The report of the Managing director

General information

PSJ Holding B.V. (hereinafter 'the Company'), having its legal address in Herengracht 500, 1017 CB Amsterdam, the Netherlands, is a private limited liability company under Dutch law. The Company was established on June 20th, 2012 and until October 1st, 2014 PSJ Holding B.V. was the ultimate parent company of the a group with a long history and experiences on the construction market since 1991 (hereinafter 'the PSJ Group'). On 1 August 2014 a Share Premium Contribution agreements were signed and all shares of PSJ Holding B.V. were contributed to newly established Company PSJ Investors N.V., and PSJ Investors N.V. became sole shareholder of PSJ Holding B.V. On 1 October 2014 25% ownership interest in PSJ Holding B.V. was sold to Consolidated Assets B.V.

Principle activities

The Company mainly acts as Holding and Finance Company for the PSJ Group.

The PSJ Group consists of the companies controlled through direct or indirect participation of the Company in the Czech Republic, Slovakia, Russia, Germany, USA, Georgia and Ukraine.

The Group is active in several areas of the construction business. We act as a general contractor for large construction projects, realise development projects, infrastructure projects, supply of technologies, mechanical and electrical installations, facility management, etc. The Group focuses on commercial, industrial, administrative and residential premises as well as technology parks.

Result for the year and business developments

During 2015 the situation in the PSJ Group corresponded with the overall economic situation not only in the Czech Republic, but in the majority of European market. Even greater emphasis must be placed on the assessment and treatment of risks. On one hand the decline of the Czech construction market which we experienced during the past five years seems to have stopped. On the other hand, 2015 brought us unpleasant losses on our largest foreign market, the Russian Federation, where we faced a fall in the Russian economy, the aggressiveness of the business environment increased and we have also been negatively influenced by the decline of the ruble exchange rate.

We carefully analyse the situation on the Eastern market where we have been operating since 1994 and where the PSJ brand has gained a good reputation due to a number of successful and prestigious implementations. We will implement greater emphasis on the risks assessment, new projects will be realised through an independent subsidiary PSJ Russia which we believe will develop into a strong local company. Another measure to eliminate future losses on the Russian market is focusing or returning to other markets, specifically we feel an interesting perspective in Germany and Austria. Finally it is our standard approach in order to eliminate maximum of risks in foreign territories that we rely on co-operation with local renowned law, tax and accounting experts.

In the past year the PSJ Group's turnover increased, most of the companies of the PSJ Group achieved positive economic results. Unfortunately PSJ, a.s., a Company's subsidiary, suffered a significant loss due to its Russian projects which influenced the result of the whole group.
The total revenue from construction contracts of the consolidated PSJ Group for 2015 totalled EUR 325,659 thousands (2014: 295,084 thousands).
The loss before tax for 2015 of the consolidated PSJ Group amounted to EUR 2 319 thousands (in 2014: profit before tax of 8,785 thousands) for the relevant period. For future years we plan to achieve similar level of turnover and gradually return to our average level of profitability from previous years.

As of the date of preparation of this report there were no major events which would have an impact on the financial standing of the Company.

On January 16, 2015 the Company signed an Agreement on transfer of ownership interest for purchase of 35% of shares in D.I.S., spol. s r.o. for the purchase price of CZK 100 milion.

On October 26, 2015 the Company contributed EUR 860 thousand (CZK 23 mil) into the registered capital of PSJ, a.s. and thus the registered capital of PSJ, a.s. increased up to the EUR 9 mil (CZK 250 mil).

Besides these investments, no significant investments and divestments were made during the financial year 2016 as of the day of this report.

Cash flow and need for external financing

The PSJ Group's liquidity position amounts to EUR 30.8 million (2014: EUR 29.7 million). This balance is sufficient and ensures smooth business operations.

Entities within the PSJ Group use external financing predominantly from reputable banks and are used in order to ensure:

(i) Operational financing (revolving and overdraft facilities)

(ii) Investment financing (special purpose facilities)

The operational financing of the construction projects is on the monthly basis from the sources of our investors. The revolving and overdraft facilities are used for shorter balance of the differences between maturity of our receivables and liabilities.

The investment financing is used for purposes of development activities of the PSJ Group.

There is no cash pooling arrangement in place within the PSJ Group, however management of the PSJ Group is investigating this option in order to lower the financial expenses of individual entities.

For details on the 2015 bank loans and cash flows, we refer to the Interest-Bearing Loans and Borrowings note included in the consolidated financial statements.

Risk management and risk profile

The day-to-day management, the managing director and senior management regularly assess material risks to which the PSJ Group is exposed to and take the necessary actions to manage such risks satisfactorily. These risks can be divided into the various categories below.

Strategic risks

The PSJ Group does not enter into speculative transactions of any kind, risk management activities are only performed to mitigate existing risks. The PSJ Group selects target market segments with the aim of utilising market opportunities for construction projects, management supervision and focusing on delivering quality products in response to market needs. As at today's date, the activities of PSJ Group are performed in the Czech Republic, Slovakia, Russia, Belarus, Germany, Poland, Georgia and is preparing other projects in these and also other regions.

Operational risks

Operational risk is defined as the risk of loss arising from the inappropriateness or failure of internal processes, human errors or failures of systems or the risk of loss arising from external events. The PSJ Group assesses these risks on a regular basis and undertakes measures aimed at systematic detection and minimisation of these risks. Operational risk management activities follow the management information system consisting of information about individual projects and legal documentation in force.

In respect of areas with an identified significant risk, the PSJ Group has implemented a set of key risk indicators that serve as an early warning system and as a measure of operational risk taken.

The relations between PSJ Group and their suppliers (purchase of external services, architects, control authorities, builders) are regulated by standard contracts. Formal selection procedures/tenders are always carried out. On principle, the PSJ Group companies do not provide their suppliers with exclusivity. The construction or development team organises activities systematically and in accordance with given rules and implied corporate culture. This further eliminates the natural market risk given by the existing competition among the leading construction companies and developers.

Financial risks

The policy of the PSJ Group regarding the use of financial instruments is to mitigate risks and these are not used for trading/speculation purposes. The PSJ Group does not hold any derivative financial instruments. The financial instruments recognized in the financial statements consists solely of primary financial instruments such as trade and other receivables, cash and cash equivalents, trade and other payables. The financial risks of the PSJ Group consist mainly of these components:

(i) Credit risk

(ii) Foreign currency risk

(iii) Interest rate risk

(iv) Liquidity risk

We refer to note 3.29 of the consolidated financial statements for details about financial instruments and related risk management.

Regulatory risks

The business and geographical area in which the PSJ Group operates is naturally exposed to a number of legal risks, tax risks and risks in connection with the reporting to public authorities or other external reporting. It is our policy to invest in the knowledge and experience of our personnel and to share knowledge with other PSJ Group entities. This enables us to address any regulatory risks. Furthermore, we engage professional experts (e.g. tax advisors, legal advisors, auditors) to assist us in identifying and mitigating regulatory risks.

Personnel related information

During the 2015 financial year, the average number of staff employed by the PSJ Group, that were engaged in the business activities of the PSJ Group amounts to 1,462 people.

Sustainability related information

The shareholders and employees of the PSJ Group are aware of their responsibility to the public and make every reasonable effort to adopt measures that respect the environment and to apply the principles of sustainable development.

Respect for local communities' interests and an assessment of the impact of every project on the surrounding area and environment are among the PSJ Group's priorities. Communication with public administration authorities and the general public throughout the project implementation life-cycle is also carefully considered.

PSJ, a.s., the main operating entity, is a holder of certificate proving that is has implemented and maintains the environmental management system according to the **ISO 14001:2005**.

Research and development information

The Company does not perform any research and development activities.

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Future developments

After several years of recession we expect an economic growth in the following years caused by accelerated investment in the public sector. However a number of these projects are not prepared by investors to such extent to allow its realization in expected deadlines, especially in infrastructure.

There is still lack of large projects in the building construction. We register slightly stronger demand for new realisations compared to the last year; nevertheless we do not expect an increase of the total market volume. We need to ensure the intended turnover by a bigger number of smaller projects.

One of our strategies how to balance possible recession of certain specialisation or region and how to eliminate the risks is creating of a strong multidisciplinary group of companies. We want to remain a good partner to private investors in the civil engineering, create environment for our own development projects and maintain our strong position on the markets abroad. Besides that we extended our activities into pipe lines and high-capacity tanks, we penetrated into the transport infrastructure market, environmental technology and sanitary installations, electrical installations and facility management.

Our foreign constructions remain significant. Our activities reach out to Poland, Germany, Austria, Switzerland, Belarus and also Russia will remain a region with our significant interest; we develop our business opportunities in United Kingdom, Azerbaijan and also other countries. We believe that we will maintain this trend also in the future.

Subsequent events

On February 05, 2016 the Company and PSJ Investors N.V. signed a loan agreement whereby they consider the unpaid part of the dividend in the amount of EUR 4,128 thousand as loan, interest 3%, maturity December 31, 2020.

On April 27, 2016 the Company received a dividend in the amount of CZK 33,000 thousand (EUR 1,221 thousand) from its subsidiary D.I.S., spol. s r.o.

Furthermore, management is not aware of any events that have occurred since the balance sheet date that could have a significant influence on expectations concerning future activities, investments, financing, staffing and profitability.

Amsterdam, 24 June 2016

Roelof Leendert van Echten
Managing Director

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PSJ Holding B.V.
Consolidated statement of comprehensive income
For the year ended 31 December 2015
In thousands of EUR ("TEUR")

	Note	2015	2014
Revenues from construction contracts	3.2.1	325,659	295,084
Service income	3.2.3	3,728	1,566
Gross rental income	3.2.4	1,998	1,805
Cost related to service income and construction contracts	3.2.5	(298,448)	(264,048)
Property operating expenses	3.3	(509)	(481)
Proceeds from the sale of investment property	3.6	--	3,225
Carrying value of investment property sold	3.6	--	(2,390)
Proceeds from the sale of trading property	3.7	3,271	3,860
Carrying value of trading property sold	3.7	(4,062)	(2,896)
Change in bad debt provision (creation)/release	3.22	1,332	(3,979)
Gross profit		***32,969***	***31,746***
Valuation gains on investment property	3.4	--	--
Valuation losses on investment property	3.4	(2,130)	(3,137)
Net valuation gain/ (loss) on investment property		***(2,130)***	***(3,137)***
Proceeds from the sale of raw material	3.7	2,998	148
Carrying value of raw material sold	3.7	(3,010)	(145)
Gain/ (loss) on the disposal raw material		***(12)***	***3***
Administrative expenses	3.8	(16,383)	(13,775)
Other income	3.9	3,252	3,701
Other expenses	3.10	(12,350)	(6,608)
Net other income		***(9,098)***	***(2,907)***
Operating profit		***5,346***	***11,930***
Finance income	3.11	1,017	1,357
Finance costs	3.11	(10,294)	(5,386)
Net finance income / (costs)		***(9,277)***	***(4,029)***
Proceeds from the sale of financial investment in subsidiaries and associates	3.5	1,536	49
Carrying value of financial investment in subsidiaries and associates sold	3.5	(1,092)	(768)
Gain on the disposal of fin. investments		***444***	***(719)***
Share of profit of associate	3.16	***1,168***	***1,603***
Profit / (Loss) before tax		***(2,319)***	***8,785***
Current tax expense	3.12.1	(1,937)	(3,618)
Deferred tax income / (expense)	3.12.4	1,128	1,610
Income tax expense		***(809)***	***(2,008)***
Profit / (Loss) for the period		***(3,128)***	***6,777***

PSJ Holding B.V.
Consolidated statement of comprehensive income
For the year ended 31 December 2015
In thousands of EUR ("TEUR")

	Note	2015	2014
Other comprehensive income			
Items that are of may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences attributable to the equity holders		(101)	(354)
Foreign operations – foreign currency translation differences attributable to non-controlling interest		212	55
Other comprehensive income for the period, net of income tax		**111**	**(299)**
Total comprehensive income for the period		**(3,017)**	**6,478**
Profit / (Loss) attributable to:			
Equity holders of the parent company		(1,239)	6,123
Non-controlling interest		(1,889)	654
Profit / (Loss) for the period		**(3,128)**	**6,777**
Total comprehensive income attributable to:			
Equity holders of the parent company		(1,340)	5,769
Non-controlling interest		(1,677)	709
Total comprehensive income for the period		**(3,017)**	**6,478**

The notes on pages 8 to 67 are an integral part of these consolidated financial statements.

Note: No tax effect is related to Other comprehensive income

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PSJ Holding B.V.
Consolidated statement of financial position
For the year ended 31 December 2015
In thousands of EUR ("TEUR")

ASSETS	Note	31.12.2015	31.12.2014
Investment property	3.13	39,752	42,212
Property plant and equipment	3.14	14,213	14,712
Intangible fixed assets	3.15	9,753	9,961
Goodwill	3.15	3,159	3,194
Finance lease receivables		196	135
Investments in associates and Joint Ventures	3.16	6,144	5,676
Other investments	3.17	2,775	1,658
Long term loan receivable	3.18	–	188
Restricted cash	3.19	5,381	3,762
Long-term receivables	3.20	10,481	3,894
Deferred tax assets	3.12.4	3,192	2,933
Total non-current assets		*95,046*	*88,325*
Trading property and inventory	3.21	15,455	18,695
Income tax receivable	3.12.3	990	496
Short term loan receivable		193	–
Trade and other receivables	3.22	86,916	98,791
Cash and cash equivalents	3.23	30,806	29,727
Total current assets		*134,360*	*147,709*
TOTAL ASSETS		229,406	236,034

EQUITY	Note	31.12.2015	31.12.2014
Issued capital	3.24.1	30,418	30,418
Translation reserve	3.24.2	(2,714)	(2,613)
Reserves	3.24.3	497	369
Retained earnings		7,269	8,581
Profit / (Loss) for the year		(1,239)	6,123
Total equity attributable to equity holders of the Company		*34,231*	*42,878*
Non-controlling interest	3.25	2,197	5,659
Total equity		*36,428*	*48,537*
LIABILITIES			
Interest-bearing loans and borrowings	3.26	40,510	32,100
Other long-term payables	3.27	12,607	10,918
Provisions	3.28	–	–
Deferred tax liabilities	3.12.4	3,193	4,049
Total non-current liabilities		*56,310*	*47,067*
Trade and other payables	3.29	97,251	99,270
Bank overdraft	3.26	2,895	455
Interest-bearing loans and borrowings	3.26	10,511	24,321
Provisions	3.28	26,011	16,384
Total current liabilities		*136,668*	*140,430*
Total liabilities		*192,978*	*187,496*
TOTAL EQUITY AND LIABILITIES		229,406	236,034

In thousands of EUR ("TEUR")

	Share capital	Translation reserve	Reserves	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
Balance as at 1 January 2014	*30,418*	*(2,259)*	*327*	*8,797*	*37,283*	*3,460*	*40,743*
Comprehensive income for the period							
Profit or loss	–	–	–	6,123	6,123	654	6,777
Total comprehensive income for the period	–	–	–	6,123	6,123	654	6,777
Other comprehensive income							
Foreign currency translation differences	–	(354)	–	–	(354)	55	(299)
Total other comprehensive income	–	(354)	–	–	(354)	55	(299)
Total comprehensive income for the period							
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders, director's fee and tantiems	–	–	–	(174)	(174)	(692)	(866)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Changes in non-controlling interest without change in control	–	–	–	–	–	2,182	2,182
Total changes in ownership interests in subsidiaries	–	–	–	–	–	*2,182*	*2,182*
Total transactions with owners							
Other movements							
Allocation to reserves	–	–	42	(42)	–	–	–
Total other movements	–	–	*42*	*(42)*	–	–	–
Balance at 31 December 2014	*30,418*	*(2,613)*	*369*	*14,704*	*42,878*	*5,659*	*48,537*

PSJ Holding B.V.
Consolidated statement of changes in equity
For the year ended 31 December 2015
In thousands of EUR ("TEUR")

	Share capital	Translation reserve	Reserves	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
Balance as at 1 January 2015	*30,418*	*(2,613)*	*369*	*14,704*	*42,878*	*5,659*	*48,537*
Comprehensive income for the period							
Profit or loss	–	–	–	(1,239)	(1,239)	(1,889)	(3,128)
Total comprehensive income for the period	–	–	–	(1,239)	(1,239)	(1,889)	(3,128)
Other comprehensive income							
Foreign currency translation differences	–	(101)	–	–	(101)	212	111
Total other comprehensive income	–	(101)	–	–	(101)	212	111
Total comprehensive income for the period							
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders, director's fee and tantiems	–	–	–	(5,400)	(5,400)	(64)	(5,464)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Changes in non-controlling interest without change in control	–	–	–	(1,907)	(1,907)	*(1,721)*	*(3,628)*
Total changes in ownership interests in subsidiaries	–	–	–	(1,907)	(1,907)	*(1,721)*	*(3,628)*
Total transactions with owners							
Other movements							
Allocation to reserves	–	–	128	(128)			
Total other movements	–	–	*128*	*(128)*			
Balance at 31 December 2015	*30,418*	*(2,714)*	*497*	*6,030*	*34,231*	*2,197*	*36,428*

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PSJ Holding B.V.
Consolidated Statement of Cash Flows
For the year ended 31 December 2015
In thousands of EUR ("TEUR")

	2015	2014
Cash flows from operating activities		
Profit / (Loss) for the period after tax	(3,128)	6,777
Adjustments for:		
Depreciation	2,474	1,571
Amortisation	468	591
Bank loan write off	–	–
(Reversal of) Impairment losses	(1,109)	(553)
Change in the value of investment property	2,130	3,137
Receivables written-off	2,731	1,251
Foreign exchange (gains)/losses	(1,490)	408
Gain/loss on sale of subsidiary	(444)	719
Share of profit of associate	(1,168)	(1,603)
Net interest expense	1,838	2,167
Gain from the sale of investment and trading property	(791)	(2,049)
Gain from the sale of property, plant and equipment	(285)	–
Income tax	809	1,326
Other	447	698
Operating profit before changes in working capital and provisions	***2,482***	***14,440***
Change in trade and other receivables	1,429	2,070
Change in trading property – inventory	(1,026)	4,118
Change in trade and other payables	3,259	(788)
Change in provisions and employee benefits	10,041	(3,497)
Change in restricted cash	(1,716)	1,332
Cash generated from operations	***14,471***	***17,675***
Interest paid	(2,465)	(2,115)
Interest received	627	1,002
Income taxes paid	(2,403)	(783)
Net cash from operating activities	***10,230***	***15,779***
Cash flows from investing activities		
Proceeds from the sale of plant and equipment	560	2,291
Proceeds from the sale of investments/trading property –inventory	3,271	3,225
Proceeds from disposal of subsidiary, net of cash disposed	1,521	49
Acquisition of subsidiary (newly consolidated entities), net of cash acquired	(3,628)	6,619
Acquisition of property, plant and equipment	(3,570)	(2,082)
Acquisition of investment property	(365)	(610)
Acquisition/Disposal of other investments	(923)	2,183
Payment from capital funds of associate	1,722	–
Net cash from investing activities	***(1,412)***	***11,675***
Cash flows from financing activities		
Additional contribution to equity	–	–
Dividends paid	(5,464)	(866)
Drawing/repayment of borrowings	(1,524)	(16,943)
Net cash from (used in) financing activities	***(6,988)***	***(17,809)***
Net increase in cash and cash equivalents	***1,830***	***9,645***
Cash and cash equivalents at 1 January	29,727	20,082
Net effect of currency translation of cash and cash eq.	(751)	(220)
Cash and cash equivalents at 31 December	***30,806***	***29,727***

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1. GENERAL INFORMATION

Company name:
PSJ Holding B.V. (hereinafter the "Company")

Registered office:
Herengracht 500
Amsterdam, 1017 CB
Netherlands

Registration number:
555 34 805

The Company was incorporated on 20 June 2012 for an unlimited period.

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

The financial statements were authorised for issue by the directors on 24 June 2016.

Principal Activities

The Group's basic objective is to conduct business by carrying out large construction projects, development projects, alterations to structures, maintenance of structures as well as their removal, infrastructure projects, supply of technologies, mechanical and electrical installations, facility management, project design relating to structures, intermediary services, purchase of goods for resale, sale of goods, accommodation services, engineering, organisational and economic advisory services, and services in the area of geodetics, etc. The Group focuses on commercial, industrial, administrative residential and premises as well as technology parks.

The Group does not enter into speculative transactions of any kind. The Group selects target market segments with the aim of utilising market opportunities for construction projects, management supervision and focusing on delivering quality products in response to market needs. The activities of the Group are performed in the Czech Republic, Slovakia, Russia (started in 2010), Germany, Poland, Austria, Switzerland, USA and Georgia. Other projects in Russia, Belarus and Sweden and other regions are currently being planned.

The relations between the Group and their suppliers (purchased external services, architects, control authorities, builders) are regulated by standard contracts. Formal selection procedures/tenders are always carried out. On principle, the Group companies do not provide their suppliers with exclusivity. The construction or development team organises activities systematically and in accordance with given rules and implied corporate culture. This further eliminates the natural market risk given by the existing competition among the leading construction companies and developers.

The shareholders and employees of the Group are aware of their responsibility to the public and make every reasonable effort to adopt measures that respect the environment and to apply the principles of sustainable development.

Respect for local communities' interests and an assessment of the impact of every project on the surrounding area and environment are among the Group's priorities. Communication with public administration authorities and the general public throughout the project implementation life-cycle is carefully considered.

In thousands of EUR ("TEUR")

Shareholder

From the date of incorporation until 1 August 2014 PSJ Holding B.V. was the ultimate parent company of the Group.

On 1 August 2014 a Share Premium Contribution agreements were signed and all shares of PSJ Holding B.V. were contributed to newly established Company PSJ Investors N.V., and PSJ Investors N.V. became sole shareholder of PSJ Holding B.V.

On 1 October 2014 25% ownership interest in PSJ Holding B.V. was sold to Consolidated Assets B.V.

Year 2015

Shareholder	Share in registered capital	Share in voting rights
PSJ Investors N.V.	75.00%	75.00%
Consolidated Assets B.V.	25.00%	25.00%
Total	**100.00%**	**100.00%**

Description of the Ownership Structure

The Company controls, directly or indirectly, other companies in the Czech Republic, Slovakia, Russia, Germany, United States of America, Georgia and Ukraine.

Board of Directors as of 31 December 2015

Until 12 August 2014, the function of Board of Directors was taken by the company Trust International Management (T.I.M.) B.V., a private company with limited liability, incorporated and existing under the law of the Netherlands, with its corporate seat in Amsterdam, having its registered office at Naritaweg 165, 1043 BW Amsterdam, the Netherlands and registered with the Dutch trade register of the Chamber of Commerce under number 33160097. As at 12 August 2014 T.I.M. resigned from the function of the Board of Directors and Mr. R.L.van Echten was appointed as a sole Managing Director of the Company, constituting the entire Board of Directors.

Supervisory Board

On 1 October 2014 was appointed new Supervisory board of the Company with five members:

František Vaculík, Chairman of the Supervisory board
Miroslav Horňák, Member of the Supervisory board
Martin Höfler, Member of the Supervisory board
Mavlit Bazhaev, Member of the Supervisory board
Sergey Chizhov, Member of the Supervisory board

Employees

Average number of full time employees	2015	2014
Czech Republic, Slovakia and Russia	1,462	1,396

All of the above employees were engaged in the core business activities of the Group in construction development, leasing and administration, or were in charge of related activities for the Group, or its subsidiaries – keeping accounts, selling, supporting activities and services.

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2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, approved by the Board of Directors on 24 June 2016.

(b) Basis of Preparation

The financial statements are presented in euro (EUR), rounded to the nearest thousand. They are prepared on the historical cost basis, except for the revaluation of investment property and financial instruments, which are stated at fair value.

The accounting policies have been consistently applied to the results, other gains and losses, assets and liabilities and cash flows of the entities included in the consolidated financial statements.

The accounting policies have been applied consistently by the Group entities.

(c) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) and entities under influence of the Company (its associates) prepared as at 31 December 2015.

At the date of acquisition, assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess in the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any differences in the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The non-controlling interest of minority shareholders is stated at the non-controlling proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling interest are allocated against the interests of the parent company.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

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Transaction cost, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within the equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The interest of non-controlling shareholders at the date of the business combination is recorded at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Common control transactions

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In the absence of more specific guidance, the Group consistently applied the book value method to account for to all common control transactions

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by Group.

(ii) Equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity unless it can be clearly demonstrated that this is not the case.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangements, rather than rights to its assets and obligations for its liabilities.

Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(iv) Other Financial Investments

The non-consolidated entities are entities (subsidiaries and associates) in which ownership interest is not significant or that are immaterial, both alone and in aggregate to the financial position, performance and cash flows of the Group.

(v) Business Combinations Involving Entities Under Common Control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the period presented. The assets and liabilities acquired are recognised at the carrying amounts (book values) recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain / loss arising is recognised directly in equity.

(d) Use of estimates

The preparation of financial statements in compliance with IFRS adopted by the European Union 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 associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. These estimates, which specifically relate to the determination of fair values of investment properties, impairment of assets and provisions, are based on the information available at the reporting date. The global economic crisis resulted in market turbulence which increases the risk that the actual results and outcomes may significantly differ from these estimates. Key areas with a potential for significant differences between the actual results and the estimates principally include fair values of investment property. The actual results may differ from these estimates.

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 revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

Estimates are used for valuation of Investment property, Goodwill, Trademark, Provisions, Revenues from construction contracts and Deferred tax assets.

(e) Property, Plant and Equipment

(i) Owned Assets

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (k)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate, where relevant, of the costs of dismantling and removing building items and restoring the building site at which they are located, an appropriate proportion of production overheads and capitalised borrowing costs.

When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on re-measurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

(ii) Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy (k)). Lease payments are accounted for as described in accounting policy (p).

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Group's statement of financial position. Property held under operating leases that meets the definition of investment property is classified as investment property on a property-by-property basis. Investment property held under an operating lease is recognised on the Group's statement of financial position at its fair value.

(iii) Subsequent Costs

The Group recognises in the carrying amount the cost of replacing part of an item of property, plant and equipment at the time that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. At the time of recognition of replacing the part, the Group derecognises the carrying amount of the part being replaced. All other costs are recognised in the profit or loss as expenses at the time they are incurred.

In thousands of EUR ("TEUR")

The costs of improving fixed assets increase their acquisition cost. Repairs and maintenance costs are charged directly to the profit or loss.

(iv) Depreciation

Depreciation is recognised to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Land is not depreciated.

The costs of improving fixed assets increase their acquisition price, maintenance costs are charged directly to the statements of the comprehensive income.

The estimated useful lives are as follows:

Assets	2015
Buildings	20 - 40 years
Machinery and equipment	3 - 20 years
Motor vehicles	4 - 12 years
Other assets (construction side facilities, fixtures etc.)	project length (0,5 – 3 years)

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Intangible Assets

(i) Goodwill

Business combinations, excluding those commenced between parties under common control, are accounted for by applying the acquisition method. Goodwill represents amounts arising upon the acquisition of subsidiaries, associates and joint ventures. Goodwill that arises upon the acquisition of subsidiaries and joint-ventures is separately presented as goodwill.

PSJ a.s. and its subsidiaries were acquired on 29 June 2012, SCF SERVIS s.r.o. on 28 January 2014 and ALPINE Bau CZ s.r.o. on 30 June 2014.In the financial statements was recognised Goodwill from acquisitions of above stated subsidiaries of PSJ Holding B.V. Information below is applicable for these acquisitions.

In respect of business acquisitions on or after 1 January 2009, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

In respect of business acquisitions from 1 January 2005 and prior to 1 January 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

In respect of acquisitions prior to 1 January 2005, goodwill is included on the basis of the comparison of the cost of initial investment with the Group's interest in the net assets (or net liabilities) under IFRS of the investee at the date of transition. The classification and accounting treatment of business combinations that occurred prior to 1 January 2005 has not been reconsidered in preparing the Group's opening IFRS statement of financial position at 1 January 2005.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units (assets) and is no longer amortised but is tested annually for impairment (see accounting policy (k)).

Gain on bargain purchase arising on acquisition is recognised directly in profit or loss.

(ii) Other Intangible Assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (k)). Amortisation is recognised in the profit or loss - line 'Administrative expenses'.

(iii) Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life is not amortised. The useful life of such asset is reviewed each reporting period. Intangible assets with indefinite useful life are tested for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

(iv) Subsequent Expenditure

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

(v) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful life of the Group's intangible assets (except for goodwill and brand) is 4 years for software and 30 years for other intangible assets.
The estimated useful life of other intangible asset identified in Purchase price allocation is set up specifically for each such intangible asset according to its useful life.

(g) Trading Property - Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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(h) Construction Work in Progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If payments received from customers exceed the income recognised, then the difference is presented in trade payables in the statement of financial position.

(i) Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value with any change therein recognised in profit or loss. In determining the fair value of investment property, management of the Group considered results of external appraisals. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

When the Group begins to develop an existing investment property for future sale, the property is reclassified to trading property – inventory. The fair value of such property is deemed to be the property's cost for subsequent accounting under IAS 2. Development is deemed by the Group to commence at the moment the permission for construction is obtained from the state authorities, or when the agreement on the sale of the shares of the company that owns the property is signed.

In the case of dual use property, i.e. property that is partly held for own use by the Group and partly used as investment property, a portion of dual use property is classified as investment property only if this portion could be sold or leased out under a finance lease or if the portion of the property held for own use is insignificant.

An external independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued selected items of the portfolio of investment property and investment property under construction. The results of independent valuations were further analysed by the Group and included in the final management estimates of the fair value. Those estimates considered the results of current and prior external valuations, information from similar selling and purchase transactions and current market conditions and intentions of the Group. The investment property is re-measured and re-assessed yearly and gains and losses on re-measurement are recognised in the statement of comprehensive income.

(i) Investment property under construction

Property that is being constructed for future use as investment property is accounted for as investment property under construction measured at fair value (including prepayments done for property) until construction or development is complete, at which time it is reclassified as investment property. Any gain or loss arising on the measurement is recognised in profit or loss.

(j) Financial Instruments

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(i) Loan receivable

Interest-bearing provided loans are recorded at the proceeds provided, net of direct issue costs. Finance charges, including premiums receivable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit or loss using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The recoverable amount of the Group's provided loans is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets).

(ii) Trade and Other Receivables

Trade and other receivables do not carry any interest and are stated at their nominal value (the recognition of interest applying the effective interest rate would be immaterial) as reduced by appropriate allowances for estimated irrecoverable amounts (see accounting policy (k)).

Retentions of receivables related to construction work are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iii) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term cash commitments. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.

(iv) Interest-Bearing Borrowings

Interest-bearing borrowings comprise loans and borrowings, bonds issued, and bank overdrafts.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the contractual cash flows of the financial liability.

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

The Group classifies as a current portion any part of long-term loans that is due within one year from the reporting date.

As at the reporting date, the nominal value of loans is increased by unpaid interest.

(v) Trade and Other Payables

Trade and other payables are stated at their nominal value (the recognition of interest applying the effective interest rate would be immaterial).

The fair value of the retentions related to construction work is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

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(k) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Impairment losses of receivables are determined based on an analysis of the credit status of customers and the period for which the receivable has been overdue.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the Group's assets, other than investment property (see accounting policy (i)), investment property under construction (see accounting policy (i)) and deferred tax assets (see accounting policy (q)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

In respect of goodwill, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in profit or loss, when detected.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (groups of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(l) Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than upon a business combination, are shown as a deduction from the proceeds, net of tax, in equity. Share issue costs incurred directly in connection with a business combination are fully expensed.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The warranty provision was determined in accordance with the methodology set for the Group based on the type of the construction work, prices of structures supplied, multiplied by the average percentage of expenses incurred on warranty repairs in the prior periods and taking into account the total warranty period.

(ii) Onerous Contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognised any impairment loss on the assets associated with that contract.

(n) Guaranties Provided

In the normal course of business, the Group entities may enter into credit related commitments which are recorded in accounts out of the consolidated statement of financial position. These commitments primarily include guarantees. Provisions are made for estimated losses on these commitments. In estimating the losses, the Group refers to the historical data regarding risk parameters (credit conversion factors, probability of default and loss-given default).

(o) Revenue

(i) Revenues from Construction Contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to costs incurred compared to total expected costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on contract is recognised immediately in profit or loss.

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(ii) Services Rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(iii) Rental Income

Rental income from investment property leased out under an operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

The term of the lease is the non-cancellable period of the lease. Any further term for which the tenant has the option to continue the lease is not considered.

(iv) Sale of investment property, trading property and investments in subsidiaries and associates

Revenue from the sale of investment property, trading property – inventory and investments in subsidiaries and associates is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

(p) Expenses

(i) Service Costs and Property Operating Expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

(ii) Operating Lease Payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense over the period of the lease.

(iii) Finance Lease Payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

(iv) Finance income and finance costs

Finance income comprises interest income on funds invested (bank interest, interest on provided loans), dividend income, gains on disposal of available-for-sale financial assets that are recognised in profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on loans and borrowings, on finance leases, interest charges related to finance leases, bank charges, losses on disposal of available-for-sale financial assets that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(q) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss 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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method in the statement of financial position, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

(r) Functional and Presentation Currency

Apart from KREMELSKÝ VAL, EKOKLIMA rus LLC, PSJ Hydrotranzit, a.s., City Gate, s.r.o., SCF SERVIS, s.r.o.(Slovakia), PSJ Holding B.V., PSJ USA Inc., PSJ Bau GmbH, ALPINE SLOVAKIA, spol. s r.o., OOO PSJ Ukraine and OOO PSJ Russia all companies in the Group operate in the Czech Republic, which is their primary economic area. Therefore, the Czech crown (CZK) is the functional currency of these entities.

PSJ Holding B.V. (parent entity) operates in the Netherlands and its functional currency is euro (EUR).

PSJ Hydrotranzit, a.s., City Gate, s.r.o. ALPINE SLOVAKIA, spol. s r.o. and Slovenské Asfalty s.r.o. operate in Slovakia and their functional currency is the euro (EUR).

PSJ Bau, GmbH operates in Germany and its functional currency is euro (EUR).

OOO PSJ Ukraine operates in Ukraine and its functional currency is hryvnia (UAH).

KREMELSKÝ VAL, EKOKLIMA rus LLC and OOO PSJ Russia operate in Russia and their functional currency is the rouble (RUB).

PSJ USA Inc. operates in the USA and its functional currency is US dollar (USD).

The Group functional currency is EUR, but majority of the transactions is performed in CZK. The Group presentation currency is the euro (EUR). The Group has selected this presentation currency because the users of its financial statements base their economic decisions on information expressed in EUR.

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(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. 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 at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.
Foreign exchange differences arising on translation of foreign operations are recognised directly in a separate component of equity – Translation reserve. When a foreign operation is disposed of the relevant amount in the translation reserve is transferred to profit or loss.

Cash flows of foreign operations are translated into euro at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

(s) Employee benefits

Social security contributions include pension insurance contributions, sickness benefits insurance contributions and contributions to the state employment programme. Social security contributions are income to the state budget. The assessment base is the total income of an employee calculated by the Group entities in respect of his/her employment, which is subject to health insurance contributions.

In addition, the Group entities contribute fixed amounts to its employees' private pension funds, which are managed by independent legal entities. Contributions in respect of these pension plans are charged to the income statement in the period to which they relate.

(t) Impact of Changes in Accounting Policies Arising from the Adoption of New IFRSs and Amendments to IASs effective 1 January 2015

Overview of New IFRSs and Amendments to IASs

For the preparation of these consolidated financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2015 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Group).
The nature and the impact of each new standard/amendment are described below:

- *IFRS 3, 'Business combinations'* amendment clarifies that paragraph 2(a) of IFRS 3 Business Combinations:
    - excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and
    - the scope exception only applies to the financial statements of the joint venture or the joint operation itself.

- *IAS 40, 'Investment properties'* amendment clarifies that judgement is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgement is based on the guidance in IFRS 3. These amendments have no impact on the Group's results for the financial year ending 31 December 2015.

- *IFRIC 21, 'Levies'* sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies and the impact on the Group's financial statements is not material.

(u) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.
The Group does not plan to adopt these standards early and the extent of the impact has not been determined.
The following new standards, new interpretations and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been early adopted by the Group:

- *IAS 1, 'Presentation of Financial Statements'* includes following five amendments to the disclosure requirements contained in the standard. Materiality in IAS 1 has been amended to clarify that:
  - Immaterial information may detract from useful information.
  - Materiality applies to the whole of the financial statements.
  - Materiality applies to each disclosure requirement in an IFRS.

  The order of the notes (including the accounting policies) have been amended, to:
  - Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
  - Clarify that entities have flexibility to about where they disclose accounting policies in the financial statements.

  These amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The Group is assessing the impact of IAS 1, however it does not assume the impact to be material.

- *IAS 16, 'Property, Plant and Equipment'* and *IAS 38, 'Intangible Assets'* face the following amendments:
  - "Revenue-based depreciation banned for property, plant and equipment" means that revenue-based methods of depreciation cannot be used for property, plant and equipment.
  - "New restrictive test for intangible assets" deals with a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

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- These amendments to IAS 16, respectively to IAS 38 are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The Group is assessing the impact of IAS 16, respectively IAS 38.

- *IAS 16, 'Property, Plant and Equipment'* and *IAS 41, 'Agriculture'* related amendments say that bearer plants are in the scope of IAS 16 instead of IAS 41, to reflect the fact that their operation is similar to that of manufacturing. These amendments to IAS 16, respectively to IAS 41 are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The Group is assessing the impact of IAS 16, respectively IAS 41.

- *IAS 19, 'Employee benefits'* related amendment affects only defined employee benefits meeting certain criteria:
  - Employee benefits are clearly defined in the benefit plan.
  - Employee benefits are tied to services performed by the employee.
  - Employee benefits are not dependent on number of years in which the service was performed by the employee.

  If the criteria are met, employee benefits can be accounted for as a reduction of expenses for services performed by the employee in the period in which the services are performed.

- *IFRS 3, 'Business combinations'* related amendment (with consequential amendments to other standards) clarifies that when contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32, rather than to any other standard. It also clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date. These amendments to IFRS 3 are effective for annual periods beginning on or after 1 February 2015. The Group is assessing the impact of IFRS 3.

- *IFRS 9, 'Financial instruments'*, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. It is very likely to affect the Group's accounting treatment of financial instruments. The Group is yet to assess IFRS 9's full impact.

- *IFRS 11, 'Joint arrangements'* establishes principles for financial reporting by parties to a joint arrangement. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The amendments are effective for annual periods beginning on or after 1 January 2016. The Group expects that the amendments will not have a material impact the Group's financial statements.

- *IFRS 15, 'Revenue from contracts with customers'* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to EU adoption. The Group is assessing the impact of IFRS 15.

- *IFRS 16, 'Leases'* sets out the principles for the recognition, measurement, presentation and disclosure of leases. Standard-setter decided that a lessee should be required to recognise assets and liabilities for all leases (with limited exceptions) and to adopt a single lessee accounting model whereby a lessee accounts for all leases in the same way. Standard-setter decided not to substantially change lessor accounting. The standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 'Revenue from contracts with customers' at or before the date of initial application of IFRS 16.

The Group refers to the endorsement status of the new IFRS standards and amendments to standards and interpretations as they are published by the European Union. (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)

The Group is currently assessing the potential impacts of the new and revised standard that will be effective for the annual period from 1 January 2016 or later.

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In thousands of EUR ("TEUR")

3. SUPPORTING NOTES TO THE FINANCIAL STATEMENTS

3.1. Group Entities

3.1.1. Control of the Group

The Group's ultimate parent company is PSJ Investors N.V. These consolidated financial statements are prepared for the subgroup PSJ Holding B.V.

3.1.2. Subsidiaries, Joint-Ventures and Associates

Consolidated entities	Country of incorporation	Ownership interest		Method of consolidation
		31/12/2015	31/12/2014	31/12/2015
PSJ Holding B.V. (Parent Company)	Netherlands	100%	100%	Full
PSJ, a.s.	Czech Republic	100%	100%	Full
OOO PSJ Russia	Russia	100%	100%	Full
OOO PSJ Ukraine	Ukraine	100%	100%	Full
PSJ USA Inc	USA	100%	100%	Full
Inovat SE	Czech Republic	100%	100%	Full
Bytový dům Za Školou, s.r.o.	Czech Republic	–	100%	Full
Byty Hůrka s.r.o.	Czech Republic	100%	100%	Full
City Gate, s.r.o.	Slovakia	100%	100%	Full
EKOKLIMA rus LLC	Russia	68,55%	68,55%	Full
GM, spol. s r.o.	Czech Republic	100%	100%	Full
PSJ Hydrotranzit, a.s.	Slovakia	100%	100%	Full
RM Invest CZ s.r.o.	Czech Republic	–	100%	Full
EKOKLIMA akciová společnost	Czech Republic	68.55%	68.55%	Full
D.I.S., spol. s r.o.	Czech Republic	100%	65%	Full
KREMELSKÝ VAL	Russia	60%	60%	Full
Na Dolinách 24, s.r.o.	Czech Republic	60%	60%	Full
AZ TOWER a.s.	Czech Republic	40%	40%	Full
Metis Property, s. r. o.	Czech Republic	–	100%	Full
Soco Connect Parthership LP	USA	21.96%	21.96%	Equity
PSJ Bau GmbH	Germany	100%	100%	Full
RONELI GEORGIA LLC	Georgia	51%	51%	Equity
SCF SERVIS, s.r.o.	Czech Republic	51%	51%	Full
SCF SERVIS, s.r.o.	Slovakia	51%	–	Full
ALPINE Bau CZ a.s.	Czech Republic	100%	100%	Full
ALPINE SLOVAKIA, spol. s r.o.	Slovakia	100%	100%	Full
SILASFALT s.r.o.	Czech Republic	50%	50%	Equity
Slovenské Asfalty s.r.o.	Slovakia	50%	–	Equity
Rezidence Vrchlického s.r.o.	Czech Republic	100%	100%	Full
Byty Jesenice	Czech Republic	0%	100%	Full

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Non-consolidated entities	Country of incorporation	Ownership interest	
		2015	2014
PSJ-Minskprojekt, s.r.o.	Czech Republic	80%	80%
REALITY INVEST, spol. s r.o.	Slovakia	80%	80%
PORRES, s.r.o.	Czech Republic	–	73%
Sportovní služby, s.r.o.	Czech Republic	100%	100%
AB - CONTROL s.r.o.	Czech Republic	42%	42%
FC VYSOČINA JIHLAVA, a.s.	Czech Republic	40%	40%
INITIO, LP	USA	10.88%	–
ISD - NOE, spol. s r.o.	Slovakia	34%	34%
TENISCENTRUM JIHLAVA, a.s.	Czech Republic	42.31%	42.31%
S.M.U., s. r. o. (former START ME UP, s.r.o.)	Slovakia	100%	100%
Other non-consolidated entities (especially non-profit entities Nadace J. a I. Waldesových, AMBIT – iniciativa pro evropský dvůr, o.p.s. etc.)	Czech Republic	n/a	n/a

The non-consolidated entities are entities in which ownership interest is below substantial influence or that are immaterial, both alone and in aggregate to the financial position performance and cash flows of the Group.

3.1.3. Changes in the Group

In January 2015, the Company sold its 100% ownership interests in subsidiaries RM Invest CZ s.r.o. and Bytový dům Za Školou, s.r.o., which were sold to third parties. For details refer to 3.5.

In January 2015, the Company sold its 100% ownership interest in Metis Property s.r.o. to its ultimate parent, PSJ Investors N.V. For details refer to 3.5.

In January 2015, the Company acquired additional 35% ownership interest in D.I.S., spol. s r.o. for consideration of TEUR 3,628.

In March 2015, ALPINE SLOVAKIA, spol s.r.o. established Slovenské Asfalty s.r.o. and transferred part of Property, plant and equipment to this entity. In April 2015 ALPINE SLOVAKIA, spol. s r.o. sold 50% ownership interest of Slovenské asfalty s.r.o. to Doprastav, a.s. and lost control over the entity. As at 31 December 2015 Slovenské asfalty s.r.o. are consolidated using equity method. For details refer to 3.5 and 3.14.

In April 2015, the Company acquired 51% share in SCF SERVIS s.r.o.(established in Slovak Republic). SCF SERVIS s.r.o. was acquired as empty entity for value of share capital.

In 2015, the Company acquired 10.88% ownership interest in INITIO LP. Financial Investment is held at cost in Other financial investments.

3.1.4. Effect of acquisition

There were no acquisitions in 2015.

Prior year acquisitions had the following effect on the Group's assets and liabilities:

The acquiree's net assets at the acquisition date (for companies acquired in 2014)

In thousands of euros	ALPINE Bau CZ s. r. o.	AZ TOWER a.s.	SCF SERVIS s.r.o.
Investment property	–	21,105	–
Intangible assets - Brand	3,561	–	–
Other intangible assets	6	–	–
Property, plant and equipment	9,305	–	136
Investments in associates	2,797	–	–
Deferred tax assets	2,835		
Other investments	–	–	3
Trading property	466	1,560	–
Trade and other receivables	18,183	314	498
Cash and cash equivalents	1,802	5,493	286
Interest-bearing loans	(398)	(10,611)	(68)
Other long term liabilities	–	(10,765)	–
Provisions	(15,770)	–	–
Deferred tax liabilities	(1,285)		
Trade and other payables	(22,284)	(2,881)	(763)
Non-controlling interest	–	(2,137)	(45)
Net identifiable assets and liabilities in fair values	(782)	1,333	47
Consideration, paid in cash	416	–	(546)
Contingent consideration	–	–	(508)
Cash (acquired)	**1,802**	**5,493**	**286**
Net cash inflow/(outflow)	**1,386**	**5,493**	**(260)**
Goodwill recognised	**1,197**	**–**	**1,007**

During the acquisitions a Goodwill of TEUR 2,204 was recognised. Goodwill of TEUR 1,197 recognised form acquisition assets and liabilities of ALPINE Bau CZ s.r.o. relates to new market share gained in the region and know how acquired. Goodwill from acquisition of SCF SERVIS s.r.o. relates to market share gained in the region.

The acquiree's contribution to the consolidated net profit in 2014 (for companies acquired in 2014)

Companies acquired in 2014	Net profit/(loss) contributed to consolidated profit in 2014 *In thousands of euros*
ALPINE Bau CZ a.s.	2,396
AZ TOWER a.s.	(524)
SCF SERVIS s.r.o.	190

3.2. Revenues from Construction Contracts, Service Income and Gross Rental Income

3.2.1. Revenues from Construction Contracts

Revenues from construction contracts total TEUR 325,659 (2014 - TEUR 295,084), of which TEUR 159,120 (2014 - TEUR 149,951) is realised in the Czech Republic and TEUR 166,539 (2014 - TEUR 145,133) is realised outside of the Czech Republic, in Russia, Slovak Republic, Poland, USA, Belarus and Germany.

In thousands of EUR	2015	2014
Building construction	321,605	281,635
Sale of own products and services	1,601	9,336
Sale of goods	1,148	1,580
Other revenues	1,305	2,533
Total	**325,659**	**295,084**

3.2.2. Revenues from Construction Contracts in Progress

In thousands of EUR	2015	2014
Construction costs incurred plus recognised profits less recognised losses to date	288,043	189,861
Less: progress billings	285,932	171,864
	2,111	**17,997**
Recognised and included in the financial statements as amounts due:		
From customers under construction contracts (3.22)	4,968	12,764
To customers under construction contracts (3.29)	(2,857)	(4,544)
Total	**2,111**	**8,220**

As at 31 December 2015, retentions held by customers for contract work amounted to TEUR 23,846 (2014 – TEUR 16,605). Advances received from customers for contract work amounted to TEUR 5,524 (2014 – TEUR 10,990).

3.2.3. Service Income

Service income provided by the Group relates to construction activities of the Group. It comprises repairs and maintenance of buildings, structures and transportation. Service income totals TEUR 3,728 (2014 – TEUR 1,566), of which TEUR 3,376 (2014 – TEUR 1,342) is realised in the Czech Republic and TEUR 352 (2014 – TEUR 224) is realised in Slovakia primarily by Slovak subsidiaries.

3.2.4. Gross Rental Income

Gross rental income totals TEUR 1,998 (2014 – TEUR 1,805), of which TEUR 1,678 (2014 – TEUR 1,516) represent rental income from offices, factory buildings and shops and TEUR 320 (2014 – TEUR 289) represent income from hotel operations.

3.2.5. Costs Related to Construction Contracts and Service Income

In thousands of EUR	2015	2014
Building construction	(191,254)	(165,213)
Material & Energy consumption	(62,332)	(68,604)
Wages and salaries	(15,344)	(11,450)
Social security contributions	(5,603)	(4,187)
Advisory and legal services	(1,130)	(796)
Amortisation and depreciation of intangible and tangible assets	(2,267)	(1,630)
Repairs and maintenance	(740)	(8)
Travel expenses	(2,602)	(2,140)
Rent and leases	(6,513)	(2,330)
Other service expenses	(10,663)	(7,690)
Total	**(298,448)**	**(264,048)**

3.3. Property Operating Expenses

In thousands of EUR	2015	2014
Energy	(172)	(188)
Material	(4)	(7)
Service expenses	(13)	–
Repairs and maintenance	(283)	(254)
Other operating expenses	(37)	(32)
Total property operating expenses	**(509)**	**(481)**

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3.4. Valuation Gains and Losses on Investment Property

In thousands of EUR	2015	2014
Entity description		
PSJ Hydrotranzit, a.s.	(12)	(11)
PSJ, a.s.	(208)	(276)
City Gate, s.r.o.	(417)	(1,288)
AZ TOWER a.s.	(1,493)	(1,562)
Net valuation gains and (losses) on investment property	**(2,130)**	**(3,137)**

3.5. Net Result on the Disposal of Financial Investments in subsidiaries

In 2015, the Company sold ownership interest in the following subsidiaries:

Effect of the disposal

In thousands of EUR	Bytový dům Za Školou, s.r.o.	Metis Property, s. r. o.	RM Invest CZ s.r.o.	Slovenské asfalty s.r.o.
Trading property	–	900	13	–
Property, plant and equipment	–	–	–	1,928
Intangible assets - Goodwill	36	–	–	–
Trade and other receivables	–	7	–	–
Cash	1	13	1	-
Identifiable assets	**37**	**920**	**14**	**1,928**
Trade and other payables	–	(773)	–	–
Gain on bargain purchase	–	(66)	–	–
Translation reserve	(2)	(1)	(1)	–
Identifiable liabilities	**(2)**	**(840)**	**(1)**	**–**
Net identifiable assets total	**(35)**	**(80)**	**(13)**	**(1,928)**
Share sold	**100%**	**100%**	**100%**	**50%**
Net identifiable assets sold	**(35)**	**(80)**	**(13)**	**(964)**
Total sales price	**–**	**536**	**-**	**1,000**
Net gain/ (loss) on disposal	**(35)**	**456**	**(13)**	**36**

PSJ, a.s. owned 100% ownership interest in Byty Jesenice, s.r.o. On 17 December 2014 the Company concluded with BYTY JESENICE DEVELOPMENT s.r.o. an Agreement of Transfer of interest ownership. The transfer was recorded in the Commercial Register of Companies as at 9 January 2015.

Effect of the disposal (2014)

In thousands of EUR	Byty Jesenice s.r.o.
Investment property	2,124
Trade and other receivables	4
Identifiable assets	**2,128**
Deferred tax liability	(101)
Trade and other payables	(1,402)
Identifiable liabilities	**(1,503)**
Net identifiable assets total	**(625)**
Total sales price	**29**
Net loss on disposal	**(596)**

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As at 31 December 2014 the Group sold from Other financial investments shares in SOU stavebni PSJ, s.r.o. and NOCTUA CONSULT. Carrying value of these financial investments is EUR 11, total sales prices were TEUR 20.
In the position net result on the disposal of financial investment in subsidiaries is recorded also impact of deconsolidation of equity accounting of AZ TOWER a.s. of TEUR (132), as it was consolidated by equity method in 2013 (for details refer to 3.1.3).

3.6. Net Result on the Disposal of Investment Property

In thousands of EUR	2015	2014
Proceeds from sale of investment property		
Entity description		
AZ TOWER a.s.	–	2,553
PSJ a.s.	–	672
Total	**–**	**3,225**
Carrying value of sold investment property		
Entity description		
AZ TOWER a.s.	–	(1,913)
PSJ a.s.	–	(477)
Total	**–**	**(2,390)**
Net profit on disposal of investment property	**–**	**835**

3.7. Net Result on the Disposal of Trading Property

In thousands of EUR	2015	2014
Proceeds from sale of trading property		
Entity description		
Byty Hůrka s.r.o.	142	2,767
AZ TOWER a.s.	1,056	1,086
City Gate, s.r.o.	2,073	–
RM Invest CZ s.r.o.	–	7
Total	**3,271**	**3,860**
Carrying value of sold trading property		
Entity description		
Byty Hůrka s.r.o.	(133)	(2,361)
AZ TOWER a.s.	(796)	(516)
City Gate, s.r.o.	(3,133)	–
RM Invest CZ s.r.o.	–	(19)
Total	**(4,062)**	**(2,896)**
Net profit on disposal of trading property	**(791)**	**964**

AZ TOWER a.s., City Gate, s.r.o. are dual projects, where part of buildings is leased and presented under Investment property and part of buildings are flats and apartments for sale. Byty Hůrka s.r.o. is residential projects and therefore the sale represents the sale of flats and related land.

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Net Result on the Disposal of Raw material

In thousands of EUR	2015	2014
Proceeds from sale of raw material		
Entity description		
PSJ Hydrotranzit, a.s.	2,592	87
SCF SERVIS, s.r.o.	99	35
ALPINE Bau CZ a.s.	271	26
ALPINE SLOVAKIA, spol. s r.o.	36	–
Total	**2,998**	**148**
Carrying value of sold raw material		
Entity description		
PSJ Hydrotranzit, a.s.	(2,610)	(85)
SCF SERVIS, s.r.o.	(82)	(34)
ALPINE Bau CZ a.s.	(282)	(26)
ALPINE SLOVAKIA, spol. s r.o.	(36)	–
Total	**(3,010)**	**(145)**
Net profit on disposal of trading property	**(12)**	**3**

PSJ Hydrotranzit, a.s. arranged a delivery of special material related to project Terminal Gdansk.

3.8. Administrative Expenses

In thousands of EUR	2015	2014
Wages and salaries	(6,028)	(4,640)
Social security contributions	(1,815)	(1,501)
Audit, tax, legal and other advisory services	(425)	(950)
Advertising expenses	(1,642)	(1,841)
Material & Energy consumption	(496)	(634)
Amortisation and depreciation of intangible and tangible assets	(678)	(532)
Rent	(519)	(245)
Other service expenses*	(4,780)	(3,432)
Total	**(16,383)**	**(13,775)**

*) The account balance comprises mainly of overhead repair and maintenance costs, travel and promotion costs, transportation, telecommunication services, etc.

3.9. Other Income

In thousands of EUR	2015	2014
Penalties	662	2,228
Net profit on disposal of property, plant and equipment	286	247
Other income*	2,304	1,226
Total	**3,252**	**3,701**

*) The most significant balance represents a write-off of liabilities amounting to TEUR 67 (2014 – TEUR 180) and reinvoicing of TEUR 997 (2014 – TEUR 0).

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3.10. Other Expenses

In thousands of EUR	2015	2014
Penalties	(152)	(218)
Creation of provisions (refer to note 3.28)	(11,082)	(4,734)
Release of provisions (refer to note 3.28)	1,709	2,936
Impairment to Trading property	(113)	(553)
Taxes	(415)	(376)
Insurance	(814)	(234)
Shortages and damages	(74)	(9)
Loss from assignment of receivables	(963)	(1,251)
Other expenses	(446)	(2,169)
TOTAL	**(12,350)**	**(6,608)**

3.11. Finance Income and Finance costs

In thousands of EUR	2015	2014
Bank interest income	627	1,002
Foreign exchange gain	–	–
Effect from unwinding discount of long-term payables and long-term receivables	374	338
Interest revenues related to finance leases	16	17
Other financial income	–	–
Finance Income	**1,017**	**1,357**
Bank interest expense	(940)	(2,115)
Foreign exchange expense	(5,794)	(596)
Interest charges related to finance leases	(67)	(26)
Interest expense related to non-bank loans	(1,525)	(1,071)
Bank guarantees	(681)	(662)
Effect from unwinding discount of long-term payables and long-term receivables	(261)	(258)
Other financial expenses	(1,026)	(658)
Finance costs	**(10,294)**	**(5,386)**
Net finance income / (costs)	**(9,277)**	**(4,029)**

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3.12. Taxation

3.12.1. Income Tax Expense Recognised in the Statement of comprehensive income

In thousands of EUR	2015	2014
Current tax income/(expense) relating to		
Current year	(1,937)	(3,618)
Previous years	--	--
Total	**(1,937)**	**(3,618)**
Deferred tax expense		
Change in temporary differences	1,115	1,579
Effect of changes in foreign currency rates	13	31
Total	**1,128**	**1,610**
Total income tax expense in the statement of comprehensive income	**(809)**	**(2,008)**

3.12.2. Reconciliation of Effective Tax Rate

In thousands of EUR	2015	2015	2014	2014
Profit / (Loss) before tax (before share of profit of associate)		(3,487)		7,182
Income tax using the domestic corporation tax rate	25.00%	872	25.00%	(1,796)
Non-deductible expenses		(5,817)		(7,988)
Tax exempt revenues		3,036		7,772
Effect of unrecognised deferred tax assets related to tax losses		(812)		27
Effect of different tax rates used		(350)		(699)
Other differences		2,262		676
Total		**(809)**		**(2,008)**

As at 31 December 2015 the corporate tax rate in the Czech Republic is 19%, in Slovakia 22%, in the Netherlands 25%, in the USA 34% and in Russia 20%.

As at 31 December 2015 the Tax losses carried forward were TEUR 5,894 (2014 – TEUR 1,621). No deferred tax asset was recognised from these tax losses as it is not probable that future taxable profit will be available against which they can be utilised.

3.12.3. Current Tax Assets and Liabilities

The current tax asset of TEUR 990 (2014 – TEUR 496) represents the amount of income tax recoverable in respect of current and prior periods, i.e. the amount by which the advance payments made exceed income tax payable if any.

Trade and other payables include current tax liabilities of TEUR 514 (2014 – TEUR 461) payable in respect of current or prior periods, i.e., the amount by which the income tax payable exceeds advance payments made.

3.12.4. Deferred Tax Assets and Liabilities

The deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of EUR	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Investment property	56	54	(2,117)	(2,282)	(2,061)	(2,228)
Property, plant and equipment	41	–	(2,739)	(785)	(2,698)	(785)
Intangible assets	–	–	(1,167)	(3,327)	(1,167)	(3,327)
Finance lease	–	–	(2)	(9)	(2)	(9)
Trading property – inventory	168	38	(41)	(40)	127	(2)
Trade receivables	1,590	2,227	(506)	(199)	1,084	2,028
Trade payables	34	–	(16)	(116)	18	(116)
Provisions	4,485	2,798	–	–	4,485	2,798
Other items	313	392	(100)	133	213	525
Tax assets/(liabilities)	6,686	5,509	(6,687)	(6,625)	(1)	(1,116)
Set-off of tax (Note 1)	(3,494)	(2,576)	3,494	2,576	–	–
Net tax assets/(liabilities)	**3,192**	**2,933**	**(3,193)**	**(4,049)**	**(1)**	**(1,116)**

Note 1: Set-off of tax represents reclassification for purpose of the consolidated statement of financial position.

3.12.5. Movement in Deferred tax during the Year

In thousands of EUR	Balance at 1 January 2014	Change in temporary differences recognised in profit/(loss)	Acquisition through business combination	Balance at 31 December 2014
Investment property	(2,212)	662	(678)	(2,228)
Property, plant and equipment	(835)	659	(609)	(785)
Finance lease	(126)	117	–	(9)
Trading property – inventory	254	(256)	–	(2)
Trade receivables	1,102	1,828	(902)	2,028
Trade payables	(113)	(3)	–	(116)
Provisions	1,473	(582)	1,902	2,798
Intangible assets	(1,235)	(1,415)	(677)	(3,327)
Other items	(45)	570	–	525
Total	**(1,737)**	**1,579**	**(958)**	**(1,116)**

In thousands of EUR	Balance at 1 January 2015	Change in temporary differences recognised in profit/(loss)	Acquisition through business combination	Balance at 31 December 2015
Investment property	(2,228)	167	–	(2,061)
Property, plant and equipment	(785)	(1,913)	–	(2,698)
Finance lease	(9)	7	–	(2)
Trading property – inventory	(2)	129	–	127
Trade receivables	2,028	(944)	–	1,084
Trade payables	(116)	134	–	18
Provisions	2,798	1,687	–	4,485
Intangible assets	(3,327)	2,160	–	(1,167)
Other items	525	(312)	–	213
Total	**(1,116)**	**1,115**	–	(1)

The change in temporary differences recognised in profit/(loss) of TEUR 1,115 (2014 – TEUR 1,579) contains a deferred tax income of TEUR 1,128 (2014 – TEUR 1,610) and the effect of changes in foreign currency rates of TEUR 13 (2014 – TEUR 31).

3.13. Investment Property

In thousands of EUR	PSJ, a.s.	GM, spol. s r.o.	Byty Jesenice, s.r.o.	KREMELSKÝ VAL	City Gate, s.r.o.	PSJ Hydrotranzit, a.s.	AZ TOWER a.s.	Investment property under construction	Total
Balance at 1 January 2014	**7,926**	**2,286**	**2,085**	**486**	**8,498**	**4,196**	**–**	**1,158**	**26,635**
Acquisitions	–	–	–	–	–	–	21,105		**21,105**
Additions	54	–	47	–	–	6	502	1	**610**
Disposals	(279)	–	(2,124)	–	–	–	(1,914)	(51)	**(4,368)**
Transfers from Trading property	1,532	–	–	–	–	–	–	–	**1,532**
Transfers from Property, plant & equipment	–	–	–	–	–	–	–	–	**–**
Fair value adjustment	(275)	–	–	–	(1,288)	(12)	(1,561)	(1)	**(3,137)**
Effect in movement in foreign exchange rate	(81)	(24)	(8)	(88)	71	6	(205)	(12)	**(165)**
Balance at 31 December 2014	**8,877**	**2,262**	**–**	**574**	**7,281**	**4,196**	**17,927**	**1,095**	**42,212**
Balance at 1 January 2015	**8,877**	**2,262**	**–**	**574**	**7,281**	**4,196**	**17,927**	**1,095**	**42,212**
Acquisitions	–	–	–	–	–	–	–	–	**–**
Additions	30	–	–	–	–	–	335	–	**365**
Disposals	(360)	–	–	–	–	(95)	(27)	–	**(482)**
Transfers	1,095	–	–	–	–	–	–	(1,095)	**–**
Transfers from Trading property	–	–	–	–	–	–	–	–	**–**
Transfers to Property, plant & equipment	(645)	–	–	–	–	–	–	–	**(645)**
Fair value adjustment	(198)	–	–	–	(417)	(12)	(1,493)	–	**(2,130)**
Effect in movement in foreign exchange rate	251	58	–	(301)	(134)	107	451	–	**432**
Balance at 31 December 2015	**9,040**	**2,320**	**–**	**273**	**6,730**	**4,196**	**17,193**	**–**	**39,752**

In thousands of EUR ("TEUR")

Investment property projects cover offices building, parking spaces, storages and retail premises. The total estimated rentable and saleable space is 393,644 sq.m (2014 – 395,490 sq.m) divided as follows:

Company	Project	Description	Location (City, State)	Estimated total rentable/ saleable space (sq.m)
PSJ, a.s.	Jiráskova area	Multi-purpose area currently used for generating rental income	Jihlava, Czech Republic	3,104
	Křížová area	Multi-purpose building with offices, parking space, restaurant currently used for generating rental income	Jihlava, Czech Republic	1,191
	Hrotovická area	Multi-purpose area currently used for generating rental income	Třebíč, Czech Republic	6,196
	Uherčice area	Multi-purpose area currently not used for generating rental income	Jihlava, Czech Republic	1,126
	Majdalenky	Land held for long-term capital appreciation	Jihlava, Czech Republic	6,120
	City Gate	Flats for rent	Bratislava, Slovakia	1,162
	Stefánikova kasarna area	Land and building held for long-term capital appreciation	Jihlava, Czech Republic	4,439
	Týnice area	Land and building used for generating rental income	Týnice, Czech Republic	106,421
PSJ Hydrotranzit	Vlci hrdlo area	Multi-purpose area currently used for generating rental income	Bratislava, Slovakia	11,687
GM, spol. s r.o.	Mošnov	Land held for long-term capital appreciation	Mošnov, Czech Republic	220,000
KREMEL-SKÝ VAL	KREMELSKÝ VAL	Land held for long-term capital appreciation	Rjazan, Russia	5,842
City Gate, s.r.o.	City Gate	Retail building currently used for generating rental income	Bratislava, Slovakia	8,500
AZ TOWER a.s.	AZ TOWER	Retail building currently used for generating rental income	Brno, Czech Republic	17,856

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3.13.1. Fair value measurement of investment property

Fair value hierarchy

The fair value of investment property was determined by external, independent property valuators, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuators provide the fair value of the Group's investment property portfolio based on requirement of the Company's management. Part of portfolio is valued annually; rest of investment property is valued by external valuator on a regular basis or valued internally.

The management annually chooses the most significant investment properties and other investment properties in such a way, so that each investment property in the portfolio is subject to valuation at least once in a three-year period. The valuation is performed by external valuator.

At 1 January 2015 the fair value measurement for investment property of TEUR 42,212 has been categorized as Level 3 recurring fair value based on the inputs to the valuation technique used in accordance with IFRS 13. There were no transfers between Levels during the year.

Level 3 fair value

Reconciliation from the opening balances at 1 January 2015 to the closing balances at 31 December 2015 for Level 3 fair values is shown in the following table:

Balance at 1 January 2015	**42,212**
Acquisition through business combination	--
Additions	365
Disposals	(482)
Transfer from Trading property	--
Transfer to Property, plant & equipment	(645)
Changes in fair value	(2,130)
Effect of changes in FX rates	432
Balance at 31 December 2015	**39,752**

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Valuation technique and significant unobservable inputs

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Inter-relationship between key unobservable inputs and fair value measurement
				The estimated fair value would increase (decrease) if:
Commercial portfolio	Income method (refer below)	Estimated yearly profit from rent	65 TEUR/year – 292 TEUR/year (213 TEUR/year)	Estimated yearly rent were higher (lower)
		Cost growth	1%-1.5% (1.14%)	Cost growth were lower (higher)
		Revenue growth	1.5%-2% (1.9%)	Revenue growth were higher (lower)
		Capitalisation rate	7% - 8% (7.34%)	Capitalisation rate were lower (higher)
Commercial portfolio	Material price (refer below)	Estimated value of enclosed space per cm	71 EUR/cm – 202 EUR/cm (174 EUR/cm)	Estimated value of enclosed space were higher (lower)
Commercial portfolio	Market comparable method (refer below)	Sales price per sqm	594 EUR/sqm – 2,900 EUR/sqm (1,998 EUR/sqm)	Expected sales price per sqm were higher (lower)
Land bank	Market comparable method (refer below)	Sales price per sqm	10 EUR/sqm-290 EUR/sqm (160 EUR/sqm)	Expected sales price per sqm were higher (lower)

Income method of setting the property's value
Income method valuation is calculating attained annual rent lowered of annual costs for operating, alternatively comparing those costs and profits with realised costs and profits of similar properties. Average annual maintenance, property administration, property tax, insurance and other relevant expenses are included in costs. Each property type has to be valued separately and with respect to individual factors which have impact on the property value as well as considering the development of the economy as a whole.

Material price of the buildings
Material price is price of re-building the property, lowered of the wear. Material price complies with costs, which would be needed to spend at the time of the valuation for same or similar property. Market price of the property is added to this result.

Calculation of the price by THU - principle consists of finding of measure of the whole building (e.g. enclosed area, built up area, length, depts., height etc.) and for this measure the unit price of comparable object is found out in the catalogue of technical-economic indicators (THU – budgetary indicators of building objects). Material price is found out by multiplying. This material price is modified of the wear / it is necessary to determine an assumed lifetime and the height of the wear (both physical and moral).

Method of market comparison
Method is based on comparing prices of comparable estates in that area and recently paid. Price of comparable estates is modified with deductions and supplements, which reflects qualitative factor such as location, quality, building preparedness, etc.

Sensitivity analysis
As the most significant part of the portfolio is valued using market comparable method, the individual factors having effect on the valuation cannot be reasonably identified and analysed. Therefore no sensitivity analysis was performed.

3.14. Property, Plant and Equipment

In thousands of EUR	Land and buildings	Plant and equipment	Property under construction	Total
Cost				
Balance at 1 January 2014	5,931	2,472	394	**8,797**
Acquisitions through business combinations	5,591	3,715	135	**9,441**
Additions	353	1,091	10	**1,454**
Transfers	–	123	(123)	**–**
Transfers to/from Investment Property	–	–	–	**–**
Transfers to Trading Property	–	–	–	**–**
Disposals	(1,475)	(1,811)	(372)	**(3,658)**
Disposals out of the Group	–	–	–	**–**
Effect of movements in foreign exchange	(62)	(99)	(2)	**(163)**
Balance at 31 December 2014	**10,338**	**5,491**	**42**	**15,871**
Balance at 1 January 2015	10,338	5,491	42	**15,871**
Acquisitions through business combinations	–	–	–	**–**
Additions	483	2,825	66	**3,374**
Transfers	–	–	–	**–**
Transfers to/from Investment Property	871	–	–	**871**
Transfers to Trading Property	–	–	–	**–**
Disposals	(191)	(1,302)	(10)	**(1,503)**
Disposals out of the Group	(1,498)	(2,234)	–	**(3,732)**
Effect of movements in foreign exchange	139	102	1	**242**
Balance at 31 December 2015	**10,142**	**4,882**	**99**	**15,123**
Accumulated depreciation and impairment losses				
Balance at 1 January 2014	(283)	(198)	–	**(481)**
Acquisitions through business combinations	–	–	–	**–**
Depreciation charge for the year	(319)	(1,252)	–	**(1,571)**
Transfers from Investments Property	–	–	–	**–**
Reversals of impairment	–	–	–	**–**
Disposals	210	566	–	**776**
Disposals out of the Group	–	–	–	**–**
Effect of movements in foreign exchange	31	86	–	**117**
Balance at 31 December 2014	(361)	(798)	–	**(1,159)**
Balance at 1 January 2015	(361)	(798)	–	**(1,159)**
Acquisitions through business combinations	–	–	–	**–**
Depreciation charge for the year	(425)	(2,049)	–	**(2,474)**
Transfers to/from Investments Property	(226)	–	–	**(226)**
Reversals of impairment	–	–	–	**–**
Disposals	2	1,197	–	**1,199**
Disposals out of the Group	534	1,284	–	**1,818**
Effect of movements in foreign exchange	(66)	(2)	–	**(68)**
Balance at 31 December 2015	**(542)**	**(368)**	–	**(910)**
Carrying amounts				
At 1 January 2014	5,648	2,274	394	8,316
At 31 December 2014	**9,977**	**4,693**	**42**	**14,712**
At 1 January 2015	9,977	4,693	42	14,712
At 31 December 2015	**9,600**	**4,514**	**99**	**14,213**

Land and Buildings

In thousands of EUR	31 December 2015	31 December 2014
PSJ, a.s.	1,898	1,217
GM, spol. s r.o.	1,692	1,756
PSJ Hydrotranzit, a.s.	1,877	1,933
EKOKLIMA akciová společnost	360	376
Inovat SE	19	3
Alpine SLOVAKIA, spol. s r.o.	229	968
Alpine Bau CZ a.s.	3,525	3,724
Total	**9,600**	**9,977**

Property, Plant and Equipment

In thousands of EUR	31 December 2015	31 December 2014
PSJ, a.s.	1,190	1,108
GM, spol. s r.o.	50	54
PSJ Hydrotranzit, a.s.	316	433
D.I.S., spol. s r.o.	382	505
EKOKLIMA akciová společnost	127	77
Inovat SE	11	16
Alpine SLOVAKIA, spol. s r.o.	121	1,071
Alpine Bau CZ a.s.	2,213	1,301
SCF SERVIS, s.r.o.	104	128
Total	**4,514**	**4,693**

Property under Construction

In thousands of EUR	31 December 2015	31 December 2014
PSJ, a.s.	45	40
PSJ Hydrotranzit, a.s.	2	–
EKOKLIMA akciová společnost	52	2
Total	**99**	**42**

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3.15. Intangible Assets

In thousands of EUR	Software	Other intangible assets	Total Intangible fixed assets	Goodwill
Cost				
Balance at 1 January 2014	240	14,764	15,004	1,000
Acquisitions through business combinations	6	3,562	3,568	2,204
Additions	182	414	596	–
Disposals	(12)	(402)	(414)	–
Disposals out of Group	–	–	–	–
Effect of movements in foreign exchange rate	124	(459)	(335)	(10)
Balance at 31 December 2014	**540**	**17,879**	**18,419**	**3,194**
Balance at 1 January 2015	540	17,879	18,419	3,194
Acquisitions through business combinations	–	–	–	–
Additions	94	102	196	–
Disposals	(133)	(23)	(156)	–
Disposals out of Group	–	–	–	(36)
Effect of movements in foreign exchange rate	12	128	140	1
Balance at 31 December 2015	**513**	**18,086**	**18,599**	**3,159**
Accumulated amortisation and impairment losses				
Balance at 1 January 2014	(66)	(8,206)	(8,272)	–
Acquisitions through business combinations	–	–	–	–
Amortisation for the year	(111)	(480)	(591)	–
Impairment	–	–	–	–
Disposal	79	366	445	–
Disposals out of Group	–	–	–	–
Effect of movements in foreign exchange rate	(126)	86	(40)	–
Balance at 31 December 2014	**(224)**	**(8,234)**	**(8,458)**	**–**
Balance at 1 January 2015	(224)	(8,234)	(8,458)	–
Acquisitions through business combinations	–	–	–	–
Amortisation for the year	(204)	(264)	(468)	–
Impairment	–	–	–	–
Disposal	55	20	75	–
Disposals out of Group	–	–	–	–
Effect of movements in foreign exchange rate	8	17	25	–
Balance at 31 December 2015	**(365)**	**(8,481)**	**(8,846)**	**–**
Carrying amounts				
At 1 January 2015	316	9,645	9,961	3,194
At 31 December 2015	**148**	**9,605**	**9,753**	**3,159**

Other Intangible assets comprise of brand of TEUR 6,140 and valuable rights of TEUR 3,261.

Brand is intangible asset with indefinite useful life of TEUR 6,140 tested for impairment annually. Valuation method used for calculation of recoverable amount is Licence analogy.

Parameters used in calculation are:
Time of cash flow estimation: 10 years
Expected inflation in the future: 0,4%
Discounting factor: 13.543%
Weighted average of revenues over past four years is based as a base for the calculation of estimated cash flows. Based on calculation, recoverable amount of TEUR 7,144 is higher than carrying value of brand, no impairment is required.

In thousands of EUR ("TEUR")

Sensitivity analysis

An increase in discounting factor by more 4.00 percentage points or decrease in revenues by more 14% would lead to recording of impairment in financial statements. The calculation of the recoverable amount is not sensitive to other inputs.

Goodwill is tested for impairment annually. Based on calculation, recoverable amount is higher than carrying value, no impairment is required.

3.16. Investments in associates

Joint ventures and associates

	Country	Ownership		Investment	
		2015	2014	2015	2014
Silasfalt s.r.o.	Czech Republic	50.00%	50.00%	4,438	3,423
Soco Connect Parthership LP	USA	21.96%	21.96%	491	2,253
Slovenské Asfalty s.r.o.	Slovakia	50.00%	–	1,215	–
TOTAL				**6,144**	**5,676**

The Group's share of the post-acquisition profit or loss of the above joint ventures recognised as at 31 December 2015 is TEUR 1,168 (2014 – TEUR 1,603).

As at 31 December 2015 Soco Connect has paid in cash TEUR 1,762 from capital funds to PSJ USA.

The financial information relating to joint ventures and associates is summarised below:

31 December 2015	Non-Current assets	Current Assets	Non-Current Liabilities	Current Liabilities	Profit	Revenues
Soco Connect Parthership LP	1,275	9,389	–	(760)	6,274	29,748
Slovenské Asfalty s.r.o.	1,825	2,122	–	(1,516)	502	4,260
Silasfalt s.r.o.	7,499	5,465	(205)	(3,885)	1,834	22,904

Joint Ventures as at 31 December 2015	**Slovenské Asfalty s.r.o**	**Silasfalt s.r.o.**
Cash and cash equivalents	753	4,146
Current financial liabilities	(1,470)	(680)
Non-current financial liabilities	–	–
Depreciation and amortisation	(105)	(878)
Interest expense	–	(54)
Interest income	–	–
Income tax (expense)/income	(158)	(433)

Joint Ventures as at 31 December 2014	**Silasfalt s.r.o.**
Cash and cash equivalents	641
Current financial liabilities	(417)
Non-current financial liabilities	–
Depreciation and amortisation	659
Interest expense	(5)
Interest income	–
Income tax (expense)/income	276

31 December 2014	Assets	Liabilities	Equity	Profit
Soco Connect Parthership LP	14,095	(1,004)	(13,091)	7,250
Silasfalt s.r.o.	10,499	(3,653)	(6 846)	1,169

3.17. Other investments

In thousands of EUR	2015	2014
Other financial investments	2,775	1,608
Time deposits	–	50
Total	**2,775**	**1,658**

3.17.1. Other financial investments

Non-consolidated entities as at 31 December 2015	Acquisition price	Ownership interest	Equity	Turnover	Total assets
PSJ-Minskprojekt, s.r.o.	3	80%	1	–	1
REALITY INVEST spol. s r.o.	504	80%	(13)	–	184
AB - CONTROL s.r.o.	9	42%	–	–	–
FC VYSOČINA JIHLAVA, a.s.	104	40%	740	3,078	1,786
ISD - NOE, spol. sr.o.	131	34%	345	165	383
TENISCENTRUM JIHLAVA, a.s.	809	42%	1,761	249	2,076
Nadace Jindřicha a Ičky Waldesových	110	–	107	7	107
Sportovní služby, s.r.o.	–	100%	–	–	–
S.M.U., s. r. o. (former START ME UP, s.r.o.)	5	100%	6	52	12
RONELI GEORGIA LLC	–	51%	(121)	4,475	681
INITIO, LP	923	10,88%	–	–	–
Other non-consolidated entities (especially non-profit entities)*	177	–	–	–	–
Total	**2,775**				

Non-consolidated entities as at 31 December 2014	Acquisition price	Ownership interest	Equity	Turnover	Total assets
PSJ-Minskprojekt, s.r.o.	3	80%	1	–	1
REALITY INVEST spol. s r.o.	504	80%	(6)	–	179
AB - CONTROL s.r.o.	9	42%	–	–	–
FC VYSOČINA JIHLAVA, a.s.	101	40%	63	208	2,125
ISD - NOE, spol. sr.o.	131	34%	15	3	22
TENISCENTRUM JIHLAVA, a.s.	738	42%	1,699	208	2,125
Nadace Jindřicha a Ičky Waldesových	107	–	104	7	104
Sportovní služby, s.r.o.	–	100%	–	–	–
S.M.U., s. r. o. (former START ME UP, s.r.o.)	5	100%	4	–	4
RONELI GEORGIA LLC	–	51%	–	110	1,209
Other non-consolidated entities (especially non-profit entities)*	–	–	–	–	–
Total	**1,608**				

*) Financial statements are not available as at the date of signing these financial statements.

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3.18. Long-Term Loan Receivable

In thousands of EUR	2015	Average interest rate	2014	Average interest rate
Provided loans	–	–	188	5%
Total	**–**	**–**	**188**	**5%**

None of the provided loans have a maturity in more than 5 years.

3.19. Restricted cash

As at 31 December 2015, bank balances contain restricted cash of TEUR 5,381 (2014 – TEUR 3,762). Restricted cash is connected with bank guarantees, retention related construction projects and deposits to export loans.

3.20. Long-Term Receivables

As at 31 December 2015 there were other long-term receivables of TEUR 10,481 (2014 – TEUR 3,894), which represent warranty amounts retained by customers and investors.

Long-term receivables with maturity over five years amount to TEUR 1,293 (2014 – TEUR 356).

3.21. Trading Property and Inventory

In thousands of EUR	2015	2014
Trading property including goods for resale	13,764	15,969
Work in progress	987	1,995
Raw material	704	731
Total	**15,455**	**18,695**

Raw material primarily represents materials used for construction work.

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Trading Property including goods for resale

In thousands of EUR	GM, spol. s r.o.	EKO KLIMA akciová společnost	Inovat SE	City Gate, s.r.o.	Byty Hůrka s.r.o.	RM Invest CZ s.r.o.	Na Dolinách 24, s.r.o.	Metis Property, s. r. o.	AZ TOWER a.s.	Total
Balance at 1 January 2014	24	392	–	15,652	2,148	32	908	819	–	19,975
Additions	–	–	–	–	350	–	–	93	–	443
Additions through acquisitions	–	–	–	–	–	–	–	–	1,560	1,560
Transfer to Investment property	–	–	–	(1,532)	–	–	–	–	–	(1,532)
Disposals	(3)	(333)	–	–	(2,361)	(19)	(561)	–	(516)	(3,793)
Reversal of impairment to Trading property	–	–	–	(553)	–	–	–	–	–	(553)
Effect of movement in foreign exchange rate	–	(4)	–	4	(100)	–	(6)	(12)	(13)	(131)
Balance at 31 December 2014	21	55	–	13,571	37	13	341	900	1,031	15,969
Balance at 1 January 2015	21	55	–	13,571	37	13	341	900	1,031	15,969
Additions	1	–	268	498	96	–	2,465	–	–	3,328
Additions through acquisitions	–	–	–	–	–	–	–	–	–	–
Transfer to Investment property	–	–	–	–	–	–	–	–	–	–
Disposals	–	(30)	–	(3,131)	(132)	(13)	–	–	(756)	(4,062)
Disposals out of the Group	–	–	–	–	–	–	–	(900)	–	(900)
Reversal of impairment to Trading property	–	–	–	(223)	–	–	–	–	–	(223)
Effect of movement in foreign exchange rate	(1)	(1)	–	(342)	(1)	–	(9)	–	6	(348)
Balance at 31 December 2015	21	24	268	10,373	–	–	2,797	–	281	13,764

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3.22. Trade and Other Receivables

In thousands of EUR	2015	2014
Trade receivables	66,741	43,271
Construction contracts in progress	4,968	12,764
Value added tax receivables	604	1,535
Pre-payments	8,637	22,464
Prepaid expenses	845	1,132
Receivables from employees	63	640
Accrued revenues	103	215
Estimated receivables	2,637	14,646
Other receivables	2,318	2,124
Total	**86,916**	**98,791**

Trade receivables are shown net of a bad debt provision of TEUR 10,434 (2014 – TEUR 11,766).

In thousands of EUR	2015	2014
Bad Debt provision as at 1 January	11,766	7,787
Creation of bad debt provision	738	7,336
Release of bad debt provision	–	–
Use of bad debt provision	(2,070)	(3,357)
Bad Debt provision as at 31 December	**10,434**	**11,766**

3.23. Cash and Cash Equivalents

In thousands of EUR	2015	2014
Cash in Bank	30,550	29,529
Cash on hand	256	200
Cash in transit	–	(2)
Term deposit	–	–
Cash and cash equivalents in the cash-flow statement	**30,806**	**29,727**

3.24. Changes in Equity

The consolidated statement of changes in equity is presented on the face of the financial statements.

3.24.1. Share Capital

As at 31 December 2015 the subscribed capital of the Company was TEUR 30,418 and was fully paid.

In thousands of EUR	2015	2014
Number of shares / Nominal value		
Authorised 60,836,000 shares per one euro	60,836	60,836
Unissued 30,418,000 shares per 1 euro	(30,418)	(30,418)
Total	**30,418**	**30,418**

As at 31 December 2015 were declared dividends of TEUR 5,400 (2014 – TEUR 0), which represents earnings 0,17 EUR per share (2014 – 0 EUR).

3.24.2. Translation Reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements from the functional to the presentation currency (see accounting policy (r)).

3.24.3. Reserves

Reserves comprise statutory legal fund of TEUR 497 (2014 – TEUR 369).

3.25. Non-controlling Interest

As at 31 December 2015 non-controlling interest in the consolidated companies of the Group was TEUR 2,197 (2014 – TEUR 5,659). Decrease in non-controlling interest represents acquisition of additional 35% of D.I.S., spol. s r.o. of TEUR 1,721 for consideration of TEUR 3,628. The Company became sole owner of this entity.

3.26. Interest-Bearing Loans and Borrowings

The contractual terms of the Group's interest-bearing loans and borrowings are summarised below. For more information about the Group's exposure to interest rates, please refer to Note 3.30.

In thousands of EUR	2015	2014
Current liabilities		
Bank loans	6,555	22,184
Third parties	3,022	2,137
Related parties	934	--
Total	**10,511**	**24,321**

As at 31 December 2015 the Group had bank overdraft TEUR 2,895 (2014 – TEUR 455) included in current liabilities.

In thousands of EUR	2015	2014
Non-current liabilities		
Bank loans	25,709	17,672
Bonds	14,801	14,428
Total	**40,510**	**32,100**

On 17 December 2012, the Company PSJ, a.s. issued CZK 400 million bonds in nominal value of 1 CZK each. The bonds are issued as subordinated, with fix interest rate 8% and bonds are due on 17 December 2020. The bonds are held by four individuals.

Non-current interest bearing loans and borrowings are payable as follows:

In thousands of EUR	Amount as at 31 December 2015	Payable in 1-5 years	Payable after 5 years
Bank loans	25,709	21,786	3,923
Bonds	14,801	14,801	--
Total	**40,510**	**36,587**	**3,923**

In thousands of EUR	Amount as at 31 December 2014	Payable in 1-5 years	Payable after 5 years
Bank loans	17,672	17,672	--
Bonds	14,428	--	14,428
Total	**32,100**	**17,672**	**14,428**

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The bank loans are secured as follows:

In thousands of EUR			
Entity	**Assets pledged by the entity**	**Carrying amount of pledged assets**	
		2015	**2014**
PSJ Holding B.V.	75% of PSJ Holding B.V. shares, PSJ, a.s. shares	4,800	7,200
	75% of PSJ Holding B.V. shares, D.I.S. spol. s r.o. shares, Financial guarantee	5,553	–
PSJ, a.s.	Trade receivables, bank accounts, fixed assets, investment property, trading property	12,174	12,878
PSJ Hydrotranzit, a.s.	Fixed assets, investment property, trading property	1,877	1,933
EKOKLIMA, a.s.	Fixed assets, trading property	334	155
City Gate, s.r.o.	Investment property, trading property	10,470	13,571
ALPINE SLOVAKIA, spol. s r.o.	Fixed assets, bill of exchange	3	636
ALPINE Bau CZ a.s.	Fixed assets	3,745	–
AZ TOWER a.s.	Fixed assets	4,950	5,185
Na Dolinách 24, s.r.o.	Fixed assets	33	881
SCF SERVIS, s.r.o.	Fixed assets	67	65
D.I.S., spol. s r.o.	Fixed assets, trading property	107	105
Total		**44,113**	**44,883**

Bank covenants

a. The loan covenants for the EUR 4,8 mil loan from UniCredit Bank Czech Republic and Slovakia, a.s. provided to PSJ holding B.V.

The loan covenants are stipulated as the Equity Ratio to be ensured by:

1. PSJ Holding B.V. – tested once a year based on the audited consolidated financial statements for each financial year
2. PSJ, a.s. – tested once a year based on the audited consolidated financial statements for each financial year

The Equity Ratio thresholds in the relevant years:

	2015 - 2017
PSJ Holding B.V.	19%
PSJ, a.s.	20%

Calculation of the Equity Ratio is following:
A = (B/C)*100, where
A = Equity Ratio expressed in per cents
B = Equity (plus subordinated debt)
C = Total Assets

b. The loan covenants for the CZK 150 mil loan from UniCredit Bank Czech Republic and Slovakia, a.s. provided to PSJ holding B.V.

The loan covenants are stipulated as the Equity Ratio and ratio of the Net Financial Debt and EBITDA to be ensured by:

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1. PSJ Holding B.V. – tested once a year based on the audited consolidated financial statements for each financial year

The Equity Ratio thresholds in the relevant years:

	2015	2016-2017
PSJ Holding B.V.	20%	20%

Calculation of the Equity Ratio is following:
A = (B/C)*100, where
A = Equity Ratio expressed in per cents
B = Equity (plus subordinated debt minus Goodwill refer to note 3.15)
C = Total Assets (minus Goodwill)

Thresholds for Ratio of the Net Financial Debt and EBITDA

	2015	2016	2017-2018
PSJ Holding B.V.	3,5	3,5	3,25

Calculation of the Ratio of the Net Financial Debt and EBITDA is following:

A = (B/C), where
A = Ratio of the Net Financial Debt and EBITDA
B = Interest bearing loans (ST and LT and bank overdraft) minus Subordinated debt (Bonds) minus cash and cash equivalents
C = Net operating profit before net financial expense plus Depreciation and amortisation plus/minus Valuation gains/loss on investment property plus/minus Creation/release of provisions (write offs)

Current bank loan provided to PSJ, a.s.

The loan covenants are stipulated as the Equity Ratio, Debt/EBITDA ratio and DSCR ratio to be ensured by:

1. PSJ, a.s. – tested once every quarter a year based on the unaudited quarter financial statements. Tested once a year based on the audited financial statements for each financial year.
2. PSJ Holding B.V - (Guarantor) tested once every quarter a year (Equity ratio semi-annually) based on the unaudited quarter financial statements. Tested once a year based on the audited financial statements for each financial year.

	2015	2016
PSJ Holding B.V.	22%	22%

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Calculation of the Equity ratio is following (relevant only for PSJ Holding B.V.):
A = (B-C+D-E-F)/(G - C)*100, where
A = Equity ratio expressed in per cents
B = Equity
C = Receivables for subscribed registered capital
D = Bonds issued
E = Receivables overdue more than 90 days
F = Intercompany receivables
G = Total assets

The loan covenants are stipulated also based on the Debt/EBITDA ratio with the following thresholds:

	2015	2016	2017
PSJ, a.s.	4.00	3.50	3.50
PSJ Holding B.V.	4.00	3.50	3.50

Calculation of the Debt/EBITDA ratio is following:

A = B/C, where
A = Debt/EBITDA ratio
B = Debt (Interest bearing loans and borrowings excluding subordinated bonds issued by PSJ, a.s. pledged in favor of the Lenders + payment guarantees)
C = EBITDA (Net operating profit before net financial expenses – Valuation gains on investment property – Valuation losses on investment property – Gain on the disposal of investment property – Net profit/loss on disposal of property, plant and equipment (OI,OE) – Release of bad debt provisions (OE) – creation of bad debt provisions (OE) – Creation of provisions (OE) – Release of provisions (OE) – Impairment to Trading property (OE) – Reversal of impairment to Trading property (OE) – Amortization and depreciation of intangible and tangible assets (from Costs related to construction contract and service income) – Amortization and depreciation of intangible and tangible assets (from Administrative expenses*)

The loan covenants are stipulated also based on the DSCR ratio with the following thresholds:

	2015	2016	2017
PSJ, a.s.	1.20	1.20	1.20
PSJ Holding B.V.	1.20	1.20	1.20

Calculation of the DSCR ratio is following:

A = B/C, where
A = DSCR ratio
B = EBITDA plus Dividends received
C = Non-operating payments of Long term interest bearing loans plus net interest income/expense plus Income tax plus bank guarantee fees

Non-Current Bank Loan provided to Alpine BAU CZ a.s.

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The loan covenants are stipulated as the Tangible net worth ratio, which shall not to be lower than the below thresholds in the relevant years:

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	2015	2016	2017	2018
Alpine BAU CZ a.s.	10%	15%	25%	25%

In thousands of EUR ("TEUR")

Calculation of the Tangible net worth ratio is following:
A = (B/C)*100, where
A = Tangible net worth ratio expressed in per cents
B = Bank debt
C = EBITDA

The loan covenants are stipulated also based on the Debt/EBITDA ratio with the following thresholds:

	2015	2016	2017	2018
Alpine BAU CZ a.s.	1.25	1.00	1.00	1.00

Calculation of the Debt/EBITDA ratio is following:

A = B/C, where
A = Debt/EBITDA ratio
B = Debt (Interest bearing loans and borrowings)
C = EBITDA (Net operating profit before net financial expenses – Net profit/loss on disposal of non-current assets – Release of bad debt provisions – creation of bad debt provisions – Creation of provisions – Release of provisions – Amortization and depreciation of intangible and tangible assets)

The loan covenants are stipulated also based on the DSCR ratio with the following thresholds:

	2015	2016	2017	2018
Alpine BAU CZ a.s.	1.75	2.00	2.00	2.00

Calculation of the DSCR ratio is following:
A = B/C, where
A = DSCR ratio
B = Net profit/loss on disposal of non-current assets – Release of bad debt provisions – creation of bad debt provisions – Creation of provisions – Release of provisions – Amortization and depreciation of intangible and tangible assets – Net finace income / expense – Interest expense – current income tax expense
C = Non-operating payments of Long-term interest bearing loans plus net interest income/expense

Non-Current Bank Loan provided to AZ TOWER a.s.

The loan covenants are stipulated as the Equity Ratio, DSCR ratio, Leased premises ratio and LTV ratio to be ensured by:

1. AZ TOWER a.s. – tested once every quarter based on the unaudited quarter financial statements. Tested once a year based on the audited financial statements for each financial year.
2. PSJ, a.s. - tested once every quarter based on the unaudited quarter financial statements. Tested once a year based on the audited financial statements for each financial year.

The Equity Ratio thresholds in the relevant years:

	2015	2016-25
AZ TOWER a.s.	25%	25%

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Calculation of the Equity ratio is following:
A = B/C*100, where
A = Equity ratio expressed in per cents
B = Equity plus subordinated debt
C = Total assets

The DSCR Ratio thresholds in the relevant years:

	2015	2016-25
AZ TOWER a.s.	1.20	1.20

Calculation of the DSCR ratio is following:
A = B/C, where
A = DSCR ratio
B = EBITDA plus Dividends received
C = Non-operating payments of Long term interest bearing loans plus net interest income/expense

The Leased premises Ratio thresholds in the relevant years:

	2015	2016-25
AZ TOWER a.s.	0.70	0.70

Calculation of the Leased premises ratio is following:
A = B/C, where
A = Leased premises ratio
B = leased premises in m2
C = total premises intended to be leased in m2

The LTV Ratio thresholds in the relevant years:

	2015	2016-25
AZ TOWER a.s.	50%	50%

Calculation of the LTV ratio is following:
A = B/C*100, where
A = LTV ratio expressed in %
B = nominal value of the loan provided
C = fair value of building based on valuators report

The loan covenants were fulfilled as per year ended 31 December 2015.

3.27. Other Long-Term Payables

As at 31 December 2015 long-term liabilities amounted to TEUR 12,607 (2014 – TEUR 10,918), of which TEUR 1,148 (2013 – TEUR 83) related to finance lease liabilities.
The remaining part of other long-term payables represents retentions from suppliers of construction contracts.
Long-term payables with maturity over five years amount to TEUR 995 (2014 – TEUR 3,569).

Non-cancellable finance lease rentals are payable as follows:

In thousands of EUR	2015	2014
Less than one year	(343)	–
Between one and five years	(1,148)	(83)
More than five years	–	--
Total	**(1,491)**	**(83)**

During the year ended 31 December 2015, TEUR 67 (2014 – TEUR 26) was recognised as an interest expense in the statement of comprehensive income in respect of finance leases.

3.28. Provisions

The Group creates provisions mainly for: warranty repairs and other expected business risks and penalties, loss-making projects and staff remunerations. The provisions recorded by the Group as at 31 December 2015 amounted to TEUR 26,011 (2014 – TEUR 16,384), out of which TEUR 148 (2014 – TEUR 287) represents provision for bonuses related to construction projects, TEUR 457 (2014 – TEUR 556) is bank guaranties provision, TEUR 16,675 (2014 – TEUR 6,754) is warranty provision, TEUR 5,118 (2014 – TEUR 4,755) represents provisions for legal claims, TEUR 225 (2014 – TEUR 2,684) comprises provisions relating to loss making contracts and TEUR 3,388 (2014 – TEUR 1,348) are other provisions.

In thousands of EUR	
Balance at 1 January 2014	6,911
Acquisitions through business combinations	15,784
Disposal through sale of subsidiary	–
Provisions created during the year	4,734
Release of provisions	(2,936)
Provisions used during the year	(8,149)
Effect of movement in foreign exchange rate	40
Balance at 31 December 2014	**16,384**
Non-current	–
Current	16,384
Total at 31 December 2014	**16,384**
Balance at 1 January 2015	16,384
Acquisitions through business combinations	–
Disposal through sale of subsidiary	–
Provisions created during the year	11,082
Release of provisions	(6)
Provisions used during the year	(1,709)
Effect of movement in foreign exchange rate	260
Balance at 31 December 2015	**26,011**
Non-current	–
Current	26,011
Total at 31 December 2015	**26,011**

Provisions acquired through business combination related chiefly to Alpine CZ, where provisions for loss-making projects, legal claims and expected repairs were created to cover expected risks to be incurred by the business.

3.29. Trade and Other Payables

In thousands of EUR	**2015**	**2014**
Trade payables	62,510	49,040
Construction under progress	2,857	4,544
Advances received	5,237	22,161
Estimated payables	13,429	14,298
Income tax payables	514	461
Payables to employees, social security and health insurance, employees income tax	1,866	1,793
Payables to the shareholders	4,133	108
Deferred revenues	189	1,594
Other payables	6,516	5,271
Total	**97,251**	**99,270**

Advance payments represent mainly advances for construction work.

3.30. Financial Instruments and Fair Values

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business.

Credit Risk

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Investments can be made only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with counterparties that have a sound credit rating and with whom the Group has a signed a netting agreement.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Credit Risk Concentration

	Total exposure		
	In the statement of financial position	**Out of the statement of financial position**	**Total credit exposure**
Amounts due from banks	36,187	–	36,187
Amounts due from customers and other receivables	86,916	–	86,916
Total	**123,103**	**–**	**123,103**

The Group has bank accounts with a prestigious banking institution; no risk is expected.

Amounts due from customers consist mainly of amounts due from customers under construction projects and receivables from finished projects.

Foreign Currency Risk

The Group is exposed to foreign currency risk on payables and receivables that are denominated in a currency other than the currency in which the accounting is kept in the country of the Group's company residence; i.e. Czech crowns applicable for the Czech based Group companies, EUR applicable to Slovakia, Germany and Netherlands based Group companies, USD in the USA and RUB in Russia. The currency risk is managed where possible by making investments in the same currency as the financing sources utilised.

The currency risk during the period of repayment of liabilities to third parties is usually offset by generating revenues denominated in the same underlying currency, which is applicable to both sales revenues and operating revenues.

In thousands of EUR ("TEUR")

Overview of Foreign Currency Receivables and Payables as at 31 December 2015

		Total in TEUR	Less than 1 year in TEUR	1-5 years in TEUR	More than 5 years in TEUR
Items in the statement of financial position					
Trade and other receivables	TCZK	41,930	37,129	2,915	1,886
	TEUR	43,206	39,744	3,223	239
	TUSD	505	505	–	–
	TRUB	11,756	9,739	2,017	–
	TPLN	–	–	–	–
	TGPP	–	–	–	–
	TGEL	–	–	–	–
	TCHF	–	–	–	–
	TOTAL	**97,397**	**87,117**	**8,155**	**2,125**
Trade and other payables	TCZK	(65,842)	(58,731)	(5,718)	(1,394)
	TEUR	(28,834)	(27,369)	(796)	(669)
	TUSD	(335)	(335)	–	–
	TRUB	(14,812)	(12,601)	(2,211)	–
	TPLN	(10)	(2)	(8)	–
	TGBP	(1)	(1)	–	–
	TGEL	(2)	(2)	–	–
	TCHF	(21)	(21)	–	–
	TOTAL	**(109,858)**	**(99,063)**	**(8,733)**	**(2,063)**
Cash and cash equivalents	TCZK	20,511	18,842	1,669	–
	TEUR	14,305	10,593	3,712	–
	TUSD	637	637	–	–
	TRUB	733	733	–	–
	TPLN	–	–	–	–
	TGBP	–	–	–	–
	TGEL	–	–	–	–
	TCHF	–	–	–	–
	TOTAL	**36,187**	**30,806**	**5,381**	**–**
Interest-bearing loans and borrowings	TCZK	(30,716)	(3,855)	(22,938)	(3,923)
	TEUR	(19,722)	(6,073)	(13,649)	–
	TUSD	(583)	(583)	–	–
	TRUB	–	–	–	–
	TPLN	–	–	–	–
	TGBP	–	–	–	–
	TGEL	–	–	–	–
	TCHF	–	–	–	–
	TOTAL	**(51,021)**	**(10,511)**	**(36,587)**	**(3,923)**
Total	**TCZK**	**(34,117)**	**(6,615)**	**(24,072)**	**(3,431)**
	TEUR	**8,955**	**16,895**	**(7,510)**	**(430)**
	TUSD	**224**	**224**	**–**	**–**
	TRUB	**(2,323)**	**(2,129)**	**(194)**	**–**
	TPLN	**(10)**	**(2)**	**(8)**	**–**
	TGBP	**(1)**	**(1)**	**–**	**–**
	TGEL	**(2)**	**(2)**	**–**	**–**
	TCHF	**(21)**	**(21)**	**–**	**–**
	TOTAL	**(27,295)**	**8,349**	**(31,784)**	**(3,861)**

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Overview of Foreign Currency Receivables and Payables as at 31 December 2014

		Total in TEUR	Less than 1 year in TEUR	1-5 years in TEUR	More than 5 years in TEUR
Items in the statement of financial position					
Trade and other receivables	TCZK	54,025	54,025	–	–
	TEUR	31,798	28,938	867	1,993
	TUSD	892	892	–	–
	TRUB	15,944	15,328	617	–
	TPLN	26	26	–	–
	TGPP	–	–	–	–
	TGEL	–	–	–	–
	TCHF	–	–	–	–
	TOTAL	**102,685**	**99,209**	**1,483**	**1,993**
Trade and other payables	TCZK	(88,458)	(88,458)	–	–
	TEUR	(17,675)	(16,902)	(747)	(26)
	TUSD	(507)	(507)	–	–
	TRUB	(3,257)	(2,112)	(1,065)	(80)
	TPLN	(53)	(53)	–	–
	TGBP	(14)	(14)	–	–
	TGEL	–	–	–	–
	TCHF	(225)	(225)	–	–
	TOTAL	**(110,188)**	**(108,270)**	**(1,812)**	**(106)**
Total	**TCZK**	**(34,433)**	**(34,433)**	**–**	**–**
	TEUR	**14,123**	**12,036**	**120**	**1,967**
	TUSD	**385**	**385**	**–**	**–**
	TRUB	**12,688**	**13,216**	**(448)**	**(80)**
	TPLN	**(27)**	**(27)**	**–**	**–**
	TGBP	**(14)**	**(14)**	**–**	**–**
	TGEL	**–**	**–**	**–**	**–**
	TCHF	**(225)**	**(225)**	**–**	**–**
	TOTAL	**(7,503)**	**(9,061)**	**(328)**	**1,887**

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

Gearing ratio ***In thousands of EUR***	**2015**	**2014**
Debt (1)	51,021	56,421
Less: Cash and cash equivalents	(30,806)	(29,727)
Net debt	20,215	26,694
Equity (2)	34,231	42,878
	59.06%	**62.26%**

(1) Debt is defined as long- and short-term borrowings as detailed in Note 3.26.

(2) Equity includes all capital, reserves and retained earnings of the Group.

Operational Risk

Operational risk is defined as the risk of loss arising from the inappropriateness or failure of internal processes, human errors or failures of systems or the risk of loss arising from external events. The Company assesses these risks on a regular basis and undertakes measures aimed at systematic detection and minimisation of these risks. Operational risk management activities focus on the utilization and improvement of the management information system consisting of information about individual projects and legal documentation in force.

In respect of areas with an identified significant risk, the Group has implemented a set of key risk indicators that serve as an early warning system and as a measure of operational risk taken.

Interest Rate Risk

The interest rate risk is applicable generally to those business activities and development projects where floating interest rates for debt financing are used. Bank loans usually have flexible interest rates in a vast majority of senior financing cases depending on the EURIBOR, PRIBOR or BRIBOR rates for the reference period from 1 month to 6 months, increased by a fixed margin.

Effective Interest Rates and Repricing Analysis

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they reprice.

In thousands of EUR	2015					
	Effective interest rate	**Total**	**6 months or less**	**6-12 months**	**1-5 years**	**Fixed interest rate**
Bank Loans	2,88%	(32,264)	(32,264)	–	–	–
Bonds	8%	(14,801)	–	–	–	(14,801)
Third party loan 1	8%	(2,035)	–	–	–	(2,035)
Third party loan 2	5%	(536)	–	–	–	(536)
Third party loan 3	8%	(451)	–	–	–	(451)
Related party loan	3%	(934)	–	–	–	(934)
Total		**(51,021)**	**(32,264)**	**–**	**–**	**(18,757)**

In thousands of EUR	2014					
	Effective interest rate	**Total**	**6 months or less**	**6-12 months**	**1-5 years**	**Fixed interest rate**
Bank loans	2,94%	(39,682)	(39,682)	–	–	–
Bank loans	6.87%	(174)	–	–	–	(175)
Bonds	8%	(14,428)	–	–	–	(14,428)
Third party loans	8%	(2,137)	–	–	–	(2,137)
Total		**(56,421)**	**(39,682)**	**–**	**–**	**(16,739)**

Liquidity Risk

With respect to the nature of its business and its assets, the Group is, to some extent, naturally exposed to liquidity risk. This risk is mitigated by the business strategy adopted and carried out by the Group – to undertake construction projects and obtain continuous streams of cash flows from partial billings on construction services provided up to date.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest 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, while optimising the return.

Market risk exposures are measured using sensitivity analysis.

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In thousands of EUR ("TEUR")

Sensitivity Analysis - Exposure to Currency Risk

The following exchange rates of CZK, RUB and USD to EUR were used during translation:

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for the reporting period
31 December 2015	27.025	27.283
31 December 2014	27.725	27.533

Date	Closing exchange rate RUB/EUR	Average exchange rate RUB/EUR for the reporting period
31 December 2015	80.672	67.200
31 December 2014	72.337	50.952

Date	Closing exchange rate USD/EUR	Average exchange rate USD/EUR for the reporting period
31 December 2015	1.089	1.109
31 December 2014	1.214	1.329

The Group's exposure to foreign currency risk based on notional amounts was as follows:

FX rate as at 31/12/2015		10%	-10%
EUR	27.025	29.728	24.323
USD	24.824	27.306	22.342
RUB	0.335	0.369	0.302
PLN	6.340	6.974	5.706
GBP	36.822	40.504	33.140
GEL	0.097	0.107	0.087
CHF	24.930	27.423	22.437
Average FX rate for 12 months 2015			
EUR	27.283	30.011	24.555
USD	24.600	27.060	22.140
RUB	0.406	0.447	0.365
PLN	6.525	7.178	5.873
GBP	37.595	41.355	33.836
GEL	0.092	0.101	0.083
CHF	25.577	28.135	23.019

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In thousands of EUR ("TEUR")

2015		Orig. curr.	TCZK	TCZK +10%	Change	TCZK -10%	Change
Items in the statement of financial position							
Trade and other receivables	TEUR	43,206	1,167,642	1,284,406	116,764	1,050,878	(116,764)
	TUSD	550	13,653	15,019	1,336	12,288	(1,365)
	TRUB	948,352	317,698	349,468	31,770	285,928	(31,770)
	TPLN	–	–	–	–	–	–
	TGBP	–	–	–	–	–	–
	TGEL	–	–	–	–	–	–
	TCHF	–	–	–	–	–	–
Trade and other payables	TEUR	(28,834)	(779,239)	(857,163)	(77,924)	(701,315)	77,924
	TUSD	(365)	(9,061)	(9,967)	(906)	(8,155)	906
	TRUB	(1,194,919)	(400,298)	(440,328)	(40,030)	(360,268)	40,030
	TPLN	(41)	(260)	(286)	(26)	(234)	26
	TGBP	(1)	(37)	(41)	(4)	(33)	4
	TGEL	(547)	(53)	(58)	(5)	(48)	5
	TCHF	(23)	(573)	(631)	(58)	(516)	57
Cash and cash equivalents	TEUR	14,305	386,593	425,252	38,659	347,933	(38,660)
	TUSD	694	17,228	18,951	1,723	15,505	(1,723)
	TRUB	59,163	19,820	21,802	1,982	17,838	(1,982)
	TPLN	–	–	–	–	–	–
	TGBP	–	–	–	–	–	–
	TGEL	10	1	1	–	1	–
	TCHF	–	–	–	–	–	–
Interest-bearing loans and borrowings	TEUR	(19,722)	(532,987)	(586,286)	(53,299)	(479,688)	53,299
	TUSD	(635)	(15,756)	(17,331)	(1,575)	(14,180)	1,576
	TRUB	–	–	–	–	–	–
	TPLN	–	–	–	–	–	–
	TGBP	–	–	–	–	–	–
	TGEL	–	–	–	–	–	–
	TCHF	–	–	–	–	–	–
(Net exposure to currency risk)	TEUR	8,955	242,009	266,209	24,200	217,808	(24,201)
	TUSD	244	6,065	6,672	607	5,458	(607)
	TRUB	(187,404)	(62,780)	(69,058)	(6,278)	(56,502)	(6,278)
	TPLN	(41)	(260)	(286)	(26)	(234)	26
	TGBP	(1)	(37)	(41)	(4)	(33)	4
	TGEL	(537)	(52)	(57)	(5)	(47)	5
	TCHF	(23)	(573)	(631)	(58)	(516)	57
				TCZK	18,437	TCZK	(18,437)
				TEUR	**676**	**TEUR**	**(676)**

FX rate as at 31/12/2014		10%	-10%
EUR	27.725	30.498	24.953
USD	22.834	25.117	20.551
RUB	0.383	0.421	0.345
PLN	6.492	7.141	5.843
GBP	35.591	39.150	32.032
GEL	2.281	2.509	2.053
CHF	23.058	25.364	20.752

Average FX rate for 12 months 2014			
EUR	27.533	30.286	24.780
USD	20.746	22.821	18.671
RUB	0.549	0.604	0.494
PLN	6.582	7.240	5.924
GBP	34.164	37.580	30.748
GEL	2.344	2.578	2.110
CHF	22.667	24.934	20.400

In thousands of EUR ("TEUR")

2014		Orig. curr.	TCZK	TCZK +10%	Change	TCZK -10%	Change
Items in the statement of financial position							
Trade and other receivables	TEUR	31,797	881,572	969,729	88,157	793,415	(88,157)
	TUSD	1,083	24,729	27,202	2,473	22,256	(2,473)
	TRUB	1,154,196	442,057	486,263	44,206	397,851	(44,206)
	TPLN	110	714	786	72	643	(71)
	TGBP	–	–	–	–	–	–
	TGEL	–	–	–	–	–	–
	TCHF	–	–	–	–	–	–
Trade and other payables	TEUR	(17,675)	(490,039)	(539,043)	(49,004)	(441,035)	49,004
	TUSD	(615)	(14,043)	(15,447)	(1,404)	(12,639)	1,404
	TRUB	(235,745)	(90,290)	(99,319)	(9,029)	(81,261)	9,029
	TPLN	(226)	(1,467)	(1,614)	(147)	(1,320)	147
	TGBP	(11)	(392)	(431)	(39)	(353)	39
	TGEL	–	–	–	–	–	–
	TCHF	(270)	(6,226)	(6,849)	(623)	(5,603)	623
(Net exposure to currency risk)	TEUR	14,122	391,533	430,686	39,153	352,380	(39,153)
	TUSD	468	10,686	11,755	1,069	9,617	(1,069)
	TRUB	918,451	351,767	386,944	35,177	316,590	(35,177)
	TPLN	(116)	(753)	(828)	(75)	(677)	76
	TGBP	(11)	(392)	(431)	(39)	(353)	39
	TGEL	–	–	–	–	–	–
	TCHF	(270)	(6,226)	(6,849)	(622)	(5,603)	623
				TCZK	74,663	TCZK	(74,661)
				TEUR	**2,712**	TEUR	**(2,712)**

A 10% strengthening (devaluation) of the Czech crown against the above currencies at 31 December 2015 would have decreased (increased respectively) the profit and loss account by TEUR 676 (2014 – TEUR 2,712). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

Sensitivity Analysis - Interest Rate Risk

The interest rate profile of the Group's interest-bearing financial instruments is described in Notes 3.18, 3.26 and 3.30 for financial assets and financial liabilities, respectively.

In thousands of EUR	Average amounts		
2015	**Effective interest rate**	**Total**	**Interest (calculated)**
Bank Loan – PSJ, a.s.	1.24%	(6,170)	(76)
Bank Loan – PSJ Hydrotranzit, a.s.	2.23%	(1,802)	(40)
Bank Loan – PSJ Bau GmbH	1.15%	(450)	(5)
Bank Loan – City Gate, s.r.o.	2.57%	(11,018)	(283)
Bank Loan – Na Dolinách 24, s.r.o.	1.60%	(1,481)	(24)
Bank Loan – AZ TOWER a.s.	2.42%	(4,123)	(100)
Bank Loan – PSJ Holding B.V.	2.87%	(8,777)	(252)
Bank Loan – ALPINE Bau CZ a.s.	2.77%	(1,636)	(45)
Total		(35,456)	(826)

Increase of rate by 10%			Decrease of rate by 10%		
increase of rate by 10%	**Interest (calculated)**	**PL effect**	**decrease of rate by 10%**	**Interest (calculated)**	**PL effect**
1.36%	(84)	(8)	1.12%	(69)	8
2.45%	(44)	(4)	2.00%	(36)	4
1.26%	(6)	(1)	1.03%	(5)	1
2.83%	(312)	(28)	2.32%	(255)	28
1.76%	(26)	(2)	1.44%	(21)	2
2.66%	(110)	(10)	2.18%	(90)	10
3.15%	(277)	(25)	2.58%	(226)	25
3.05%	(50)	(5)	2.49%	(41)	5
	(908)	(83)		(743)	83

In thousands of EUR	Average amounts		
2014	**Effective interest rate**	**Total**	**Interest (calculated)**
Bank Loan – PSJ, a.s.	2.30%	(10,198)	(234)
Bank Loan – PSJ Hydrotranzit, a.s.	3.15%	(1,988)	(63)
Bank Loan – City Gate, s.r.o.	2.78%	(12,668)	(352)
Bank Loan – Byty Hůrka s.r.o.	2.53%	–	–
Bank Loan – Na Dolinách 24, s.r.o.	1.62%	(459)	(7)
Bank Loan – GM, spol. s r.o.	2.00%	–	–
Bank Loan – AZ TOWER a.s.	1.98%	(1,739)	(34)
Bank Loan – PSJ Holding B.V.	3.16%	(10,451)	(331)
Bank Loan – ALPINE Bau CZ a.s.	1.38%	(957)	(13)
Total		(38,460)	(1,034)

Increase of rate by 10%			Decrease of rate by 10%		
increase of rate by 10%	**Interest (calculated)**	**PL effect**	**decrease of rate by 10%**	**Interest (calculated)**	**PL effect**
2.53%	(258)	(23)	2.07%	(211)	23
3.46%	(69)	(6)	2.83%	(56)	6
3.06%	(388)	(35)	2.50%	(317)	35
2.78%	–	–	2.28%	–	–
1.78%	(8)	(1)	1.46%	(7)	1
2.20%	–	–	1.80%	–	–
2.17%	(38)	(3)	1.78%	(31)	3
3.48%	(364)	(33)	2.85%	(298)	33
1.51%	(14)	(1)	1.24%	(12)	1
	(1,139)	(102)		(932)	102

An increase (decrease) in interest rates by 10% at the reporting date would have decreased (increased respectively) the profit and loss account by TEUR 83 (2014 - TEUR 102) as shown in the above table. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

As at 2015 year end the Group reported bank overdraft of TEUR 2,874 with an effective interest rate of 1,98%. If the rate increased by 10%, PL effect would be TEUR 6. Alternatively if the interest rate decreased by 10%, PL effect would be TEUR -6.

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Fair value hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair value, both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair values are categorized, in accordance with the requirements of IFRS 13, into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

(1) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
(2) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
(3) Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is observable.

Information regarding the fair value measurement and fair value hierarchy of investment property refer to Note 3.13.1.

Comparison of carrying values and fair values of assets a liabilities

2015

Assets/liabilities *In thousands of EUR*	**Carrying value**	**Fair value**	**Fair value hierarchy**
Other investments	2,775	–	–
Long-term receivables	10,481	–	–
Trade and other receivables	86,916	–	–
Interest bearings loans and borrowings	(51,021)	–	–
Other long-term payables	(12,607)	–	–
Trade and other payables	(97,251)	–	–

2014

Assets/liabilities *In thousands of EUR*	**Carrying value**	**Fair value**	**Fair value hierarchy**
Other investments	1,658	–	–
Long-term receivables	3,894	–	–
Trade and other receivables	98,791	–	–
Interest bearings loans and borrowings	(56,421)	–	–
Other long-term payables	(10,918)	–	–
Trade and other payables	(99,270)	–	–

Carrying amount of financial assets and financial liabilities not measured at fair value is a reasonable approximation of its fair value, since financial assets and liabilities are composed mainly of trade receivables and payables, cash and cash equivalents and borrowings with variable interest rate.

3.31. Contingencies

The Group identified the following contingencies as at 31 December 2015:

- EKOKLIMA, akciová společnost provided bank guarantees to investors of TEUR 1,037 (2014 – TEUR 1,648).

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- As at the reporting date, PSJ, a.s. provided bank guarantees of TEUR 27,658 (2014 – TEUR 35,889), which relate to security payments made in accordance with the conditions of public tenders, adequate fulfilment of contracts and warranty periods set by contracts.

- As at the reporting date, PSJ Hydrotranzit, a.s. provided bank guarantees of TEUR 7,820 (2014 – TEUR 9,389), which relate to security payments made in accordance with the conditions of public tenders, adequate fulfilment of contracts and warranty periods set by contracts.

- As at the reporting date, D.I.S., spol. s r.o. provided bank guarantees of TEUR 7,403 (2014 – TEUR 11,880), which relate to security payments made in accordance with the conditions of public tenders, adequate fulfilment of contracts and warranty periods set by contracts.

- As at the reporting date, ALPINE SLOVAKIA, spol. s r.o. provided bank guarantees of TEUR 2,415 (2014 – TEUR 2,723), which relate to security payments made in accordance with the conditions of public tenders, adequate fulfilment of contracts and warranty periods set by contracts.

- As at the reporting date, ALPINE Bau CZ a.s. provided bank guarantees of TEUR 0 (2014 – TEUR 52), which relate to security payments made in accordance with the conditions of public tenders, adequate fulfilment of contracts and warranty periods set by contracts

- As at the reporting date, Inovat SE provided bank guarantees of TEUR 1,557 (TEUR 2,442) (2014 – TEUR 2,442), which relate to security payments made in accordance with the conditions of public tenders, adequate fulfilment of contracts and warranty periods set by contracts

- As at the reporting date, AZ TOWER a.s. provided bank guarantees of TEUR 16,444 (2014 – TEUR 16,538), which relate to security payments made in accordance with the conditions of public tenders, adequate fulfilment of contracts and warranty periods set by contracts.

- PSJ Hydrotranzit, a.s. is one of the defendants in a legal dispute regarding the payment of TEUR 1,890 and accrued interest. The legal dispute was lodged in respect of the payment of a discount on the fee payable. A payment order was issued as part of the legal dispute, which was appealed on a timely basis and no further proceedings have as yet been determined by the court of first instance. The Company established a bad debt provision and additional provision totalling TEUR 158 (2014 – TEUR 158), which is, according to an expert opinion prepared for the Company, sufficient.

- As at the reporting date, PSJ Bau GmbH. provided bank guarantees of TEUR 1,048 (2014 – TEUR 0), which relate to security payments made in accordance with the conditions of public tenders, adequate fulfilment of contracts and warranty periods set by contracts.

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3.32. Related parties

3.32.1. Identity of Related Parties

The Group has a related party relationship with its subsidiaries, associates, joint ventures and with its directors and executive officers.

Key management persons are the Chairman of the Board of Directors, members of the Board of Directors of individual subsidiaries, Finance Director, Chief Project Managers and Project Managers and members of Supervisory Board The remuneration of the key management personnel in 2015 and 2014 includes salaries, bonuses and social and health insurance cost are as follows:

In thousands of EUR	2015	2014
Remuneration and benefits paid to key management	2,323	2,987
Total	**2,323**	**2,987**

3.32.2. Transactions with Related Parties, Associates and Joint Ventures

The Group identified the following transactions with related parties in 2015 and 2014:

In thousands of EUR		2015	2014
FC VYSOČINA JIHLAVA, a.s.	Receivables from the Group	137	110
	Payables to the Group	–	12
	Services provided to the Group	359	459
	Purchases from the Group	–	41
TENISCENTRUM JIHLAVA, a.s.	Receivables from the Group	2	–
	Payables to the Group	1	–
	Services provided to the Group	4	–
	Purchases from the Group	–	–
Nadace Jindřicha a Ičky Waldesových	Payables to the Group	–	–
	Purchases from the Group	1	–
FE Consulting	Receivables from the Group	82	–
	Services provided to the Group	745	–
REALITY INVEST, spol. s r.o	Payables to the Group	–	2
	Services provided to the Group	–	–
Roneli LLC	Receivables from the Group	–	–
	Payables to the Group	275	48
	Services provided to the Group	47	–
	Purchases from the Group	912	83
LRB s.r.o.	Receivables from the Group	1	–
	Payables to the Group	5	–
	Services provided to the Group	332	–
	Purchases from the Group	57	–
Ing. Richard Lang	Receivables from the Group	–	–
	Payables to the Group	89	–
	Services provided to the Group	230	–
	Purchases from the Group	239	–
PSJ Investors N.V.	Loan granted to the Group	934	–
	Receivables from the Group	1 850	–

The Group identified the following transactions with associates and joint ventures accounted in 2015 and 2014:

In thousands of EUR		2015	2014
SILASFALT s.r.o.	Receivables from the Group	490	895
	Payables to the Group	91	26
	Services provided to the Group	8,454	5,880
	Purchases from the Group	566	429
Slovenské Asfalty s.r.o.	Receivables from the Group	344	–
	Payables to the Group	–	–
	Services provided to the Group	1,527	–
	Purchases from the Group	269	–

All the transactions above include also balances disclosed in 3.25 and 3.32.1.

3.33. Subsequent Events

On 1 January 2016 was appointed new member of Board of Directors Mr. Milan Třešňák in EKOKLIMA a.s. and Mr. Dimitr Iliev was removed from Board of directors as at same date.

On 15 May 2016 was removed from Board of Directors Mr. Roman Stryk, in Inovat SE.

On 10 June 2016 was increased share capital in ALPINE BAU CZ s.r.o. up to 50,000 TCZK.

On 15 June 2016 was appointed new member of Board of Directors Mrs. Martina Adamkovičová in PSJ Hydrotranzit a.s. and Mr. Marek Džupin was removed from Board of directors as at same date.

The financial statements were prepared on 24 June 2016.

Signature of the authorised representatives:

Roelof Leendert van Echten
Managing Director

František Vaculík
Chairman of the Supervisory board

Miroslav Horňák
Member of the Supervisory board

Martin Höfler
Member of the Supervisory board

Mavlit Bazhaev
Member of the Supervisory board

Sergey Chizhov
Member of the Supervisory board

Prague, 24 June 2016, Supervisory Board

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Independent auditor's report

To: the General Meeting of PSJ Holding B.V.

Report on the financial statements

We have audited the accompanying financial statements 2015 of PSJ Holding B.V., Amsterdam. The financial statements include the consolidated financial statements and the stand alone financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2015, the stand alone income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Managing Director's responsibility

The Managing Director is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Managing Director in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Managing Director is responsible for such internal control as he determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Managing Director, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of PSJ Holding B.V. as at 31 December 2015 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the stand alone financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of PSJ Holding B.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Managing Director, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the report of the Managing Director, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 24 June 2016

KPMG Accountants N.V.

A.P.A. Greebe RA