EMMA ALPHA HOLDING LTD

Auditor's report

and consolidated financial statements

31 December 2016

Contents

Officers and Professional Advisors

Board of Directors	Radka Fiserova Demetrios Aletraris Andri Pangalou
Secretary	Cyproman Services Limited 12 Esperidon Street 4th floor 1087 Nicosia
Independent Auditors	KPMG Limited Certified Public Accountants and Registered Auditors 14 Esperidon Street 1087 Nicosia Cyprus
Bankers	PPF Banka a.s. Hellenic Bank Public Company Ltd BRD Groupe Société Générale Piraeus Bank România RaiffeisenBank România Banca Comercială Română (BCR)
Registered Office	12 Esperidon Street 4th Floor 1087 Nicosia Cyprus
Registration number	HE313347

Management report

The Board of Directors of EMMA ALPHA HOLDING LTD (the "Company") present to the members its Annual Report together with the audited consolidated financial statements of the Company and its subsidiary companies (together referred to as the "Group") for the years ended 31 December 2016 and 31 December 2015.

INCORPORATION

The Company was incorporated in Cyprus on 12 October 2012 as a private limited liability company under the Cyprus Companies Law, Cap. 113.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the holding of investments and trading of securities and distribution of gas.

FINANCIAL RESULTS

The Group's financial results for the years ended 31 December 2016 and 31 December 2015 are set out on page 11 in the consolidated financial statements. The net profit attributable to equity holders of the Group for the year 2016 amounted to TEUR 38,320 (2015 – loss of TEUR 19,165).

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The results for this year are considered satisfactory as the Group achieved a net profit attributable to equity holders totalling TEUR 38,320.

REVENUE

The Group's revenue (including finance income and excluding dividend income and share of profit from associates) for the year ended 31 December 2016 amounted to TEUR 50,224 (2015 – TEUR 34,641).

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in Note 4 of the consolidated financial statements.

FUTURE DEVELOPMENTS

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

SHARE CAPITAL

There were no changes in the share capital of the Company during the year.

BRANCHES

During the year ended 31 December 2016 and 31 December 2015, the Group did not operate any branches.

Management report (continued)

BOARD OF DIRECTORS

The members of the Group's Board of Directors as at 31 December 2016 and at the date of this report are presented on page 3. All of them were members of the Board of Directors during the year ended 31 December 2016.

In accordance with the Company's Articles of Association, all directors presently members of the Board continue in their office.

There were no significant changes in the composition, assignment of responsibilities and remuneration of the Board of Directors.

ACCOUNTING RECORDS

The books of the Group for the year 2016 were maintained internally.

RECENT VOLATILITY IN GLOBAL FINANCIAL MARKETS

Any significant events that relate to the operating environment of the Group are described in Note 5 of the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Any significant events that occurred after the end of the reporting period are described in Note 29 of the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 28 of the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Demetrios Aletraris

Director

Nicosia, 30 June 2017

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
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Independent Auditors' report

to the Members of

Emma Alpha Holding Ltd

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Emma Alpha Holding Ltd (the "Company") and its subsidiaries (the "Group"), which are presented on pages 10 to 54 and comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *"Auditors' responsibilities for the audit of the consolidated financial statements"'* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Our report in this regard is presented in the *"Report on other legal requirements"* section.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

KPMG

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors Law of 2017, N.53(I)/2017, we report the following:

- In our opinion, the Management report on pages 4 and 5, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we have not identified material misstatements in the Management report.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017, N.53(I)/2017, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Haris A. Kakoullis, CPA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

30 June 2017

	Note	2016 TEUR	2015 TEUR
ASSETS			
Non-current assets			
Intangible assets	7	117	198
Property, plant and equipment	8	48,951	36,536
Investments in associates	14	567,263	370,451
Loans receivable	11	117,296	108,483
Financial assets available-for-sale	10	--	7,747
Financial assets at fair value through profit or loss	10	3,085	2,353
Total non-current assets		**736,712**	**525,768**
Current assets			
Loans receivable	11	29,964	27,585
Trade and other receivables	12	14,977	8,991
Inventories		2,705	389
Other assets	13	3,652	933
Cash and cash equivalents	9	3,567	2,949
Financial assets available-for-sale	10	--	97,947
Total current assets		**54,865**	**138,794**
Total assets		**791,577**	**664,562**
EQUITY			
Share capital	19	10	10
Redeemable preference shares	19	437,605	414,941
Revaluation reserves	19	19,484	9,025
Translation reserve	19	(37,368)	(49,789)
Other reserves	19	(12,761)	(10,796)
Accumulated losses		(51,558)	(30,989)
Profit for the period		37,844	(19,628)
Equity attributable to owners of the Company		**393,256**	**312,774**
Non-controlling interests		**2,906**	**3,204**
Total equity		**396,162**	**315,978**
LIABILITIES			
Non-current liabilities			
Non-current provisions		--	111
Due to non-banks	15	289,698	311,380
Due to banks and other financial institutions	16	67	2,583
Other liabilities	18	4 598	4,592
Deferred tax liabilities		4 511	2,537
Total non-current liabilities		**298,874**	**321,203**
Current liabilities			
Current provisions		234	128
Due to non-banks	15	59,623	9,280
Due to banks and other financial institutions	16	6,177	7,824
Current income tax liabilities		15	50
Trade and other payables	17	7,595	2,819
Other liabilities	18	22,897	7,280
Total current liabilities		**96,541**	**27,381**
Total liabilities		**395,415**	**348,584**
Total liabilities and equity		**791,577**	**664,562**

On 30 June 2017, the Board of Directors of EMMA ALPHA HOLDING LTD authorised these consolidated financial statements for issue.

Radka Fišerová
Director

Demetrios Aletraris
Director

The notes on pages 14 to 54 are an integral part of these consolidated financial statements.

	Note	2016 TEUR	2015 TEUR
Trading profit	20	3,598	6,869
Net retail income	23	4,449	13,264
Administrative expenses	22	(16,205)	(10,987)
Impairment of investments	21	(9)	(2,981)
Other operating income	24	34,628	7,667
Other operating expenses	25	(3,784)	(14,079)
Profit/(loss) from operations		**22,677**	**(247)**
Finance income	26	7,549	6,841
Finance expense	26	(22,125)	(19,442)
Net finance expense		**(14,576)**	**(12,601)**
Associates – share of profit/(loss)	14	29,484	(6,246)
Profit/(loss) before tax		**37,585**	**(19,094)**
Income tax credit/(expense)	27	735	(71)
Profit/(loss) after tax from continuing operations		**38,320**	**(19,165)**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation gains on available-for-sale financial assets	10	--	526
Foreign currency translation differences		471	(543)
Associates – share of OCI	14	11,624	(7,661)
Items that will not be reclassified to profit or loss:			
Gain on property revaluation		10,928	--
Associates – share of OCI (remeasurement of the defined benefit liability)		(5)	60
Other comprehensive income/(expense) for the year		**23,018**	**(7,618)**
Total comprehensive income/(expense) for the year		**61,338**	**(26,783)**
Total comprehensive income attributable to:			
Owners of the Company		60,875	(27,176)
Non-controlling interests		463	393
		61,388	**(26,783)**

The notes on pages 14 to 54 are an integral part of these consolidated financial statements.

	Share capital TEUR	Redeemable shares TEUR	Revaluation reserves TEUR	Translation reserve TEUR	Other reserves TEUR	Accumulated losses TEUR	Total – Owners of the Company TEUR	Non-controlling interest TEUR	Total TEUR
Balance as at 1 January 2015	10	382,237	15,064	(45,901)	1,933	(29,037)	324,306	694	325,000
Comprehensive income									
Loss for the period	–	–	–	–	–	(23,582)	(23,582)	462	(23,120)
Items reclassified from OCI to profit/(loss)	–	–	–	–	–	3,954	3,954	–	3,954
Revaluation gains on available-for-sale financial assets	–	–	526	–	–	–	526	–	526
Translation reserve changes	–	–	–	(474)	–	–	(474)	(69)	(543)
Associates – share of OCI	–	–	1,608	(8,036)	(1,172)	–	(7,600)	–	(7,600)
Total comprehensive income for the year	–	–	2,134	(8,510)	(1,172)	(19,628)	(27,176)	393	(26,783)
Transactions with owners recognised directly in equity									
Contributions by and distributions to owners									
New issue of capital	–	32,704	–	–	–	–	32,704	–	32,704
Transfers	–	–	–	–	29	(29)	–	–	–
Items reclassified from OCI to profit/(loss)	–	–	(8,456)	4,622	(120)	–	(3,954)	–	(3,954)
Acquisition of NCI without a change in control	–	–	–	–	–	(1,923)	(1,923)	2,117	194
Total transactions with owners	–	32,704	(8,456)	4,622	(91)	(1,952)	26,827	2,117	28,944
Other movements	–	–	283	–	(11,466)	–	(11,183)	–	(11,183)
Balance as at 31 December 2015	10	414,941	9,025	(49,789)	(10,796)	(50,617)	312,774	3,204	315,978
Balance as at 1 January 2016	10	414,941	9,025	(49,789)	(10,796)	(50,617)	312,774	3,204	315,978
Comprehensive income									
Profit for the period	–	–	–	–	–	36 840	36,840	476	37,316
Items reclassified from OCI to profit/(loss)	–	–	–	–	–	1,004	1,004	–	1,004
Revaluation gains/(losses) on property, plant and equipment	–	–	11,537	–	(553)	–	10,984	(56)	10,928
Translation reserve changes	–	–	–	429	–	–	429	43	472
Associates – share of OCI	–	–	(74)	11,992	(299)	–	11,619	–	11,619
Total comprehensive income for the year	–	–	11,463	12,421	(852)	37 844	60,876	463	61,339
Transactions with owners recognised directly in equity									
Contributions by and distributions to owners									
New issue of capital	–	22,664	–	–	–	–	22,664	–	22,664
Transfers	–	–	–	–	193	(193)	–	–	–
Items reclassified from OCI to profit/(loss)	–	–	(1,004)	–	–	–	(1,004)	–	(1,004)
Disposal of NCI without a change in control	–	–	–	–	–	486	486	(687)	(201)
Total transactions with owners	–	22,664	(1,004)	–	193	293	22,146	(687)	21,459
Other movements	–	–	–	–	(1,306)	(1,234)	(2,540)	(74)	(2,614)
Balance as at 31 December 2016	10	437,605	19,484	(37,368)	(12,761)	(13,714)	393,256	2,906	396,162

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the owners.

The notes on pages 14 to 54 are an integral part of these consolidated financial statements.

	Note	2016 TEUR	2015 TEUR
Cash flows from operating activities			
Profit/ (loss) for the period after tax		**38,320**	**(19,165)**
Adjustment for:			
Depreciation and Amortisation	7,8	2,239	2,270
(Reversal of) Impairment losses	21,25	1,544	2,954
Revaluation of assets at fair value through profit and loss	10	(732)	397
Share of (profit)/loss of associates, net of tax	14	(29,484)	6,246
(Gain) / loss on the sale of investments	14	(9)	(7,196)
(Gain) / loss on the sale of financial assets available-for-sale	10	(15,625)	--
Net interest expense	26	14,576	12,593
Unrealised foreign exchange (gains)/losses		(6,962)	175
Tax expense	27	(735)	72
Items reclassified from other comprehensive income to (profit) / loss		--	(3,954)
Operating profit before changes in working capital and provisions		**3,132**	**(5,608)**
(Increase) / Decrease in inventories		(2,316)	20
(Increase) / Decrease in trade and other receivables		(6,740)	467
Increase / (Decrease) in trade and other payables		4,885	(2,742)
Decrease in provisions and employee benefits		(4)	(850)
Cash used in operating activities		**(1,043)**	**(8,713)**
Interest paid		(15,935)	(10,376)
Interest received		15,787	69
Income tax paid		(87)	(4)
Net cash used in operating activities		**(1,278)**	**(19,024)**
Cash flows from investing activities			
Proceeds from associates (reduced share premium)	14	--	3,834
Proceeds from sale of assets available-for-sale	10	124,340	3,838
Proceeds from sale of associates	14	1,379	74,000
Acquisitions of investments in associates	14	(142,373)	(353)
Acquisitions of assets available-for-sale	10	--	(97,947)
Loans (provided) / repaid		(19,484)	(14,791)
Acquisitions of intangible assets	7	(6)	(3)
Acquisitions of property, plant and equipment	8	(1,267)	(957)
Acquisitions of assets at fair value through profit and loss	10	--	--
Payment for capital contribution to investment in associates		(1,000)	--
Net cash used in investing activities		**(38,411)**	**(32,379)**
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		18,350	19,660
Proceeds from redeemable shares issued	19	22,664	32,704
Disposal for the benefit of non-controlling interest	1	(687)	195
Net cash from financing activities		**40,327**	**52,559**
Net movement in cash and cash equivalents		**638**	**1,156**
At the beginning of the year		**2,949**	**1,839**
Effect of movements in exchange rates on cash held		*(20)*	*(46)*
At the end of the year	9	**3,567**	**2,949**

The notes on pages 14 to 54 are an integral part of these consolidated financial statements

1. Description of the Group

EMMA ALPHA HOLDING LTD (the "Company") was incorporated in Cyprus on 12 October 2012 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at 12 Esperidon Street, 4th Floor, 1087 Nicosia, Cyprus.

The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise of the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

Shareholders

The owners of the Company are as follows:

Shareholders	Country of incorporation	Type of shares	Ownership interest (%) 2016	2015
MEF HOLDINGS LIMITED	Cyprus	Redeemable preference shares	99.47	99.87
TOMÁŠ KOČKA	--	Redeemable preference shares	0.23	0.13
PAVEL HORÁK	--	Redeemable preference shares	0.19	--
MICHAL HOUŠŤ	--	Redeemable preference shares	0.06	--
ONDŘEJ FRYDRYCH	--	Redeemable preference shares	0.03	--
PETR STÖHR	--	Redeemable preference shares	0.02	--
EMMA CAPITAL LIMITED	Cyprus	Ordinary shares	100.00	100.00

Principal activities

The principal activities of the Group are the holding of investments and trading of securities and distribution of gas.

Description of the Ownership Structure

The Company controls, directly or indirectly, other companies in Cyprus, The British Virgin Islands, The Czech Republic and Romania. Subsidiary companies are controlled by the Company and they are fully consolidated, whereas the results of the associated companies are included in the consolidated financial statements using the equity method.

Consolidated subsidiaries	Country of incorporation	Effective ownership interest (%) 2016	2015
BELLVILLE SERVICES LIMITED	The British Virgin Islands	100.00	100.00
TONALA LIMITED	Cyprus	100.00	100.00
MARJOLENDO LIMITED	Cyprus	100.00	100.00
SPRINGROCK LIMITED	Cyprus	100.00	100.00
PARESTA LIMITED	Cyprus	100.00	100.00
QUIVERDA LIMITED	Cyprus	100.00	100.00
CHAPALACO LIMITED	Cyprus	100.00	100.00
EMMA OMEGA LTD	Cyprus	100.00	100.00
SERENITY RESOURCES LIMITED[1]	The British Virgin Islands	90.85	90.85
- LIGATNE LIMITED[1]	Cyprus	90.85	90.85
- GRUP DEZVOLTARE RETELE S.A [1)4)]	Romania	90.85	86.3075
- GAZ SUD S.A.[1)4)]	Romania	90.85	86.3046
- PREMIER ENERGY SRL [1]	Romania	90.85	90.85
EMMA GAMMA LIMITED[3]	Cyprus	100.00	100.00

[1)] forms part of SERENITY RESOURCES LIMITED GROUP
[2)] LIGANTE SRL merged with its subsidiary PREMIER ENERGY SRL in September 2015
[3)] a subsidiary founded by the Group in 2015
[4)] GAZ SUD S.A. merged with GRUP DEZVOLTARE RETELE S.A. as at 31 December 2015.

1. Description of the Group (continued)

Equity-accounted investees (associates)	Country of incorporation	Ownership interest (%) 2016	2015
MESTROLIO INVESTMENTS LTD	Cyprus	25.00	25.00
HOME CREDIT B.V	Netherlands	11.38	11.38
KKCG Turkey B.V.[1]	Netherlands	--	50.00
AMESELO LIMITED[1]	Cyprus	33.34	33.34
Austrian Gaming Holding a.s. [2]	Czech republic	--	25.00
SAZKA Group a.s.[3]	Czech republic	25.00	--

[1] included in associates in 2014
[2] participation acquired in 2015 and disposed in 2016
[3] participation acquired in 2016

Acquisitions and disposals in 2016

On 22 February 2016, the Group acquired 25% in Italian Gaming Holding a.s. incorporated in the Czech Republic, for the total consideration of TEUR 18 (TCZK 500). On 2 May 2016, the Company disposed its entire shareholding by way of capital contribution in kind to IGH Financing a.s. for the amount of TEUR 7 (TCZK 195). The transaction resulted to a loss on disposal of TEUR 11.

On 17 March 2016, the Group entered into a sale and purchase agreement with Progas Invest Limited and Catobase Trading Limited, to acquire 17.528 shares, representing 5,000571% of the share capital of Grup Dezvoltare Retele S.A for an agreed price of €35.000.

On the same date, the Group entered into another agreement with Progas Invest Limited and Catobase Trading Limited, to purchase 621 shares, representing 5,002913% of the share capital of GAZ SUD for an agreed price of €165.000.

On 26 April 2016, the Group acquired 25% in IGH Financing a.s. incorporated in the Czech Republic, for the total consideration of TEUR 19 (TCZK 500). On 2 May 2016, the Company made a capital contribution in kind to IGH Financing a.s. by contributing its shares in Italian Gaming Holding a.s. for the value of TEUR 7 (TCZK 195). On 6 May 2016 an additional capital contribution of TEUR 1,000 was made. On 17 August 2016 the investment was fully sold to SAZKA Group a.s. for TEUR 1,027 consideration. The transaction resulted in a gain on disposal of TEUR 1.

On 27 June 2016, the Company sold its shareholding in KKCG Turkey B.V. to KKCG Entertainment & Technology B.V. The parties have agreed that the selling price is EUR 1 per share.

On 17 August 2016, the Group acquired 25% in SAZKA Group a.s. for the total consideration of TEUR 157,553 consisting of TEUR 141,753 due payable immediately and a deferred consideration in the form of a promissory note for the amount of TEUR 15,180 due payable on 31 October 2017 (note 18). As at the year end the holding in SAZKA Group a.s. remained unchanged. The investment in SAZKA Group a.s. was classified as an investment in associates, in 2016, and has been accounted for using the equity method.

On 17 August 2016 the Group provided a 'Contribution' in Austrian Gaming Holding a.s. of TEUR 16,739. On the same date the Group sold its entire shareholding in Austrian Gaming Holding a.s. to SAZKA Group a.s. for a total sale-purchase price of TEUR 17,111, thereby realising a profit on sale of investment of TEUR 18. The investment was classified as an investment in associates and has been accounted for using the equity method since the significant influence in the associate was acquired as at 31 December 2015.

On 28 December 2016, the Company sold its shareholding in Facipero Investments Limited (classified as short term financial assets available for sale) to PPF Group N.V. The parties have agreed that the selling price is TUSD 123,739 (TEUR 118,968), resulting in a gain on disposal for the amount of TEUR 12,752. Part of the consideration is still outstanding since it is subject to agreed terms. This is shown as a receivable (note 12).

1. Description of the Group (continued)

Acquisitions and disposals in 2015

On 16th January 2015 the Group agreed to sell 183 shares corresponding to 9.15% of Serenity Resources Limited share capital for the sum of TUSD 226 (equiv. TEUR 195).

On 17th June 2015 the Group sold 2% share in Home Credit B.V. (HCBV) for TEUR 74,000 resulting in gain of TEUR 3,865.

On 17th June 2015, the Group sold 2% share in the registered capital and the identical share in the voting rights in Air Bank a.s to PPF Group N.V for the price of TEUR 3,800.

On 30th June 2015, PPF Group N.V. (PPFGNV), Emma Omega Limited (the Company) and HCBV entered into a Contribution Agreement (CA), on the basis of which PPFGNV's share of 88.62% and the Company's share of 11.38% in Air Bank A.S. should be contributed to HCBV. In the CA the parties contractually agreed that the contributions will be considered as non-stipulated share premium, without issuance of any new shares in the share capital of HCBV.

On 16th September 2015 the Group incorporated Emma Gamma Limited, having 1200 issued ordinary shares of EUR 1 each.

On 17th June 2015 the Group acquired 20% holding in Facipero Investments Limited for a total purchase price of TEUR 97,947 with a view to its subsequent sale. Based on a letter of intent between the owners and potential buyer it appeared that as at 31 December 2015, the sale was highly probable. The shares of Facipero Investments Limited, which were expected to be sold within twelve months, were classified as held for sale and are presented separately in the statement of financial position.

On 3rd September 2015 the Group acquired 25% in Austrian Gaming Holdings A.S. for a consideration of TEUR 353. It is a Group strategic investment targeting lottery business in Austria. The investment was classified as an investment in associates and was accounted for using the equity method since the significant influence in the associate was acquired.

2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2016 comprise of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), including International Accounting Standards (IASs), promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of IASB as endorsed by the European Union and the requirements of the Cyprus Companies Law, Cap.113 as amended from time to time.

(b) Basis of measurement

These consolidated financial statements have been prepared under the historic cost convention basis, except in the case of financial instruments at fair value through profit or loss, financial assets available-for-sale, property, plant and equipment which are measured at fair value and investments in associates which are accounted for using the equity method. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortised cost or historic cost, as appropriate, net of any relevant impairment.

(c) Presentation and functional currency

The consolidated financial statements are presented in Euro (EUR), which is the Company's functional currency and Group's presentation currency. Financial information presented in EUR has been rounded to the nearest thousand (TEUR).

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements made by management in preparing these consolidated financial statements in respect of impairment recognition is described in Note 3(c)(vii) and Note 21.

(e) Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the parent company EMMA ALPHA HOLDING LTD and the financial statements of its subsidiaries as stated in Note 1. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

2. Basis of preparation (continued)

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date on which control effectively commences until the date on which control effectively ceases.

Legal restructuring and mergers involving companies under common control are accounted for using consolidated net book values, consequently no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

(ii) Associates

Associates are enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date on which significant influence effectively commences until the date on which significant influence effectively ceases. Under 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 exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company'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 Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) 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 Company 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.

2. Basis of preparation (continued)

(v) Business combinations

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 Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company 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 at the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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 gain on bargain purchase.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company 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 Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company 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 Company 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. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in stating the financial position of the Company. The accounting policies have been consistently applied by all Group entities.

(a) Foreign currency

(i) Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the foreign currency exchange rate ruling at the date of the transaction. The exchange rate as published by the European Central Bank is used.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate ruling at the date on which the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are retranslated using the exchange rate ruling at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of available-for-sale equity investments which are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(ii) Financial information of foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at exchange rates ruling at the reporting date. Income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to EUR at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Income and expenses of foreign operations in hyperinflationary economies are translated to EUR at exchange rates ruling at the reporting date. Prior to translation, their financial statements for the current year are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences arising on translation are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of so that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(b) Cash and cash equivalents

The Group considers cash in hand, unrestricted balances with banks and other financial institutions due within one month to be cash and cash equivalents.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities

(i) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, those that the Group upon initial recognition designates as at fair value through profit or loss, or those where its initial investment may not be substantially recovered, other than because of credit deterioration.

When the Group is a lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and receivables.

Financial assets and liabilities at fair value through profit or loss are financial assets or liabilities that are classified as held for trading or those which are upon initial recognition designated by the entity as at fair value through profit or loss. Trading instruments include those that the Group principally holds for the purpose of short-term profit taking and derivative contracts that are not designated as effective hedging instruments. The Group designates financial assets and liabilities at fair value through profit or loss where either the assets or liabilities are managed, evaluated and reported internally on a fair value basis or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract. Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Financial assets held-to-maturity are those non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than loans and receivables and instruments designated as at fair value through profit or loss or as available-for-sale.

Financial assets available-for-sale are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, financial instruments at fair value through profit or loss or held-to-maturity investments.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Group's policy is to recognize them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Group used trade date accounting.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for loans and receivables and held-to-maturity investments, which are measured at amortised cost less impairment losses, and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

3. Significant accounting policies (continued)

(iv) Fair value measurement

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (such as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The fair value of debt and equity securities available-for-sale is based on their quoted market price.

(v) Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount in which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, net of any relevant impairment.

(vi) Gains and losses on subsequent measurement

Gains and losses on financial instruments classified as at fair value through profit or loss are recognised in profit or loss.

Gains and losses on available-for-sale financial assets are recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortization process.

3. Significant accounting policies (continued)

(vii) Identification and measurement of impairment

The Group has developed a provisioning policy, which describes in detail the procedures and methodology of the impairment measurement, and a write-off policy. The impairment measurement is dealt with as follows:

The Group assesses on a regular basis whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the assets in a group of financial assets with similar risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the financial asset's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows. Financial assets with a short duration are not discounted.

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of financial assets are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of amortization, if no impairment loss had been recognised.

The write-off policy of the Group requires that the outstanding amount of a loan shall be written off if there is any instalment overdue for 361 or more days. However, the loan shall remain in the Company's statement of financial position even after 361 days of non-payment if it is probable that the loan will be sold in a near future, or significant recoveries are expected. In such case, the loan outstanding amount shall be derecognised at the moment of the sale or later as soon as no significant recoveries are expected.

(viii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or the Group has assumed an obligation to pay cash flows from the financial asset in full to a third party under a "pass through" arrangement. Any interest in transferred financial assets that is created or retained by the Group is recognised separately as asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3. Significant accounting policies (continued)

(ix) Offsetting

Financial assets and liabilities are off set and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(d) Intangible assets

Goodwill and gain on bargain purchase

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities of the acquiree. When the excess is negative (gain on a bargain purchase), it is recognised immediately in profit and loss. Goodwill is stated at cost less accumulated impairment losses (refer to Note 21).

In respect of associates, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

Software and other intangible assets

Software and other intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortization is recognised in profit or loss (as a part of "Other operating expenses") on a straight line basis over their estimated useful lives (1 - 3 years), from the date that they are available for use. Amortization method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(e) Property, plant and equipment

The property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

The cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

The assets relating to the gas distribution network are stated at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

The gas distribution network is operated based on the service concession arrangements. The service concession arrangements generally follows IFRIC 12 (if meeting the relevant conditions) which is a very complex pronouncement and the interpretation of its scope requirements is a matter of judgement in a gas distribution industry. In 2015, the management carried out an extensive analysis regarding the applicability of IFRIC 12 following the specific context of the relevant market and legal conditions. As a result of this analysis, the management's view was that IFRIC 12 is not applicable as the relevant conditions have not been met.

The gas distribution network is depreciated on a straight-line basis for a 35-year period.

3. Significant accounting policies (continued)

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss.

Depreciation on assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated economic useful lives, as follows:

	Years
Other tangible assets	1 – 16
Vehicles	3 – 8
Land and buildings	5 – 50

The items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The depreciation and impairment losses are charged to profit or loss (as a part of "Other operating expenses").

(f) Impairment for non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Trade and other receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are stated after deducting the appropriate allowances for any impairment.

3. Significant accounting policies (continued)

Adjustments are made for impairment when there is evidence that the Group will not be able to collect receivables originally agreed maturity. Special financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, failure to pay on time or delays in payments (more than 60 days maturity) are considered indicators of impairment claims. Also, it is a provision for doubtful debts total values older than 180 days. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in profit or loss.

Uncollectible accounts receivable are recorded as expenses when they are identified.

The impairment loss related to a receivable is reversed if the subsequent increase in recoverable amount can be related to an event occurring after the impairment loss was recognised.

(h) Equity

Share capital represents the nominal value of shares issued by the Company. To the extent such shares remain unpaid as of the end of the reporting period a corresponding receivable is presented in other assets.

Dividends on share capital are recognised as a liability provided they are declared before the end of the reporting period. Dividends declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

Non-controlling interests consist of the minority shareholders' proportion of the fair values of a subsidiary's net assets, at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

(i) Translation reserve

The translation reserve includes exchange differences relating to the translation of the results and net assets of the Group's foreign operations from functional to the Group's presentation currency. Exchange differences previously accumulated in the translation reserves are reclassified to profit or loss on the disposal of the foreign assets and operations.

(ii) Redeemable preference shares

The redeemable shares are classified as equity. Any dividends are discretionary only at the Company's option.

(i) Other payables

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which is normally equal to their nominal or repayment value.

(j) Revenues

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

(k) Net retail income

Revenues comprise the value of the gas distributed and supplied to customers and revenues from workings executed by the Company (gas supply installations, connection workings, grid extensions and other similar workings) net of value-added tax, rebates and discounts.

Revenues from gas sales/distribution are recognized based on the monthly consumption (estimated/measured) and are valued using the tariffs published by ANRE for the gas sold/distributed on the regulated market.

3. Significant accounting policies (continued)

(l) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(m) Fee and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income and expense relate mainly to transaction and service fees, which are recognised as the services are rendered or received.

The Group acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Group from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Group's contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Group does not participate on the insurance risk, which is entirely borne by the partner. Commission income from insurance is recognised in profit or loss when the Group provides the agency service to the insurance company.

(n) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Changes in accounting policies and accounting pronouncements effective for the current financial period

The preparation of these consolidated financial statements involved the use of the following new or amended standards and interpretations, whose initial application is required for annual periods beginning on 1 January 2016 (the list does not include new or amended standards and interpretations that relate to non-profit and public sector organisations, as those standards and interpretations do not apply to the Group). This adoption did not have a material effect on the accounting policies of the Group.

3. Significant accounting policies (continued)

Annual Improvements 2012-2014 Cycle

Effective for annual periods beginning on or after 1 January 2016

Makes amendments to the following standards:

- IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued,
- IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements,
- IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid,
- IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Amendments to IAS 1: Disclosure initiative

Effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply,
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss,
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11,
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognised for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

3. Significant accounting policies (continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment,
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated,
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

Effective for annual periods beginning on or after 1 January 2016.

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Given the nature of the Group's operations, the standards did not have significant impact on the Group's financial statements.

(p) Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Group's financial statements

A number of new Standards, amendments to Standards and Interpretations were not yet effective as of 31 December 2016, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its consolidated financial statements.

IFRS 9 Financial Instruments
Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions.

The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

3. Significant accounting policies (continued)

The Group does not expect IFRS 9 to have material impact on the consolidated financial statements. The classification and measurement of the Group's financial instruments are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial instruments that it holds.

IFRS 15 Revenue from Contracts with Customers
Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Group is evaluating the impact of adoption of IFRS 15 on the consolidated financial statements by way of a thorough analysis of the contracts with customers and evaluating the current form with respect to IFRS 15 guidelines.

Clarifications to IFRS 15 'Revenue from Contracts with Customers'
Effective for annual periods beginning on or after 1 January 2018. Not yet endorsed for use in the EU.

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

IFRS 16 Leases
Effective for annual periods beginning on or after 1 January 2019. Not yet endorsed for use in the EU.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Group is evaluating the impact of adoption of IFRS 16 on the consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Effective date deferred indefinitely. EU endorsement process currently halted.

Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations),
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

3. Significant accounting policies (continued)

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
Effective for annual periods beginning on or after 1 January 2017. Not yet endorsed for use in the EU.

Amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Amendments to IAS 7: Disclosure Initiative
Effective for annual periods beginning on or after 1 January 2017. Not yet endorsed for use in the EU.

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Annual Improvements to IFRSs – 2014 -2016 cycle

The improvements introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. These amendments are applicable to annual periods beginning on or after either 1 January 2017 or 1 January 2018; to be applied retrospectively.

4. Financial risk management

The risk management function within the Group is carried out in respect of financial risks (credit, market and liquidity risk), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risk
- legal risks

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and are responsible for developing and monitoring risk management policies in their specified areas.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The majority of the Group's exposure to credit risk arises in connection with the provided loans and financial assets which is the Group's principal business. The remaining part of the Group's exposures to credit risk is related to due from banks and other financial institutions, financial assets available-for-sale and other assets.

Credit risk results from business transactions (receivables from counterparties) and from the transactions in financial markets (money market, currency exchange, derivatives transactions, etc.). Several criteria are applied when assessing the level of credit risk.

Credit terms for individual transactions are assessed by the Group's specialists, including middle and top management of the Group. Experts from both law firms and financial institutions were also consulted on the risks related to the transactions. Publicly available information and information from external agencies were used for ongoing monitoring of the credit quality of the counterparties.

The receivables are divided by counterparties and are allocated to the responsible person overseeing each case. The counterparties are allocated to category classes based on allocation criteria such that the first class included low risk counterparties and the third class included higher risk counterparties.

The Group has a credit limit policy including new credit terms and credit limits. The Group has continued in a process of monitoring counterparties and their payment morale on regular basis.

The Group also continuously monitors the performance of individual credit exposures using a number of criteria. The Group has an active fraud prevention and detection program. Credit risk developments are reported by the Group Credit Risk Department to the Board of Directors on a regular basis.

As a result of recent negative development on financial markets, the credit environment in certain countries in which the Group operates has deteriorated. The Group has taken strict measures in its underwriting and collection policies in order to limit the negative impact of such market changes.

4. Financial risk management (continued)

Exposure to credit risk

The group has provided loans in amount of TEUR 147,260. The tables below provide a detailed analysis of the Group's exposure to credit risk.

	Loans - Due from non-banks		Loans - Due from banks and other financial institutions	
	2016	2015	2016	2015
	TEUR	TEUR	TEUR	TEUR
Neither past due nor impaired –	145,939	134,327	1,321	1,741
Total carrying amount	**145,939**	**134,327**	**1,321**	**1,741**

Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings of Moody's (if applicable):

	2016	2015
	TEUR	TEUR
Cash at bank and short term bank deposits		
A2	14	--
Ba1	86	250
Baa1	728	--
Caa1	6	--
Caa2	--	9
Caa3	1,289	1,708
Non-rated	1,402	971
Total	**3,525**	**2,938**

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk is managed by ensuring that there are sufficient financial resources to meet the obligations associated with financial liabilities. Cautious liquidity risk management assumes maintenance of a sufficient amount of cash and the availability of required external financing in terms of loans and borrowings.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's Treasury collects information regarding the liquidity profile of the financial assets and liabilities and details of other projected cash flows arising from projected future business. Portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

In order to monitor the current trends in liquidity and to manage other associated risks (exchange rate risk, interest rate risk, foreign exchange risk, payment conditions, tax legislation, etc.), a meeting is held on a monthly basis in attendance with representatives of the Finance Department and with specialists and managers from other departments, if needed. In regular meetings, the Finance Director then reports to the Group management on the liquidity status and its developments. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing as at the reporting date. Foreign currency payments are translated using the spot exchange rate as at the balance sheet date.

As at the year end, the Group's current liabilities significantly exceeded its current assets primarily due to its amounts owed to a third party. It is important to indicate though that although the loan to this party is presented in current liabilities, there is an unconditional right of the Group to extend the maturity until 30 April 2018. The Board of Directors of the Group has taken specific measures to ensure that the Group will have the required liquidity, until it commences to receive dividends from its investments.

4. Financial risk management (continued)

Contractual maturity analysis
The following table shows financial assets and liabilities by remaining maturity dates.

2016

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	No maturity	Total
Cash and cash equivalents	3,567	--	--	--	3,567
Financial assets at fair value through profit or loss	--	--	--	3,085	3,085
Loans - Due from non-banks	3,445	24,739	117,755	--	145,939
Loans - Due from banks and other financial institutions	1,321	--	--	--	1,321
Trade and other receivables	11,942	3,035	--	--	14,977
Other assets	3,652	--	--	--	3,652
Total financial assets	**23,927**	**27,774**	**117,755**	**3,085**	**172,541**
Due to non-banks	--	59,623	289,698	--	349,321
Due to banks and other financial institutions	6,177	--	67	--	6,244
Trade and other payables	4,734	2,861	--	--	7,595
Other liabilities	22,897	--	4,598	--	27,495
Total financial liabilities	**33,808**	**62,484**	**294,363**	**--**	**390,655**
Net position	**(9,881)**	**(34,710)**	**(176,608)**	**3,085**	**(218,114)**

2015

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	No maturity	Total
Cash and cash equivalents	2,949	--	--	--	2,949
Financial assets at fair value through profit or loss	--	--	--	2,353	2,353
Loans - Due from non-banks	--	25,846	108,483	--	134,329
Loans - Due from banks and other financial institutions	1,739	--	--	--	1,739
Trade and other receivables	8,991	--	--	--	8,991
Financial assets available-for-sale	--	97,947	--	7,747	105,694
Total financial assets	**13,679**	**123,793**	**108,483**	**10,100**	**256,055**
Due to non-banks	--	9,280	311,380	--	320,660
Due to banks and other financial institutions	4,327	3,497	2,583	--	10,407
Trade and other payables	2,819	--	--	--	2,819
Total financial liabilities	**7,146**	**12,777**	**313,963**	**--**	**333,886**
Net position	**6,533**	**111,016**	**(205,480)**	**10,100**	**(77,831)**

4. Financial risk management (continued)

Contractual cash flows of financial liabilities (gross undiscounted cash flows)
The following table shows gross undiscounted cash flows including estimated interest payments and therefore may not agree with the carrying amounts in the statement of financial position.

2016

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	Total
Due to non-banks	--	88,901	331,908	420,809
Due to banks and other financial institutions	5,423	1,800	--	7,223
Trade and other payables	7,595	--	--	7,595
Total	**13,018**	**90,701**	**331,908**	**435,627**

2015

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	Total
Due to non-banks	1,436	15,172	403,812	420,420
Due to banks and other financial institutions	4,341	3,577	2,698	10,616
Trade and other payables	2,819	--	--	2,819
Total	**8,596**	**18,749**	**406,510**	**433,855**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The majority of the Group's exposure to market risk arises in connection with the funding of the Group's operations with liabilities denominated in foreign currencies and to the extent the term structure of interest bearing assets differs from that of liabilities.

Market risk includes currency risk and interest rate risk. Management's objectives are to use natural hedging only. The borrowings are secured by the majority of the Group's receivables.

Interest rate risk
The principal risk to which the Group is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. As part of its management of this position, the Group may use interest rate derivatives.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios.

Foreign currency risk
The Group has assets and liabilities denominated in several foreign currencies. It invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in USD, CZK and RON.

Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency. Foreign currency risk is managed principally through monitoring foreign currency mismatches in the structure of assets and liabilities in the individual Group's country operations.

Net investments in foreign operations are not hedged. As a result, the Group's financial position is adequately sensitive on movements of the relevant foreign exchange rates. Impact of such exchange rate changes on the Group's net investment in foreign operations is presented as currency translation in the consolidated statement of changes in equity.

4. Financial risk management (continued)

Interest rate gap position based on re-pricing dates

2016

TEUR	**Effective interest rate**	**Floating interest rate**			**Fixed interest rate or Non specified**	**Total**
		Less than 3 months	**3 months to 1 year**	**1 to 5 years**		
Interest bearing financial assets						
Cash and cash equivalents	0.00%	3,567	--	--	--	**3,567**
Loans - Due from banks and other financial institutions	0.00%	--	--	--	--	--
Loans - Due from non-banks	5.97%	--	--	--	145,939	**145,939**
Total interest bearing financial assets	--	3,567	--	--	145,939	149,506
Interest bearing financial liabilities						
Due to non-banks	7.20%	--	98,190	--	251,131	349,321
Due to banks and other financial institutions	4.95%	--	6,244	--	--	6,244
Total interest bearing financial liabilities	--	--	**104,434**	--	**251,131**	**355,565**

2015

TEUR	**Effective interest rate**	**Floating interest rate**			**Fixed interest rate or Non specified**	**Total**
		Less than 3 months	**3 months to 1 year**	**1 to 5 years**		
Interest bearing financial assets						
Cash and cash equivalents	0.00%	2,949	--	--	--	2,949
Loans - Due from banks and other financial institutions	0.00%	--	--	--	1,739	1,739
Loans - Due from non-banks	5.74%	--	--	--	134,329	134,329
Total interest bearing financial assets	--	**2,949**	--	--	**136,068**	**139,017**
Interest bearing financial liabilities						
Due to non-banks	5,52%	--	94,869	--	225,791	320,660
Due to banks and other financial institutions	1,46%	4,327	1,657	--	4,423	10,407
Total interest bearing financial liabilities	--	**4,327**	**96,526**	--	**230,214**	**331,067**

Interest rate sensitivity analysis

An analysis of sensitivity of the Group's equity to changes in interest rates based on positions existing as at 31 December 2016 and 31 December 2015 and a simplified scenario of a 10% change in interest rates is shown below:

	Total effect on equity 2016 TEUR	**Total effect on equity 2015 TEUR**
Effect of 100bp decrease in interest rate	2,050	499
Effect of 100bp increase in interest rate	(2,050)	(499)

4. Financial risk management (continued)

Foreign currency position

2016

TEUR	**EUR**	**USD**	**CZK**	**RON**	**Other currencies**	**Total**
Cash and cash equivalents	370	631	--	2,266	300	3,567
Financial assets at fair value through profit or loss	3,085	--	--	--	--	3,085
Loans - Due from banks and other financial institutions	1,051	--	--	270	--	1,321
Loans - Due from non-banks	97,841	30,139	14,032	2,821	1,106	145,939
Trade and other receivables	--	--	--	14,977	--	14,977
Other assets	2,776	--	--	876	--	3,652
Total financial assets	**105,123**	**30,770**	**14,032**	**21,210**	**1,406**	**172,541**
Due to non-banks	204,245	138,735	6,341	--	--	349,321
Due to banks and other financial intuitions	486	--	--	5,758	--	6,244
Deferred tax liabilities	--	--	--	3,200	--	3,200
Trade and other payables	868	--	--	6,727	--	7,595
Other liabilities	15,180	--	--	12,315	--	27,495
Current tax liability	--	--	--	15	--	15
Total financial liabilities	**220,779**	**138,735**	**6,341**	**28,015**	**--**	**393,870**
Net position	**(115,656)**	**(107,965)**	**7,691**	**(6,805)**	**1,406**	**(221,329)**

2015

TEUR	**EUR**	**USD**	**CZK**	**RON**	**Other currencies**	**Total**
Cash and cash equivalents	42	408	1	2,494	4	2,949
Financial assets at fair value through profit or loss	2,353	--	--	--	--	2,353
Financial assets available-for-sale	--	97,947	--	--	7,747	105,694
Loans - Due from banks and other financial institutions	1,469	--	--	270	--	1,739
Loans - Due from non-banks	375	107,943	16,214	--	9,799	134,331
Trade and other receivables	--	--	--	8,991	--	8,991
Other assets	822	--	--	110	1	933
Total financial assets	**5,061**	**206,298**	**16,215**	**11,865**	**17,551**	**256,990**
Due to non-banks	64,884	248,223	7,553	--	--	320,660
Due to banks and other financial intuitions	2,058	--	--	4,022	4,327	10,407
Deferred tax liabilities	--	--	--	2,537	--	2,537
Trade and other payables	--	--	--	2,819	--	2,819
Other liabilities	1,882	276	--	9,714	--	11,872
Current tax liability	50	--	--	--	--	50
Total financial liabilities	**68,874**	**248,499**	**7,553**	**19,092**	**4,327**	**348,345**
Net position	**(63,813)**	**(42,201)**	**8,662**	**(7,227)**	**13,224**	**(91,355)**

4. Financial risk management (continued)

Foreign currency risk sensitivity analysis

An analysis of sensitivity of the Group's equity to changes in currency exchange rates based on positions existing as at 31 December 2016 and 31 December 2015 and a simplified scenario of a 5% change in USD, CZK and RON to EUR exchange rates is shown below:

	Total effect on equity 2016	Total effect on equity 2015
	TEUR	TEUR
Effect of 5% USD depreciation against EUR	5,398	2,110
Effect of 5% USD appreciation against EUR	(5,398)	(2,110)
Effect of 5% CZK depreciation against EUR	(385)	(433)
Effect of 5% CZK appreciation against EUR	385	433
Effect of 5% RON depreciation against EUR	481	361
Effect of 5% RON appreciation against EUR	(481)	(361)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure supporting the activities with financial instruments, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the limiting of financial losses and damage to the Group's reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk is assigned to senior management of the Group. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

(e) Legal risk

Legal risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations.

Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through strive for improving the debt to equity ratio.

5. Operating environment

Volatility in global financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 and is still continuing, resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Such circumstances could affect the ability of the Group to obtain borrowings or re-finance its existing operations at terms and conditions similar to those applied to earlier transactions. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

The debtors or borrowers of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Deteriorating operating conditions for debtors or borrowers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

To the extent that information is available, Management has reflected revised estimates of expected future cash flows in its impairment assessments. Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Operating environment of the Group

According to the Cyprus Statistical Service, economic growth for 2016 was estimated at + 2,8% compared to 2015. Even though the financial services sector showed negative growth, there has been an increase in the Gross Domestic Product which is mainly attributed to the hotels, construction, manufacturing and the wholesale and retail trade sectors. The economic growth was mainly driven by the increase in private consumption, which benefited from the reduction in unemployment and the consequent increase in disposable income. The growth was also supported by the slower pace of reductions in public spending and the increase in investments. On 17 March 2017 the credit rating of the country rose from BB to BB +.

Despite the significant steps towards economic recovery, a degree of uncertainty still exists, as certain issues remain to be resolved, such as the high index of non-performing loans, the high unemployment and the implementation of privatization and reforms of the public services sector.

The above could affect, among others, the Company's ability to obtain new loans on favourable terms and conditions or/and its ability to achieve satisfactory turnover.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

6. Critical accounting estimates and judgements

Fair values of financial instruments

The Group has performed an assessment of fair values of its financial instruments to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The fair value of financial instruments traded in active markets, such as publicly traded trading and available-for-sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices (Level 1) or calculated using valuation techniques where all the model inputs are observable in the market, typically interest rates and foreign exchange rates, (Level 2) or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3):

2016	**Note**	**Level 1 TEUR**	**Level 2 TEUR**	**Level 3 TEUR**	**Total TEUR**
Financial assets available-for-sale*	10	--	--	--	--
Financial assets at fair value through profit or loss	10	--	3,085	--	3,085
2015					
Financial assets available-for-sale*	10	7,747	--	97,947	105,694
Financial assets at fair value through profit or loss	10	--	2,353	--	2,353

Reconciliation of movements in Level 3:	**2016 TEUR**	**2015 TEUR**
Financial assets		
Balance as at 1 January	97,947	25,440
Acquisition of financial assets available-for-sale (Level 3)	--	97,947
Disposals of financial assets available-for-sale (Level 3)	(97,947)	(25,440)
Balance as at 31 December	--	**97,947**

* In 2015, the Group acquired 20% holding in Facipero Investments Limited for a total purchase price of USD 110,475 thousand (EUR 97,947 thousand). On 28 December 2016, the Company sold its shareholding in Facipero Investments Limited to PPF Group N.V. The parties have agreed that the selling price is TUSD 123,739 (TEUR 118,968), resulting to a gain on disposal for the amount of TEUR 12,752.

7. Intangible assets

2015	Software	Land lease rights	Other intangible assets	Total
	TEUR	TEUR	TEUR	TEUR
Acquisition cost				
Balance as at 1 January 2015	275	103	--	378
Additions	3	--	--	3
Disposals	--	--	--	--
Translation difference	(2)	(1)	--	(3)
Balance as at 31 December 2015	**276**	**102**	**--**	**378**
2016				
Balance as at 1 January 2016	276	102	--	378
Additions	2	--	4	6
Disposals	--	--	--	--
Transfers	(51)	--	51	--
Translation difference	(2)	--	--	(2)
Balance as at 31 December 2016	**225**	**102**	**55**	**382**
2015				
Accumulated amortization				
Balance as at 1 January 2015	(70)	(2)	--	(72)
Charge for the year	(101)	(3)	--	(104)
Translation difference	(4)	--	--	(4)
Balance as at 31 December 2015	**(175)**	**(5)**	**--**	**(180)**
2016				
Balance as at 1 January 2016	(175)	(5)	--	(180)
Charge for the year	(78)	(3)	(4)	(85)
Transfer	49	--	(49)	--
Translation difference	--	--	--	--
Balance as at 31 December 2016	**(204)**	**(8)**	**(53)**	**(265)**
Carrying amount				
As at 31 December 2015	101	97	--	**198**
As at 31 December 2016	21	94	2	**117**

During 2015, and following a number of transactions completed in the specific industry, the Group recognised its gas distribution network assets as Property, Plant and Equipment and reflected this change in the prior year's financial statements by restating the balances as at 31 December 2014. For more details refer to Note 3e.

8. Property, plant and equipment

2015	Land and buildings	Vehicles	Other tangible assets and equipment	Tangible assets not in use	Advance payments	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Acquisition cost						
Balance as at 1 January 2015	36,891	505	2,900	516	--	40,812
Additions	--	--	483	395	--	878
Disposals	(1)	--	(5)	--	--	(6)
Transfers	746	68	(422)	(392)	--	--
Translation differences	(702)	(3)	(15)	(3)	--	(723)
Balance as at 31 December 2015	**36,934**	**570**	**2,941**	**516**	**--**	**40,961**
2016						
Balance as at 1 January 2016	36,934	570	2,941	516	--	40,961
Additions	858	165	237	--	7	1,267
Disposals	(4)	(2)	(2)	(33)	--	(41)
Revaluation	12,169	--	10	--	--	12,179
Translation differences	(128)	(3)	(1)	--	--	(132)
Balance as at 31 December 2016	**49,829**	**730**	**3,185**	**483**	**7**	**54,234**
2015						
Accumulated depreciation						
Balance as at 1 January 2015	(1,109)	(102)	(1,118)	--	--	(2,329)
Charge for the year	(1,690)	(157)	(319)	--	--	(2,166)
Disposals	--	--	--	--	--	--
Translation difference	65	1	4	--	--	70
Balance as at 31 December 2015	**(2,734)**	**(258)**	**(1,433)**	**--**	**--**	**(4,425)**
2016						
Balance as at 1 January 2016	(2,734)	(258)	(1,433)	--	--	**(4,425)**
Charge for the year	(1,692)	(179)	(283)	--	--	**(2,154)**
Impairment loss	--	--	--	(232)	--	(232)
Disposals	--	--	--	--	--	--
Revaluation	1,509	--	(8)	--	--	1,501
Translation difference	22	3	2	--	--	27
Balance as at 31 December 2016	**(2,895)**	**(434)**	**(1,722)**	**(232)**	**--**	**(5,283)**

	Land and buildings	Vehicles	Other tangible assets and equipment	Tangible assets not in use	Advance payments	Total
Carrying amount	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As at 31 December 2015	**34,200**	**312**	**1,508**	**516**	**--**	**36,536**
As at 31 December 2016	**46,934**	**296**	**1,463**	**251**	**7**	**48,951**

8. Property, plant and equipment (continued)

During 2015, and following a number of transactions completed in the specific industry, the Group recognised its gas distribution network assets as Property, Plant and Equipment and reflected this change in the prior year's financial statements by restating the balances as at 31 December 2014. For more details, refer to Note 3e.

During 2016, the Group revalued its gas distribution network located in Romania, based on a valuation carried out by the independent valuators Accento Management Consultants Srl as at 31 December 2016. As a result a revaluation gain of TEUR 13,680 was recognised in the revaluation reserve for the year (note 19).

9. Cash and cash equivalents

	2016 TEUR	2015 TEUR
Current accounts	3,525	2,938
Cash on hand	42	11
	3,567	2,949

The exposure of the Group to credit risk in relation to cash and cash equivalents is reported in note 4 of the consolidated financial statements.

10. Financial assets

(a) Financial assets available-for-sale

The Group has the following investments considered as available-for-sale:

	Country of incorporation	Ownership interest (%)		Carrying amount (TEUR)	
		2016	2015	2016	2015
Non – current portion					
POLYMETAL INTERNATIONAL PLC[1)]	Channel Islands	--	0.25	--	7,747
Current portion					
FACIPERO INVESTMENTS LIMITED[2)]	Cyprus	--	20.00	--	97,947
				--	105,694

10. Financial assets (continued)

Available-for-sale financial assets are classified as non-current assets, unless they are expected to be realised within twelve months from the reporting date or unless they will need to be sold to raise operating capital.

1. As at 31st December 2015, the Group held shares traded on the London Stock Exchange of POLYMETAL INTERNATIONAL PLC where their fair value, using quoted market prices, was TEUR 7,747. In 2016, the shares have been disposed for the total consideration of TEUR 8,979 and a gain on sale amounting to TEUR 2,873 has been recognised, which includes TEUR 1,004 gain transferred from other comprehensive income to net profit due to disposal (2015 - an unrealised gain of TEUR 526 was recognised in other comprehensive income).

2. On 17 June 2015, Emma Omega acquired 20% holding in Facipero Investments Limited for a total purchase price of TEUR 97,947, with a view to its subsequent disposal. Based on a letter of intent between the owners and potential buyer it appeared that as at 31 December 2015, the sale was highly probable. The shares of Facipero Investments Limited, which were expected to be sold within twelve months, were classified as financial assets available-for-sale and were presented separately in the statement of financial position. The proceeds of disposal were expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss was recognised as at 31 December 2015 on the classification of these operations as financial assets available-for-sale.

   On 28 December 2016, the Group sold its shareholding in Facipero Investments Limited to PPF Group N.V. The parties have agreed that the selling price is TUSD 123,739 (TEUR 118,968), resulting in a gain on disposal for the amount of TEUR 12,752. The amount of TEUR 115,361 consideration was received during the current year while the remaining TEUR 3,607 is still outstanding as at the year end since it is subject to agreed terms. This is shown as a receivable (note 12).

   The exposure of the Company to market risk in relation to financial assets is reported in note 4 to the financial statements.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss of the Group are represented by financial derivatives from BELLVILLE SERVICES LIMITED - total return swaps in carrying amount of TEUR 3,085 (2015 – TEUR 2,353). The financial derivatives are marketable securities and are valued at market value at the balance sheet date by reference to Stock Exchange quoted bid prices. The financial derivatives are classified as current assets because they are expected to be realised within twelve months from the reporting date.

In the statement of cash-flows, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of profit or loss and other comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

	2016	2015
At 1st January	2,353	2,750
Additions	--	--
Change in fair value (Note 21)	732	(397)
Disposal	--	--
Balance at 31st December	**3,085**	**2,353**

11. Loans receivable

The Group has provided loans to its related parties of TEUR 144,439 (2015 - TEUR 136,068) and third parties of TEUR 2,821 (2015 – TEUR 0) which are repayable as follows:

2016	**Average interest rate**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total TEUR**
Loans receivable	5.18%	1,321	28,643	117,296	**147,260**

2015	**Average interest rate**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total TEUR**
Loans receivable	5.74%	1,739	25,846	108,483	**136,068**

The exposure of the Group to credit risk in relation to loan receivables is reported in note 4 of the consolidated financial statements. The fair value of loan receivables approximates to their carrying amounts as presented above.

12. Trade and other receivables

The trade receivables and other receivables amounted to TEUR 14,977 as at 31 December 2016 (2015 - TEUR 8,991).

The trade receivables refer mainly to distribution and sales of gas and workings performed (connections, utility installations and network extension partially financed by customers) by the Romanian companies.

Other receivables include an amount of TEUR 2,393 consideration due from the disposal of the investment in Facipero Investments Limited (note 10). As at the year end, a write off was recorded for the amount of TEUR 1,214, decreasing the receivable from TEUR 3,607 to TEUR 2,393.

The fair value of trade and other receivables approximates to their carrying amounts as presented above.

13. Other assets

Other assets include other tax receivables of TEUR 876 (2015 – TEUR 89), prepaid expenses, sundry debtors, down-payments to suppliers, investment grants and other current assets in the aggregate amount of TEUR 2,776 (2015 - TEUR 844).

14. Investments in associates

The Group has the following investments which were accounted for using the equity method:

	Type of equity method investment	Country of incorporation	Ownership interest		Carrying amount	
			(%)		TEUR	
			2016	2015	2016	2015
MESTROLIO INVESTMENTS LTD	associate	Cyprus	25.00	25.00	3,339	3,294
HOME CREDIT B.V.	associate	Netherlands	11.38	11.38	400,987	366,399
AMESELO LIMITED [2]	associate	Cyprus	33.34	33.34	261	264
KKCG Turkey B.V. [1]	associate	Netherlands	--	50.00	--	141
Austrian Gaming Holding a.s. [1]	associate	Czech republic	--	25.00	--	353
SAZKA Group a.s.	associate	Czech republic	25.00	--	162,676	--
					567,263	370,451

1) included in equity-accounted investees in 2015
2) AMESELO LIMITED is under liquidation

In 2016 the Group sold its share in Austrian Gaming Holding a.s. and KKCG Turkey B.V. and acquired share in SAZKA Group a.s.. The financial impact of transactions is disclosed in Note 1.

The Group's share of profit and other comprehensive income of the above equity-accounted investees recognised in 2016 amounts to TEUR 29,484 (2015 – loss of TEUR 6,246), positive TEUR 11,619 (2015 – negative TEUR 7,600) respectively. The Group's share of Other comprehensive income in 2016 was positively influenced notably by the positive change in HOME CREDIT B.V.'s translation reserve. This translation reserve represents foreign exchange differences arising from translation of the financial statements of the companies forming a group in which the associate (HOME CREDIT B.V.) is the parent company.

The Company's shares in Home Credit B.V. are pledged for the underlying loan payable to PPF Group N.V. The shares in SAZKA Group a.s. are fully pledged under the facility agreement dated 17 August 2016, to the extent they arise up to the aggregate amount of €400.000.000 until 31 December 2030.

	2016	2015
At 1st January	370,451	447,106
Additions	157,550	20,829
Disposal	(494)	(69,473)
Impairment loss on associates	--	(2,981)
Group's share of profit / (loss)	29,484	(6,246)
Group's share of Other comprehensive income – translation reserve	12,002	(8,036)
Group's share of Other comprehensive income – other components of OCI	(378)	436
Group's share of other net assets changes (other)	(1,352)	(11,184)
At 31st December	**567,263**	**370,451**

14. Investments in associates (continued)

The financial information relating to investments in associates is summarised below:
Share in SAZKA Group a.s. acquired on 17 August 2016. For details refer Note 1. Group structure is described in Note 1.

TEUR	MESTROLIO INVESTMENTS LTD		HOME CREDIT B.V.		SAZKA Group a.s. [1]		Other associates [2]	
	associate (25.00%) 2016	associate (25.00%) 2015	associate (11.38%) 2016	associate (11.38%) 2015	associate (25.00%) 2016	associate (–%) 2015	2016	2015
Summarised balance sheet								
Non-current assets	13,516	10,802	5,117,991	2,983,297	3,083,970	--	--	--
Current assets (incl. cash and cash equivalents)	1	2,524	9,585,834	6,672,666	558, 390	--	784	1,165
Non-current liabilities	--	--	(2,437,702)	(1,563,109)	(1,255,571)	--	--	--
Current liabilities	(157)	(150)	(10,764,760)	(6,897,116)	(634,421)	--	(2)	(91)
Net assets (100%)	**13,360**	**13,176**	**1,501,363**	**1,195,738**	**1,752,368**	**--**	**782**	**1,074**
Summarised income statement								
Revenues	191	210	2,773,508	2,286,431	637,193	--	--	340
Operating profit/(loss)	180	204	2,000,387	1,618,660	116,265	--	(9)	(584)
Profit/(loss) before tax	180	204	324,912	8,502	111,237	--	(9)	(585)
Income tax	--	(30)	(114,679)	(50,103)	(18,962)	--	--	(38)
Profit/(loss) for the year	**180**	**174**	**210,233**	**(41,601)**	**92,275**	**--**	**(9)**	**(623)**
- *out of which profit/ (loss) attributable to equity holders*	**180**	**174**	**212,797**	**(40,355)**	**56,604**	**--**	**(9)**	**(623)**
Other comprehensive income	**--**	**--**	**94,505**	**(83,687)**	**(3,347)**	**--**	**--**	**--**
Total comprehensive income	***180***	***174***	***304,738***	***(125,288)***	***88,928***	**--**	***(9)***	***(623)***

1) Share in SAZKA Group a.s. acquired on 17 August 2016. For details refer Note 1. Group structure is described in Note 1.
2) Participation acquired in 2014 and in 2015, includes also AMESELO LIMITED (disclosed separately in Notes to Consolidated Financial Statements for the year ended 31 December 2015). Group structure is described in Note 1.

15. Liabilities due to non-banks

The contractual terms of the Group's non-bank loans are summarised below. For more information about the Group's exposure to interest rate and foreign currency risk, please refer to Note 4.

	2016 TEUR	**2015 TEUR**
Loans from related parties	300,596	320,660
Loans from third parties	48,725	--
	349,321	**320,660**

Non-bank loans are payable as follows:

TEUR	**Amount as at 31 December 2016**	**Payable in 1 year**	**Payable in 1 to 5 years**
Loans from related and third parties	349,321	59,623	289,698
Total	**349,321**	**59,623**	**289,698**

TEUR	**Amount as at 31 December 2015**	**Payable in 1 year**	**Payable in 1 to 5 years**
Loans from related parties	320,660	9,280	311,380
Total	**320,660**	**9,280**	**311,380**

Loans originally granted from PPF Group N.V. (later assigned to PPF Financial Holdings B.V.) of TEUR 108,436 (2015 – TEUR 129,214) are secured by investments in associates (refer to Note 14).

The fair value of liabilities due to non-banks approximates to their carrying amounts as presented above.

16. Liabilities due to banks and other financial institutions

The Group's current liabilities due to banks and other financial institutions are in both years represented mostly by bank loans consisting of three loan facilities received by GAZ SUD S.A. with maturity in 2017. In prior period the bank loan received under repo operation of TEUR 4,327 due on 14th January 2016 has been also disclosed under position of current liabilities due to banks and other financial institutions. The bank loan was secured by traded shares of Polymetal International plc (refer to Note 10).

The fair value of liabilities due to banks and other financial institutions approximates to their carrying amounts as presented above.

17. Trade and other payables

The Group's trade payables as of 31 December 2016 amounting to TEUR 7,595 (2015 - TEUR 2,819) consist of payables of gas supply of Romanian companies Gaz Sud S.A., Grup Dezvoltare Retele S.A., Premier Energy Srl.

The fair value of trade and other payables approximates to their carrying amounts as presented above.

18. Other liabilities

	2016 TEUR	2015 TEUR
Promissory notes outstanding	15,180	--
Deferred income and prepayments	6,334	5,865
Accrued expenses	1,935	1,761
Other tax payable	865	1,332
Finance lease liabilities	92	300
Advances received	1,784	602
Wages and salaries	224	181
Social security and health insurance	38	134
Other liabilities	1,043	1,697
	27,495	**11,872**

As at 31st December 2016, the balance consists of a promissory note for the amount of TEUR 15,180 due payable on 31 October 2017 representing the deferred consideration connected to acquisition of SAZKA Group a.s. As at 31 December 2016 and 2015, the balance of other liabilities is notably represented by other liabilities borne by the Romanian companies acquired with the SERENITY RESOURCES LIMITED GROUP as described in Note 1.

The fair value of other liabilities approximates to their carrying amounts as presented above.

19. Equity

Share capital

At 31st December 2016, the share capital of the Group comprised 10,000 ordinary shares with nominal value of EUR 1, shares were issued and fully paid.

The Ordinary Shares shall confer on their holders the following rights:

a) The right to receive notice, attend and vote at any proposed General Meeting and/or proposed resolution of the General Meeting and/or any proposed unanimous written resolution of the General Meeting.

b) The right to receive dividends in accordance with Regulations 112-114A.c) On a return of assets on liquidation of the Company, reduction of capital or otherwise, the right to receive assets corresponding to (i) the nominal value of the Ordinary Shares and (ii) to the amount remaining payable as provided for in Regulation 114A (c).

Upon incorporation on 12th October 2012, the Company issued to the subscribers of its Memorandum of Association 10,000 ordinary shares of EUR 1 each at par and 9,900 redeemable preference shares of EUR 1 each at par.

Redeemable shares

	2016 Number of shares	2016 EUR	2015 Number of shares	2015 EUR
Authorised				
Redeemable shares of EUR 1 each	10,055	10,055	10,054	10,054
Issued and fully paid (Total)				
Opening balance	10,054	414,940,747	10,000	382,237,234
Issue of shares (including premium)	1	22,664,720	54	32,703,513
Balance as at 31 December	**10,055**	**437,605,467**	**10,054**	**414,940,747**

On 17 August 2016, the Company issued and allotted 1 redeemable preference share of €1 at a premium of EUR 22.664.719 for a total subscription of EUR 22.664.720.

On 16th January 2015, the Group issued and allotted 52 redeemable preference shares of EUR 1. At the same date, an additional issue was made of 1 redeemable preference share of EUR 1 at a premium of EUR 4,647,460 for a total subscription of EUR 4,647,461. On 17th June 2015 an additional issue was made of 1 redeemable preference share of EUR 1 at a premium of EUR 28,055,999 for a total subscription of EUR 28,056,000.

The Redeemable Preference Shares shall confer on their holders the following rights:

a. The right to redeem such shares in accordance with the procedure set out in the present Regulations.
b. The right to receive dividends in accordance with Regulations l 12- 114A.
c. On a return of assets on liquidation of the Company, reduction of capital or otherwise, the right to receive any surplus assets remaining after the distribution to the holders of Ordinary Shares as provided for in Regulation 5A (c).

Translation reserve

The translation reserve balance as at 31 December 2016 of negative TEUR 37,368 (2015 – negative TEUR 49,789) represents notably foreign exchange differences arising from translation of the financial statements of the companies forming a group in which the associate (HOME CREDIT B.V.) is the parent company. The positive change of TEUR 12,002 in 2016 (2015 – negative change TEUR 8,036) in the translation reserve is primarily caused by the continuing macroeconomic situation in the Russian Federation (see Note 14).

19. Equity (continued)

Revaluation reserves

The revaluation reserve represents effects of revaluation gains/(losses) of available-for-sale assets held by the Group and the Group's share on revaluation gains/(losses) from associates.

	Note	TEUR
On 1st January 2015		15,064
Current-year revaluation gain on AFS (POLYMETAL INTERNATIONAL PLC)		526
Accumulated revaluation gains on AFS reclassified from OCI to profit or loss (Air Bank a.s.)		(8,450)
Current-year share on revaluation gains from associates (HOME CREDIT B.V.)		1,608
Share on accumulated revaluation gains from associates reclassified from OCI to profit or loss (HOME CREDIT B.V.)		(6)
Other movements		283
On 31st December 2015		**9,025**
On 1st January 2016		9,025
Current year revaluation loss from reclassified from OCI to profit or loss		(1,004)
Share on accumulated revaluation gains from associates reclassified from OCI to profit or loss (HOME CREDIT B.V.)	14	(74)
Current year revaluation of PPE	8	13,680
Deferred tax on current year revaluation of PPE		(2,143)
On 31st December 2016		**19,484**

Other reserves

The balance of other reserves as at 31st December 2016 of negative TEUR 12,761 (2015 – negative TEUR 10,796) represents notably the Group's share on associate's (HOME CREDIT B.V. and SAZKA Group a.s.) changes in net assets other than associates' profit or loss or associates' other comprehensive income (see Note 10 and 14).

20. Trading Profit

Net gain ("trading profit") on financial assets amounting to TEUR 3,598 (2015 – TEUR 6,869) consists of gain on other financial assets at fair value through profit or loss at amount of TEUR 732 (2015 – gain TEUR 397), of a loss on FX Trading amounting to TEUR 7 (2015 – TEUR 20), a gain on equity securities TEUR 2 873 (2015 – TEUR 0) and of a gain on financial instruments available-for-sale TEUR 0 (2015 – TEUR 7,286; comprising gain on Air Bank shares - 2% disposed and 11.38% contributed to HCBV).

21. Impairment losses on financial assets

In 2016, the Group has recognised an impairment loss of TEUR 9 for AMESELO LIMITED – associates (2015 – impairment loss of TEUR 2,981 for AMESELO LIMITED – associates). As the entity is planned to be liquidated, indication of impairment on the associate´s goodwill was identified. Impairment loss is presented in Other operating expenses (Note 25). For more details on the Group's cumulative impairment losses recognised in the previous periods refer to Notes 10 and 14 above.

22. Administrative expenses

	2016	2015
	TEUR	TEUR
Professional services	(2,434)	(1,609)
Independent auditor's remuneration for statutory audit	(171)	(117)
Payroll related taxes	(2,740)	(3,160)
Employee compensation	(1,554)	(1,877)
Taxes other than income tax	(674)	(335)
Rental, maintenance and repair expenses	(603)	(610)
Other	(8,029)	(3,279)
	(16,205)	**(10,987)**

Professional services expense represents administration expense, accounting services expense, advisory expense, professional and management fees and incorporation expense.

Amount paid for Audit services totals TEUR 171 (2015 - TEUR 117), other services provided by auditors were of TEUR 0 (2015 - TEUR 4).

The average number of employees in the Group for the year 2016 was 318 employees (2015 – 338 employees).

23. Net retail income

	2016	2015
	TEUR	TEUR
Sales of goods	32,964	30,756
Cost of goods sold	(28,515)	(17,492)
	4,449	**13,264**

In 2016 and 2015, the net retail income is generated by the Romanian companies acquired with the SERENITY RESOURCES LIMITED GROUP as described in Note 1. The sales of goods represent the revenues from the sale of gas. The selling price of gas sold on the regulated market as well as the distribution tariff are controlled by ANRE (Romanian Energy Regulatory Authority). The costs of gas sold comprise the acquisition price of the gas sold and the transportation tariffs charged by Transgaz.

24. Other operating income

	2016	2015
	TEUR	TEUR
Net foreign currency gains	3,300	--
Other income	18,477	3,802
Net gain from sale of investments in associates	12,851	3,865
	34,628	**7,667**

Net gain from sale of investments in associates in the amount of TEUR 12,851 comprises of gain on sale of 25% share in Italian Gaming Holding a.s. and IGH Financing a.s. (2015 – TEUR 3,865 comprising of gain on sale of 2% share in Home Credit B.V.).

Other income in the amount of TEUR 18,477 comprises of other distribution revenues for non-regulated clients and is attributable to acquisition of new clients and higher sales in 2016.

25. Other operating expenses

	2016 TEUR	2015 TEUR
Depreciation on property, plant and equipment	2,154	2,166
Amortisation of intangible assets	85	104
Net impairment losses on property, plant and equipment recognised	232	--
Net impairment losses on other assets	1,307	(27)
Net foreign currency losses	--	11,836
Other	6	--
	3,784	**14,079**

Net foreign currency losses consist of realised and unrealised FX gains and losses TEUR 0 (2015 – loss of TEUR 13,393 originated from EMMA OMEGA LTD) and the biggest gain in amount of TEUR 0 (2015 – biggest gain of TEUR 1,500 relates to BELLVILLE SERVICES LIMITED). For the period ended 31st December 2016 the Net foreign currency gains are disclosed under position of Other operating income.

Net impairment losses on other assets charged to profit or loss in 2016 represents the impairment losses connected to trade and other receivables and other assets.

26. Net finance income/expense

	2016 TEUR	2015 TEUR
Finance income		
Interest income	7,545	6,834
Other	4	7
Total finance income	**7,549**	**6,841**
Finance costs		
Interests expense	(22,112)	(19,437)
Fee and commission expense	(13)	(5)
Total finance expense	**(22,125)**	**(19,442)**
Net finance income/expense	**(14,576)**	**(12,601)**

	2016 TEUR	2015 TEUR
Interest income		
Loans receivable	7,494	6,385
Financial assets available-for-sale	51	449
Due from banks, other financial institutions and holding companies	--	--
	7,545	**6,834**
Interest expense		
Due to non-banks	(21,830)	(18,766)
Due to banks and other financial institutions	(266)	(661)
Other	(16)	(10)
	(22,112)	**(19,437)**

27. Income tax expense

	2016 TEUR	2015 TEUR
Current tax expense	(98)	(71)
Deferred tax credit	833	--
Total income tax credit/(expense) in the statement of comprehensive income	735	(71)

Reconciliation of effective tax rate	2016 TEUR	2015 TEUR
Profit/(loss) before tax	37,585	**(19,094)**
Income tax using the domestic tax rate (see below)	4,698	--
Non-deductible costs	1,857	--
Non-taxable income	(6,232)	--
Tax loss carry forward not recognised	(189)	--
Utilised tax loss not previously recognised	(153)	--
Other	754	(71)
Total income tax credit/(expense)	735	(71)

The corporation tax rate is 12.5% (2015 - 12.5 %).

28. Related party transactions

The Group has a related party relationship with its owners Mr. Šmejc and parent company MEF Holdings Limited, its subsidiaries and associates and key management.

(a) Transactions with the parent company

	2016 TEUR	2015 TEUR
Loans received (principal payables)	85,487	220
Accrued interest (interest payable)	2,141	69
Loans provided (principal receivables)	104,265	95,725
Accrued interest (interest receivable)	3,553	12,445

(b) Transactions with associates

	2016 TEUR	2015 TEUR
Loans received (principal payables)	80,638	78,075
Accrued interest (interest payable)	2,821	2,807
Loans provided (principal receivables)	12,968	9,429
Accrued interest (interest receivable)	1,087	390

28. Related party transactions (continued)

(c) Transactions with other related parties

	2016 TEUR	2015 TEUR
Loans received (principal payables)	120,605	233,640
Accrued interest (interest payable)	8,904	10,177
Loans provided (principal receivables)	19,452	14,959
Accrued interest (interest receivable)	1,793	1,378
Other payables	--	--
Other receivables	--	--

(d) Transactions with key management personnel

Amounts included in the statement of comprehensive income in relation to transactions with members of key management are benefits of TEUR 7 comprising directors' fees (2015 - TEUR 6).

The members of the Board of Directors of the Company and key management of its subsidiaries are considered as the key management of the Group.

29. Events after the reporting period

On 25 April 2017, MEF HOLDING LIMITED sold 13 redeemable preference shares of the Company to minority shareholders, which correspond to 0,13% stake on redeemable preference share capital of the Company.

On 29 May 2017, BELLVILLE SERVICES LIMITED terminated total return swap in carrying amount of TEUR 3,085 at the year end.

On 31 March 2017, PREMIER ENERGY SRL completed a share purchase agreement with Condmag S.A. for the acquisition of the majority of the shares of TIMGAZ S.A.

On 25 April 2017, the court approved the merger between GRUP DEZVOLTARE RETELE S.A. and GAZ SUD S.A. and subsequently GRUP DEZVOLTARE RETELE S.A. was deregistered from the trade register on 14 June 2017.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.