audit Ltd.

1103 Budapest, Kőér utca 2/A

ENEFI

Tartalomjegyzék

BDO

Tel: +36 1 235 3010, 235 3090
Fax: +36 1 266 6438
www.bdo.hu

BDO Magyarország
Könyvvizsgáló Kft.
1103 Budapest, Kőér utca 2/a.
Laurus Irodaházak C épület
1476 Budapest, Pf.138.

Independent Auditor's Report

to the Shareholders of ENEFI Energiahatékonysági Nyrt.

Audit Report on consolidated annual financial statements

We have audited the accompanying consolidated annual financial statements of **ENEFI Energiahatékonysági Nyrt.** for the year 2014, which consolidated financial statements comprise the consolidated statement of financial position as at **31 December 2015** - which shows total assets of **33 913 361 EUR**, and the related consolidated statement of comprehensive income - which shows a loss for the year of **(1 365 948) EUR** -, consolidated statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for maintaining internal controls which are considered necessary by the management to prepare the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on the audit.
We conducted our audit in accordance with Hungarian National Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the evaluating the overall presentation of the consolidated financial statements.

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

BDO

Tel: +36 1 235 3010, 235 3090
Fax: +36 1 266 6438
www.bdo.hu

BDO Magyarország
Könyvvizsgáló Kft.
1103 Budapest, Kőér utca 2/a.
Laurus Irodaházak C épület
1476 Budapest, Pf. 138.

Basis for Adverse Opinion

1. With regards to the Polish Entities of the Group (Elektrociepłownia Mielec Spółka z o. o., E-Star Polska) the financial statements have been prepared not in accordance with IFRS and have not been audited.

2. Balance sheet items in the consolidated accounts of the Polish group entities were not supported properly. Movements of retained earnings in E-Star Polska's balance sheet have not been justified; EUR 5,757,381 decrease in retained earnings remained unsupported with documentation. In the consolidated statement of profit and loss of Elektrociepłownia Mielec Spółka z o. o. net profit relating to non controlling interest has not been determined properly, therefore the parent company's profit share could not been substantiated as well, however the exact difference could not been addressed.

3. In case of one Polish group entity, a Premium Fund Sp. z.o.o. the information basis regarding the share in the consolidation and judgment of control is not complete.

4. Regarding RFV Slovakia sro (Slovakian subsidiary) and Premium Fund Sp. z.o.o. (Polish subsidiary) audited financial statements were not available, therefore the figures relating these components have not been reviewed.

5. Due to the lack of EETEK Limited's financial statements presentation of the financial and equity position of the subsidiary (based on the IFRS consolidated figures) is incomplete and unclear.

6. In 2015 E-Star ESCO Kft (with profitable projects) has been excluded from the Group due to company sale transaction. From the sale transaction the Group will realize EUR 1,516,367 loss due to the fact that the Group will not be entitled to the discounted cash-flows from the concession rights (with the application of IFRIC 12 model), therefore the relating immaterial assets have been impaired. The consolidated financial statements do not include information about this issue.

7. The parent Company signed lease contract with E-Star ESCO Kft relating to the fixed assets utilized under the terms of concession contracts (and bought back by the parent Company). The rental fee from this contract is significantly lower that the concession fees based on the earlier concession contracts. The transaction has been properly qualified as financial lease according to IAS 17, however the compulsory disclosures according to IFRS have not bee presented and the short-term part of the leasing receivables has not been reclassified.

8. Due to the quality of the information support process and the differences of the source information for the consolidation there are uncertainties regarding the judgment of the significant differences.

9. The consolidated equity movement schedule has been presented improperly and incomplete, the items affecting directly the retained earnings have not been disclosed, the effects of these items have been presented netted in one line. The amount of profit after taxation is different in the statement of comprehensive income and in the equity movement schedule.

10. The disposal of the terminated shareholdings has been performed not in line with the regulations of IFRS 10 (Mures Energy SA „under termination", E-Star ESCO Kft., Veszprém Megyei Nonprofit Kft., Fejér Megyei Nonprofit Kft., E-Star Management Polska), the proportional part of the net assets has not been disposed, only the proportional part of current year's profit and loss has been accounted for against retained earnings. The disclosures regarding the disposed subsidiaries are not complete.

11. Due to the 2016 sale of E-Star Polska the income statement figures have been modified as of 31 December 2014, however the compulsory disclosures relating to the above modification according to IRFS 5 have not been presented.

12. Regarding the repurchased own shares' value and quantity movements we could not obtain reasonable supporting evidences, thus we are unable to express opinion on the balance sheet value of this item in the consolidated balance sheet.

13. We have knowledge about the legal cases and litigation of the Company's investment group, however we could not obtain assurance about the relating financial-economical exposure and effects on the parent company. Estimations even were not available relating to the completeness of the above information.

BDO

Tel: +36 1 235 3010, 235 3090
Fax: +36 1 266 6438
www.bdo.hu

BDO Magyarország
Könyvvizsgáló Kft.
1103 Budapest, Kőér utca 2/a.
Laurus Irodaházak C épület
1476 Budapest, Pf.138.

Adverse Opinion

In our opinion, due to the effects of the facts mentioned in 'Basis for Adverse Opinion' paragraph the accompanying consolidated annual financial statements do not give a true and fair view of the equity and financial position of ENEFI Energiahatékonysági Nyrt. as at 31 December 2015 and of the result of its operation for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

1. Out of the subsidiaries of EETEK Limited subsidiary, ENEFI Polska Spólka Z o. o. has been sold after the balance sheet date and as an outcome of the transaction the Company's residence in Poland is terminated as it presented on the third page of the supplementary notes.
   A part of the revenues generated by above sale transaction was utilized to finance the increase of the repurchased own shares of the Company. With the increase of own shares the shareholders' structure significantly changed by the balance sheet preparation date, within the 100% share structure the share of the own shares has increased from 17.92% to 68.73% (presented on first page of the supplementary notes). According to the Act on the Civil Code No. V/2013 the level of the repurchased own shares shall not exceed 25%.

2. The individual charged with the preparation of the consolidated financial statements of the Company is not a qualified IFRS accountant.

3. On 8 March 2016 the Hungarian National Bank initiated stock exchange oversight examination against the Company, due to the fact that the suspicion of market influencing and prohibited insider trading has emerged. We have not received information about the outcome of the examination until the date of the audit report.

Other issues

The Company did not keep the disclosure deadline regulated by 54.§ (4) of the the Act on Equity Market No. CXX./2001.

Other reporting requirements: Reporting on the consolidated business report

We have examined the accompanying consolidated business report of ENEFI Energiahatékonysági Nyrt. for the financial year of 2015.
The management is responsible for the preparation and fair presentation of the consolidated business report in accordance with the Hungarian Accounting Law. Our responsibility is to assess whether or not the accounting information disclosed in the consolidated business report is consistent with the consolidated financial statements. Our work in respect of the consolidated business report was limited to assessing whether the consolidated business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non audited financial records. In our opinion the 2015 consolidated business report of ENEFI Energiahatékonysági Nyrt. is consistent with the disclosures in the consolidated financial statements as of 31 December 2015 on which we issued adverse opinion.

Budapest, 1 June 2016

BDO Hungary Audit Ltd.
1103 Budapest, Kőér utca 2/A
Registration number: 002387

Varga Péter

Péter Varga
Director

BDO Magyarország Könyvvizsgáló Kft.
Eng.szám: Licence nr.: 002387

Ferenc Baumgartner
Certified Auditor
Chamber registration No.:
002955

This is the translation of the original Hungarian statutory report. In case of any discrepancies, the original Hungarian version prevails.

ENEFI ENERGYEFFICIENCY PUBLIC LIMITED COMPANY

Consolidated financial statements for the year ended December 31, 2015

Consolidated statement of financial position

All data in EUR unless otherwise indicated

	note	2015.01.01.-2015.12.31.	2014.01.01.-2014.12.31.
Countinued Operations			
Revenue	5	3 819 899	3 798 493
Cost of sales	6	-1 627 723	-1 870 927
Gross Profit		2 192 176	1 927 566
Personnel cost	7	-772 007	-751 617
Service used	8	-788 539	-943 588
Other revenue and expenditures, net	9	-6 222 056	523 458
Depreciation	13, 15	-2 764 167	-895 857
Impairment of property, plant and equipment	13, 15	0	357 237
Net profit/loss from financial activities	10	6 656 007	301 061
Net profit/loss from associated companies	14	-233 198	0
Profit before tax		-1 931 784	518 260
Income tax expense	11	-1 446 203	-13 008
Profit from discontinued operations	12	2 012 039	1 540 681
Profit for the year		-3 377 987	505 251
Attributable to:			
Owners of the Company	37	-1 913 415	1 768 540
Non-controlling interests	37	547 466	277 392
Other comprehensive income			
Foreign currency translation differences		217 833	-742 546
Total other comprehensive income		217 833	-742 546
Total comprehensive income		-1 148 116	-237 295
Attributable to:			
Owners of the Company		-1 695 582	1 025 994
Non-controlling interests		547 466	277 392
Earnings per share (EUR)			
Basic earning per share	30	-0,09	0,09
Diluted earnings per share	30	-0,09	0,09
Countinued operations			
Basic earning per share	30	-0,09	0,07
Diluted earnings per share	30	-0,09	0,07

....

Representative of ENEFI ENERGYEFFICIENCY Plc.

June 1, 2016.

ENEFI Energiahatékonysági Nyrt.
1134 Budapest, Klapka u. 11. 2. em.
Adószám: 13719069-4-41
Csoportazonosító: 17781846-5-41
Banksz.sz: 12001008-00123720-00100000

The notes set out on pages 10 to 60 are an inseparable part of these consolidated financial statements.

ENEFI

Consolidated statement of financial position

All data in EUR unless otherwise indicated

Consolidated statement of financial position - Assets		2015.12.31	2014.12.31
Property, plant and equipment	15	628 584	16 887 601
Intangible assets	13	2 528 106	6 961 217
Investments in affiliated companies	14	0	958 945
Investments in other companies	36	0	35 944
Financial Asset	16	2 621 913	5 728 710
Finance lease receivables	17	1 714 495	1 594
Deferred tax assets	11	418 937	1 257 568
Total non-current assets		7 912 035	31 831 579
Assets held for sale	19	23 564 741	0
Inventories	20	18 621	2 254 387
Trade receivables	21,22	894 269	3 841 839
Other receivables due within a year	22	500 647	1 162 997
Accruals and prepaid expenses	23	377 840	596 868
Securities	-	0	685
Cash and cash equivalents	24	645 208	539 976
Total current assets		26 001 326	8 396 752
Total assets		33 913 361	40 228 331
Consolidated statement of financial position - Equity and liabilities		**2015.12.31**	**2014.12.31**
Share capital	25	969 968	969 968
Reserves	26	40 573 987	53 172 204
Treasury shares	27	-6 167 906	-17 476 556
Retained earnings	25	-22 598 566	-20 870 854
Equity attributable to owners of the Company		12 777 483	15 794 762
Non-controlling interests	28	2 046 274	1 684 469
Total equity		14 823 757	17 479 231
Loans and other long term financial liabilities	31	0	6 822 750
Provisions	29	858 375	1 567 670
Deferred tax liabilities	11	222 547	115 335
Deferred income	33	0	3 183 956
Other long-term liabilities	34	7 708	673 830
Total non-current liabilities		1 088 630	12 363 541
Liabilities held for sale	19	15 354 466	0
Trade payables	36	861 125	3 897 175
Loans and other short term financial liabilities	31	0	1 683 806
Provisionts (current)	29	0	1 402 943
Accruals and deferred income	35	653 890	1 059 993
Other liabilities	36	1 131 493	2 341 642
Total current liabilities		18 000 974	10 385 559
Total liabilities		19 089 604	22 749 100
Total equity and liabilities		33 913 361	40 228 331

Representative of ENEFI ENERGYEFFICIENCY Plc.

ENEFI Energiahatékonysági Nyrt.
1134 Budapest, Klapka u. 11. 2. em.
Adószám: 13719069-4-41
Csoportazonosító: 17781846-5-41
Banksz.sz: 12001008-00123720-00100000

Status: June 1, 2016

The notes set out on pages 10 to 60 are an inseparable part of these consolidated financial statements.

Consolidated statement of changes in equity

All data in EUR unless otherwise indicated.

	Attributable to equity holders of the parent									
	Share capital	Share premium	Translation reserve	Share-based payment reserve	Total reserves	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2014	1 775 293	65 103 540	-284 234	0	64 819 306	-29 074 466	-22 639 390	14 880 743	1 624 328	16 505 071
Profit or loss for the period	0	0	0	0	0	0	1 768 539	1 768 539	277 399	2 045 938
Other comprehensive income										
Foreign currency translation differences	0	0	-742 546	0	-742 546	0	0	-742 546	-48 132	-790 678
Comprehensive income										
Increase in treasury shares	0	0	0	0	0	-111 971	0	-111 971	0	-111 971
Elimination of treasury shares	-805 325	-10 904 556	0	0	-10 904 556	11 709 881	0	0	0	0
Dividend to non-controlling interest	0	0	0	0	0	0	0	0	-169 122	-169 122
Balance at December 31, 2014	969 968	54 198 984	-1 026 780	0	53 172 204	-17 476 556	-20 870 851	15 794 765	1 684 473	17 479 238
Profit or loss for the period	0	0	0	0	0	0	-1 913 380	-1 913 380	547 466	-1 365 914
Other comprehensive income										
Foreign currency translation differences	0	0	217 833	0	217 833	0	0	217 833	0	217 834
Comprehensive income										
Increase in treasury shares	0	0	0	0	0	-201 451	0	-201 451	0	-201 451
Treasury shares held by companies held for sale	0	0	0	0	0	183 729	0	183 729	0	183 729
Classification to share premium	0	-12 816 050	0	0	-12 816 050	11 326 371	0	-1 489 679	0	-1 489 680
Dividend to non-controlling interest	0	0	0	0	0	0	185 665	185 665	-185 665	0
Balance at December 31, 2015	969 968	41 382 934	-808 947	0	40 573 987	-6 167 906	-22 598 566	12 777 482	2 046 274	14 823 757

The notes set out on pages 10 to 60 are an inseparable part of these consolidated financial statements.

ENEFI

Consolidated statement of cash flows

All data in EUR unless otherwise indicated.

	2015	2014
Cash flow from operations		
Profit /loss for the period from continuing operations	-1 365 949	2 045 936
Income tax expense recognised in profit and loss	1 520 338	483 437
Income tax paid	-1 170 365	-439 649
Depreciation and amortization	2 684 603	1 990 187
Impairment of asset	6 647 722	46 207
Reversed impairment	-259 251	-449 651
Gain on sale of fixed asset	432 252	98 054
Exchange difference	-35 613	-171 413
Changes of fair value of financial assets	758 694	-138 817
Changes of provisions	431 560	515 186
Change in other long term liabilities	-365 060	-121 599
Result from the sale of a subsidiary	-1 489 679	0
Change in deferred income	-249 248	-88 481
Change in deferred taxes, assets and liabilities	1 299 135	
Adjusted profit/loss in the year concerned:	8 839 139	3 769 397
Change in operating capital		
Changes of financial assets	0	-109 587
Changes of receivables and other current assets	-5 519 231	22 414
Changes of accruals	72 572	195 640
Changes of inventories	708 080	274 451
Changes of Trade payables and other liabilities	-2 136 890	-1 822 280
Net cash-flow from operating activity	-6 875 469	-1 439 362
Cash flows from investing activities		
Payments related to purchasing property, machines and equipment	-623 646	-1 544 493
Revenue from the sale of property, machines, equipment and financial instrument	564 847	33 604
Net cash inflow related to the sale of subsidiaries	0	0
Net cash out for new financial assets (new contracts)	0	-933 571
Net cash flow from investing activity	-58 799	-2 444 460
Cash flows from financing activities		
Change in loans (take out-repayment)	-1 596 708	-232 356
Divident paid to non controlling interest	-185 210	-169 122
Sale - purchase of securities	0	-685
Sale - purchase of treasury shares	-17 722	-111 971
Net cash flow from financial activities	-1 799 640	-514 134
Change of Cash and cash equivalents	105 232	-628 559
Cash and cash equivalents at the beginning of the year	539 976	1 168 535
Cash and cash equivalents at the end of the year	645 208	539 976

The notes set out on pages 10 to 60 are an inseparable part of these consolidated financial statements.

1. General Background

1.1. Introduction of the Group

ENEFI Energy Efficiency Plc. (formerly named: E-Star Alternative Plc., RFV Plc.) (called „ENEFI" or „Company"), which is the parent company of the group ("Group"), is registered in Hungary. Its registered head office is at 1134 Budapest, Klapka str. 11. The Company's legal predecessor was established on 29 June 2000 with the aim of implementing for its clients – primarily energy-related – investments, the cost of which are recouped from the savings they generate, and by operating these projects in the long term, efficiently supplying energy to its clients. As of the balance sheet date, the Company's owners were as follows:

Owner	31 December 2015	31 December 2014
	Percentage of ownership (%)	
Treasury Shares	17,92	20,39
OTP Alapkezelő Zrt.	14,67	14,67
Csaba Soós	11,47	11,47
CRH INVEST Kft.	11,27	11,27
Allianz Alapkezelő Zrt.	9,75	9,75
Free Float (owned by subsidiaries)	34,92 (4,09)	32,45
Total	100%	100%

The company's ownership structure on the balance sheet date

Owner	Percentage of ownership (%)
Treasury Shares	64,35
PLOTINUS HOLDING Nyrt.	5,87
OTP Alapkezelő Zrt.	0
Csaba Soós	0
CRH INVEST Kft.	0
Allianz Alapkezelő Zrt.	0
Free Float (owned by subsidiaries)	29,78 (4,38)
Total	100%

Initially, the Company implemented heat supply, public lighting and kitchen technology investments in Hungary, mostly in the municipal sphere. Owing to the changing economic and social expectations in our region, the demand for the solutions offered by our Company kept increasing, which permitted the Company, which was gaining strength and acquiring references in Hungary, to expand regionally as well.

Because municipalities in our region are underfinanced and the heating technology of public institutions is outmoded, significant savings can be realised, and therefore, starting from the 2010 business year, the Company/company group began to focus increasingly on the neighbouring countries, primarily Romania and Poland.

In the period since then, the Company has grown into an enterprise and a corporate group that plays an increasingly important role in implementing energy-saving projects in the Central-Eastern European region – based on the use of renewable energy, but at the same time it started to encounter increasing liquidity problems.

At present the Company is an actual stock exchange-listed ESCO (an Energy Service Company that implements energy savings) in Hungary. The Company developed individual solutions for each of its projects, independent of any technology or service provider. It implemented projects as a main contractor while securing the appropriate financing.

When preparing projects, ENEFI Energyefficiency Plc. first examined/examines the possibilities of streamlining its customers' energy consumption points, then realises investments that help achieve considerable savings. An added business value of the projects is that, after the investments are completed, ENEFI Energyefficiency Plc. provides innovative energy services, as well as operates and maintains the energy systems of its partners over the long run.

2. The Basis for Preparing the Consolidated Financial Statements

The consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards („IFRS"), also adopted by the EU. The International Financial Reporting Standards („IFRS") contain the standards approved by the Commission of the European Communities and issued by the International Accounting Standards Board („IASB") as well as the International Accounting Standards („IAS") issued by the International Accounting Standards Committee („IASC"). They include further the interpretations of the International Financial Reporting Standards Interpretation Committee („IFRS IC") and the Standing Interpretations Committee („SIC") approved by the European Commission.

The basis of consolidation

The consolidated financial statements include the financial statements of the Company and of business entities controlled by the Company, including special-purpose entities (the Company's subsidiaries). Control means that the Company has enough power to control the financial and operating regulations of the entity in order to take benefit from its business operation.

The income and expense of subsidiaries acquired or disposed of during the year are presented in the consolidated comprehensive profit and loss statement starting from the actual date of acquisition till the actual date of disposal. The total income of the subsidiaries is due to the owners of the Company and of the non-controlling shares even if this would render the balance of the non-controlling shares to become negative.

If necessary, the financial statements of subsidiaries are modified in order to harmonize their financial policies with the financial policies applied by the other members of the Group.

Intra-group transactions, balances, revenues and expenses will be fully excluded at the date of consolidation.

Consolidated companies:

Name	Country of incorporation	2015 Share ownership	2015 Voting power	2014 Share ownership	2014 Voting power
EETEK Limited	Cyprus	100%	100%	100%	100%
E-Star ESCO Kft. (formerly RFV Esco Kft.)*	Hungary	-	-	100%	100%
RFV Józsefváros Kft.	Hungary	49%	70%	49%	70%
Veszprém Megyei Non-profit Kft.*	Hungary	-	-	100%	50%
Fejér Megyei Energia Nonprofit Kft.*	Hungary	-	-	100%	51%
E-Star Management Zrt. (formerly RFV Management Kft.)*	Hungary	100%	100%	100%	100%
ENEFI Projekttársaság Kft.	Hungary	100%	100%	-	
Elektrocieplownia Mielec Spólka z o. o.**	Poland	85,37%	85,37%	85,37%	85,37%
EC-Energetyka Spólka Z o. o. **	Poland	51,66%	51,66%	51,66%	51,66%
E-STAR Polska**	Poland	100%	100%	100%	100%
Premium Fund Sp zoo**	Poland	99,9%	99,9%	-	-
Energia Euro Park Sp. z o.o.**	Poland	21,65%	21,65%	21,65%	21,65%
E-Star Centrul de Dezvoltare Regionala SRL	Romania	100%	100%	100%	100%
Termoenergy srl	Romania	99,50%	99,50%	99,50%	99,50%
SC Faapritek SA	Romania	99.99%	99.99%	99.99%	99.99%
E-STAR ZA Distriterm SRL „felszámolás alatt"	Romania	51%	51%	99.99%	99.99%
E-Star Mures Energy SA "felszámolás alatt"	Romania	99.99%	99.99%	99.99%	99.99%
E-Star Alternative Energy SA	Romania	99.99%	99.99%	99.99%	99.99%
E-Star Energy Generation SA	Romania	99.99%	99.99%	99.99%	99.99%
E-STAR Investment Management SRL „felszámolás alatt"	Romania	99,93%	99,93%	99,93%	99,93%
RFV Slovakia sro**	Slovakia	100%	100%	100%	100%

* Subsidiary sold during the year.
** Subsidiary sold after the balance sheet's date.

2.1. Changes in the accounting policy, expected impact of IFRSs and IFRICs not yet effective on the day of the financial statements, former applications

The Group voluntarily did not change its accounting policies applied in 2014 for 2015.
Below we cover the impact on the Group's financial statements by the changes in the IFRSs and IFRICs entering into effect after the balance sheet date. We do not analyse in details the expected impact of the changes in IFRSs and IFRICs that are in progress and known at the balance sheet date because they do not influence the financial statements significantly, and disregarding them does not affect the decisions of those using the report.
The following standards and interpretations (also including their modifications) enter into effect in the business year of 2015

New and modified standards and interpretations entering into effect from this reporting period, published by the IASB and adoped by the EU:
The modification of various standards "IFRS improvements (in 2011-2013)" – adopted by the EU on 18 December, 2014. Modification concerning the following standards (IFRS 3, IFRS 13 and IAS 40) as a result of the IFRS Development Project, primarily in order to terminate inconsistencies and to clarify explanations (the modifications must be applied from 1 January 2015 and in the reporting periods starting afterwards),
IFRIC 21 "Levies" – adopted by the EU on 13 June, 2014 (will enter into force on 17 June, 2014 and in the reporting periods starting after the above date). The above modifications to the existing standards did not result in the modification of the Group's accounting policies, and do not impact the Group significantly.

New and modified standards and interpretations issued by the IASB and adoped by the EU, but not effective yet

The following standards issued by the IASB and adopted by the EU as well as the following modifications of existing standards and interpretations were published without entry into effect at the date of approving these financial statements:

IFRS 11(Modification) "Joint Arrangements" – accounting for acquisition of interests in joint activities – adopted by the EU on 24 November 2015 (will enter into force on 1 January 2016 and in the reporting periods starting after the above date),

IAS 1 (Modification) "Presentation of financial statements – Initiation of publication – adopted by the EU on 18 December 2015 (will enter into force on 1 January 2016 and in the reporting periods starting after the above date),

IAS 16 (Modification) "Property, plant and equipment" and IAS 38 "Intangible assets" – Clarification of methods adopted for depreciation and amortisation – adopted by the EU on 2 December 2015 (will enter into force on 1 January 2016 and in the reporting periods starting after the above date),
IAS 16 (Modification) "Property, plant and equipment" and IAS 41 "Agriculture" – Agriculture: Plants for growing – adopted by the EU on 23 November 2015 (will enter into force on 1 January 2016 and in the reporting periods starting after the above date),
IAS 19 (Modification) "Employee benefits" – Specific benefit programmes, contributions paid by employees – adopted by the EU on 17 December 2014 (will enter into force on 1 February 2015 and in the reporting periods starting after the above date),

IAS 27 (Modification) "Separate financial statements" standard – Capital method in individual financial statements – adopted by the EU on 18 December 2015 (will enter into force on 1 January 2016 and in the reporting periods starting after the above date),
The modification of various standards "IFRS improvements (in 2010-2012)" – adopted by the EU on 17 December 2014. Modification concerning the following standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) as a result of the IFRS Development Project, primarily in order to terminate inconsistencies and to clarify explanations (the modifications must be applied from 1 February 2015 and in the reporting periods starting afterwards),
The modification of various standards "IFRS improvements (in 2012-2014)" – adopted by the EU on 15 December 2015. Modification concerning the following standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) as a result of the IFRS Development Project, primarily in order to terminate inconsistencies and to clarify explanations (the modifications must be applied from 1 January 2016 and in the reporting periods starting afterwards).

New and released standards by IASB which are not yet applied by EU

IFRS 9 "Financial Instruments" (will enter into force on 1 January 2018 and in the reporting periods starting after the above date).
The IFRS 9 Financial Instruments standard will replace the current IAS 39 standard. According to the modifications made in 2014, this standard must be first used from 1 January 2018. No major tasks or essential impacts can be expected on the financial statements with regard to classification and evaluation since – according to the current reviews - the Group has no financial instruments whose classification or evaluation will change.
The IFRS 9 also redefined the impairment of financial instruments, introducing the expected impairment model. The basis of the definition will be expected impairment against (already) incurred impairment placed on objective bases. The expected impairment model brings the time (incurrence) of impairment accounting closer in time. The adopted model includes the simplified method that permits the business entity to use rules other than the complex ones with regard to various financial assets (e.g. receivables and similar instruments). This solution will probably be very close to the method that the business entity is already using in connection with these instruments. The switch-over is not expected to have a significant arithmetic impact as these instruments carry the biggest weight among the business entity's financial instruments, however, its calculation is still in progress.

The IFRS 9 also re-regulated hedge accounting, which means that much more connections (economic phenomena) will meet the conditions on applying hedge accounting and the earlier conformity conditions will be eased (rate of effectiveness, proving the existence of effectiveness). The Group does not apply the hedge accounting rules, therefore this change cannot affect the financial statements. The IFRS 9 standard has not been adopted by the EU, either, and the Group is not planning to bring the date of application closer after the adoption.

IFRS 14 "Regulatory Deferral Accounts" (will enter into force on 1 January 2016 and in the reporting periods starting after the above date) – the European Commission decided not to apply the approval process for the current, interim standard and to wait for the final standard.

IFRS 15 "Revenue from contracts with customers" (will enter into force on 1 January 2018 and in the reporting periods starting after the above date).
The standard defines conceptual changes on the methodology of revenue accounting. The standard must be used from 1 January 2018. Some standards and interpretations will be repealed due to the modification:

- IAS 18 Revenue
- IAS 11 Construction contracts
- IFRIC 13 Customer loyalty programmes
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 18 Transfer of assets from customers
- SIC 31 Barter transactions involving advertising services.

IFRS 15 created a unified model for revenues deriving from contracts. The standard uses a unified, 5-step model to specify when, and in what amount revenues must be presented. This standard defines explicit expectations for the situation where several elements are simultaneously transferred to the buyer. IFRS 15 recognises two methods for timing revenue accounting: revenues accounted at the given date and during the given period. The IFRS 15 standard also offers theoretical rules on how to handle costs related to contract acquisition and its fulfilment not shown elsewhere.
According to the Group's preliminary calculations, the modifications prescribed by IFRS 15 will not affect the Group's financial statements significantly because the revenues of current products and services have also been presented so far under the principles laid down in the standard. The Group will make the final calculations for the business year of 2016 to be able to smoothly implement the eventual introduction in 2017.

<u>The standard has not been adopted by the EU yet, and the Group is not planning to use the standard before the obligatory application.</u>
IFRS 16 "Leases" (will enter into force on 1 January 2019 and in the reporting periods starting after the above date).
The Leases standard basically modifies lease accounting, as a main rule, each leased element appears as an asset in the lessee's balance sheet, together with the related leasing fee payment obligation. The operative leasing fee category basically disappears. The content of the lessee's accounts do not change, but the leasing classification is modified. In addition to the basic change, the new standard also modifies the evaluation rules and permits the inclusion of changing elements into the leasing fees in a wider circle. The definition of leasing is also modified and some earlier contracts on capacity employment will not qualify as leasing. The stand must be applied from 2019. Currently the Group is checking what changes the standard may cause in its financial statements. The EU has not adopted the standard yet.
IFRS 10 (Modification) "Consolidated financial statements", IFRS 12 (Modification) "Disclosure of interests in other entities" and IAS 28 "Investments in associates and joint ventures" – Investment units: application of the consolidation exception (will enter into force on 1 January 2016 and in the reporting periods starting after the above date).
IFRS 10 (Modification) "Consolidated financial statements" and IAS 28 (Modification) "Investments in associates and joint ventures" – Sale and transfer of assets between the investor and its associated or jointly managed company (its entry into force is not known until closing the project aimed at the capital method).
IAS 12 (Modification) "Income taxes" – accounting deferred taxes related to not realised losses (will enter into force on 1 January 2017 and in the reporting periods starting after the above date).
The hedge accounting regarding the portfolio of financial assets and financial liabilities has not been regulated yet as the decree has not yet been adopted by the EU.
The implementation of the modifications, new standards and interpretations would not influence significantly the Group's individual financial instruments. An exception is the application of IFRS 9 and IFRS 16, which may significantly influence the Group's individual financial statements, and which will be analysed by the Group in 2016.

3. Significant accounting policies

3.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").

3.2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3.3. Changes in the Group's ownership interests in the existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3.4. Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.5. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. 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. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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.

For the Group accounting policy regarding the goodwill on aquisition of investment in affiliate see notes 3,6 below.

3.6. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.7. Leases

Whether a transaction is a leasing transaction or if it contains such component depends on its content at the time of its conclusion. If the performance of the agreement depends on the use of a specific asset or if it assigns the right to use the asset, it must be considered to contain a leasing component and is therefore accounted for accordingly.

Financial leasing in the context of which the majority of the risk and rewards related to the ownership right to the leased asset is transferred to the Company is capitalised at the start of the lease at the fair value of the leased asset or at the present value of the minimum lease payments if it is lower. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial costs are directly accounted for through profit/loss. The capitalised leased asset is amortised during the estimated useful life or the lease period, whichever is shorter. The initial costs incurred at the time when the financial lease contract is concluded increase the acquisition value of the leased asset and are accounted for under the term of the lease similarly to lease revenues. A lease in the context of which the lessor retains the majority of the risks and benefits related to the ownership right of the leased asset is accounted for an operative lease.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Prepaid rent represents title to perpetual usefruct of land acquired by or granted to a group entity by the Polish State which is accounted for as an operating lease. The amount paid to acquire a title to perpetual usefruct of land is recognized as operating lease expense in profit or loss over the period of entitlement to use of the land. There is no contract or agreement in the Group designated as financial lease.

3.8. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The revenue from sales transactions is recorded on the date of performance in accordance with the terms and conditions of the relevant supply contracts. The sales revenue does not include value added tax. All income and expense is recognized in accordance with the comparability principle in the appropriate period.

3.9. Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. 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.

3.10. Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.11. Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- a exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes 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.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the 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 equity.

The financial statements were prepared in "EUR", and the functional currency of individual subsidiaries is the same as that of individual countries. The Group chose EUR as the currency of presentation to make it easier for investors to interpret the financial statements.

3.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.13. Goverment grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.14. Retirement benefit costs

Defined contribution plan

One subsidiary of the Company operates a defined contribution pension plan for employees. Pension costs are charged against profit or loss as the related service is provided.

3.15. Share-based payment agreements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. 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 equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payment transactions that were granted after 1 February 2010 and is effective until December 31, 2014. No amounts have been recognised in the consolidated financial statements in respect of other equity-settled shared-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

No amounts have been recognized in the consolidated financial statements as cash-settled share-based payments.

3.16. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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 liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized 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.

3.17. Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their carrying amounts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized 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 recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Structures	10 years
Plant and equipment	3-25 years
Vehicles	5 years

3.18. Intangible assets

Intangible assets acquired separately:

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised

3.19. Emission quotes

The Group receives emission rights free of charge in Hungary and in Poland in the context of the European Emissions Trading System. The rights are credited annually, the Group must return them on the basis of the actual emission.

The Group uses the net liability method when accounting for the emission rights it receives pursuant to which reserves are only accounted for when the actual emission exceeds the amount of emisison rights received and still held.
Emission rights purchased from third parties are registered at acquisition value and they are accounted for as reimbursement rights, in other words, they are allocated to emission liabilities and are re-valued at fair value.

3.20. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.21. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out ("FIFO") basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.22. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

3.23. Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

Held-to-maturity investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment.

Available for sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, HTM investments or FVTPL.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined based on market prices or in case of reliable obtainable market prices, valuation mode is applied as alternative method. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured with a valuation model as an alternative approch and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.24. Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.
Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3.25. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.26. Service Concession Agreements

In accounting for public-to-private service concession agreements, the Group applies the following principles.
The provisions in interpretation 12 of the IFRIC are applied if the following conditions are met in case of a public-to-private service concession agreement: (a) the concession grantor has control over or can regulate what services, to whom and at what price are to be provided by the operator using the infrastructure; and (b) at the end of the agreement, the concession grantor will control, through ownership, beneficiary rights or otherwise, all the major residual assets relating to the infrastructure.

According to the terms of such agreements, the operator works as a service provider. The operator builds or develops the infrastructure used for providing public services (construction or development services), and operates and maintains the infrastructure for a definite period of time (operating services).

If certain contracts made with public authorities meet the above conditions then the infrastructure covered by such a contract will not be recognized in the Group's accounts as real estate property, machinery or equipment.

In the case of such contracts, the construction or development services provided by the Group will be presented at the actual value set out in the contract, whether received or receivable. The consideration set out in the contract will be accounted for as a financial asset or intangible asset.

Construction or development services provided by the Group will be presented as financial assets if, on the basis of the contract, the Group has an unconditional contractual right to receive funds from the concession grantor (local municipality) or at the latter's instruction in return for the construction or development services; and the concession grantor has no or hardly any chance for avoiding payment because the contract is lawfully enforceable. The Group is entitled to receive funds if the concession grantor provides a contractual guarantee that it will pay a fixed or calculable amount to the Group or pay the difference between the amounts received from the users of the public service and the fixed or calculable amount set out in the contract.

Construction or development services provided by the Group will be presented as intangible assets if, on the basis of the contract, the Group acquires the right (licence) to charge a fee on the users of the public service. In this case the costs of raising loans for the agreement will be capitalized during the construction or implementation phase of the agreement.

If the construction or development services provided by the Group are paid partly in cash and partly by intangible assets then the respective parts of the consideration so received will be accounted for separately.

If the Group has contractual obligations to maintain or restore the infrastructure taken over or developed by it then these obligations shall be accounted for in the financial statements at the value estimated at the time of preparing the statements.

3.27. Operating segments

An operating segment is a component of the business entity:

a. which conducts business activities involving revenues and expenditures (including revenues and expenditures related to transactions that are conducted with other components of the same business entity).
b. the operating results of which are regularly reviewed by the key operating decision maker of the business entity to be able to make a decision regarding the funds to be allocated to the segment and to evaluate its performance, and
c. in respect of which separate financial information is available.

The Group determines and presents operating segments based on the information that is provided internally to the Board of Directors. For this purpose the Group categorizes its operations into geagraphical segments. The segmentation was adopted when preparing these consolidated financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

With respect to the application of the Group's accounting policies, the management has to make decision, estimates and assumption as to the registration value of the assets and liabilities that cannot be clearly determined from other sources. The estimates and related assumptions are based on past experience and other factors that are considered relevant. The actual results may be different than these estimates.

The estimates and the assumptions on which they are based must be reviewed continuously. The modifications of accounting estimates must be recognised in the period when the modification was made if the modification only affects this period, or in the period when the modification was made and the periods after that if the modification affects the period under review as well as the future.

The following describes the critical decisions - with the exception of those that contain estimates - that the Group made in the context of the application of its accounting policies and which made the biggest impact on the amounts presented in the financial statements.

4.1. Provisions

Provision is recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The entites of the Group is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for.

A provision is recognized by the Group when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.2. Cocession rights valuation

The Group is recognized the value of the project at Gyergyószentmiklós according to the standard of IFRIC 12 Service Concession Agreements. During the calculation the Company estimated the future net income of the project and determined the realiseable value less cost to sell. During the determination of the fair value the Company calculated with discounted future cash flows. These future cash flows represents the management's best estimation. The details of the concession contract is disclosed in the Note 13.

The company measured all components of the Hungarian portfolio both in terms of assets and contracts, that is, on the basis of the net present value calculations. These assets are presented between financial assets in the statement of financial position , their book value is 5,387,068 EUR as of December 31, 2015 and 5,728,710 EUR as of December 31, 2014.

4.3. Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the management determined that the useful lives of the properties, plants and equipments remained as in the previous years.

4.4. Impairment of property, plant and equipment and intangible assets

Impairment on property, plant and equipment or on intangible assets is determined based on estimations concerning the recoverable amount of those assets. Changes in accounting estimates relating to asset impairment (estimates of the asset's fair value less cost to sell and value in use, the free cash flow estimate, considerations regarding the discount rate, etc.) could have a material impact on the results of the Group.

In respect of tangible and intangible assets, the recovery on the business entity's assets is tested in the context of an impairment test. The corrections that appear necessary on the basis of the impairment test are presented by the Group in these consolidated financial statements.

4.5. Determining the Fair Value in case of Acquisition

In case of acquisitions the Group determines the fair value of the assets and liabilities of the company or companies acquired. .

The assets transferred by the acquiring entity in exchange for control over the acquired entity as well as any obligations assumed shall be valued at the fair value as at the time of the acquisition.

The costs of acquisition will be presented in the profit and loss statement.

4.6. Generating profit to create enough tax base to apply the deferred tax method

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The management needs to make substantial assumptions with respect to the potential deferred tax, as well as about the time and amount of the profit which creates the tax base in view of the tax-planning strategy.

In the current year the Group followed a conservative approach and calculated only with the future cash flows of the currently contracted projects and determined the future utilizable deferred tax asset in that way. This business plan does not consider the utilization of the future free cash generated by the current engagements.

5. Revenue

Continued operations

	2015	2014 Modified*
Heat sales	3 447 071	2 695 743
Other (revenue)	372 828	1 102 750
Összesen	3 819 899	3 798 493

The Group recognise its revenue mainly from sale of electricity and heat energy. The sold heat energy derived from the Group own production, the electricity derived partly from own production and party from external party. Electric energy sales derived from the Groups operations in Poland, which is considered by the Group as activities terminating in the reference year.
*The figures for the business year of 2014 were corrected, see note 12.

6. Cost of sales

Continued operations

	2015	2014* Modified
Cost of mediated services	1 530 522	3 038 158
Material costs	63 636	-1 452 535
Cost of sold goods	33 565	3 038 158
Total cost of sales	1 627 723	1 870 927

A significant portion of the value of intermediated services consists of the cost of public utility charges re-invoiced in the course of operation.
*The figures for the business year of 2014 were corrected, see note 12.

7. Personal costs

Continued operations

	2015	2014* Modified
Wages and salaries	620 781	561 423
Social security contribustions	144 219	181 049
Other employee benefits	7 007	9 145
Total	772 007	751 617

The head count figure of the group is 169 as of December 31, 2015 and 174 as of December 31, 2014.

*The figures for the business year of 2014 were corrected, see note 12.

8. Service used

Continued operations

	2015	2014 Modified*
Maintanance costs	258 770	204 604
Rental fees	169 462	195 273
Advisory fees	132 661	362038
Other services	103 563	2 612
Legal fees	61 950	93 617
Bank charges	22 436	33 318
Office, communication	17 897	31 197
Insurance fees	16 193	16 048
Property related services	3 840	3 262
Car operation costs	1 768	1 618
Service used	788 539	943 588

*The figures for the business year of 2014 were corrected, see note 12.

9. Other revenue and expenditure

Continued operations

	2015	2014
Other revenue		modified*
Reversal of impairment of assets	2 756 777	1 159 109
Credited fines	719 620	-307 715
Reversal of provisions	690 351	1 365 962
Impairment of assets	375 994	0
Assumption of debt	235 265	0
Other goverment grants	72 413	14 498
Other revenues	315 621	383 636
Profit/loss on bankruptcy of subsidiary (-)	0	121 012
Government grants for emission quotas (Poland)	0	0
Total	**5 166 041**	**2 738 516**
Other expenditure		
Impairment of assets	9 349 306	203 805
Provision made during the year	858 375	1 881 148
Performance penalties	441 447	0
Net loss on sale of plant, property and equipment	432 252	26 189
Other expenditures	252 603	360
Other taxes	54 114	103 556
Total	**11 388 097**	**2 215 058**
Other income and expenses (net)	-6 222 056	523 458

*The figures for the business year of 2014 were corrected, see note 12.

10. Financial income

Continued operations

	2015	2014
Net foreign currency gain / loss (-)	82 025	52 187
Interest income	76 868	146 218
Interest expense	-38 326	0
Impairment of financial assets	0	0
Loss realized on sale of associates	7 893 476	0
Other finance income	523 904	174 260
Other finance cost	-1 881 939	-71 604
Net profit/loss from financial activities	6 656 008	301 061

*The events related to companies held for sale and excluded consolidation for other reason are presented in note 17.
*The figures for the business year of 2014 were corrected, see note 12.

11. Income tax

Continued operations

	2015	2014* Modified
Corporate income tax	-924 860	-262 798
Local business tax	-35 710	-25 234
Deferred tax loss (-) / gain	868 061	-272 288
Changes in impairment of deferred tax	-1 353 694	547 312
Total income tax	-1 446 203	-13 008

*The figures for the business year of 2014 were corrected, see note 12.

Applicable to profits of the consolidated entities as follows:

	31 December 2015	31 December 2014
Hungary- income tax (500 tHUF profits under)	10%	10%
Hungary- Income tax (500 tHUF profits over)	19%	19%
Hungary - Local business Tax	2%	2%
Poland - Income tax	19%	19%
Romanian - Income tax	16%	16%

Movement table of impairment of deferred taxes:

Impairment movement table	31 December 2015	31 December 2014
Balance at January 1	3 611 170	4 158 482
Reversal of impairment	-1 521 947	-672 874
Impairment loss	0	125 562
Balance at December 31	2 089 223	3 611 170

Impairment of deferred tax assets and liabilities:

	31 December 2015	31 December 2014
Deferred Tax Assets	418 937	1 257 568
Deferred Tax Liabilities	-222 547	-115 335
	196 390	1 142 233

Deferred Tax receivable (liability)	Balance as 31 December 2013	Change	Balance as 31 December 2014	Change	Balance as 31 December 2015
Loss accruable under tax law	4 891 673	-245 422	4 646 251	-2 378 267	2 267 984
Impairment of assets	514 914	15 260	530 174	-65 968	464 206
Tangible and intangible assets (including reserves for future investments)	-813 097	188 915	-624 182	401 607	-222 575
Risk provision	271 609	15 716	287 325	-372 185	-84 860
Adjustment due to application of IFRIC 12	235 291	-476 792	-241 501	-47 261	-288 762
Impairment of deferred tax asset	-4 158 482	547 312	-3 611 170	1 521 947	-2 089 223
Adjustment regarding bond repurchase program	0	0	0	0	0
Other	244 112	-88 776	155 336	-5 716	149 620
Net deferred tax receivables / (liabilities)	1 186 021	-43 788	1 142 233	-945 843	196 390

12. Discontinued operations

In the second half of 2015, the Group signed a contract to sell the Polish ENEFI Polska. The sale and purchase took place in February 2016. The profit of ENEFI Polska and its subsidiary Elektrociepłownia Mielec Spółka z.o.o. in 2015 is stated as a discontinuing operation and, based on IFRS 5, it represents a separated geographical region in the Group's portfolio.
No similar event took place in 2014.

	2015
Revenue	18 620 233
Other revenues / expenditures	561 904
Net profit/loss from financial activities	244 479
Total revenues	19 426 616
Expenditures	-16 757 945
Profit before tax	2 668 671
Attributable income tax expenses	-656 632
Impairment of receivables related to discountinued operations	0
Loss on discountinued operations in previous years	0
Profit for the year form discontinued operations (attributable to owners of the company)	2 012 039

13. Intangible assets

	Concession rights	Software and other intangible assets	CO2 quota	Total
Costs				
January 1, 2014	17 021 030	597 975	647 280	18 266 284
Additions	90 043	-	1 575 204	1 665 247
Disposals	-	-	- 669 628	- 669 628
Impairment	- 935 186	- 299 277	22 348	- 1 212 115
Effects of movements in exchange rates	- 28 020	- 31 463	-	- 59 483
December 31, 2014	16 147 867	267 235	1 575 204	17 990 305
Additions	25 898	8 032	-	33 930
Disposals	-	- 53 352	-	- 53 352
Disposals due to discontinued operations	- 374 456	11 219	- 1 575 204	- 1 938 441
Effects of movements in exchange rates	- 139 235	- 42	-	- 139 277
December 31, 2015	15 660 074	233 092	-	15 893 165
Amortization				
January 1, 2014	11 796 627	160 592	-	11 957 219
Additions	716 984	33 720	-	750 704
Reversal of impairment	- 424 434	-	-	- 424 434
Transfer to assets held for sale	- 1 252 457	40 342	-	- 1 212 115
Effects of movements in exchange rates	- 15 072	- 27 214	-	- 42 286
December 31, 2014	10 821 048	207 440	-	11 029 088
Additions	2 523 058	28 011	-	2 551 069
Disposals	-	- 27 816	-	- 27 816
Disposals due to discontinued operations	- 48 402	11 219	-	- 37 183
Effects of movements in exchange rates	- 139 038	- 11 061	-	- 150 099
December 31, 2015	13 157 266	207 793	-	13 365 059
Carrying amounts				
At January 1, 2014	5 224 403	437 383	647 280	6 309 065
At December 31, 2014	5 326 219	59 795	1 575 204	6 961 217
At December 31, 2015	2 502 808	25 299	-	2 528 106

Concession right is related to the Company's Romanian project. These rights provide exclusive heat sales rights in the coming 20 years. Although the Company's affiliated enterprise in Gyergyószentmiklós terminated the concession contract with the Municipality of Gyergyószentmiklós, the court made a final decision and obliged the company to continue the service, therefore, the concession contract is still in force. No impairment calculated on intangible assest and software. The concession rights are amortized in 25 years, the depreciation for software and other intangibles is 3 years on a linear base.

The conditions of concession rights:

Gyergyószentmiklós (Gheorgheni)

Description of the agreement

E-STAR CDR signed a concession contract with the City of Gyergyószentmiklós for 25 years on 13.09.2010. Thus it is the right and obligation of E-STAR CDR to operate distant heating in Gyergyószentmiklós and to administer the distant heating infrastructure. The purposes of the contract are as follows:

- Operating distant heating in Gyergyószentmiklós in conformity with the commercial conditions.
- Improving the living conditions of the consumers by providing effective and good-quality heating service.
- Permanent development of the heating system.
- Environment protection.

Essential parts of the agreement from the viewpoint of cash-flow

By signing the concession contract, E-STAR CDR assumes the following obligations:

- EUR 74,079, annual concession fee. For the whole contracting period this is 1,851,980, which is payable in the first 6 years of the contract, in an equal quarterly breakdown.
- Taking over debts of EUR 604,744 from the previous service provider, which is payable within 3 months from signing the contract.
- Taking over a banking credit instalment of EUR 891,266 from the previous service provider .
- Paying in-progress investments made in 2009 in the amount of EUR 8,314,190, payable within 3 months from signing the contract.

Rights pertaining to the usage of the assets

Upon the expiry of the concession contract, all assets related to the distant heating system must be transferred to the city of Gyergyószentmiklós free of charge.

Obligations regarding the service, rights with regard to expecting the provision of service

Obligations:

- Granted service licence
- Obligation to provide service, providing continuous service,
- observing the operational parameters and performance requirements prescribed in the task block and in the distant heating regulations,
- supporting the price modification and submitting it for approval,
- paying the concession fee by the deadline,
- carrying out the investment and fulfilling other obligations assumed in the contract,
- in the case where the contract expires or it is terminated, providing service until return to the concession grantor, but at most for 90 days.
- Taking over 20 distant heating employees.

Rights:

- Direct Service right, collecting the charge for distance heating,
- applying the distant heating price,
- submitting a modification proposal,
- submitting a contract modification proposal,
- terminating the contract if the contracting partner fails to meet its obligations.

Obligations regarding the procurement or construction of properties, machines and equipment

Taking over the paying in-progress investments worth EUR 8,314,190, and carrying out the investments specified in the contract.

Obligations to deliver, and rights to acquire specific assets at the end of the concession period

The assets received under concession and the investments undertaken and completed by the concessionaire go over into the ownership of the party granting the concession free of any charges and encumbrances.

Options for renewal or termination

Concession for another 12.5 years is possible after the expiry of the 25 years as agreed by the parties at that time. Termination of contract by any party if the contract is violated by the contracting partner or by the concession grantor if required by a local interest (subject to the payment of damages).

Other rights and obligations (e.g. essential large-scale repairs).

It is the obligation of E-STAR CDR to carry out all maintenance work and other required investments during the term of the concession contract.

Changes to the agreement taking place during the period

-

14. Investments in affiliated companies

The Group disclose as an affiliated company the 21,65 % share in Energia Euro Park Sp. z o.o. within the Mielec Spółka z o. o. This share added to the Group in 2013, this transaction presented in the note 17 with more details.

	2015.12.31	2014.12.31
Current assets	3 411 838	3 005 075
Non-current assets	3 283 841	3 577 917
Current liabilities	1 368 696	1 433 245
Non-current liabilities	279 814	560 142
	2015	**2014**
Revenue	9 984 755	10 391 855
Profit or loss from continuing operations	620 454	720 568
Dividends received from the associate during the year	0	33 016
Net assets of the associate	5 047 168	4 589 605
Proportion of the Group's ownership interest in Energia Euro Park	21,65%	21,65%
Foreign currency exchange gain (loss)	33 400	34 705
Carring value of investments in associated companies	**1 059 312**	**958 945**
Profit/loss on associated companies	**134 328**	**157 022**

15. Tangible assets

	Land and buildings	Plant and equipment	Other equipment	Asset under construction	Total
Costs or deemed costs					
January 1, 2014	5 942 719	14 031 970	90 359	2 701 234	22 766 282
Additions	120 519	-339 653	24 497	1 611 590	1 416 953
Capitalizations	0	0	0	-868 079	-868 079
Disposals	-128 685	-556 194	-3 941	-2 559	-691 379
Reclassification	1 509 911	3 432 906	380 369	582 395	5 905 581
Effects of movements in exchange rates	-184 722	-760 139	-15 065	-244 821	-1 204 747
December 31, 2014	7 259 742	15 808 890	476 219	3 779 760	27 324 611
Additions	865 991	1 644 708	36 108	1 008 285	3 555 092
Capitalizations	0	0	0	-1 008 285	-1 008 285
Disposals	-1 457 783	-1 361 711	-52 985	-698 908	-3 569 387
Reclassification	-6 420 214	-14 155 459	-127 497	-2 553 237	-23 256 407
Effects of movements in exchange rates	-2 887	61 263	-250	-1 105	57 021
December 31, 2015	244 849	1 997 691	331 595	528 510	3 102 645
Depreciation and impairment					
January 1, 2014	778 642	2 419 309	36 156	1 091 412	4 325 519
Depreciation for the year	310 293	884 758	44 432	0	1 239 483
Disposals	-114 472	-442 565	-2 683	0	-559 720
Impairment loss	0	0	0	46 207	46 207
Reversal of impairment	0	-25 217	0	0	-25 217
Reclassification	754 240	4 785 647	224 021	141 672	5 905 580
Effects of movements in exchange rates	-45 618	-411 151	-16 979	-21 094	-494 842
December 31, 2014	1 683 085	7 210 781	284 947	1 258 197	10 437 010
Depreciation for the year	4 236	122 140	7 158	0	133 534
Disposals	0	-587 555	-2 271	0	-589 826
Impairment loss	0	0	0	0	0
Reversal of impairment	0	0	0	0	0
Reclassification	-1 541 604	-5 146 251	-32 984	-736 571	-7 457 410
Effects of movements in exchange rates	-758	-47 282	-112	-1 095	-49 247
December 31, 2015	144 959	1 551 833	256 738	520 531	2 474 061
Carrying amounts					
At January 1, 2014	5 164 077	11 612 661	54 203	1 609 822	18 440 763
At December 31, 2014	5 576 657	8 598 109	191 272	2 521 563	16 887 601
At December 31, 2015	99 890	445 858	74 857	7 979	628 584

16. Financial assets

Financial assets at fair value through profit or loss ("FVTPL")

	2 015	2 014
Assets from service concession arrangements	2 621 913	5 728 710

Used assumption for net present value calculation

The discount rate is the project's internal discount rate at the time of the deal in any case.

Partner	Date	Maturity	2 015	2 014
Projekt 1	2007.07.24	2022.07.24	2 064 101	2 114 896
Projekt 2	2005.11.24	2017.11.24	81 885	105 802
Projekt 3	2006.11.30	2018.11.30	87 751	104 251
Projekt 4	2005.06.13	2017.06.13	60 842	89 851
Projekt 5	2006.01.17	2018.01.17	55 213	75 344
Projekt 6	2005.06.29	2018.01.17	62 001	73 808
Projekt 7	2005.10.06	2017.11.15	50 389	68 997
Projekt 8	2004.07.05	2016.07.05	40 771	54 964
Projekt 9	2005.06.21	2017.06.21	42 400	48 433
Projekt 10	2005.12.29	2017.12.29	33 661	36 133
Projekt 11	2008.09.15	2020.10.31	19 115	22 670
Projekt 12	2008.05.20	2020.10.02	18 149	17 917
Projekt 13	2008.07.16	2017.04.30	5 634	8 181
TOTAL			2 621 913	2 821 247

17. Financial lease receivables

Liabilities from financial leasing assets at fair value through profit or loss ("FVTPL")

	2 015	2 014
Receivables from the rental fee of assets	1 714 495	0

Used assumption for net present value calculation

Partner	Date	Maturity	2 015	2 014
Projekt 2	2009.09.28	2024.09.28	686 775	0
Projekt 3	2005.10.15	2020.08.12	246 377	0
Projekt 10	2014.12.17	2022.09.30	56 398	0
Projekt 11	2014.12.17	2022.04.30	54 013	0
Projekt 13	2014.12.17	2026.06.30	49 778	0
Projekt 14	2014.12.17	2021.09.30	45 462	0
Projekt 15	2006.08.14	2018.08.14	9 249	0
Projekt 17	2014.12.17	2020.08.31	36 608	0
Projekt 18	2014.12.17	2021.02.28	34 245	0
Projekt 20	2014.12.17	2020.03.31	28 000	0
Projekt 21	2014.12.17	2025.02.28	29 886	0
Projekt 22	2014.01.10	2019.11.30	26 597	0
Projekt 23	2014.12.17	2020.02.29	23 832	0
Projekt 24	2014.01.10	2018.12.31	21 101	0
Projekt 25	2014.12.17	2020.07.31	23 677	0
Projekt 26	2014.12.17	2021.12.31	23 951	0
Projekt 27	2014.01.10	2020.03.31	19 508	0
Projekt 28	2014.01.10	2020.02.28	23 655	0
Projekt 29	2014.12.17	2021.02.28	21 386	0
Projekt 30	2014.01.10	2019.09.30	20 239	0
Projekt 32	2014.12.17	2024.12.31	17 393	0
Projekt 33	2014.12.17	2019.05.31	15 166	0

Projekt 34	2014.12.17	2025.02.28	16 907	0
Projekt 36	2014.12.17	2024.12.31	15 254	0
Projekt 37	2014.12.17	2023.12.31	13 934	0
Projekt 38	2014.12.17	2021.01.31	12 020	0
Projekt 39	2014.01.10	2020.04.30	11 423	0
Projekt 40	2014.01.10	2019.11.30	9 914	0
Projekt 41	2014.01.10	2020.11.30	10 065	0
Projekt 42	2014.01.10	2019.06.30	9 099	0
Projekt 43	2014.01.10	2019.04.30	9 012	0
Projekt 44	2014.01.10	2024.11.30	10 190	0
Projekt 45	2014.01.10	2021.04.30	8 737	0
Projekt 46	2014.01.10	2018.11.30	7 019	0
Projekt 47	2014.01.10	2021.05.31	7 518	0
Projekt 48	2014.12.17	2024.12.31	7 931	0
Projekt 50	2014.01.10	2020.03.31	3 901	0
Projekt 51	2014.01.10	2019.04.30	5 142	0
Projekt 52	2014.01.10	2018.11.30	5 050	0
Projekt 53	2014.01.10	2019.11.30	5 067	0
Projekt 54	2014.01.10	2018.11.30	4 004	0
Projekt 55	2014.01.10	2023.12.31	3 937	0
Projekt 56	2014.12.17	2021.01.31	3 558	0
Projekt 57	2014.01.10	2018.11.30	2 757	0
Projekt 58	2014.01.10	2022.12.31	3 491	0
Projekt 59	2014.01.10	2018.11.30	2 564	0
Projekt 60	2014.01.10	2018.11.30	2 564	0
Projekt 61	2014.01.10	2019.06.30	2 128	0
Projekt 62	2014.01.10	2018.12.31	1 695	0
Projekt 63	2014.01.10	2018.11.30	1 695	0
Projekt 64	2014.12.17	2021.01.31	1 721	0
Projekt 65	2014.01.10	2018.10.31	1 150	0
Projekt 66	2014.01.10	2018.11.30	797	0
Projekt 67	2014.01.10	2018.11.30	737	0
		Total	1 714 495	0

18. Business combinations and the effects of the changes in the consolidation circle

No new companies were included in consolidation in 2015.
In current year E-Star ESCO Kft., including 100% share in Veszprém Megyei Nonprofit Kft-ben and in Fejér Megyei Energia Nonprofit Kft.-were sold.

2015	Date of sale	Ratio of share sold %	Price (EUR)
E-Star ESCO Kft.	2015.11.04	100%	3 194

	Fejér Megyei Energia Nonprofit Kft. 2015.11.04	Veszprém Megyei Nonprofit Kft. 2015.11.04	E-Star ESCO Kft. 2015.11.04
Tangible assets	1	10	0
Deferred tax assets	0	0	0
Total non current assets	1	10	0
Receivables from intercompany	0	0	0
Trade and other receivables	3 527	10 162	32 751
Accruals	0	0	59 792
Cash and cash equivalents	160	312	10 103
Total current assets	3 687	10 474	102 646
Total assets	3 688	10 484	102 646
Loans	0	0	0
Total non current liabilities	0	0	0
Trade and other liabilities	24	73	150 073
Current liabilities	305	424	2 086
Other current liabilities	3 450	1 692	0
Accruals	0	0	27 214
Total current liabilities	3 779	2 189	179 373
Total liabilities	3 779	2 189	179 373
Net assets in fair value	-91	8 295	-76 727
Profit / loss generated from the sale of subsidiaries			
Consideration transfered	0	0	3 194
Sold net assets	-91	8 295	-76 727
Profit / loss generated from the sale of subsidiaries	91	-8 295	79 921

Figures for 2014:

	Veszprém Megyei Nonprofit Kft. 2014	Fejér Megyei Nonprofit Kft. 2014	Total 2014
Goodwill	0	0	0
Deferred tax assets	0	0	0
Total non current assets	0	0	0
Trade and other receivables	12 623	6 794	19 417
Accruals	0	0	0
Cash and cash equivalents	7 888	16 475	24 363
Total current assets	20 511	23 269	43 780
Assets held for sale	0	0	0
Total assets	20 511	23 269	43 780
Trade and other liabilities	1 716	6 481	8 197
Accruals	0	0	0
Total current liabilities	1 716	6 481	8 197
Total liabilities	1 716	6 481	8 197
Total liabilities	1 716	6 481	8 197
Net assets in fair value			
Net assets in fair value at the Group	18 795	16 788	35 583

__Badwill generated by the acquisitions in 2014:__

	Veszprém Megyei Nonprofit Kft.	Fejér Megyei Nonprofit Kft.	Total
Acquisition cost	839	839	1,677
Non controlling interest	0	0	0
Net assets identified at the acquisition	18,795	16,788	35,583
Badwill generated at the acquisition	-17,956	-15,949	-33,906
Acquisition cost			
Acquisition cost in cash or cash equivalents	839	839	1,677
Acquisition cost	839	839	1,677

19. Assets held for sale

ENEFI Polska was sold in February 2016. The assets and liabilities related to Az ENEFI Polska, and to its subsidiary Elektrociepłownia Mielec Spółka z.o.o. are presented as assest and liabilities held for sale.

	December 31, 2015	December 31, 2014
Assets held for sale	23 564 741	0
Liabilities related to assets held for sale	15 354 466	0

	December 31, 2015
Property, plant and equipment	**14 792 279**
Intangible assets	**2 532 681**
Investments in related parties	**1 059 312**
Investments in associates	**104 740**
Total non-current assets (total)	18 489 012
Inventories	**1 527 686**
Trade receivables	**2 161 636**
Other receivables	**43 012**
Accruals	**128 052**
Cash and cash equivalents	**1 215 343**
Total current assets	5 075 729
Total assets	23 564 741
Loans and other long term financial liabilities	**5 890 359**
Provisions	**742 419**
Deferred tax liabilities	**353 292**
Accruals and deferred income	**2 934 708**
Other liabilities	**301 062**
Total non-current liabilities	10 221 840
Trade payables	**917 361**
Loans and other short term financial liabilities	**1 019 489**
Provisions (current)	**1 801 379**
Accruals and deferred income	**387 699**
Other liabilities due within a year	**1 006 698**
Total current liabilities	5 132 626
Total liabilities	15 354 466
Net assets	8 210 275
Net assets owned by non controlling interest	2 065 323
Net assets owned by the parent company	6 144 952

20. Inventories

	2015. december 31.	2014. december 31.
Coal	0	**1 696 592**
Other fuel	2 420	**0**
Emission quotas	0	0
Inventories gross total	18 621	2 254 387
Impairment of inventories	0	0
Inventories total	18 621	2 254 387

21. Trade receivables

	December 31, 2015	December 31, 2014
Trade receivables	1 221 622	3 841 839

	December 31, 2015	December 31, 2014
Not past due	118 348	2 733 936
Past due 0-90 days	240 825	505 916
Past due 91-180 days	73 726	26 291
Past due 181-360 days	290 723	326 875
More than one year	2 680 848	1 586 207
Trade receiveable gross total	3 404 470	5 179 226
Impairment	-2 510 200	-1 337 387
Trade receivable total	894 269	3 841 839

In respect of receivables that were overdue on the balance sheet day but in terms of the probability of their influence - in the opinion of the Company's management - they do not pose a risk (or are covered with other assets or liabilities), the Company did not recognise impairment.

Non-impaired overdue receivables	December 31, 2015	December 31, 2014
Past due 0-90 days	240 825	505 916
Past due 91-180 days	73 726	26 291
Past due 181-360 days	290 723	326 875
More than one year	170 648	248 821
Total:	775 922	1 107 903

Impairment movement table:

Impairment movement table	2015	2014
Balance at January 1.	1 292 598	2 101 676
Impairment of assets	*1 553 563*	*246 062*
Write back	*-259 251*	*-1 084 740*
Exchange rate difference	*-76 710*	*74 369*
Balance at December 31.	2 510 200	1 337 387

When examining whether a given account receivable can be realised, the Group takes into account the changes, if any, in the quality of the receivable that occurred between the date of the loan provision and the end of the reporting period.
The payment deadline of accounts receivable is always 8 days.

22. Other receivables

	2015.12.31	2014.12.31
Receivables related to concession rights	3 610 124	3 610 124
VAT reclaimable	28 186	406 639
Corporate income tax receivable	59 669	140 600
Other tax receivables	90 356	107 821
Loans given	170 189	106 803
Advance Payments	17 491	45 614
Government grants	0	0
Other receivables	134 756	355 520
Other receivables due within a year	4 110 771	4 773 121
Impairment	-3 610 124	-3 610 124
Other Receivables total	500 647	1 162 997

23. Accruals

	31 December 2015	31 December 2014
Accrued revenue	377 840	218 865
Accrued expenses	0	378 003
Total	377 840	596 868

Revenues due consist of the revenues that were related to consumption in 2015 and were invoiced after the balance sheet day.

24. Cash and cash equivalents

	2015.12.31	2014.12.31
Bank balances	**608 964**	**506 886**
Call deposits	**34 079**	**22 115**
Cash on hand	2 166	10 975
Cash and cash equivalents	645 208	539 976

25. Subscribed capitals

	December 31, 2015. piece	December 31, 2014. piece
Issued pieces shares (10HUF par value/ shares)	27 172 579	27 172 579

Registered capital on par value	December 31, 2015.	December 31, 2014.
Balance at 1 January	**969 968**	**1 775 293**
Par value of the cancelled treasury shares during the year	0	-805 325
Balance at December 31.	969 968	969 968

Movement of issued and fully paid shares	December 31, 2015.	December 31, 2014
Balance at 1 January	**27 172 579**	**52 531 445**
Number of the cancelled treasury shares during the year	0	-25 358 866
Balance at December 31.	27 172 579	27 172 579

26. Reserves

Reserves

	December 31, 2015	December 31, 2014.
Share premium	**41 382 934**	**54 198 984**
Foreign currency translation	**-810 301**	**-1 026 780**
Total reserves	40 573 987	53 172 204

Movements of the reserves

	31 December 2014	31 December 2013
Balance at beginning of year	**53 172 204**	**64 819 306**
Movements	-12 599 571	-11 647 102
Balance at the end of year	40 573 987	53 172 204

The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

Movement of share premium

	31 December 2015	31 December 2014
Balance at begining of year	54 198 984	65 103 540
Share premium recognised during bankrupcy proceedings	0	0
Share premium from cancelled treasury shares during the year	-12 816 050	-10 904 556
Balance at the end of year	41 382 934	54 198 984

Foreign currency translation

	31 December 2015	31 December 2014
Balance at beginning of year	-1 026 780	-284 234
Net foreign exchange losses (-) / gains	216 479	-742 546
Balance at the end of year	-810 301	-1 026 780

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

27. Treasury shares

Movements of pieces of treasury shares	31 December 2015	31 December 2014
Opening	5 540 991	30 638 646
treasury shares hold by companies held for sale	-156 553	0
Number of treasury share bought back in the period	541 919	261 211
Number of the cancelled treasury shares	0	0
Number of the cancelled treasury shares during the year	0	-25 358 866
Closing (piece)	5 923 357	5 540 991
Attributable to subsidiary	1 057 202	1 522 643

Movements of book value of treasury shares	31 December 2015	31 December 2014
Opening	17 476 556	29 074 466
treasury shares hold by companies held for sale	-183 730	0
Shares recognised during bankrupcy proceedings	0	0
Value of treasury share bought back in the period	201 451	111 971
Book value of the cancelled treasury shares during the year	0	-11 709 881
Reclassification to reserves	-11 326 370	0
Movements of treasury shares in book value	6 167 906	17 476 556
Attributable to subsidiary	430 608	850 996

28.Non-controlling interest

	2014.12.31	2013.12.31
Balance at beginning of the year	1 684 469	3 174 267
Share of profit for the year	547 466	-137 716
Dividend paid to non-controlling interests	-185 665	-580 037
Disposal of the non-controlling interests related to sold subsidiary	0	-832 186
Net foreign exchange losses (-) / gains	0	0
Balance at end of year	2 046 270	1 624 328

29. Provisions

	Emission quotas	Employee benefits	Other	Total
January 1, 2014	**669 627**	**710 858**	**1 074 942**	**2 455 427**
Current portion of provisions (-)	669 627	94 989	284 874	**1 049 490**
Non-current portion of provisions	0	615 869	790 068	**1 405 937**
Provisions made during the year	995 139	64 942	821 067	1 881 148
Provisions used during the year	-662 742	-17 518	-111 650	-791 910
Provisions reversed during the year	0	0	-478 317	-478 317
Effects of movements in exchange rates	-23 770	50 764	-122 729	-95 735
December 31, 2014	978 254	809 046	1 183 313	2 970 613
Current portion of provisions (-)	978 254	84 863	339 826	**1 402 943**
Non-current portion of provisions	0	724 183	843 487	**1 567 670**
Provisions made during the year	0	0	1 684 448	1 684 448
Provisions used during the year	0	0	-635 806	-635 806
Disposal during the year	-978 254	-809 046	-1 387 848	-3 175 148
Effects of movements in exchange rates	0	0	14 269	14 269
December 31, 2015	0	0	858 375	858 375
Current portion of provisions (-)	0	0	0	**0**
Non-current portion of provisions	0	0	858 375	**858 375**

30. Earnings per share

The earnings per share index is calculated in a way that the earnings of the reporting year due to the shareholders are divided by the weighted average of the number of common shares.

Basic and diluted EPS	31 December 2015	31 December 2014
Profit for the period attributable to ordinary shareholders from continuing operations	-1 695 582	2 045 932
Profit for the period attributable to ordibary shares from **discontinuing** operations	2 012 039	0
Weighted average number of ordinary shares (shares)	18 489 573	21 789 721
Basic EPS from continuing operations (EUR/pieces)	-0,09	0,09
Basic EPS from discontinuing operations (EUR/pieces)	0,11	-0,11
Total basic EPS	0,02	0,09
Diluted EPS from continuing operations(EUR/pieces)	-0,09	0,09
Diluted EPS from discontinuing operations(EUR/pieces)	0,11	0,00
Total diluted EPS	0,02	0,09

31. Loans and borrowings

Loans and conditions:

	2015 december 31.	2014 december 31.
Liabilities from bond issues	0	0
Secured bank loans	0	7 893 305
Other loans	0	600 983
Finance lease liabilities	0	12 268
Financial liabilities	0	8 506 556
Current portion of liabilities from bond issues	0	0
Current portion of secured bank loans	0	1 073 394
Current portion of other loans	0	600 983
Current portion of finance lease liabilities	0	9 429
Total current liabilities	0	1 683 806
Non-current portion of liabilities from bond issues	0	0
Non-current portion of secured bank loans	0	6 819 911
Non-current portion of other loans	0	0
Non-current portion of finance lease liabilities	0	2 839

The conditions of the loans are the following:

Financing Bank	Closing date	Reference interest	Margin %	Currency	2015. december 31.	2014. december 31.	Matter in dispute
BzWBK	2017.05.31	WIBOR	3,00%	PLN	0	6 804 027	Mortgage on share of Mielec, mortgage on property.
BzWBK	2018.12.31	WIBOR	2,50%	PLN	0	1 089 278	Collection 1 db, mortgage 1, property mortgage 1
Total					0	7 893 305	
Due in one year					0	1 073 394	

The balance stated among the deferred revenues last year was related to the Polish operation sold in the business year of 2016, therefore, it is stated among the liabilities attached to the assets for sale.

32. Employee Share Ownership Program

Movement in the present value of the defined benefit obligation	2015	2014
Defined benefit obligation as at January 1	823 009	761 869
Current service costs	40 956	42 531
Interest expense	27 972	32 125
Benefits paid	-86 590	-109 980
Actuarial gains and losses	51 267	82 747
FX difference	0	-246
Business combinations	0	0
Defined benefit obligation as at December 31	**856 614**	**809 046**
Expense recognizes in profit and loss		
Current service costs	40 956	42 531
Interest expense	27 972	32 125
Actuarial gains and losses	51 267	82 747
Total expense recognized in profit or loss	120 195	157 403

Actuarial assumptions	**2015**	**2014**
Discount rate as at 31 December	2,50%	3,40%
Future salary increases	2,50%	2,50%

This table contains the expenditures of the Executive Share Option Program of the Poland segment.

33. Deferred income

	31 December 2015	31 December 2014
Government grants	0	3 445 489
Other deferred income	0	0
Current portion of government grants received	0	261 533
Current portion of other deferred income	0	0
Non-current portion of government grants received	0	3 183 956

One of the Polish subsidiaries of the Group has expanded its capacities. During 2011 they installed 2 new gas engines which meant a significant expansion of capacity and also decreased the emission of pollutants by the Group thanks to the environmentally friendly technology. The Company received EU subsidies in an amount of PLN 14.8 million PLN (EUR 3,814,924) for the gas engine purchase. The subsidies were accounted for in accordance with the IAS 20 Standard on Accounting for Government Grants.

The balance stated among the deferred revenues last year was related to the Polish operation sold in the business year of 2016, therefore, it is stated among the liabilities attached to the assets for sale.

34. Other long term liabilities

	December 31, 2015	December 31, 2014
Other long term liability regarding Romanian concession rights	0	198 504
Long term liability from interest rate swap	0	475 326
Other long term liability	7 708	0
Total	7 708	673 830

Last year's other long term liabilities contains the long term liability of the concession rights of the projects of Romania and the interest rate swaps of the Poland segment.

35. Accruals and deferred income

	31 December 2015	31 December 2014
Deferred revenue	464 610	0
Current portion grant received	0	332 799
Accrued expenses	189 280	727 194
Total	653 890	1 059 993

36. Other short term liabilities

	2015. december 31.	2014. december 31.
Trade payables	861 125	3 897 175

	2015. december 31.	2014. december 31.
Other taxes payable	742 653	767 378
Wages and salaries	176 923	156 049
Social security	165 403	151 530
Short-term liabilites from Romanian concession contract	0	919 070
Advance payment received	1	124
Other liabilities	46 513	347 491
Total	1 131 493	2 341 642

37. Related party transactions

Related party	Nature of the related party	Reference
Soós Csaba	shareholder	1. Note

The balances of transactions with the above affiliated partners at the balance sheet date are as follows:

	31 December 2015	31 December 2014
Transactions affecting the balance sheet		
to related party- Csaba Soós	54 778	0
Interest receivables to related party- Csaba Soós	4 730	0
Total	59 508	0
Transactions affecting the comprehensive income		
Receivables against related party- Csaba Soós	0	19 061
Interest income from related party	3 214	0
Total	3 214	19 061

The terms and conditions of loans received from and granted to affiliated partners are in line with the market conditions.

The remuneration of the Board of Directors, Supervisory Board, 2015:

	2015	2014
Gross honorarium	79 810	74 830
Commission fee	23 617	16 523
Total	103 427	91 353

38. Segment information

Segment information for the year 2015:

	Hungarian	Romanian	Polish	Other	Total
Net Revenues:	2 315 533	1 504 366	0	0	3 819 899
Cost of Sales	-842 883	-721 197	0	0	-1 564 080
Gross profit	1 472 650	783 169	0	0	2 255 819
Materiel cost	-17 859	-45 784	0	0	-63 643
Personnel cost	-383 607	-388 400	0	0	-772 007
Service used	-539 243	-236 471	0	-12 825	-788 539
Other revenue and expenditures, net	-8 447 061	2 225 005	0	0	-6 222 056
Operation cost	-9 387 770	1 554 350	0	-12 825	-7 846 245
Depreciation	-205 626	-2 558 541	0	0	-2 764 167
Impairment of Property, plant and equipment	0	0	0	0	0
Net profit/loss from financial activities	6 618 461	73 922	0	-36 375	6 656 007
Net profit/loss from associated companies	162 428	-413 030	0	17 403	-233 199
Profit before tax	-1 339 857	-560 130	0	-31 797	-1 931 784
Income tax expense	-1 422 749	76 535	0	-99 989	-1 446 203
Result from discontinued operation	0	0	2 012 039	0	2 012 039
Net profit	-2 762 606	-483 595	2 012 039	-131 786	-1 365 949

Segment information for the year 2014:

	Hungarian	Romanian	Polish	Other	Total
Net Revenues:	2 172 591	1 625 902	15 768 661	-	19 567 154
Cost of Sales	- 950 972	- 804 753	- 1 656 711	-	- 3 412 436
Gross profit	1 221 619	821 150	14 111 950	-	16 154 718
Materiel cost	- 23 017	- 72 519	- 8 523 014	-	- 8 618 550
Personnel cost	- 437 397	- 314 220	- 2 224 557	-	- 2 976 174
Service used	- 566 855	- 370 853	- 709 402	662	- 1 646 448
Other revenue and expenditures, net	675 993	58 188	611 110	- 210 555	1 134 736
Operation cost	- 351 276	- 699 405	- 10 845 862	- 209 893	- 12 106 436
Depreciation	- 149 696	- 746 161	- 1 094 330	-	- 1 990 187
Impairment of Property, plant and equipment	25 217	424 434	- 46 207	-	403 444
Net profit/loss from financial activities	1 679 982	- 1 643 639	- 741 587	616 052	- 89 192
Net profit/loss from associated companies	-	-	157 022	-	157 022
Profit before tax	2 425 846	- 1 843 621	1 540 986	406 159	2 529 370
Income tax expense	- 40 169	27 160	- 470 429	-	- 483 438
Net profit	2 385 677	- 1 816 460	1 070 557	406 159	2 045 932
Attributable to:					
Owners of the company:	2 385 677	- 1 816 460	793 173	406 159	1 768 548
Non-controlling interest	-	-	277 384	-	277 384

The tables contains figures of Polish segment, that is presented as discontinued operation.

39. Management of financial and Market Risks

The Group is exposed to risks relating to the changes of market and financial conditions. These changes may have an impact on the profit as well as on the value of the assets and liabilities. The purpose of financial risk management is to continuously diminish risks through operative and financing measures.

The Group is exposed to the following risks:

The Group is exposed to the following risks:

- Market risk
    - Currency risk
    - Interest risk
- Liquidity risk
- Credit risk

39.1. Market Risk

The Group's operations are primarily exposed to the financial risk relating to the changes of exchange rates and interest rates. The Group does not purchase derivative financial instruments to cover its interest rate and exchange rate risks.

39.2. Currency Risk

The Group makes transactions also in foreign currencies therefore it is exposed to exchange rate risk. The Group manages exchange rate risks by means of forward currency transactions in accordance with its relevant regulation.

The Group's selling prices are primarily determined in HUF, PLN and RON and payments are also received mostly in these currencies. The Group operates primarily in Hungary, Poland and in Romania.

The management periodically reviews contracts made in foreign currencies and considers the opportunity of managing the relevant risk by means of derivative transactions.

The Group's foreign currency denominated assets and liabilities were valued at the end of the reporting period as follows.

December 31, 2015	RON	PLN	HUF
Receivables	572 971	3 548 043	1 289 265
Trade payables	-1 216 014	-2 311 758	-673 044
Revenue	870 839	18 591 112	2 122 737
Expenditure	833 153	-14 627 564	-283 518
Net position	1 060 949	5 199 833	2 455 440

December 31, 2014	RON	PLN	HUF
Receivables	1 226 034	4 617 304	2 480 783
Trade payables	-3 658 884	5 510 701	-1 522 603
Revenue	1 625 902	15 768 661	2 172 591
Expenditure	-3 147 796	-13 244 160	-377 734
External loans	0	-6 822 750	0
Net position	-3 954 744	5 829 756	2 753 037

39.3. <u>Sensitivity analysis:</u>

Transactions are mostly made in RON, HUF or PLN, our exposure to exchange rates were evaluated on the basis of the fluctuation of the exchange rates of these three currencies.

The Company's exchange rate sensitivity for the year 31 December, 2015 presented in the table below:

Movements in exchange rate (%)	Exchange rate EUR/HUF	EUR/RON	EUR/PLN	Effect for current year result
97,69%	0,0031			
		0,2160	0,2291	-85 482
		0,2211	0,2243	-63 595
		0,2262	0,2399	-13 408
100,00%	0,0032			
		0,2160	0,2291	-28 762
		0,2211	0,2345	0
		0,2262	0,2399	43 313
102,31%	0,0033			
		0,2160	0,2291	27 959
		0,2211	0,2243	63 595
		0,2262	0,2399	100 033

We prepared the calculation for 31 December, 2014. also:

Movements in exchange rate (%)	Exchange rate EUR/HUF	EUR/RON	EUR/PLN	Effect for current year result
97,69%	0,0031			
		0,2179	0,2292	-106 908
		0,2230	0,2243	-63 595
		0,2282	0,2400	-20 282
100,00%	0,0032			
		0,2179	0,2292	-43 313
		0,2230	0,2346	0
		0,2282	0,2400	43 313
102,31%	0,0032			
		0,2179	0,2292	20 282
		0,2230	0,2243	63 595
		0,2282	0,2400	106 908

39.4. Risk of changing interest rate

Interest rate risk is the risk that future cash-flows from certain financial assets and liabilities may fluctuate due to the changes in market interest rates.

A change in market interest rates may pose a risk for the Group in the case of variable-interest long-term loans and bonds.

The effective interest rates payable by the Group as at 31 December 2014 on its outstanding loans were as follows:

	2014
Effective interest rate	4,6%

39.5. Sensitivity analysis

A 50 base point change in the interest environment would cause the following change in the Group's profitability

December 31, 2014.:

Interest	4,1%	4,6%	5,1%
Fizetendő kamat:	-49 422	0	49 422

39.6. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations. Liquidity risk must be managed eventually by the Board of Directors. The Group manages its liquidity risk by keeping a proper level of reserves, bank credit lines, reserve loan raising opportunities; and by continuously monitoring its planned and actual cash-flow data as well as by reconciling the expiry dates of financial assets and liabilities.

39.7. Liquidity and interest risk table

December 31, 2015						
In EUR	Within 1 year	1 to 2 years	2 to 5 years	over 5 years	Contractual	Carrying
Loans and borrowings	0	0	0	0	0	0
Other long term liability	0	0	7 708	0	7 708	7 708
Trade and other payables	2 396 217	0	0	0	2 396 217	2 396 217
Total financial liabilities	2 396 217	0	7 708	0	2 403 925	2 403 925

2014. december 31.						
In EUR	Within 1 year	1 to 2 years	2 to 5 years	over 5 years	Contractual	Carrying
Loans and borrowings	1 683 806	1 096 787	6 698 551	0	9 479 144	8 506 556
Other long term liability	0	350 042	323 788	0	673 830	673 830
Trade and other payables	7 275 047	0	0	0	7 275 047	7 275 047
Total financial liabilities	8 958 853	1 446 829	7 022 339	0	17 428 021	16 455 433

39.8. Credit risk

Credit risk is the risk that a debtor defaults on its contractual obligations which may cause a financial loss to the Group.
Most of the Group's customers are large multinational firms, local municipalities, or listed firms or subsidiaries of companies controlled by local municipalities.
Most of the Group's customers have been doing business with the Group for years and credit losses have been very rare. As a result of the current market environment, watching the creditworthiness of partners on a day-to-day basis became one of the most important tasks of the management.

	December 31, 2015	December 31, 2014
Not past due	118 348	2 733 936
Past due 0-90 days	240 825	505 916
Past due 91-180 days	73 726	26 291
Past due 181-360 days	290 723	326 875
More than one year	2 680 848	1 586 207
Trade receivable gross total	3 404 470	5 179 225

40. Material events after the Reporting Period

1. The transaction regarding the sale of ENEFI Polska Spolka Z.o.o. – already reported and made public by ENEFI Energiahatékonysági Nyrt. in the reference period – was closed down after the balance sheet date.

In the course of the transaction, EETEK Ltd. sold ENEFI Polska Spolka Z.o.o. above the registration value, against PLN 48.51 mn in cash, as well as in return to the value of all receivables of ENEFI Polska against ENEFI Nyrt. (about PLN 28 million). Under this scheme, ENEFI Polska set up a company in majority ownership under the name Premium Fund Spolka Z.o.o., into which it contributed its ownership share held in E-STAR Elektrociepłownia Mielec Spółka z o. o.

Upon the sale of ENEFI Polska, the obligation of ENEFI Polska towards BZ WBK was also sold, and the buyer agreed to pre-pay it to the Bank, furthermore the surety of ENEFI Energiahatékonysági Nyrt. for the obligations of ENEFI Polska Sp. z o.o. ceased to exist in the amount of max. PLN 54,000,000 + penalty of PLN 20,000,000, a fine payable in case of an eventual breach of contract by E-Star Polska Sp. z o.o., the term of the contract is 15 years.

2. The Company sold it full ownership share in its affiliated enterprise, RFV Slovak s.r.o (head office: Hnústa, Francisciho nám 373., Slovakian Republic, 98101, corp. reg. no.: 44 016 972), against a symbolic purchase price of 1 euro. RFV Slovaks.r.o carried out no actual activities for years, it has no assets, however, it maintenance entails costs, therefore the Company decided to sell it in order to simplify the corporate group and to cut the costs.

3. The Company notified its investors that – with regard to its Gyergyószentmiklós project – significant above-plan depreciation can be expected in its consolidated report for 2015, through the IFRIC 12 calculation. As the IAS rules say that the intangible asset model must be followed in case of the Gyergyószentmiklós project, the write-off will affect the intangible assets at a consolidated level (in the case of the Gyergyószentmiklós and similar projects, the IFRS prescribes to present in the consolidated report the investment made under a concession contract not as tangible asset but as intangible asset, which, in the given case, may be misleading for the less professional eyes, therefore the Company draws the esteemed investors' attention to this also separately).

4. The Company notified its investors that the Romanian court decided in connection with the termination of the Gyergyószentmiklós project that the Gyergyószentmiklós affiliated venture has the obligation to provide continued service until the lawsuit launched on the legitimacy of the termination is closed down.

The Company notified its investors that the court passed a resolution that is favourable for E-Star CDR in the lawsuit started by the Municipality of Gyergyószentmiklós, based on the information of the Gyergyószentmiklós operation, (the subject matter was the request to establish that the Town earlier voted for modifying the price of remote heating, therefore the termination by the Company's Gyergyószentmiklós company - E-Star CDR – was unlawful, and it has to be cancelled). The court accepted the complaint made by E-Star CDR and dismissed the Town's request to approve the planned decision on remote heating price, together with the other, later submitted requests for action. The decision is not final.

5. The Company deemed it to be one of the first tasks of the newly elected Board of Directors to accurately determine and to communicate to the Shareholders its short and medium term objectives regarding the Company, with special regard to the fact that the Company's former owners and the members of the directorial board did not agree on elaborating the Company's strategy.

After reviewing the Company's ownership structure, the Board of Directors established that the Company's ownership structure has recently been modified considerably as a result of the ENEFI share purchases by EETEK Ltd and their sale to the Company. As a result of the Company's bankruptcy proceedings that were earlier closed down with success, the Company – where, from 2013, the majority shareholders were the former creditors – now once again has majority shareholders who originally had real intentions to purchase the shares. The number of former creditor shareholders went down to fewer than 250 from about 2000 owners. As a result of the bankruptcy arrangement, the number of shares held by creditor-turned-shareholders was 50 million pieces. This figure went down to about 20 million after the shares that had gone to the affiliated ventures were purchased by the Company and then withdrawn. Currently, disregarding the shares owned by the Company's own and affiliated ventures, the shareholders hold about 7.2 million shares, and less than half of them are shares issued within the framework of the bankruptcy arrangement.

The change in the ownership structure could have triggered growth at the Company, but all of the Company's initiatives aimed at launching new projects and setting up new businesses have failed over the past three years. During this time, the Company kept losing its abilities that would be of prime importance for starting growth. The projects that were finally implemented covered the purchase of public lighting projects that were already in progress and that could be attached to a corporate group, however, the projects did not meet the expectations as their sales revenues do not, or only scarcely go to the Company. The recent, hostile purchase further deteriorated the Company's situation, as a result, the employees kept leaving the Company, and this already endangered the Company's going concern status, especially in the audit period.

The Company's management believes that its shares at the Budapest and Warsaw Stock Exchanges are traded well below the per-share book value, which indicates the lack of investor confidence.

Earlier, the Company communicated several times that certain asset elements are evaluated in a conservative manner in its report. This was partly proved by the recently concluded Polish asset sale transaction because the asset was purchased at a price more than double the book value.

Therefore, in the current situation, the Company's new management does not regard it as a realistic target to set the Company on a short-term growth track by implementing new projects or perhaps by opening new energetics businesses. However, the earlier concluded, traditional businesses will run out (expire) in the next 3-8 years.

The Company's Board of Directors established its short and medium term objectives as follows:

1. Currently, the Company's management is focusing on surveying the damage and restoring it as soon as possible, which will probably take the next 2-3 months.
2. Further cut on the central budget, whereby the wages of operative managers will be reduced to half.
3. Issuing employee shares for implementing the Company's programme and swapping / converting them into registered ENEFI shares at a target rate of HUF 300. The Board of Directors is planning to issue 2.5 million employee shares instead of issuing the appr. 4 million employee shares that were earlier approved by the general meeting.
4. In 2016 the Board of Directors will put to the agenda the Company's proposal for withdrawing its own shares.
5. In the next 3-5 years, the Company will be focusing on the following:
   - Selling the existing Hungarian projects prior to the end of their term, in consideration of the fact that there should always be enough coverage for the operating costs.
   - Selling the last, still operable Gyergyószentmiklós project in Romania, in the manner agreed with the local municipality. Should this not be successful, the Company will start a lawsuit.
   - Closing the Romanian lawsuits through an agreement outside court.
   - Utmost protection of the corporate group's interests and enforcing them through legal means in case of Romanian lawsuits where probably no agreement can be made outside court (e.g. legal disputes arising from the unrightful attacks of the Romanian tax authority).
   - Purchasing own shares from the amounts received by reducing the Company's operations in the above manner.

6. The Company notified its investors that – according to the information by the Romanian operation – the following reasons were given for the second-instance resolution in the lawsuit concerning the distraint/seizure of the Company's Zilah land plot by the Romanian tax authority (the lawsuit was won by the Company on first instance):

The court established in its reasons that the tax authority started legitimate enforcement only on the basis of the claim of RON 265,977 out of the claim of RON 8,967,172. The court established with regard to the other claims that the tax authority lost the right of collection (due to the failure of registration into the Company's former bankruptcy procedure). The Company also disputed the claim of RON 265,977. The court rejected the Company's complaint regardless of the fact that it did not find the enforcement lawful either, except for the interest.

The claim of RON 265.977 is the interest on the above claim of RON 8.967.172 (RON 8.701.195 + RON 265.977 interest), which was established by finance despite the fact that the court already pronounced the loss of the claim of RON 8.701.195 earlier. The Company challenged the resolutions establishing the interest, the lawsuit was won by the Company on first instance, but on second instance the court approved the claim by finance.

In this lawsuit, the court based its resolution on this decision.

The Company challenged the former, final resolution in form of a revision because it cannot understand how interest can be charged on a capital claim that the Company is not obliged to pay, therefore, the Company obviously cannot be in delay. The request for revision was rejected, and the appeal lodged against this decision is in progress. Furthermore, the Company reminds that the interest could not be claimed either by the Company's former creditors who were properly registered in the bankruptcy procedure because they waived it in the bankruptcy arrangement.

The Company emphasizes that the tax authority initiated enforcement for its total claim in a manner that it was aware that it had no right to enforce it based on the former court resolution. Apart from the above, the VAT rightfully reclaimed by the Company was not paid to the Company either because it was compensated in its claim.

The Company will also request revision of the current, second-instance resolution.

7. The Company notifies its Esteemed Investors that – according to the information of the Romanian operation – the Marosvásárhely High Court also rejected the appeal lodged against rejecting the request for legal remedy against the final decision on rejecting the appeal against the resolution ordering the liquidation of E-Star Mures Energy SA „under liquidation". As a result of the above, the company can have recourse to no more legal remedy in Romania, therefore it will enforce its claim at an international forum.

8. MAG Zrt. informed the Company that an irregularity procedure was started against it with regard to a former project involved in a subsidy granted to small/medium-sized companies.

According to the reasons, the Company's consolidated report for 2011 and 2012 said that the average staff number was 504 and 449, respectively, and, based on this, "it can be concluded that the Company is not in conformity with the tender conditions and with the small/medium sized company qualification specified in the Tender Call and Guide." According to the reasons, it qualifies as a breach of the contract if "the Beneficiary no longer conforms with the tender conditions due to changes in its ownership structure."

The Company expressed its opinion that, based on the above reasons, the conditions on starting the irregularity procedure do not prevail against it, the Company did not breach the subsidy contract, furthermore the reasons are unfounded, contradictory and based on false conclusions. The Tender Call clearly says that the small/medium sized company status is a condition on application. The Company fulfilled the tender conditions when applying for, and winning the tender. The Subsidy Contract and the Tender Call and Guide do not prescribe that the applicant must keep the small/medium-sized company status until the end of the maintenance period. This would also be contrary to the purpose and the principle of the subsidy. The Company cannot interpret the reason for the breach of contract mentioned in the reasons, with special regard to the fact that the Company was a public share company both when submitting the application and also today, there is no relationship between the ownership structure and the small/medium-sized company status, furthermore, the Tender Call and Guide and the Contract do not say that there cannot be any change in the applicants' ownership structure.

Regardless of the above, MAG Zrt. established an irregularity, and after this the Company made use of its right of appeal.

The Ministry of National Economy approved the decision on establishing the irregularity and claimed to take actions to waive the contract.

Afterwards the Ministry of National Economy notified the Company about its intention to waive the contract and to take actions to collect the amount of subsidy on the pattern of tax collection.

The Company disputes the claim and will institute court actions.

41. Presentation of off-balance sheet items and their impact on financial statements

Hungarian lawsuits in progress when preparing the report:

Plaintiff	Defendant	Subject matter
Tibor Botos Dr.	ENEFI Energiahatékonysági Nyrt.	General mmeting resolution 04/11/2014 The Company won the procedure on first instance, the plaintiff lodged an appeal, therefore the case went to second instance – contractual fees and related amounts.
Csaba Soós	ENEFI Energiahatékonysági Nyrt.	General mmeting resolution 08/01/2016
ENEFI Energiahatékonysági Nyrt.	Nagydobos Község Önkormányzata	Payment of contractual fees
ENEFI Energiahatékonysági Nyrt.	Szamosszeg Község Önkormányzata	Payment of contractual fees

Judicial supervisory proceedings are in progress against the Company at the competent registration court, where the subject matter covers the leading official mandates terminated on 31.12.2015. In the meantime the Company's general meeting decided to elect the officials.

FLEETCONCEPT Hungary Fleet Management and Car Rental Ltd. initiated a liquidation procedure against the Company, and this request was finally rejected by the court also on second-instance.

Romanian lawsuits in progress when preparing the report:

Ser. no.	Plaintiff	Defendant	Subject matter
1.	E-Star Mures Energy SA	8 retail consumers	Payment of fees under the consumption contract.
2.	E-Star Mures Energy SA		Filing request for bankruptcy protection on 8.2.2013.
3.	E-Star Mures Energy SA	Town of Marosvásárhely	Payment of damages due to the breach of concession contract, claim for remote heating subsidy and fees under the consumer contract. Amount: RON 124.040.531,19 Within this lawsuit, the Town demanded - through a counter-action – to qualify the contract termination as unlawful.
4.	E-Star CDR SRL	152 retail consumers	Payment of fees under the consumption contract.
5.	Town of Gyergyószentmiklós	E-Star CDR SRL	Claim of interest calculated on the concession fee
6.	Town of Gyergyószentmiklós	E-Star CDR SRL	The subject matter of the lawsuit is that the court should establish that the price was adopted at the board meeting dated 19.03.2015. In November 2015 the Town made a change in the case document, i.e. its action is extended with a new claim in which it requests to render our concession termination note to be null and void.
7.	Fluid Group Hagen SRL	E-Star Investment Management SRL	Request for liquidation due to the non-payment of contractual fees.
8.	ENEFI Nyrt SP –	Maros tax authority	Complaint, annulment of the decree of enforcement in the amount of 7.602.338 leus.
9.	ENEFI Energiahatékonysági Nyrt.	Maros tax authority	Complaint against the rejection of the complaint against the minutes taken by the tax authority to establish the second tax-law insolvency status against the Company's tax-law business site. Claim by the tax authority: Tax obligation of 7.602.324 leus.
10.	ENEFI Energiahatékonysági Nyrt.	Supreme Court	Challenge of the tax resolution, claim by tax authority: extra amounts to the tax obligation of 265,977 leus.
11.	ENEFI Energiahatékonysági Nyrt.	Maros tax authority	Complaint against the enforcement decree entitled "unified document permitting enforcement" (no. RO 1263929/14.01.2015 UIPE_1) Financial enforcement is launched for the claim of 9.867.217 leus
12.	Uzina Electrica (CET)	E-Star ZA Distriterm SRL	Payment of contractual fees (payment order).
13.	Town of Zilah with county jurisdiction	- E-Star ZA Distriterm SRL - ENEFI Energiahatékonysági Nyrt. (former E-Star Alternatív Nyrt.)	Termination of the concession contract, declaring the trunk line sale and purchase contract to be null and void.
14.	Uzina Electrica (CET)	E-Star ZA Distriterm SRL	Payment of contractual fees (liquidation procedure).
15.	- ENEFI Energiahatékonysági Nyrt. - E-Star Management Zrt. - E-Star ZA Distriterm SRL	Szilágy County Tax Office	Challenging the public administrative resolution.
16.	Uzina Electrica (CET)	E-Star Energy Generation SA	Land purchase, claim for VAT difference
17.	- Zilah Tax Office - Town of Zilah with county jurisdiction	- I&O, the liquidator of E-Star ZA Distriterm SRL - special managing director	Complaint about the liquidator's decision on rejecting the tax office's request to pay RON 930.000 as current debts.
18.	ENEFI Energiahatékonysági Nyrt.	- Zilah Tax Office -Maros Tax Office	Complaint about enforcement against minutes on the seizure of real estate assets
19.	- I&O, the liquidator of E-Star ZA Distriterm SRL - ENEFI Energiahatékonysági Nyrt.	- Zilah Tax Office	- The liquidator challenged the result of the financial examination whereby the tax office established that the finally lost claim is current and the court resolutions stating the contrary are not valid against

	- E-Star Management Zrt. - E-Star Energy Generation SA		the tax office. - The creditors whose interest is violated by the tax office's manner of procedure submitted a request for intervention.
20.	Zilah Tax Office	- I&O, the liquidator of E-Star ZA Distriterm SRL - ENEFI Energiahatékonysági Nyrt. -E-Star Management Zrt. - E-Star Energy Generation SA	- The Zilahi tax office challenged the decision of the crediting committee dated 29.02.2016 to employ an attorney.

42. Approval of financial statements

The Annual General Meeting of ENEFI Energy Efficiency Plc. on June 1, 2016. approved the 2015 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS).

43. Statements

We caution you that a number of important factors could cause actual results to differ materially from statements for the future.

Statement of responsibility – We declare that the Consolidated Financial Statements which have been prepared in accordance with the applicable accounting standards and the best knowledge, give a true and fair view of the assets, liabilities, financial position and profit or loss of ENEFI Energy Efficiency Plc. and its undertakings included in the consolidation, development and performance of the Company and its undertakings included in the consolidation, together with a description of the principal risks and uncertainties of its business.

The Board of Directors approved the financial statement on June 1, 2016 and recommended it for publication.

Budapest, June 1, 2016

....

Representative of ENEFI ENERGYEFFICIENCY Plc.

ENEFI Energiahatékonysági Nyrt.
1134 Budapest, Klapka u. 11. 2. em.
Adószám: 13719069-4-41
Csoportazonosító: 17781846-5-41
Bankszz.sz: 12001008-00123720-00100000