KONZUM NYRT.

BUSINESS CLOSING ANNUAL SEPARATE FINANCIAL STATEMENTS

COMPILED ACCORDING TO THE
INTERNATIONAL FINANCIAL REPORTING STANDARDS
30 JUNE 2019

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HUF '000' unless otherwise stated

Balance sheet

	Annex	30 June 2019	31 December 2018
ASSETS			
Long term loans			
Intangible assets	3	351	429
Real property	4	1,296,324	1,310,387
Deferred tax assets	5		23
Participation in affiliated companies	6	26,748,036	27,758,326
Goodwill			
Long-term assets, total		**28,044,711**	**29,069,165**
Current assets			
Trade receivables	7	116	91
Receivables from related companies	8	23,885,305	24,258,345
Other short-term receivables	9		4,484
Prepayments and accrued income	10	340	10,606
Corporate income tax assets	21	57	
Securities	11	200	200
Cash and cash equivalents	12	50,878	42,698
Current assets, total		**23,936,896**	**24,316,424**
Assets, total		**51,981,607**	**53,385,589**

The annexes on pages 8-47 constitute inseparable parts of the financial statements.

HUF '000' unless otherwise stated

Balance sheet

	Annex	30 June 2019	31 December 2018
LIABILITIES			
Equity			
Subscribed capital	13	826,308	826,308
Capital reserve	13	37,458,643	37,458,643
Retained earnings	13	381,835	107,499
P/L for the reporting year	13	(129,569)	347,336
Equity, total:		**38,537,217**	**38,739,786**
Long-term liabilities			
Long-term liabilities to related companies	14	388,428	567,695
Provisions for expected liabilities	15		257
Long-term liabilities, total		**388,428**	**567,952**
Current liabilities			
Short-term loans and advances	16	10,421,051	10,385,472
Liabilities to creditors	17	17,249	982,330
Liabilities to related companies	18	2,613,536	2,606,424
Other liabilities	19	4,126	93,223
Corporate income tax liability	20		10,402
Accrued expenses and deferred income	21		
Current liabilities, total		**13,055,962**	**14,077,851**
Liabilities and equity, total		**51,981,607**	**53,385,589**

The annexes on pages 8-47 constitute inseparable parts of the financial statements.

HUF '000' unless otherwise stated

Comprehensive income statement

	Annex	30 June 2019	31 December 2018	30 June 2018
Net sales revenue	22	41,002	9,579,467	52,551
Goods and services sold	23	(2,472)	(9,420,374)	(1,425)
Raw materials, consumables and other external charges	24	(70,527)	(291,285)	(114,751)
Staff costs	25	(6,390)	(12,012)	(3,261)
Depreciation and impairment	26	(78)	(51)	
Other expenditures and other revenues	27	(951)	(89,777)	22
Operating costs		**(80,418)**	**(9,813,499)**	**(119,415)**
Operating P/L		(39,416)	(234,032)	(66,864)
Financial income	28	26,169	788,643	750,596
Financial expenses	29	(112,413)	(196,252)	(63,409)
P/L before taxes		**(125,660)**	**358,359**	**620,323**
Tax liability	30	(3,886)	(10,996)	
Deferred tax liabilities	30	(23)	(27)	
Net P/L		**(129,569)**	**347,336**	**620,323**
Deferred tax				
Other comprehensive income				
Total comprehensive income		**(129,569)**	**347,336**	**620,323**

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HUF '000' unless otherwise stated

Change in equity

	Subscribed capital	Capital reserve	Valuation reserve	Retained earnings	P/L for the reporting year	**Equity, total**
31 December 2017	**521,500**			**68,770**	**(34,271)**	**555,999**
Book transfer of profit and loss				(34,271)	34,271	
P/L for the reporting year					112,676	112,676
Capital increase	304,808	37,458,643				37,763,451
Assigned cash contribution				73,000		73,000
Dividend					234,660	234,660
31 December 2018	**826,308**	**37,458,643**	**0**	**107,499**	**347,336**	**38,739,786**
Book transfer of profit and loss				347,336	(347,336)	
P/L for the reporting year					(129,569)	(129,569)
Capital increase						
Acquisition/sale of a subsidiary				(40,000)		(40,000)
Dividend						
Error in the previous year's report				(33,000)		(33,000)
30 June 2019	**826,308**	**37,458,643**	**0**	**381,835**	**(129,569)**	**38,537,217**

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HUF '000' unless otherwise stated

Cash-flow statement

	30 June 2019	31 December 2018
Cash-flow from business activity		
P/L after taxes	(129,569)	347,336
Adjustments:		
Depreciation in the reporting year	78	51
Deferred tax	23	27
Change in provisions	(257)	257
Valuation of an affiliated company with the equity method		
Revenues from the sale of tangible assets		
Change in the working capital		
Change in inventories		
Change in trade and other receivables	377,499	(23,574,659)
Change in prepayments and accrued income	10,266	(10,600)
Change in accounts payable	(965,081)	962,060
Other short-term liabilities and deferrals	(88,558)	2,781,969
Change in accrued expenses and deferred income		(5,428)
Tax paid	(3,886)	(10,996)
Net cash-flow from business activity	**(799,485)**	**(19,509,983)**
Cash-flow from investment activity		
Purchase of tangible assets		(1,310,867)
Price revenue from the sale of tangible assets	14,063	
Acquisition of financial investments		(25,658,154)
Sale of financial investments	1,010,290	
Net cash-flow from investment activity	**1,024,353**	**(26,969,021)**
Cash flow from financing activity		
Borrowing from/(repayment to) banks	(143,945)	8,758,164
Contribution to / (-) withdrawal from the capital	(72,743)	37,763,451
Net cash-flow from financing activity	**(216,688)**	**46,521,615**
Net change in cash and cash equivalents	8,180	42,612
Balance of cash and cash equivalents at the beginning of the year	42,698	86
Balance of cash and cash-like items at the end of the year	**50,878**	**42,698**

The annexes on pages 8-47 constitute inseparable parts of the separate financial statements.

1. General information

1.1 Description of the company

Company name:	KONZUM Befektetési és Vagyonkezelő Nyilvánosan Működő Részvénytársaság (hereinafter: “Company”)
Registered office:	H-1062 Budapest, Andrássy út 59.
Website URL:	www.konzum.hu
Date of foundation:	1 January 1988, as a legal successor of Konzum Áruház Szövetkezeti Közös Vállalat (Konzum Storehouse Cooperative Joint Venture)
Date of incorporation:	28 October 1988
Company registration number:	02-10-050623
Core activity:	Letting of own and rented property
Persons authorised to sign the annual report:	Gellért Zoltán Jászai (Member of the Board of Directors) and Aladin Ádám Linczényi, Member of the Board of Directors – jointly
Person in charge of the performance of accounting and book-keeping duties:	Katalin Kovács Registration number: 146,499
Auditor of the Company:	ESSEL AUDIT Könyvvizsgáló Kft. Registered by the Chamber of Hungarian Accountants under number: 001109
Person responsible for the audit:	Dr László Sasvári Registered by the Chamber of Hungarian Accountants under number: 001630

The Company’s operative management is performed by the Board of Directors. The control functions related to the Company’s operation are performed by the Supervisory Board in the manner laid down in the Statutes.

Based on Resolution 80/2018 of the CEO of Budapesti Értéktőzsde Zrt, the ordinary shares of the Company have been classified as premium shares since 7 March 2018.

1.1 Description of the company (continued)

As at 30 June 2019, relative to the total share capital, KONZUM Nyrt. has the following ownership structure:

Owner's name	Ownership share 2018	Ownership share 2017	Vote share 2018	Vote share 2017
KONZUM PE Magántőkealap	45.61%	40.31%	45.61%	40.31%
Lőrinc Mészáros	12.35%	19.57%	12.35%	19.57%
Gellért Zoltán Jászai	6.58%	10.43%	6.58%	10.43%
Ratio of publicly held shares	35.46%	29.69%	35.46%	29.69%
	100.00%	**100.00%**	**100.00%**	**100.00%**

1.2 Transformation

By the decisions adopted by the shareholders of OPUS GLOBAL Nyrt. (company registration number: [01 10 042533]; registered office: H-1062 Budapest, Andrássy út 59; hereinafter: "Acquiring Company") at their first and second special general meetings held on 3 December 2018 and 8 April 2019, respectively, and by the decisions adopted by the shareholders of KONZUM Nyrt. (company registration number: [01 10 049323]; registered office: H-1062 Budapest, Andrássy út 59, as Merged Company) at their first and second special general meetings held on 3 December 2018 and 8 April 2019, respectively, and by their respective resolutions including a decision on the merger, the said shareholders decided to merge the Merged Company and the Acquiring Company by applying the provisions of Act V of 2013 on the Civil Code and Act CLXXVI of 2013 on the Transformation, Merger and Demerger of Legal Entities.

Method of fusion: merger.
Key data of the legal successor company:
Name: OPUS GLOBAL Nyilvánosan Működő Részvénytársaság
Registered office: H-1062 Budapest, Andrássy út 59.
Short name: OPUS GLOBAL Nyrt.
Core activity (NACE '08): 6420 Management activities of holding companies
Executive officers (Members of the Board of Directors and the Chief Executive Officer): Dr Beatrix Mészáros, Chairperson of the Board of Directors (H-8086 Felcsút, Fő u. 311/5.); Gellért Zoltán Jászai, Member of the Board of Directors (H-1021 Budapest, Napraforgó u. 7.); Tamás Halmi, member of the board (H-2800 Tatabánya, Szőlődomb u. 114.); Ágnes Homlok-Mészáros, Member of the Board of Directors (H-8086 Felcsút, Fő u. 311/5.); József Vida, Member of the Board of Directors (H-2060 Bicske, Magyar Sándor u. 3.) and Zsuzsanna Ódor Angyal, Chief Executive Officer, (H-2191 Bag, Jókai utca 44/A).
Date of signing the deed of foundation: 8 April 2019
Balance-sheet date of the draft statement of the assets and liabilities: 31 December 2018

The Companies Court registered the Company's transformation by merger with effect from 30/06/2019.

1.3 Basis of balance sheet compilation

i) Approval and statement on compliance with the International Financial Reporting Standards

These separate financial statements have been compiled on the basis of the Financial Reporting Standards promulgated and filed in the form of a regulation in the Official Journal of the European Union (EU). IFRS comprises standards and interpretations worded by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

The Company has been obliged to maintain its records according to the IFRS standards since 1 January 2017.

Unless otherwise indicated, the separate financial statements are presented in Hungarian forint, rounded to the thousand.

ii) Basis of preparing the report

The separate financial statements were compiled according to the standards and on the definitions given by IFRIC as released on 31 December 2018, which have been in force ever since.

The financial statements have been compiled on the basis of the direct cost principle, with the exception of the cases where IFRS requires the application of a different method of measurement, as described in the accounting policy. The notes to the financial statements also include the disclosures required by the Hungarian Accounting Act. The financial year corresponds to the calendar year.

iii) Basis of valuation

In the case of the separate financial statements, the basis of valuation is the original direct cost, with the exception of the following assets and liabilities, which are recognised at fair value: derivative financial instruments, financial instruments and financial assets available for sale measured at fair value through profit or loss.

During the compilation of the financial statements compliant with the IFRS standards the management needs to apply professional judgment, estimates and assumptions that have an impact on the applied accounting policies and on the sum total of the assets and liabilities, revenues and costs recognised in the report. The estimates and related assumptions are based on past experiences and numerous other factors, which can be considered as reasonable under the given conditions, and which have a result that lays the ground for the estimate of the book value of the assets and liabilities that cannot otherwise be clearly specified from other sources. The actual results may differ from these estimates.

1.2 Basis of balance sheet compilation (continued)

Estimates and basic assumptions are regularly reviewed. Modifications of the accounting estimates are disclosed in the period when a particular estimate is modified if the modification only affects the given year, and in the period of modification as well as in future periods if the modification affects both the current and the future years.

2. Accounting policy

The most important accounting policy principles applied during the preparation of the separate financial statements are described below. The accounting policies have been applied consistently for the periods reported in these separate financial statements. The most important accounting principles applied in the course of compiling the financial report include the following:

2.1 Key components of the accounting policy

2.1.1 Participation in subsidiaries and affiliated businesses

In its separate financial statements, the Company accounts its participations in subsidiaries and affiliated businesses at direct cost, in impaired amounts.

2.1.2 Reporting currency and foreign exchange balances

With a view to the content and circumstances of the underlying business events, the parent company's functional currency and the Company's reporting currency is the Hungarian forint.

The foreign exchange transactions performed in a currency other than HUF were initially recognised at the exchange rate valid on the day of performing such transactions. Foreign currency receivables and liabilities were converted to forint at the exchange rate valid on the balance-sheet cut-off date, disregarding whether return on the particular asset was doubtful or not.

2.1 Key components of the accounting policy (continued)

The exchange rate differences arising are recognised in the income statement among financial revenues and expenses.

Figures in the Company's financial statements were specified in Hungarian forint (HUF), rounded to the closest thousand, unless otherwise provided. In the separate financial statements, data were given in Hungarian forint, as it is the Company's presentation currency.

The transactions performed in a foreign currency are recognised in the functional currency - the foreign currency amount considered at the exchange rate between the reporting currency and the foreign currency valid on the transaction date. In the comprehensive income statement the exchange rate differences arising during the arrangement of monetary items, on the initial presentation of the period or from the use of an exchange rate other than the exchange rate applied in the previous financial statements, are recognised as revenues or expenditures in the period when they are generated. The monetary instruments and liabilities denominated in foreign currency are converted at the exchange rate valid at the end of the reporting period. The items valuated at fair value and denominated in foreign currency are converted at the exchange rate valid on the date of determining the fair value. Differences between accounts receivable and accounts payable are recognised in the operating profit, while loan margins are recognised in the line of revenues from or expenditures on financial operations.

2.1.3 **Sales revenue**

The revenues realised on sales transactions appears when the conditions of the supply contracts are appropriately met. Sales revenues are exclusive of the value added tax. All revenues and expenditures are recognised in the relevant period on the basis of the principle of matching.

The basic principle of the IFRS 15 standard is that companies recognise revenue to depict the transfer of goods handed over or services provided to their customers in an amount that reflects the consideration (i.e. payment) to which the entity expects to be entitled in exchange for those goods or services.

A new model coined the 5-step model was developed under this standard, including the identification of contract(s), the identification of the separate performance obligations, setting the transaction price, the allocation of the transaction price to the individual components, and the recognition of the price revenue allocated to the individual obligations.

2.1 Key components of the accounting policy (continued)

2.1.4 **Property, plant and equipment**

Intangible assets are recognised at value at cost reduced by accumulated depreciation. Accumulated depreciation includes the recognised costs of non-accelerated depreciation incurred in relation to the continuous use and operation of the asset and of accelerated depreciation required by the significant damage or injury to the asset due to an unexpected, extraordinary event.

The direct cost of tangible assets include the cost of purchasing the asset, and in the case of a capital investment project implemented by the business on its own, the material and staff costs as well as other direct costs incurred. The interest accounted on a loan taken for a tangible asset investment project increases the cost of the asset until the asset is brought to the condition corresponding to its intended purpose.

The book value of tangible assets is revised at specified intervals in order to establish if the book value exceeds the fair market value of the asset, and if it does, accelerated depreciation is required to the fair market value of the asset. The fair market value of the asset is the higher of the sales price or the use value of the asset. Use value is the discounted value of future fund flows generated by the asset.

A discount rate includes the interest rate before corporate taxes, with a view to the time value of money and the effects of other risk factors related to the asset. If no future cash flow can be assigned to the asset independently, the cash flow of the unit that includes the asset must be taken as a basis. The impairment and accelerated depreciation determined by this method are recognised in the income statement.

The repair and maintenance cost of tangible assets and the costs of replacing spare parts are accounted to the debit of maintenance expenses. Value-increasing investments and renovations were capitalised. The direct costs and accumulated depreciation of assets sold, written off to zero or put out or service are derecognised. Any profit or loss made in this way is part of the P/L for the reporting year.

The value of the Company’s assets is written off by the linear method during the useful life of the assets. Life in a breakdown of asset groups is as follows:

Buildings	50 years
Hotels	33 years
Leased properties	10 years
Machinery and equipment	3-7 years

2.1 Key components of the accounting policy (continued)

2.1.5 **Impairment**

At the end of each reporting period the Company assesses whether any change suggesting impairment has happened to any asset. If such a change has taken place, the Company estimates the value of the expected return on the asset. The expected return on an asset or cash-generating unit is the higher of the fair value less sales costs or the use value. The Company recognizes impairment to the debit of the profit if the expected return on the asset is less than its book value. The Company makes the required calculations on the basis of an appropriate discounting of long-term future cash flow plans.

2.1.6 **Intangible assets**

Individually obtained intangible assets are recognised at cost, while the intangible assets acquired in the course of business combinations are disclosed at fair value at the time of the acquisition. An asset may be included in the books if its use can be proven to result in the future inflow of business benefits and its cost can be clearly established.

Following acquisition, the direct cost method applies to the intangible assets. The lives of these assets are either limited or cannot be determined. Assets with limited lives are depreciated by the linear method based on the best estimate of their lives. The period and method of amortisation are revised annually, at the end of each financial year. Disregarding development costs, own manufactured intangible assets are not capitalised but are offset against the P/L in the year when they are incurred. Intangible assets are revised annually for impairment, either separately or at the level of the income-generating unit.

The costs of goods and software falling within the scope of brand names, licenses and industrial property rights are capitalised and linearly derecognised during their useful life:

Concessions, licences and similar rights, and software	3-6 years

2.1.7 **Goodwill**

Goodwill is the positive difference between the identifiable cost and the fair value of the net assets of the acquired subsidiary, affiliated company or jointly controlled company on the day of acquisition. Goodwill is not depreciated, but the Company examines every year whether there are any signs suggesting that the book value is unlikely to be recovered. Goodwill is recognised at the direct cost less any impairment.

2.1 Key components of the accounting policy (continued)

2.1.8 **Receivables**

Liabilities are recognised in the statements at a nominal value reduced by the appropriate impairment generated for estimated losses. Based on the complete supervision of the receivables outstanding at the end of the year, an estimate was made on doubtful claims.

2.1.9 **Financial assets**

The financial assets falling within the scope of the IAS 39 standard can be divided into at least four groups: financial assets offset against profit or loss at fair value (held for trading purposes), loans and receivables, investments held to maturity and financial assets available for sale. When financial assets are recognised, their initial valuation is performed at fair value.
After the initial presentation, the financial assets qualifying as “held for trade purposes” or “available for sale” are recognised at fair value; any unrealised exchange rate gain or loss on securities held for trade purposes is recognised as other revenue (expenditure); and any unrealised exchange rate gain or loss on securities available for sale appears as a separate equity element until the investment is sold or otherwise derecognised from the books, or until impairment is recognised on the given investment, and at that time the profit or loss accumulated in the equity is recognised as revenue.

Other long-term investments that qualify as held to maturity, e.g. certain bonds, are recognised at amortised cost after the first recognition. The amortised cost is calculated in the period to maturity, at a discount or premium valid at the time of acquisition. In the case of investments recognised at amortised cost, any profit or loss made during the depreciation period or when the investment is derecognised or impaired is accounted as revenue.

In the case of investments included in stock market trade, the market value is specified on the basis of the official price announced on the balance-sheet cut-off date. In the case of non-listed or non-traded securities, the market value is the market value of any comparable/substitute financial investment, and if this method cannot be used, the market value must be determined on the basis of the estimated future cash-flow of the asset related to the investment.

On every cut-off date the Company analyses if impairment needs to be recognised for a particular financial asset or for a group of assets. If in the case of assets recognised at amortised cost, a condition requires impairment, the latter is the difference between the carrying value of the asset and its amount discounted by the original effective interest rate of the future cash flows of the asset.

2.1 Key components of the accounting policy (continued)

Impairment is recognised in the income statement. If any time later the amount of the accounted impairment decreases, it is reversed to the extent that prevents the carrying value of the asset from exceeding its amortised value valid on the cut-off date.

Investments into securities are valuated at the price valid on the day of performance and initially at cost. Short-term investments containing securities held for trading purposes are recognised at fair market value valid on the day of the next report, and their value is calculated at the publicly quoted price valid on the balance-sheet cut-off date. Unrealised profits and losses are included in the income statement.

In the case of marketable securities, any non-realised gain and loss (change in fair value) is recognised in the equity until the security is sold or a decision is made to recognize impairment, when the cumulated gain or loss recognised to that date in the equity is accounted in the income statement for the given period.

2.1.10 **Financial liabilities**

The Company's statement of the consolidated financial position includes the following financial liabilities: accounts payable and other short-term liabilities, loans, advances, bank overdrafts, forward and futures transactions. Their recognition and valuation are included in the relevant parts of the "Notes to the separate financial statements" as follows:

The Company valuates each financial liability at its fair value valid at the time of its initial recognition. In the case of loans account is taken of the transactions costs directly attributable to the acquisition of the financial liability.

The Company classifies the financial liabilities subject to IAS 39 into the following categories: financial liabilities at fair value through profit or loss, loans and advances, and hedging instruments held for hedging settlement purposes. The Company determines the classification of the individual financial liabilities when they are acquired.

Financial liabilities valuated at fair value through the profit or loss are liabilities acquired by the Company for trading purposes or qualified on their initial presentation at fair value through the profit or loss. Financial liabilities held for trading purposes include liabilities purchased by the Company primarily for the profit expected of short-term price fluctuations. This class also includes futures transactions not considered as efficient hedging instruments.

2.1 Key components of the accounting policy (continued)

Loans and advances are recognised in the statements of the financial position at the amortised cost calculated by the effective interest rate method. The profits and losses related to loans and advances are recognised in the income statement during the calculation of depreciation by the effective interest rate method and when the financial liability is deregulated. Amortisation is accounted as financial expenditure in the statement on income.

2.1.11 **Derivative financial assets**

Initially, derivative financial instruments are evaluated at cost, and on the date of the next report, they are revaluated at fair market value.

In addition to hedging transactions, any change in the fair value of derivative financial instruments is included in the income statement.

2.1.12 **Provisions**

The Company recognizes provisions for (legal or assumed) commitments incurred as a result of past events the Company is probably required to pay, provided that the amount of the commitment is reliably measurable.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking the risks and uncertainties characteristic of the obligation into account. If a provision is measured using the cash flow probably required for the payment of the existing commitment, the book value of the provision is the present value of such cash flows.

If some or all of the expenditures required to settle a provision is expected to be reimbursed by another party, such a receivable is recognised as an asset if it is virtually certain that the entity will receive the reimbursement and the amount receivable is reliably measureable.

Existing obligations arising from onerous contracts are recognised as provisions. The Company considers a contract onerous if the unavoidable costs of meeting the obligations undertaken in the contract exceed the economic benefits expected to be received from the contract.

2.1 Key components of the accounting policy (continued)

A restructuring provision is recognised if the Company has prepared a detailed formal restructuring plan and when the implementation of the plan is started or the main features of the plan are announced to the stakeholders, expectations are triggered in the stakeholders regarding the implementation of the transformation. The reorganisation only includes direct expenditures incurred in relation to reorganisation and are indispensable for reorganisation, and do not relate to the business entity's activity continued as a going concern.

2.1.13 **Corporate income tax**

The amount payable as corporate tax is based on the act on dividend tax and on tax payment liability specified by the act on local business taxes, and is modified by the deferred tax. The corporate income tax liability includes tax components due in the reporting year and deferred taxes.

The tax payable for the current year is determined on the basis of the taxable profit of the reporting year. The taxable profit differs from the profit before taxes recognised in the separate report, due to profits and losses not constituting a tax base and to items that are recognised in the taxable profits of other years. The Company's current tax payment liability is determined on the basis of the tax rate in force or announced (provided that announcement is equivalent to entry into force) up to the balance-sheet cut-off date. Deferred tax is calculated by the liability method.

Deferred tax liability is incurred when there is a temporary difference between the recognition of an item in the annual report and its reconciliation according to the Act on Taxation. Deferred tax assets and tax liabilities are established using the tax rates applicable to the taxable revenues in years when recovery of the difference is expected due to the time displacement. The amount of deferred tax liabilities and tax assets reflect the Company's estimate on the method of realising tax assets and tax liabilities on the balance-sheet cut-off date.

Deferred tax assets are only included in the balance sheet with reference to deductible temporal differences, transferable tax benefits and a negative tax base, if in the course of its future activity the Company presumably realizes profit serving as a tax base and the deferred tax asset can be offset against it.

On every balance-sheet date the Company takes account of the deferred tax assets not recognised in the balance sheet and the book value of the recognised tax assets. It inventorises that part of the receivables not previously included in the balance sheet on which recovery is expected as a reduction in the future income tax. In contrast, the Company's deferred tax assets must be reduced by any amount not expected to be covered by any available taxable profit.

2.1 Key components of the accounting policy (continued)

The tax due in the reporting year and deferred tax are offset against the equity if they refer to items also offset against the equity in the same or in another period, including any amendments in the opening values of reserves due to retroactive changes in the accounting policy.

Deferred tax assets may be offset against deferred tax liabilities if the company is authorised by law to offset its actual tax assets and tax liabilities due from and to the same tax authority, and the Company intends to recognize these assets and liabilities on a net basis.

2.1.14 **Leasing**

Financial leasing is a transaction including a lessor who assumes all the risks and costs involved in the possession of the asset under the lease conditions. All other leasing transactions are considered as operative leasing.

In the case of financial leasing, the assets leased by the Company qualify as the Company's assets and are recognised at their market value valid at the time of acquisition. A liability to the lessor is presented in the balance sheet as a financial leasing liability. The costs incurred in relation to the leasing are the differences between the fair value of the purchased assets and the total leasing liability and are accounted to the debit of the profit during the entire lease term in a way to represent a permanent and periodically incurred expenditure on the existing amount of the liability in the individual periods.

They arise from the difference between the total amount of liabilities and the market value of the leased asset at the time of acquisition, or after the relevant leasing term, in order to trace any change in the balance of the remaining liability from time to time, or they are recognised in the income statement in the individual reporting periods.

2.1.15 **Off-balance sheet items**

Off-balance sheet liabilities are not included either in the balance sheet or in the income statement comprising the separate annual report, unless they have been obtained in the course of business combinations.

They are presented in the Notes, unless the outflow of funds representing economic benefit is a remote option of a very slight probability. Off-balance sheet items are not included in the balance sheet and in the income statement included in the separate annual report, but if business benefits are likely to flow in, they are presented in the Notes.

2.1 Key components of the accounting policy (continued)

2.1.16 **Repurchased own shares**

The nominal value of repurchased own shares deducted from the subscribed capital. The difference between the nominal value and the direct cost is recognised directly in the capital reserve.

2.1.17 **Dividend**

The Company accounts for dividend in the year it is approved by the owners.

2.1.18 **P/L on financial operations**

The financial P/L includes interest and dividend revenues, interest and other financial expenditures, the profit and loss on the fair valuation of financial instruments, and any realised or non-realised exchange rate differences.

2.1.19 **State aid**

A state aid is recognised if the aid is likely to be recovered and the conditions of reimbursement have been fulfilled. If the aid serves the purpose offsetting a cost, it must be recognised to the benefit of the income statement in the period when the cost to be offset is incurred (among other revenues). If an aid is linked to asset acquisition, it is recognised as deferred income and during the related useful life of the underlying asset it is recognised annually in equal amounts to the benefit to the P/L.

2.1.20 **Events after the balance-sheet cut-off date**

The events that took place after the end of the reporting period and provide additional information about the circumstances prevailing at the end of the Company’s reporting period (amending items) are presented in the report. The events that took place after the reporting period and not requiring the modification of the reporting data are presented in the Notes, if relevant.

2.2 Changes in the accounting policy

The Company's accounting policies are identical with those applied in previous years.

The following standards and explanations were already applied by the Company in 2018.

IFRS 9 Financial instruments: recognition and measurement (effective as from 1 January 2018)

This standard adopted new requirements related to the classification, measurement and impairment of financial assets and financial liabilities. The application of the IFRS 9 standard has an impact on the rating and measurement of the Company's financial assets, but does not influence the rating and evaluation of its financial liabilities. The new standard does not have a significant impact on the Company's financial statements.

IFRS 15 Revenue from contracts with customers (effective as from 1 January 2018)

On 28 May 2014, IASB published a new standard about the recognition of sales revenues from contracts with customers. The application of the new income standard is mandatory for companies that adopt the IFRS in respect of the reporting periods beginning on or after 1 January 2018. The new standard will replace the current regulation of the contracts in the field of accounting for revenues under IAS 18 "Incomes" and IAS 11 "Investment contracts". According to the new standard, these companies will apply a "five-step" method to determine the time and amount of recognising sales revenues. In this model, revenues must be disclosed to express the transfer of the promised product or service (contractual commitment) in the amount the company expects to be entitled to. The new standard does not have a significant impact on the Company's financial statements.

IFRS 16 Leasing (effective as from 1 January 2019)

On 13 January 2016, IASB published a new standard about the recognition of leasing transactions. The application of the new leasing standard will be mandatory for the companies that adopt the IFRS in respect of the reporting periods beginning on or after 1 January 2019. The new standard replaces the current regulations of IAS 17 on leasing, and fundamentally changes the accounting of operative leasing followed to date.

In 2019 the Company applied all the IFRS standards, amendments and interpretations effective as from 1 January 2019 and relevant for the operation of the Company.

Published International Financing Reporting Standards not yet applied

When the financial statements were approved, the following standards and interpretations had already been issued but they had not yet entered into force. Based on preliminary surveys, in the Company's opinion, the following standards will not have significant impact on the profit and the financial position:

- IFRS 17 Insurance contracts – recognitions of insurance contracts (in force in business years starting on or after 1 January 2021, the EU has not yet approved this amendment).

The Company is currently analysing the possible impacts of the following standards on the Company's consolidated P/L and financial standing:

- IFRS 16 Leases
- Framework's principles – in force in business years starting on or after 1 January 2020 (this has not yet been approved by the EU).
- Amendment of the IFRS 3 standard on " Business combinations" –– in force in business years starting on or after 1 January 2020 (this has not yet been approved by the EU).

2.3 Uncertainty factors

When the accounting policy described in Section 2.1 is applied, estimates and assumptions not clearly definable from other sources need to be used for the determination of the values of the individual assets and liabilities at the given moment of time. The estimation procedure includes the decisions adopted on the basis of the available information and the relevant factors. These significant estimates and assumptions influence the value of the assets and liabilities, revenues and expenditures recognised in the financial statements, as well as the presentation of contingent assets and liabilities in the Notes. The actual results may differ from the estimated data.

The estimates are updated on a regular basis. If a change only affects one given period, it must be recognised in the period of change in accounting estimates, and if the change affects both the period of change and future periods, it must be recognised in both periods.

3. Intangible assets

	30 June 2019	31 December 2018
Microsoft software licence	351	429
Total	**351**	**429**

4. Real property

	30 June 2019	31 December 2018
Hotel Alpenblick	1,296,324	1,310,387
Total	**1,296,324**	**1,310,387**

5. Deferred tax assets

When deferred taxes are calculated, the Company compares the value that can be considered for taxation to the book value per asset and per liability. If the difference is temporary, i.e. if in the foreseeable future the difference is levelled off, the deferred tax liability or asset is recognised with a negative or positive amount. When an asset is posted, the Company assesses return separately.

The Company calculates deferred tax at a 9 per cent tax rate, as the specific assets and liabilities become actual taxes in periods when the tax rate remains unchanged.

The assets are supported by the tax strategy prepared by the management, which confirms that the asset will recover.

The following differences giving rise to deductible and taxable tax difference were identified in 2019 and 2018:

	Opening 31/12/2018	Increase	Decrease	Closing 30/06/2019
Impairment				
Provisions	23		-23	0
Total	**23**		**-23**	**0**

6. Ownership interests

The Company had the following participations in other businesses:

Company name	30 June 2019	31 December 2018
Appeninn Nyrt.	2,453,622	2,453,622
BLT Group Zrt.	0	977,290
CIG Pannónia Nyrt.	8,213,107	8,213,107
Konzum Alapkezelő Zrt.	75,235	75,235
Konzum Management Kft.	900	900
KPRIA Hungary Zrt	580	580
KZH Invest Kft.	14,701,249	14,701,249
KZBF Invest Kft	1,303,343	1,336,343
Total	**26,748,036**	**27,758,326**

7. Trade receivables

	30 June 2019	31 December 2018
Trade receivables	116	91
Less: Impairment		
Total	**116**	**91**

8. Accounts receivable from related businesses

Company name	30 June 2019	31 December 2018
HUNGUEST Hotels Szállodaipari Zrt.	5,695,092	5,711,966
BLT Group Zrt.		40,000
Holiday Resort Kreischberg Murau GmbH	262,471	258,596
Konzum Management Kft.	161,121	526,566
KONZUM PE Magántőkealap		39
KPRIA Zrt	51,969	51,942
Konzum Áruház Kft.		0
KZBF Invest Kft	1,482,223	1,476,256
KZH Invest Kft.	15,676,342	15,672,279
Ligetfürdő Kft	272,299	267,459
Relax Gastro Hotel Gmbh	283,789	253,242
	23,885,305	**24,258,345**

9. Other short-term receivables

	30 June 2019	31 December 2018
Status Power Invest Kft	-	3,537
Advances paid	-	948
Total	**-**	**4,485**

10. Prepayments and accrued income

	30 June 2019	31 December 2018
Accrued sales revenue	-	10,249
Deferred costs	340	357
Total	**340**	**10,606**

11. Securities

	30 June 2019	31 December 2018
Securities	200	200
Total	**200**	**200**

Among the securities the Company recognizes the 20 shares of the SZIMFÉK Székesfehérvári Metál Fék- és Köszörűgyár Zrt with the nominal value of HUF 2,000,000 each.

12. Cash and cash equivalents

	30 June 2019	31 December 2018
Cash	2	2
Bank account	50,876	42,696
Total	**50,878**	**42,698**

13. Subscribed capital and reserves

In 2018, the Company split the nominal value of its shares, and thus its subscribed capital comprises 330,523,148 dematerialised, registered, ordinary shares with the nominal value of HUF 2.5 each.

In the course of the year the Company issued new shares in several steps, and thus its subscribed capital increased from HUF 521.5 million to HUF 826 million. As the capital increases included premiums, the capital reserve also increased considerably in the reporting year.

Subscribed capital

Shares issued and paid by the owners, at nominal value (HUF ‘000’)

As at 31 December 2017		**521,500**
KONZUM PE Magántőkealap	In-kind contribution of 10 per cent of KZBF Invest Kft.’s business shares	10,615
KONZUM PE Magántőkealap	In-kind contribution of 100 per cent of KZH Kft.’s business shares	118,046
Wellnesshotel Építő Zrt.	In-kind contribution of receivables	21,287
KONZUM PE Magántőkealap	Holiday Resort Kreischberg Murau GmbH In-kind contribution of 100 per cent of its business shares	7,140
Konzum II Ingatlan Befektetési Alap	In-kind contribution of the real properties located at Balatonalmádi (title deed number 1653, Hotel Bál and title deed number 2289/1 lido)	15,823
KONZUM PE Magántőkealap	In-kind contribution of receivables	37,693
Konzum Management Kft. and Gellért Jászai	In-kind contribution of 100 per cent of BLT Group Zrt.’s shares	94,204
As at 31 December 2018		**826,308**
As at 30 June 2019		**826,308**

Number of shares issued and paid by the owners, at nominal value

As at 31 December 2017		**20,860,000**
KONZUM PE Magántőkealap	In-kind contribution of 10 per cent of KZBF Invest Kft.'s business shares	424,592
KONZUM PE Magántőkealap	In-kind contribution of 100 per cent of KZH Kft.'s business shares	4,721,824
Wellnesshotel Építő Zrt.	In-kind contribution of receivables	851,471
KONZUM PE Magántőkealap	100 per cent of the business shares of Holiday Resort Kreischberg-Murau GmbH	285,619
Konzum II Ingatlan Befektetési Alap	In-kind contribution of the real properties located at Balatonalmádi(title deed number 1653, Hotel Bál and title deed number 2289/1 lido)	632,919
KONZUM PE Magántőkealap	In-kind contribution of receivables	1,507,734
	total	*29,284,159*
	*decimation of the nominal value	292,841,590
Konzum Management Kft. and Gellért Jászai	In-kind contribution of 100 per cent of BLT Group Zrt.'s shares	37,681,558
As at 31 December 2018		**330,523,148**
As at 30 June 2019		**330,523,148**

*The nominal value was HUF 25 per share up to 12/10/2018 and has been HUF 2.5 per share since then.

Capital reserve

As at 31 December 2017		**0**
KONZUM PE Magántőkealap	In-kind contribution of 10% of KZBF Invest Kft.'s business shares	1,323,029
KONZUM PE Magántőkealap	In-kind contribution of 100% of KZH Kft.'s business shares	14,713,204
Wellnesshotel Építő Zrt.	In-kind contribution of receivables	2,653,185
KONZUM PE Magántőkealap	100 per cent of the business shares of Holiday Resort Kreischberg-Murau GmbH	889,991
Konzum II Ingatlan Befektetési Alap	In-kind contribution of the real properties located at Balatonalmádi (title deed number 1653, Hotel Bál and title deed number 2289/1 lido)	1,972,177
KONZUM PE Magántőkealap	In-kind contribution of receivables	4,485,509
KONZUM PE Magántőkealap	In-kind contribution of receivables	10,452,037
Konzum Management Kft. and Gellért Jászai	In-kind contribution of 100% of BLT Group Zrt.'s shares	969,511
As at 31 December 2018		**37,458,643**
As at 30 June 2019		**37,458,643**

	30 June 2019	**31 December 2018**
Subscribed capital	826,308	826,308
Capital reserve	37,458,643	37,458,643
Retained earnings	381,835	107,499
P/L for the reporting year	(129,569)	347,336
Equity, total	**38,537,217**	**38,739,786**

14. Long-term liabilities to related companies

	30 June 2019	31 December 2018
Loan to KONZUM PE Magántőkealap	388,428	567,695
Long-term liabilities, total	**388,428**	**567,695**

The loan granted by KONZUM PE Magántőkealap will expire on 31 December 2022, and its rate is the central bank base rate + 2 per cent. The interest shall be due and payable in a lump sum on expiry.

15. Provisions

	30 June 2019	31 December 2018
Provisions for expected liabilities	-	257
Provisions, total	**-**	**257**

16. Loans and advances

	30 June 2019	31 December 2018
Loan from Takarékbank Zrt, principal	4,816,016	4,816,016
Loan from Takarékbank Zrt., interest	26,247	10,255
Loan from Budapest Bank Zrt., principal	5,551,556	5,551,556
Loan from Budapest Bank Zrt., interest	27,228	7,645
Overdraft facility	3	-
Short-term loans, total	**10,421,051**	**10,385,472**

Loans granted by Budapest Bank Zrt

In order to purchase 24.85 per cent of the ownership share in CIG Pannónia Nyrt., Konzum Nyrt. entered into a loan agreement with Magyar Takarékszövetkezeti Bank Zrt for HUF 8.2 billion on 23 February 2018. The loan was denominated in HUF, it was granted at a rate equal to the 3-month BUBOR + 1.00% and expired on 22 February 2019. The collateral was a joint and universal security deposit established up to HUF 8.2 billion and its accruals. Collateral: Opus, Konzum and CIG shares at a discretional proportion, covered up to 105 per cent. On 12 November 2018, Takarékbank assigned the contract to Budapest Bank Zrt under identical conditions.

On 19 December 2018, Konzum Nyrt. borrowed HUF 1.4 billion from Budapest Bank Zrt. The loan term is 1 year, and rate is the 3-month BUBOR + 2.5%. Konzum Nyrt. deposited the shares of the company CIG to secure the loan.

Loan granted by Takarékbank Zrt

For the purchase of a share in Saliris Resort - SPA Conference Hotel located at Egerszalók, on 21 November 2018, Konzum Nyrt. concluded a short-term loan agreement for an amount of HUF 4.8 billion. The loan rate equals the 3-month BUBOR + 2% interest premium, and the loan expires in one year. By nature the collateral is mortgage registered on the property, pledge established on the effects found in the property and on receivables in consideration of the operating fee, HUF 30 million deposited, and the revenues from insurance premiums assigned to the bank.

17. Suppliers

	30 June 2019	31 December 2018
Wellnesshotel Építő Kft.	0	958,102
Other creditors	12,525	7,718
Total	**965,820**	**965,820**

Wellnesshotel Építő Kft. is presented among liabilities to related businesses

18. Liabilities to related companies

	30 June 2019	31 December 2018
Konzum PE	443,141	442,798
Gellért Jászai	-	1,500
HUNGUEST Hotels Zrt.	823,635	1,811,244
Holiday Resort Kreischberg Murau GmbH	375,000	375,000
Wellnesshotel Építő Kft.	971,760	-
Total	**2,613,536**	**2,630,542**

19. Other liabilities

Other accounts payable include the following:

	30 June 2019	31 December 2018
Income debt	-	532
Tax liability	2,183	83,136
Other	1943	1,946
Total	**4,126**	**85,614**

20. Corporate tax assets/liabilities

	30 June 2019	31 December 2018
Corporate income tax	(57)	10,402
Total	**(57)**	**10,402**

21. Accrued expenses and deferred income

The Company has not recognised accrued expenses and deferred income for either 2018 or 2019.

22. Net sales revenue

	30 June 2019	31 December 2018
Sale of property	-	9,396,000
Operator's charge	40,721	183,093
Mediated services	281	374
Total	**41,002**	**9,579,467**

23. Goods and services sold

	30 June 2019	31 December 2018
Real property	-	9,420,000
Mediated services	2,472	374
Total	**2,472**	**9,420,374**

24. Raw materials, consumables and other external charges

	30 June 2019	31 December 2018
Material costs	-	-
Purchased services	66,242	264,428
Other services	4,285	26,857
Total	**70,527**	**291,285**

The services used included the following:

	30 June 2019	31 December 2018
Bank charges	2,786	16,818
Rental and lease fees	146	248
Insurance premiums	1,376	1,001
Maintenance costs	6	6
Experts' fees	29,890	113,487
Advertisement, publicity	-	12,574
Legal and notarial charges	23,261	105,229
Post, phone	-	(20)
Travel costs	6,940	14,767
Authority charges	118	3,808
Other	6,004	23,367
Total	**70,527**	**291,285**

25. Staff costs

	30 June 2019	31 December 2018
Wage cost	5,255	8,735
Other payments to staff	259	1,298
Wage taxes	1,133	1,979
Total	**6,647**	**12,012**
Average employee headcount	**10.2**	**8**

26. Depreciation and impairment

The company did not recognise any impairment in 2019.

	30 June 2019	31 December 2018
Depreciation	78	51
Total	**78**	**51**

27. Other expenditures and other revenues

	30 June 2019	31 December 2018
Penalties paid	62	-
Business tax	820	26,450
Reversed impairment on accounts receivable	-	(554)
Profit on assignment	-	4,887
Fines	-	7,614
Building taxes	-	12,097
Debt assumed without consideration	-	36,732
Irrecoverable receivables	-	-
Other revenue/expenditure	-71	2,551
Total	**951**	**89,777**

28. Revenues from financial operations

	30 June 2019	31 December 2018
Interest received	23,151	9,774
Dividend	-	234,660
Exchange rate gain	3,018	544,209
Total	**26,169**	**788,643**

29. Expenses of financial transactions

	30 June 2019	31 December 2018
Interest paid	107,021	134,220
Exchange rate loss	5,392	62,032
Total	**112,413**	**196,252**

30. Income taxes

The expenditures related to income taxes include the following:

	30 June 2019	31 December 2018
Corporate income tax	(121)	(10,996)
Error in the previous year's report	(3,765)	
Deferred tax	(23)	(27)
Total	**(3,909)**	**(11,023)**

The taxes imposed by the individual tax authorities in Hungary are currently regulated by several applicable statutory regulations. These statutory regulations apply, among others, to value added tax, corporate and local taxes and to wage taxes and dues. The audit of reconciliations and settlements related to taxes falls in the competence of tax authorities, which are entitled to impose various fines within the statutory limits in the case of a failure to comply with the relevant statutory regulations or in the event of infringement. The management is convinced that the value of the tax liabilities included in the report is compliant with the statutory requirements. At the same time, any authority is authorised to adopt a different position and the latter may have a significant impact.

The tax breakdown is the following:

	30 June 2019	31 December 2018
P/L before taxes	-125,660	358,359
Tax payment liability calculated on the basis of the current tax rate 9%	-121	-32,252
Unrecognised deferred losses	0	3,789
Permanent differences	-3,788	17,441
Income taxes total	**-3,909**	**-11,023**

31. Risk management

The Company's assets include cash and cash equivalents, securities, receivables from customers and other receivables and other assets – with the exception of taxes. Company liabilities include loans and advances, liabilities to customers and other liabilities, disregarding taxes and the gains and losses on the revaluation of financial liabilities at fair value.

The Company is exposed to the following financial risks:

- credit risk
- liquidity risk
- market risk

This section describes the above-described risks the Company is exposed to, the Company's objectives and policies, the measurement of procedures and risk management, and the Company's management capital. The Board of Directors have general responsibility for the Company's establishment, supervision and risk management.

The purpose of the Company's risk management policy is to filter out and investigate the risks the Company may face, to set up adequate controls and to monitor risks. The risk management policy and system will be revised in order to reflect the changed market conditions and the Company's activities.

31. Risk management (continued)

Capital management

The Company's policy is to retain the share capital in an amount sufficient for ensuring that the investors' and creditors' confidence maintains the Company's future development. Based on the benefits and security ensured by the Company's massive capital position, the Board of Directors makes efforts at maintaining the policy of only assuming higher exposure from lending if yield is higher.

The Company's capital structure includes net foreign capital and the Company's equity.

In the course of capital management, the Company makes efforts at ensuring that the Company members can continue their activities and simultaneously maximize return for the owners by an optimum equilibrium between the loan principal and the equity, and by maintaining an optimum capital structure in order to reduce capital costs. The Company also monitors whether or not its member companies' capital structure meets the local statutory requirements.

At the end of the reporting period the Company had the following debt:

	30 June 2019	**31 December 2018**
Loans and advances	10,421,051	10,439,763
Less: Cash and cash equivalents	-50,878	-42,698
Net debt portfolio	**10,370,173**	**10,397,065**
Equity	38,537,217	38,869,786
Net equity	**28,167,044**	**28,472,721**

Credit risk

Credit risk is the risk that reflects if the debtor or the partner fails to fulfil his contractual obligations and this causes financial loss for the Company. Financial assets exposed to credit risks may include long- or short-term allocations, cash and cash equivalents, and receivables from customers and other claims.

The book values of financial assets show the maximum risk exposure. The following table shows the Company's maximum credit exposure on 30 June 2019 and 31 December 2018.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations when they are due. The Company's liquidity management approach is to reveal the extent to which adequate liquidity can be provided for the performance of its liabilities on the due dates, under both regular and stressed conditions, without incurring inadmissible losses or jeopardising the Company's good reputation.

	30 June 2019	**31 December 2018**
Trade receivables	116	91
Other short-term receivables	57	4,484
Receivables from related companies	23,885,305	24,258,345
Securities	200	200
Cash and cash equivalents	50,878	42,698
Total	**23,936,556**	**24,305,818**

The objective of the Company is to maintain equilibrium between the continuity of financing and flexibility during the refashioning of financial reserves and loan portfolios.

In the management's opinion, liquidity problems are not expected as the revenues safely cover debt service and the operating costs.

The Company has fulfilled its payment obligations by the payment deadlines, and had no overdue and unpaid debts on 31 December 2018 and 30 June 2019.

The maturity structure of the contracted and actually payable (non-discounted) financial obligations is summed up in the following table for 2018 and for 31 December 2018:

31 December 2018	**Due within 1 year**	**Due within 2–5 years**	**Due after 5 years**	**Total**
Trade receivables	91			**91**
Receivables from related companies	24,258,345			**24,258,345**
Other short-term receivables	4,484			**4,484**
Securities	200			**200**
Financial assets	**24,263,120**	**-**	**-**	**24,263,120**
Short-term loans and advances	10,385,472			**10,385,472**
Liabilities to creditors	982,330			**982,330**
Liabilities to related parties	2,646,427	567,695		**3,214,122**
Other liabilities	96,014			**96,014**
Financial liabilities	**55,210**	**567,695**	**-**	**14,677,938**

31. Risk management (continued)

30 June 2019	Due within 1 year	Due within 2–5 years	Due after 5 years	Total
Trade receivables	116			116
Receivables from related companies	23,885,305			23,885,305
Other short-term receivables	57			57
Securities	200			200
Financial assets	**23,885,678**	**-**	**-**	**23,885,678**
Long-term liabilities to related companies		388,428		388,428
Short-term loans and advances	10,421,051			10,421,051
Liabilities to creditors	17,249			17,249
Liabilities to related parties	2,613,536			2,613,536
Other liabilities	4,126			4,126
Financial liabilities	**13,055,962**	**388,428**	**-**	**13,444,390**

The members of the Company prepare cash-flow plans and update it on a regular basis. The Company analyses the Company's cash requirements by a rolling prediction in order to ensure adequate liquidity for operation and the fulfilment of the financial indicators specified in the loan agreement. The cash surplus generated at a Company level is held on deposit accounts, in time deposits and in securities.

Market risk

Market risk is the risk that market prices, exchange rates, interest rates and the prices of investments or their changes may affect the Company's profit or the value of the investment embodied in the financial instruments. The purpose of managing market risk is to manage and control exposures to market risks among acceptable limits with simultaneous profit optimisation.

Sensitivity analysis

The Company has established that its profit basically depends on interest rate risk. It performed sensitivity tests for this key variable.

The Company makes efforts at reducing interest rate risks primarily by committing disposable cash. The Company does not conclude hedging transactions.

31. Risk management (continued)

The outcome of the interest rate sensitivity test (as a percentage of the interest rate) for continued activity:

At actual interest rates	**30/06/2019**	**31/12/2018**
Profit before taxation - less interest expenditure	-18,639	482,805
Net interest income	-107,021	-124,446
P/L before taxes	**-125,660**	**358,359**
1%		
Profit before taxation - less interest expenditure	-18,639	482,805
Net interest expenses	-108,091	-125,690
P/L before taxes	**-126,730**	**357,115**
Change in profit before taxation	-1,070	**-1,244**
Change in profit before taxation (%)	***0.85%***	***-0.35%***
5%		
Profit before taxation - less interest expenditure	-18,639	482,805
Net interest expenses	-112,372	-130,668
P/L before taxes	**-131,011**	**352,137**
Change in profit before taxation	**-5,351**	**-6,222**
Change in profit before taxation (%)	***4.26%***	***-1.74%***
10%		
Profit before taxation - less interest expenditure	-18,639	482,805
Net interest expenses	-117,723	-136,891
P/L before taxes	**-136,362**	**345,914**
Change in profit before taxation	**-10,702**	**-12,445**
Change in profit before taxation (%)	***8.52%***	***-3.47%***
-1%		
Profit before taxation - less interest expenditure	-18,639	482,805
Net interest expenses	-105,951	-123,202
P/L before taxes	**-124,590**	**359,603**
Change in profit before taxation	**1,070**	**1,244**
Change in profit before taxation (%)	***-0.85%***	***0.35%***
-5%		
Profit before taxation - less interest expenditure	-18,639	482,805
Net interest expenses	-101,670	-118,224
P/L before taxes	**-120,309**	**364,581**
Change in profit before taxation	**5,351**	**6,222**
Change in profit before taxation (%)	***-4.26%***	***1.74%***

-10%		
Profit before taxation - less interest expenditure	-18,639	482,805
Net interest expenses	-101,670	-112,001
P/L before taxes	**-120,309**	**370,804**
Change in profit before taxation	**5,351**	**12,445**
Change in profit before taxation (%)	***-4.26%***	***3.47%***

32. Financial instruments

Financial instruments include loans granted, invested financial assets, receivables from customers from among current assets, securities and cash, loans and advances taken and customer liabilities.

31 December 2018	**Book value**	**Fair value**
Financial assets		
Investments available for sale and carried at fair value		
Securities	200	200
Loans and advances carried at amortised cost		
Trade and other receivables	24,263,029	24,263,029
Cash and cash equivalents	42,698	42,698
Financial liabilities		
Financial liabilities carried at amortised cost		
Financial liabilities	13,031,899	13,031,899
Liabilities to creditors	982,330	982,330
Liabilities to related companies	2,606,424	2,606,424

30 June 2019	Book value	Fair value
Financial assets		
Investments available for sale and carried at fair value		
Securities	200	200
Loans and advances carried at amortised cost		
Trade and other receivables	23,885,478	23,885,478
Cash and cash equivalents	50,878	50,878
Financial liabilities		
Financial liabilities carried at amortised cost		
Financial liabilities	10,421,051	10,421,051
Liabilities to creditors	17,249	17,249
Liabilities to related companies	2,613,536	2,613,536

In both years, fair value was set at a fair value corresponding to Tier 3.

33. The Company's subsidiaries and affiliated businesses

Subsidiary	Vote and ownership shares 2019	2018	Address
Ligetfürdő Ingatlanfejlesztő és Fürdőüzemeltető Kft.	100.00%	100.00%	H-1015 Budapest, Hattyú utca 14.
Heiligenblut Hotel GmbH	100.00%	100.00%	Austria, 9844 Heiligenblut Winkl 46
HUNGUEST Hotels Montenegro d.o.o.	100.00%	100.00%	Montenegro Herceg Novi, Sveta Bubala bb
Holiday Resort Kreischberg Murau GmbH	100.00%	100.00%	Austria, Kreischberg 2, 8861 St. Georgen ob Murau
BLT Group Zrt.	100.00%	100.00%	H-1062 Budapest, Andrássy út 59.
Balatontourist Idegenforgalmi és Kereskedelmi Kft.	100.00%	100.00%	H-8200 Veszprém, Kossuth L. u 21
Balatontourist Camping Kft.	100.00%	100.00%	H-8200 Veszprém, Kossuth L. u 21
Balatontourist Füred Club Camping Kft.	100.00%	100.00%	H-8200 Veszprém, Kossuth L. u 21
Konzum Befektetési Alapkezelő Zrt.	46.80%	46.80%	H-1062 Budapest, Andrássy út 59.
Appeninn Vagyonkezelő Holding Nyrt.	18.70%	18.70%	H-1062 Budapest, Andrássy út 59.
KZBF Invest Vagyonkezelő Kft.	100.00%	100.00%	H-1062 Budapest, Andrássy út 59.
KZH Invest Kft.	100.00%	100.00%	H-1062 Budapest, Andrássy út 59.
HUNGUEST Hotels Szállodaipari Zrt.	100.00%	100.00%	H-1015 Budapest, Hattyú utca 14.
Legatum '95 Kft.	100.00%	100.00%	H-1015 Budapest, Hattyú utca 14.
Pollux Hotel Zrt.	100.00%	100.00%	H-1015 Budapest, Hattyú utca 14.
MB Hills Szállodaüzemeltető Kft.	100.00%	100.00%	H-1015 Budapest, Hattyú utca 14.
Relax Gastro GmbH	100.00%	100.00%	Austria, Kreischberg 2/1, 8861 St. Georgen am Kreischberg

Affiliated company:	Vote and ownership shares 2019	2018	Address
Konzum Management Kft.	30%	30%	H-1062 Budapest, Andrássy út 59.
CIG Pannónia Biztosító Nyrt.	24.85%	24.85%	H-1033 Budapest, Flórián tér 1.

34. Transactions with related parties

The transactions conducted with related parties are presented in the Notes on the relevant balance sheet lines.

35. Remuneration for the Board of Directors and the Supervisory Board

	30 June 2019	31 December 2018
Emoluments to the members of the Board of Directors and the Supervisory Board	2,480	5160
Total	**2,480**	**5160**

36. Contingent liabilities

Marcali – recultivation

Between 1991 and 1998 the Company owned and used the property located at 39-41 Kossuth Street, Marcali, H-8700, where MM Rt. "under liquidation" and MMW Fémipari Zrt "under liquidation" pursued a joint activity. The expert tests conducted on the spot revealed chlorine and other hydrocarbon contamination in the soil, due in 2.88 per cent to the Company's activity. Based on various authority decisions adopted since then and reviewed by the Curia, the three companies are jointly and universally responsible for indemnification and monitoring. As the above-mentioned two businesses have been terminated since then, the competent authority requested a consultative procedure in the course of 2018 to repeatedly clarify the circumstances. Since then no effective improvement has been made in this matter. The Company resorts to all available remedies to prevent any consequences of the procedure that would be disproportionate or unfair to the Company. Such procedures include, for example, the review of the liquidation proceeding performed by the liquidator of the jointly and severally liable companies, any commitments made by the current owners of the property, and the conditions of the legal transaction used in property assignment. Regarding the uncertainty of its outcome and of the financial consequences, the Company does not include this item in its report until the latter is closed.

Pursuant to the relevant standards, the Company did not make a provision for this litigation due to the uncertainty of its future outcome, as on the basis of the current information, the expected costs cannot be reliably estimated and the probability of incurring them is also uncertain.

In the course of the 2019 business year the company did not have any new business event that would require the assumption of environmental responsibility. The Company does not plan any environment improving development project additional to its business activity, and does not claim any aid for this purpose. The Company does not apply a separate environmental policy.”

Guarantees and sureties

The Company has provided guarantees and sureties for its long- and short-term loans and advances. Contingent liabilities are described in the “Notes” on the balance-sheet line recognising loans and advances. In addition, the Company had the following contingent liabilities on 30 June 2019.

Debtor	**Bank**	**Contracted amount**	**Date of lending**	**Expiry**	**Collateral**
KZH Invest Kft.	Budapest Bank Zrt	HUF 4.4 billion	04/07/2018	25/06/2033	Suretyship Pledge on business shares (on shares held in KZH)
KZBF Invest Kft	Budapest Bank Zrt	HUF 1.6 billion	04/07/2018	25/06/2033	Suretyship Pledge on business shares (on shares held in KZBF)
Appeninn E-Office Zrt.	ERSTE Bank Zrt	EUR 4.7 million	30/05/2018	31/03/2025	Guarantor
Heiligenblut Hotel GmbH	Raiffeisen Bank Zrt	EUR 5.5 million	01/03/2019	31/12/2020	Suretyship
Appeninn BLT Kft.	OTP Bank Nyrt.	EUR 14 million	18/01/2019	30/06/2021	Suretyship
Legatum '95 Kft.	OTP Bank Nyrt.	HUF 400 million	09/06/2016	15/04/2026	Suretyship
Konzum Nyrt.	Takarékbank Zrt	HUF 4.8 billion	21/11/2018	11/20/2019	Acquisition of Saliris Resort
Ligetfürdő Kft	OTP Bank Nyrt.	HUF 4.1 billion	15/12/2017	31/08/2027	Suretyship Cash-flow insufficiency guarantee

37. Events after the balance-sheet cut-off date

On 30 June 2019, KONZUM Nyrt. was transformed by merger, its legal successor is OPUS GLOBAL Nyrt. (described in detail in Section 1.2). With a view to transformation, the events after the balance-sheet cut-off date are not described in the business closing financial statements.

38. Audit of the Company’s report and the auditor’s remuneration

The company auditing the Company’s books and the personally responsible auditor are elected by the Company’s general meeting. The auditor commissioned by Company’s general meeting to audit the 2019 business data is:

- ESSEL Audit Könyvvizsgáló Kft. (registered office: H-1162 Budapest, Fertály utca 5-7., 01-09-698566, registered by the Chamber of Hungarian Accountants under no.: 001109, name of the auditor personally responsible for the audit: H-1162 Budapest, Fertály utca 5-7., registered by the Chamber of Hungarian Accountants under no.: 001630)

The auditor’s engagement is for the audit of the Company’s separate annual report compiled in accordance with the IFRS standards.

Auditor’s remuneration:

- The fee charged for the audit of Konzum Nyrt.’s business closing non-consolidated annual report compiled in agreement with the International Financial Reporting Standards adopted by the European Union and in compliance with the requirements of Act C of 2000 is HUF 1,260,000 + VAT.

The auditors have not provided the Company with any other services of certainty provision, tax consultancy or other services beyond the scope of audit.

Budapest, 24 September 2019