2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

The main accounting principles and standards applied in preparation of the consolidated financial statements and of the Group aggregate financial disclosures are set forth below.

These Consolidated Financial Statements have been drawn on the going concern assumption, as the Directors have verified the inexistence of financial, performance or other indicators that could give rise to doubts as to the Group's ability to meet its obligations in the foreseeable future. The risks and uncertainties relating to the business are described in the dedicated sections in the Report on Operations. A description of how the Group manages financial risks, including liquidity and capital risk, is provided in note 39.

2.1 Consolidation principles

The financial statements as of December 31, 2014 of the companies included in the scope of consolidation, prepared in accordance with Group accounting policies with reference to IAS/IFRS, have been used for consolidation purposes.
The scope of consolidation includes subsidiaries, joint ventures and associates.

All the companies over which the Group has the direct or indirect power to determine relevant activities – i.e. the financial and operating policies – are considered to be subsidiaries. Specifically, 50% owned company Iberica de Suspensiones S.L. is treated as a subsidiary because the Group controls the majority of votes of the Board of Directors, which is the corporate body tasked with deciding on the entity's relevant activities.
The assets, liabilities, costs and revenues of the individual consolidated companies are fully consolidated on a line-by-line basis, regardless of the percentage owned, while the carrying value of consolidated investments held by the Holding Company and other consolidated companies is eliminated against the related share of equity.

All intercompany balances and transactions, including unrealised profits deriving from transactions between consolidated companies, are eliminated. Unrealised losses are eliminated, except when a loss represents an impairment indicator to be recognised in the Income Statement.

The financial statements of the subsidiaries are drawn up using the currency of the primary economic environment in which they operate ("functional currency"). The consolidated financial statements are presented in Euro, the functional currency of the Holding Company and hence the currency of presentation of the consolidated financial statements of the Sogefi Group.
The procedures for translation of the financial statements expressed in foreign currency other than the Euro are the following:
- the items of the Consolidated Statement of Financial Position are translated into Euro at the year-end exchange rates;
- the Income Statement items are translated into Euro using the year's average exchange rates;
- differences arising on translation of opening equity at year-end exchange rates are booked to the translation reserve, together with any difference between net result per income statement and net result per statement of financial position;

- whenever a subsidiary with a different functional currency from the Euro is disposed of, any exchange differences included in OCI are charged to the Income Statement;
- dividends paid by companies that use functional currencies other than the Euro are converted at the average exchange rate of the previous year for the company that pays the dividend and at the current exchange rate for the company that receives the dividend; exchange differences between the two amounts are booked to the translation reserve.

The following exchange rates have been used for translation purposes:

	2014		2013	
	Average	*12.31*	*Average*	*12.31*
US dollar	1.3267	1.2141	1.3277	1.3791
Pound sterling	0.8061	0.7789	0.8491	0.8337
Brazilian real	3.1198	3.2207	2.8503	3.2576
Argentine peso	10.7596	10.2754	7.2207	8.9888
Chinese renminbi	8.1733	7.5358	8.1639	8.3493
Indian rupee	80.9717	76.7460	77.3994	85.3971
New romanian Leu	4.4439	4.4829	4.4189	4.4711
Canadian dollar	1.4657	1.4063	1.3672	1.4671
Mexican peso	17.6523	17.8667	16.9405	18.0734
Hong Kong dollar	10.2891	9.4171	10.2987	10.6929

A joint venture is an entity for which strategic financial and operating decisions on relevant activities are made with the unanimous approval of the controlling parties.
An associate is an entity in which the Group is able to exert a significant influence, but without being able to control its relevant activities.
Investments in joint ventures and associates are consolidated applying the equity method, which means that the results and any change in Other Comprehensive Income of the joint ventures and associates are reflected in the consolidated Income Statement and in Consolidated Statement of Other Comprehensive Income. If the carrying value exceeds the recoverable amount, the carrying value of the investment in the joint venture or in the associate is adjusted by booking the related loss to the Income Statement.
22.62% owned company AFICO FILTERS S.A.E. was not classified as associate due to the lack of Group’s members in the management bodies of the company (which means the Group does not exert significant influence on the company).

2.2 Business combinations

Business combinations are recognised under the acquisition method. According to this method, the consideration transferred to a business combination is measured at fair value calculated as the aggregate of the acquisition-date fair value of the assets transferred and liabilities assumed by the Company and of the equity instruments issued in exchange for the control of the acquired entity.
On the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair value; the following items represent exception to the above and are valued according to their reference principle:

- deferred tax assets and liabilities;
- assets and liabilities relating to employee benefits;

- liabilities or equity instruments relating to share-based payments of the acquired entity or share-based payments relating to the Group, issued as a replacement of contracts of the acquired entity;
- assets held for sale and discontinued assets and liabilities.

Goodwill is measured as the surplus between the sum of the consideration transferred to the business combination, the value of non-controlling interests and the fair value of previously-held equity interest in the acquiree with respect to the fair value of the net assets transferred and liabilities assumed as at the acquisition-date. If the fair value of the net assets transferred and liabilities assumed as at the acquisition-date exceeds the sum of the consideration transferred, the value of non-controlling interests and the fair value of the previously-held equity interest in the acquiree, said surplus is immediately booked to the Income Statement as gain resulting from said transaction.
The share of non-controlling interests as at the acquisition-date may be measured at fair value or as a proportion of net assets value in the acquiree. The measurement method adopted is decided on a transaction-by-transaction basis.

2.3 Accounting policies

The following accounting policies have been applied in the financial statements as of December 31, 2014.

Cash and cash equivalents

Cash and cash equivalents are those held to meet short-term cash needs, rather than for investment or other purposes. For an investment to be considered as cash or cash equivalent, it must be able to be readily converted into a known amount of cash and must be subject to an insignificant risk of change in value.

Inventories

Inventories are stated at the lower of purchase or manufacturing cost, determined on a weighted average cost basis, and realisable value based on market trends, net of variable selling costs.
Manufacturing cost includes raw materials and all direct or indirect production-related expenses. Financial expenses are excluded. Obsolete and slow-moving inventories are written down to their utilisable or realisable value.

Receivables included in current assets

Receivables are initially recognised at fair value of the consideration to be received, which usually corresponds to the nominal value shown on the invoice, adjusted (if necessary) to their estimated realisable value by making provision for doubtful accounts. Subsequently, receivables are measured at amortised cost, which generally corresponds to their nominal value.
Receivables assigned through without-recourse factoring transactions after which the related risks and benefits are definitively transferred to the assignee are derecognised from the statement of financial position at the time of transfer. Receivables assigned through recourse factoring transactions are not derecognised.

Tangible fixed assets

Tangible fixed assets mainly relate to industrial sites. Assets are shown at historical cost, net of accumulated depreciation and accumulated impairment losses.
Cost includes related charges, together with the portion of direct and indirect expenses reasonably attributable to individual assets.

Tangible fixed assets are depreciated each month on a straight-line basis using rates that reflect the technical and economic remaining lives of the related assets.

The depreciable value is the cost of an asset less its residual value, where the residual value of an asset is the estimated value that the entity could receive at the end of its useful life from its disposal, net of estimated disposal costs.

Depreciation is calculated from the month that the asset becomes available for use, or when it is potentially able to provide the economic benefits expected of it.

The annual average depreciation rates applied are as follows:

	%
Land	n.a.
Industrial buildings and light constructions	2.5-12.5
Plant and machinery	7-14
Industrial and commercial equipment	10-25
Other assets	10-33.3
Assets under construction	n.a.

Land, assets under construction and payments on account are not depreciated.

Ordinary maintenance costs are charged to the Income Statement.
Maintenance costs that increase the value, functions or useful life of fixed assets are recorded directly as the increase in the value of the assets to which they refer and depreciated over their residual useful lives.
Gains or losses on the disposal of assets are calculated as the difference between the sales proceeds and the net book value of the asset and are charged to the Income Statement for the period.

Grants are shown in the Statement of Financial Position as an adjustment of the book value of the asset concerned. Grants are then recognised as income over the useful life of the asset by effectively reducing the depreciation charge each year.

Assets under lease
There are two types of leases: finance leases and operating leases.
A lease is considered a finance lease when it transfers substantially all the risks and benefits incidental to the ownership of the asset to the lessee.
As envisaged in IAS 17, a lease is considered a finance lease when the following elements are present, either individually or in combination:
- the contract transfers ownership of the asset to the lessee at the end of the lease term;

- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that it is reasonably certain, at the inception of the lease, that it will be exercised;
- the lease term is for the major part of the useful life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments is equal to the fair value of the asset being leased;
- the assets being leased are of such a specialised nature that only the lessee is able to use them without making major modifications.

Assets available to Group companies under contracts that fall into the category of finance leases are accounted for as tangible fixed assets at their fair value at the date of purchase or, if lower, at the present value of the minimum payments due under the lease; the corresponding liabilities to the lessor are shown in the Statement of Financial Position as financial debts. The assets are depreciated over their estimated useful lives.
Lease payments are split between the principal portion, which is booked as a reduction of financial debts, and interest. Financial expenses are charged directly to the Income Statement for the period.
Payments under operating lease contracts, on the other hand, are charged to the Income Statement on a straight-line basis over the life of the contract.

Intangible assets

An intangible asset is only recognised if it is identifiable and verifiable, it is probable that it will generate economic benefits in the future and its cost can be measured reliably.
Intangible assets with a finite life are valued at purchase or production cost, net of amortisation and accumulated impairment losses.

The annual average amortisation rates applied are as follows:

	%
Development costs	20-33.3
Industrial patents and intellectual property rights, concessions, licences, trademarks	10-33.3
Customer relationship	5
Trade name	5
Software	20-50
Other	20-33.3
Goodwill	n.a.
Assets under construction	n.a.

Amortisation is based on the asset's estimated useful life and begins when it is available for use.

Research and development expenses
Research expenses are charged to the income statement as incurred in accordance with IAS 38.
Development expenses relating to specific projects are capitalised when their future benefit is considered reasonably certain by virtue of a customer's commitment; they are then amortised over the entire period of future profits expected to be earned by the project in question.

Costs for the development of the aftermarket product range are capitalised from the time the need to add a new item to the product portfolio is recognised; future benefit is considered to be reasonably certain as the new item will be added to the product catalogue and made available for purchase by customers.
The capitalised value of the various projects is reviewed annually - or more frequently if there are particular reasons for doing so - analysing its recoverable amount to assess if there have been any impairment losses.

Trademarks and licences
Trademarks and licences are valued at cost, less amortisation and accumulated impairment losses. The cost is amortised over the shorter of the contract term and the finite useful life of the asset.

Customer Relationship
Customer relationship represents the value of the Systemes Moteurs Group's customer portfolio measured at the acquisition date as determined during the Purchase Price Allocation process and subsequently amortised.

Brand name
Brand name represents the value of the “Systemes Moteurs” brand name measured at the acquisition date as determined during the Purchase Price Allocation process and subsequently amortised.

Software
The costs of software licences, including related charges, are capitalised and shown in the financial statements net of amortisation and any accumulated impairment losses.
It should be pointed out that a multi-year project has been launched in 2011 to implement a new integrated IT system across the Group. Relating costs are capitalised by Holding Company Sogefi S.p.A., that will licence the intellectual property rights on the IT system for use by the subsidiaries involved in the implementation process receiving the payment of royalty fees. The useful life of the fixed asset is estimated at 10 years and amortisation begins when implementation at each individual company is completed.

Goodwill
Goodwill resulting from business combinations is initially recognised at cost as at the acquisition-date, as detailed in the paragraph above entitled “Business combinations”. Goodwill is not amortised but is tested annually for impairment, or more frequently if specific events or changed circumstances indicate a potential loss in value. Unlike other intangible assets, reversal of an impairment loss is not allowed for goodwill.

For impairment test purposes, goodwill was allocated to each of the Cash Generating Units (CGU) due to benefit from the acquisition.
The Sogefi Group currently encompasses five CGUs: Engine Systems – Fluid Filters (previously named “Filters”), Engine Systems – Air Intake and Cooling (Systemes Moteurs Group), Car Suspension, Industrial Vehicles Suspension and Precision Springs.
The goodwill currently on the books only concerns the CGUs Engine Systems – Fluid Filters, Engine Systems – Air Intake and Cooling and Car Suspension.

Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are not amortised, but are tested annually for impairment, or more frequently if there is an indication that the asset may have suffered a loss in value. As of December 31, 2014, the Group has no intangible assets with an indefinite useful life.

Impairment losses of tangible and intangible fixed assets

If there are indications of possible losses in value, tangible and intangible fixed assets are subjected to impairment test, estimating the asset's recoverable amount and comparing it with its net book value. If the recoverable amount is less than the book value, the latter is reduced accordingly. This reduction constitutes an impairment loss, which is booked to the income statement.

For goodwill and any other intangible fixed assets with indefinite useful life, impairment test is carried out at least once a year.

With the exception of goodwill, if a previous writedown is no longer justified, a new recoverable amount is estimated, providing it is not higher than what the carrying value would have been if the writedown had never been made. This reversal is also booked to the Income Statement.

Equity investments in other companies and other securities

In accordance with IAS 39, equity investments in entities other than subsidiaries, joint ventures and associates are classified as financial assets available for sale which are measured at fair value, except in situations where the market price or fair value cannot be reliably determined. In this case the cost method is used.

Gains and losses deriving from fair value adjustments are booked to a specific item under Other comprehensive income. In the case of objective evidence that an asset suffered an impairment loss or it is sold, the gains and losses previously recognised under Other Comprehensive Income are reclassified to the Income Statement.

For a more complete discussion of the principles regarding financial assets, reference should be made to the note specifically prepared on this matter (paragraph 3 “Financial assets”).

Non-current assets held for sale

Under IFRS 5 “Non-current assets held for sale and discontinued operations”, providing the relevant requirements are met, non-current assets whose book value will be recovered principally by selling them rather than by using them on a continuous basis, have to be classified as being held for sale and valued at the lower of book value or fair value net of any selling costs. From the date they are classified as non-current assets held for sale, their depreciation is suspended.

Loans

Loans are initially recognised at cost, represented by the fair value received, net of related loan origination charges.

After initial recognition, loans are measured at amortised cost by applying the effective interest rate method.

The amortised cost is calculated taking account of issuing costs and any discount or premium envisaged at the time of settlement.

Derivatives

A derivative is understood as being any contract of a financial nature with the following characteristics:

1. its value changes in relation to changes in an interest rate, the price of a financial instrument, the price of a commodity, the exchange rate of a foreign currency, a price or interest rate index, a credit rating or any other pre-established underlying variable;
2. it does not require an initial net investment or, if required, this is less than what would be requested for other types of contract likely to provide a similar reaction to changes in market factors;
3. it will be settled at some future date.

For accounting purposes, a derivative's treatment depends on whether it is speculative in nature or whether it can be considered an hedging instrument.
All derivatives are initially recognised in the Statement of Financial Position at cost as this represents their fair value. Subsequently, all derivatives are measured at fair value.

Any changes in the fair value of derivatives that are not designated as hedging instruments are booked to the Income Statement (under the item "Financial expenses (income), net").

Derivatives that can be booked under the hedge accounting are classified as:

- fair value hedges if they are meant to cover the risk of changes in the market value of the underlying assets or liabilities;
- cash flow hedges if they are taken out to hedge the risk of fluctuations in the cash flows deriving from an existing asset or liability, or from a future transaction that is highly probable.

For derivatives classified as fair value hedges, the gains and losses that arise on determining their fair value and the gains and losses that derive from adjusting the underlying hedged items to their fair value are booked to the Income Statement.

For those classified as cash flow hedges, used for example, to hedge medium/long-term loans at floating rates, gains and losses that arise from their valuation at fair value are booked directly to Other Comprehensive Income for the part that effectively hedges the risk for which they were taken out. The portion booked to Other Comprehensive Income will be reclassified to the Income Statement (under the item "Financial expenses (income), net" in the period) when the hedged assets and liabilities impact the costs and revenues of the period.

When the hedge of an instrument is determined to be an ineffective, the hedging relationship is discontinued and the following amounts are booked to Income Statement (under the item "Financial expenses (income), net"):

- the change in fair value since the date the hedge last proved effective is immediately recognised in the Income Statement;

- the reserve previously booked to Other Comprehensive Income is recognised in the Income Statement over the same period of time as the differentials relating to the underlying hedged item are recognised in the Income Statement.

Note that the Group has adopted a specific procedure for managing financial instruments as part of an overall risk management policy.

Trade and other payables

Payables are initially recognised at fair value of the consideration to be paid and subsequently at amortised cost, which generally corresponds to their nominal value.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
On the other hand, no provision is made in the case of risks for which there is only a possibility that a liability may arise. In this case, the risk is disclosed in the notes on commitments and risks without making any provision.
Provisions relating to corporate reorganizations are only set aside once they have been approved and raised a valid expectation to the parties involved.

Post-retirement and similar employee benefits

Group employees have defined-benefit and/or defined-contribution pension plans, depending on the conditions and local practices of the countries in which the group operates.

The Group's responsibility is to finance the pension funds for the defined-benefit plans (including the employment termination indemnities currently applicable in Italy) and the annual cost recognised in the Income Statement are calculated on the basis of actuarial valuations that use the projected unit credit method.

The liability relating to benefits to be recognised on termination of employment recorded in the Consolidated Statement of Financial Position represents the present value of the defined-benefit obligation, less the fair value of the plan assets. Any net assets determined are recognised at the lowest of their value and the present value of available repayments and reductions of future contribution to the plan.

Pursuant to the amendment to IAS 19 "Employee Benefits" effective as of January 1, 2013, the Group recognises actuarial gains and losses and books them to "Other Comprehensive Income" immediately, so that the full net amount of the provisions for the defined benefits (net of plan assets) is recognised in the Consolidated Statement of Financial Position. The amendment further requires any changes in the defined benefit provision and plan assets over the previous period to be subdivided into three components: the cost components of work performed during the reporting period must be recognised in the Income Statement as service costs; net interest costs calculated by applying the appropriate discount rate to the opening balance of defined benefit provision net of assets must be booked to Income Statement as net financial expenses and the actuarial gains and losses resulting from the remeasurement of assets and liabilities must be booked to “Other Comprehensive Income”. In addition, the return on assets included in net interest costs must be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets.

In the event of an amendment to the plan that changes the benefits relating to past service or in the event of the application of a new plan relating to past service, the costs relating to past service are booked to the Income Statement (under service costs). In the event of an amendment to the plan that significantly reduces the number of employees involved in the plan or that changes the clauses of the plan in such a way that a significant part of future service due to employees will no longer accrue the same benefits or will accrue them but to a lesser extent, the profit or loss relating to said reduction is immediately booked to the Income Statement (under service costs).

All of the costs and income resulting from the measurement of funds for pension plans are booked to the Income Statement by functional area of destination, with the exception of the financial component relating to non-financed defined-benefit plans, which is included in Financial expenses.

The costs relating to defined-contribution plans are booked to the Income Statement when incurred.

Other long-term benefits

Other long-term employee benefits relate to the French subsidiaries and include “Jubilee or other long-service benefits” that are not expected to be paid fully within the twelve months following the end of the reporting period during which the employee has rendered service for those benefits.

The valuation of other long-term benefits usually does not present the same degree of uncertainty as post-employment benefits. This is why IAS 19 requires a simplified method of accounting for such benefits. Unlike the accounting method required for post-employment benefits, this method (which requires actuarial valuation) does not require discounting effects to be taken to Other Comprehensive Income.

Phantom stock options

With regard to phantom stock option plans, as envisaged by IFRS 2, in the section regarding “Cash-settled share-based payment transactions”, the fair value of the plan at the date of the financial statements is remeasured, with any changes in fair value recognised to the Income Statement with a corresponding entry to a provision.

Stock-based incentive plans

With regard to “Stock-based incentive plans“ (Stock options and Stock grants), as envisaged by IFRS 2 “Share-based payments”, the Group calculates the fair value of the option at the granting date, booking it to the Income Statement as a cost over the vesting period of the benefit. Given that this is an eminently imputed element, the *ad hoc* equity reserve in the Consolidated Statement of Financial Position has been increased. This imputed cost is measured by specialists with the help of suitable economic and actuarial models.

Deferred taxation

Deferred taxes are calculated on the temporary differences between the book value of assets and liabilities and their tax bases, and classified under non-current assets and liabilities.
Deferred tax assets are accounted for only to the extent that it is probable that sufficient taxable profits will be available in the future against which they can be utilised.
The carrying amount of the deferred tax assets shown in the financial statements is subject to an annual review.
Deferred tax assets and liabilities are calculated at the tax rates expected to apply in the period when the differences reverse under the law of the countries in which the Group operates, considering current rates and those enacted or substantially enacted at the end of the reporting period.
Deferred tax liabilities are recognised based on temporary taxable differences on investments in subsidiaries, associates and joint ventures, unless a company is able to control the timing of the reversal of the temporary differences and it is probable that those temporary differences will not reverse in the foreseeable future.
Current and deferred taxes are recognised in the Income Statement, except for those relating to items directly charged or credited to Other Comprehensive Income or other equity items, in which case tax effect is recognised directly under Other comprehensive income or equity.

Participation in CIR's group tax filing system (applicable to Italian companies)

Each company jointing to the group Italian tax filing system transfers its tax profit or loss to the parent company. The parent company recognises a credit corresponding to the IRES (Italian tax on company income) that companies have to be paid (debit for the transferor company). On the contrary, for companies that booked tax losses, the parent company recognises a debt corresponding to the IRES for the part of loss actually offset at group level (credit for the transferor company).
In connection with the Group tax filing system, those companies that record non-deductible net financial expenses may use the excess tax benefits available for offset of other Group companies (thus making such expenses deductible) for a consideration. Such consideration, in an amount proportionate to the resulting tax benefit and applicable to excess tax benefits arising in Italy only, has been paid to the parent company CIR and is treated as expense for those companies that obtain the excess tax benefit and as revenue for those that transfer it.

Treasury shares

Treasury shares are deducted from equity. The original cost of treasury shares and the profit/loss resulting from their subsequent sales are recognised as changes in equity.

Revenues recognition

Revenues from the sale of products are recognised at the time ownership passes (time of risks and benefits transfer), which is generally upon shipment to the customer. They are shown net of returns, discounts and allowance.
The proceeds from the sale of tooling to customers can be recognised as follows:

a) the full amount is recognised at the time risks and benefits of the tooling are transferred (if said transfer is deferred, margin is booked to “Other current liabilities”);
b) the amount is recognised by means of an increase of the sales price of the products manufactured using the relevant tooling, throughout a variable time frame depending on the number of products sold (in this case the unrealised sales price for the tooling is booked to “Inventory – Contract work in progress and advances”);
Revenues from services rendered are recognised at the time the services are provided.

Income Statement Presentation

Variable cost of sales
This represents the cost of goods sold. It includes the cost of raw and ancillary materials and goods for resale, as well as variable manufacturing and distribution costs, including the direct labour cost of production.

Manufacturing and R&D overheads
This category includes manufacturing overheads such as indirect labour cost of production, maintenance costs, consumable materials, building rents, and industrial equipment involved in production.
Also included are all R&D overheads, net of any development costs that are capitalised because of their future benefits and excluding amortisation which is booked to a separate item in the Consolidated Income Statement.

Distribution and sales fixed expenses
These are costs that are essentially insensitive to changes in sales volumes, relating to personnel, promotion and advertising, external warehousing, rentals and other sales and distribution activities. This category, therefore, includes all fixed costs identified as being incurred after finished products have been stocked in the warehouse and directly related to their sale and distribution.

Administrative and general expenses
This category includes fixed labour costs, telephone expenses, legal and tax consulting fees, rents and rentals, cleaning, security and other general expenses.

Restructuring costs and other non-operating expenses/income
These are figures that do not relate to the Group's normal business activities or refer to non-recurring activities and are subject to specific disclosure in the notes if they are of a significant amount.

Operating grants

These are credited to the Consolidated Income Statement when there is a reasonable certainty that the company will meet the conditions for obtaining the grant and that the grants will therefore be received.

Dividends

Dividend income is recorded when the right to receive it arises. This is normally at the time of the shareholders' resolution that approves distribution of the dividends.

Dividends to be distributed are recognised as a payable to shareholders immediately after they have been approved.

Current taxes

Current taxes are booked on the basis of a realistic estimate of taxable income calculated according to current tax legislation in the country concerned, taking account of any exemptions and tax credits that may be due.

Earnings per share (EPS)

Basic EPS is calculated by dividing net result for the period attributable to the ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period, net of treasury shares.

Diluted EPS is obtained by adjusting the weighted average number of shares outstanding to take account of all potential ordinary shares that could have a dilutive effect.

Translation of foreign currency items

Functional currency
Group companies prepare their financial statements in the local currency of the country concerned.
The functional currency of the Parent is the Euro and this is the presentation currency in which the consolidated financial statements are prepared and published.

Accounting for foreign currency transactions
Foreign currency transactions are initially translated at the exchange rate ruling on the transaction date.
At the end of the reporting period, monetary assets and liabilities expressed in foreign currency are retranslated at the period-end exchange rate.
Non-monetary foreign currency items valued at historical cost are translated at the exchange rate ruling on the transaction date.
Non-monetary items carried at fair value are translated at the exchange rate ruling on the date this value was determined.

Critical estimates and assumptions

Various estimates and assumptions regarding the future have to be made when preparing financial statements. They are the best estimates possible at the end of the reporting period. Given their nature, they could lead to a material difference in statement of financial position items in future years. The main items affected by these estimates are as follows:

- goodwill (Euro 126.6 million) – impairment test: for the purpose of determining the value in use of the Cash Generating Units, the Group took into account the trends expected for 2015 as determined based on the budget and the forecasts included in the 2016-2018 projection update for the following years (adjusted to eliminate any estimated benefits from future projects and reorganisations) approved by the Board of Directors on January 19, 2015. Projections are prepared by management and approved by the Board of Directors for the sole purposes of the impairment test. Both budget and projections are prepared taking into account forecasts of automotive industry performance drawn up by major industry sources and adopting a conservative approach. Such forecasts do not indicate a need for impairment;
- pension plans (Euro 47.4 million): actuaries who offer their consulting services to the Group use different statistic assumptions in order to anticipate future events for the purpose of estimating pension plan expenses, liabilities and assets. Such assumptions concern discount rate, future wage inflation rates, mortality and turnover rates;
- recoverability of deferred tax assets on tax losses (Euro 21.8 million): as of December 31, 2014, deferred tax assets on tax losses incurred in the year or during previous years were accounted for to the extent that it is probable that taxable income will be available in the future against which they can be utilised. Such probability is also determined based on the fact that such losses have originated under extraordinary circumstances that are unlikely to occur again in the future and that the same could be recovered throughout an unlimited or long-term time frame;
- derivatives (Euro 0.7 million recognised as assets and Euro 14.3 million as liabilities): the fair value of derivatives (related to interest-rate and foreign exchange rate) was estimated with the help of third-party consultants based on assessment models in accordance with industry practice, in compliance with the requirements of IFRS 13 (calculation of DVA- Debit valuation adjustment);
- embedded derivative - conversion option (Euro 10.5 million): the fair value of the conversion option in the convertible bond was determined based on a mathematical financial model (binomial model), using the stock price of Sogefi shares, the issue price of newly-issued shares (identified as the strike price), the risk-free rate and volatility of the Sogefi stock as evaluation parameters;
- provision for product warranties (Euro 18 million)/ Other non-current receivables (Euro 23.4 million).

  With regard to provision for product warranties, there are claims in progress by two customers relating to a defective component supplied by subsidiary Systèmes Moteurs S.A.S. starting from 2010 (the subsidiary was acquired by Sogefi Group in July 2011). Based on the Company's opinion the defect was caused by a thermostat manufactured by a supplier of Systèmes Moteurs S.A.S.

  Systèmes Moteurs S.A.S. believes that liability for the defect is connected with the subcomponent manufactured by the supplier and in 2012 filed a law suit against that supplier in the French courts seeking indemnity for any damages it might have to pay to its customers (claimed amount was later adjusted to the claims filed by car makers against Systèmes Moteurs S.A.S.).

On June 6, 2013, the court appointed a technical expert to write an expert witness report and determine where technical liability for the defect lies and the amount of related damages. Merit proceedings were suspended pending submission of the expert witness report.

Management is of the opinion that the court expert will assign predominant technical liability to the component supplier.

On July 9, 2014, the two customers joined the proceedings and petitioned for their damages to be determined in the expert witness report. Up to that date, neither of the two customers had filed a law suit against Systèmes Moteurs S.A.S. Both of them had requested an out-of-court settlement for damages.

A first customer claimed approximately Euro 43 million in damages, plus an additional claim of Euro 11.1 million for damage to reputation and financial expenses. In January 2015, this customer informally advised the company that they were going to claim an additional indemnity of Euro 30 million for costs associated with planned future campaigns.

A second affected customer filed a claim for approximately Euro 40 million.

Waiting for the conclusion of the Court, while not admitting to any liability, Systèmes Moteurs S.A.S. made an agreement with the second customer to pay a “provisional amount” of Euro 8 million pending a final decision and quantification of damage by the Court. In the event damages awarded by the Court are less than the amounts paid, the customer will return any excess amounts to Systèmes Moteurs S.A.S., otherwise Systèmes Moteurs S.A.S. will pay any balance amount. Customer has undertaken to avoid initiating any other recall campaigns.

Likewise, a similar settlement is being negotiated with the first customer and an agreement should be finalised soon. The proposed settlement is expected to provide for payment of a “provisional amount” of Euro 10 million to be adjusted when the Court awards damages.
Based on the above considerations, it was considered prudent to increase the provision for product warranties from Euro 12.6 million to Euro 18 million.

With regard to the indemnities owed by the seller of Systèmes Moteurs S.A.S. shares and by the supplier of the subcomponent, it is worthwhile pointing out that after the determination of the fair value of identifiable assets acquired and identifiable liabilities assumed in connection with the Systemes Moteurs Group PPA exercise was completed, the Sogefi Group entered an indemnification asset in the consolidated financial statement in accordance with IFRS 3.27 and 28 , because the seller Dayco Europe S.r.l. had provided contractual guarantees relating to defect liability claims existing at the time of the acquisition, including those noted above, for a total amount of Euro 23.4 million (versus a total fair value amount of potential liabilities of Euro 25.1 million).

As of December 31, 2014, such indemnification asset has been valued according to IFRS 3.57, and is still believed to be recoverable based on the contractual guarantees given by the seller and the considerations outlined above.
After requesting an indemnification from the seller, Sogefi S.p.A. initiated international arbitration proceedings against the seller of Systèmes Moteurs S.A.S.' shares to collect the payables, as provided for by the acquisition contract. The proceedings are still pending.

It should be noted that these are complex proceedings that involve passing judgement on technical, juridical and commercial matters, and present uncertainties connected with arbitration awards. Estimates concerning risks provision and the recovery of booked assets are based on the best information available at the time of preparing the financial statements. They are subject to change as events evolve.

2.4 Adoption of new accounting standards

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE SINCE JANUARY 1, 2014

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group starting January 1, 2014.

- IFRS 10 – Consolidated Financial Statements supersedes the portion of IAS 27 – Consolidated and Separate Financial Statements concerning consolidated financial statements, and SIC-12 Consolidation – Special Purpose Entities (special purpose vehicles). IAS 27 has been renamed *Separate financial statements* and now addresses only the how to account for equity investments in separate financial statements. The key changes introduced by this new principle for consolidated financial statements are as follows:
    - IFRS 10 establishes a single basic principle for the consolidation of all types of entities, i.e. the principle of control.
    - A more detailed definition of control has been introduced, based on three elements that must exist at the same time: (a) power over the investee; (b) exposure, or rights, to variable returns from the investor's involvement with the investee; (c) ability on the part of the investor to use its power over the investee to affect the amount of the investor's variable returns;
    - for the purpose of determining whether an investor has control over an investee, IFRS 10 requires investor to focus on the activities that significantly affect the investee's return (concept or relevant activities);
    - for the purpose of determining whether an investor has control over an investee, IFRS 10 requires that only substantive rights be considered, i.e. those rights that can be exercised when significant decisions need to be taken concerning the investee;
    - IFRS 10 provides practical guidance to help determine whether control exist in complex scenarios.

  Generally speaking, IFRS 10 application requires significant insight on a certain number of application issues.
  The standard is applicable retrospectively from January 1, 2014. The adoption of this new standard had no impact on the scope of consolidation of the Group.
- IFRS 11 – Joint Arrangements replacing IAS 31 – Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. The new standard provides the criteria for joint arrangement accounting by focusing on the rights and obligations of the arrangement, rather than its legal form and classifies joint arrangements into joint ventures and joint operations. According to IFRS 11, the existence of a separate vehicle alone is not sufficient to classify a joint arrangement as a joint venture, as was the case with its IAS 31 predecessor. Joint ventures, in which the parties have rights only to the net assets relating to the arrangement, are required to be accounted for in the consolidated financial statements using the equity method. For joint operations, in which the parties have rights to the assets and obligations for the liabilities relating to the arrangement, the party recognises its share of assets, liabilities, revenue and expenses relating to the joint operation in the consolidated – and separate – financial statements.

Generally speaking, IFRS 11 application requires significant insight into certain business segments in order to differentiate between joint ventures and joint operations.

The new standard is applicable retrospectively from January 1, 2014.

Following the issuance of the new IFRS 11, IAS 28 – Investments in associates has been amended to include also accounting for investments in jointly-controlled entities in its scope of application (from the date of effect of the standard). The adoption of this new standard had no impact on the scope of consolidation of the Group.

- IFRS 12 – Disclosure of interests in other entities is a new, comprehensive standard concerning additional disclosures required for all types of interests in other entities in the consolidated financial statements. The standard is applicable retrospectively from January 1, 2014. Disclosures in accordance with the new standard are presented at paragraph 21 of this Note.
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities clarify the application of the offsetting criteria for financial assets and liabilities. The amendments are applicable retrospectively from January 1, 2014. The adoption of these amendments had impact on the consolidated financial statements of the Group.
- The amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities introduce an exemption from the consolidation of subsidiaries for investment entities, unless the investees provide them with services related to their investment activities. Under these amendments, an investment entity must measure its investment in subsidiaries on a fair value basis.

  The amendments and the original standards are applicable from January 1, 2014. The adoption of these amendments had impact on the consolidated financial statements of the Group.
- Amendments to IAS 36 – Impairment of Assets – Recoverable amount disclosures for non-financial assets. These amendments clarify that the additional disclosures on the recoverable amount of assets subject to impairment testing when such recoverable amount is based on fair value less costs of disposal, are only required for those assets or cash-generating units for which an impairment loss was recognised or reversed during the reporting period. The amendments are applicable retrospectively from January 1, 2014. The adoption of these amendments had impact on the disclosures provided in the consolidated financial statements of the Group.
- Amendments to IAS 39 – Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting. These amendments introduce certain exceptions to the hedge accounting requirements in IAS 39 applicable when an existing derivative is required to be replaced with a new derivative in specific situations where a derivative is novated to a central counterparty (CCP) as a result of the introduction of new laws or regulation.

  The amendments are applicable retrospectively from January 1, 2014. The adoption of these amendments had no impacts on the consolidated financial statements of the Group.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT EARLY ADOPTED BY THE GROUP AS OF DECEMBER 31, 2014

- On May 20, 2013, IFRIC interpretation 21 – Levies was issued. The interpretation clarifies when a liability for levies (other than income tax) imposed by government agencies should be recognised. The interpretation is applicable retrospectively to periods beginning on or after June 17, 2014. Directors are evaluating the potential impact of this interpretation on the consolidated financial statements of the Group.
- On December 12, 2013, the IASB published document Annual Improvements to IFRSs: 2010-2012 Cycle, amending certain standards as part of the annual improvement process. Key amendments are as follows:
    - IFRS 2 Share Based Payments – Definition of vesting condition. The definitions of "vesting condition" and "market condition" were amended and the definitions of "performance condition" and "service condition" (previously included in the definition of "vesting condition") were added;
    - IFRS 3 Business Combination – Accounting for contingent consideration. The amendment clarifies that contingent consideration within a business combination that is classified as a financial asset or liability should be remeasured at fair value at each reporting date and changes in fair value should be recognised in profit or loss or in the Consolidated Statement of Other Comprehensive Income in accordance with IAS 39 (or IFRS 9);
    - IFRS 8 Operating segments – Aggregation of operating segments. The amendments require an entity to disclose judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and of the economic indicators used in determining that the aggregated segments have similar economic characteristics;
    - IFRS 8 Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets. The amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is only required if the total of segment assets is regularly provided to the chief operating decision-maker;
    - IFRS 13 Fair Value Measurement – Short-term receivables and payables. The Basis for Conclusions of this standard was amended to clarify that short-term receivables and payables can still be accounted for without discounting, where the effect of discounting is immaterial after IAS 39 and IFRS 9 were amended as a result of the issuance of IFRS 13;
    - IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization. The amendments remove inconsistencies in the accounting for provision for depreciation/amortisation when items of property, plant and equipment and/or intangible assets are revalued. The amended requirements clarify that the gross carrying amount of the asset is adjusted to the revalued amount of the asset and the provision

for depreciation/amortisation is adjusted to equal to the difference between the gross carrying amount and the net carrying amount less recognised impairment losses;

  - IAS 24 Related Parties Disclosures – Key management personnel. The amendment clarifies that an entity (not an individual) that provides key management personnel services to a reporting entity, is a related party. These amendments are to be applied for financial periods beginning on or after February 1, 2015 at the latest. Directors are evaluating the potential impact of these amendments on the consolidated financial statements of the Group.
- On December 12, 2013, the IASB published document Annual Improvements to IFRSs: 2011-2013 Cycle, amending certain standards as part of the annual improvement process. Key amendments are as follows:
  - IFRS 3 Business Combinations – Scope exception for joint ventures. This amendment clarifies that paragraph 2(a) of IFRS 3 excludes the formation of all types of joint arrangements as defined in IFRS 11 from the scope of IFRS 3;
  - IFRS 13 Fair Value Measurement – Scope of portfolio exception (par. 52. This amendment clarifies that the portfolio exception included in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 (or IFRS 9), regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32;
  - IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. This amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that when it is necessary to determine whether the acquisition of investment property falls within the scope of IFRS 3 or IAS 40, such determination is based on the guidance in IFRS 3 or IAS 40, respectively. These amendments are to be applied for financial periods beginning on or after January 1, 2015. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.
- On November 21, 2013, the IASB issued the amendment to IAS 19 – Defined Benefit Plans: Employee Contributions, proposing that contributions (related to service rendered by the employee during the period) to defined benefit plans from employees or third parties be recognized as a reduction in the service cost in the period in which the contribution is paid. These amendments are to be applied for financial periods beginning on or after February 1, 2015 at the latest. Directors are evaluating the potential impact of this amendment on the consolidated financial statements of the Group.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

The European Union has not yet completed its endorsement process for the standards and amendments below reported at the date of these financial statements.

- On January 30, 2014, the IASB issued IFRS 14 – Regulatory Deferral Accounts that permits an entity which is a first-time adopter of IFRSs to continue to account for amounts relating to Rate Regulation Activities in accordance with the accounting standards adopted previously. The Company/Group is not a first-time adopter and this standard is not applicable to it.
- On May 6, 2014, the IASB issued some amendments to IFRS 11 – Joint Arrangements – Accounting for acquisitions of interests in joint operations on the accounting for the acquisition of interests in a joint operation that is a business as defined in IFRS 3. The amendments establish that the principles in IFRS 3 for the recognition of the effects of business combinations should be applied in this situation.
  The amendments are applicable from January 1, 2016. Early adoption is allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.
- On May 12, 2014, the IASB published some amendments to IAS 16 – Property, plant and Equipment and IAS 38 Intangibles Assets – Clarification of acceptable methods of depreciation and amortisation. These amendments establish that a revenue-based amortisation method is not appropriate, except under limited, specific circumstances relating to intangible assets. The amendments are applicable from January 1, 2016. Early adoption is allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.
- On May 28, 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which is to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. This standard establishes a new revenue recognition model that will apply to all contracts with customers except for those within the scope of other IAS/IFRS standards. According to the new model, revenue is accounted for through five key steps:
  - Identify the contract with a customer;
  - Identify the performance obligations in the contract;
  - Determine the price;
  - Allocate the price to the performance obligations in the contract;
  - Criteria for recognising revenue when the entity satisfies each performance obligation.

  The standard is applicable from January 1, 2017. Early adoption is allowed. Directors expect IFRS 15 to have an impact on the revenue balances and on the relevant disclosures in the consolidated financial statements of the Group. However, it is not possible to estimate such impact until the Group completes a detailed review of contracts with customers.

- On June 30, 2014, the IASB published some amendments to IAS 16 – Property, plant and Equipment and IAS 41 – Agriculture – Bearer Plants. These amendments require that bearer plants, i.e. fruit trees that bear produce yearly, be accounted for in accordance with IAS 16 (rather than IAS 41). The amendments are applicable from January 1, 2016. Early adoption is allowed. Directors do not expect any effect on the consolidated financial statements of the Group when these amendments are adopted.
- On July 24, 2014, the IASB published the final version of IFRS 9 – Financial instruments. This new standard replaces the previous versions of IFRS 9, and applies to periods starting on or after January 1, 2018.
  With this publication, which also addresses impairment, IFRS 9 is completed, except for macro hedging criteria, for which IASB initiated a separate project.
  The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, as regards financial assets, the new standard adopts a single approach based on how an entity manages its financial instruments and the contractual cash flows characteristics of the financial assets, in order to determine its valuation criteria and replacing the many different rules in IAS 39. The most significant effect of the standard regarding the financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as measured at fair value through profit or loss, when such changes are attributable to changes in the credit risk of the issuer of that financial liability. According to the new standard, these changes must be recognised in "Other Comprehensive Income" and will no longer be recognised in the Income Statement.
  With regard to the impairment model, the new standard requires that credit losses be estimated using the expected loss model (rather than the incurred loss model) based on supportable information that is available without undue cost or effort and that includes historical, current and forecast information. The standard establishes that such impairment model applies to all financial instruments, i.e. financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and lease and trade receivables.

  Lastly, the standard introduces a new hedge accounting model to amend IAS 39 requirements, which have often been considered as too stringent and not suitable for reflecting the entities' risk management policies. The increased flexibility of the new accounting rules is offset by additional disclosures required on the company risk management activities. Directors expect IFRS 9 to have a significant impact on the balances and the relevant disclosures in the consolidated financial statements of the Group. However, it is not possible to estimate such impact until the Group completes a detailed analysis.
- On August 12, 2014, the IASB issued the amendment to IAS 27 – Equity Method in Separate Financial Statements: This document introduces the option to use the equity method of accounting in measuring investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. Accordingly, an entity may recognise such investments in its separate financial statements after measuring them either:
  - at cost; or
  - in accordance with IFRS 9 (or IAS 39); or
  - using the equity method.

The amendments are applicable from January 1, 2016. Early adoption is allowed. Directors are evaluating the potential impact of these amendments on the separate / statutory financial statements of the Company.

- On September 11, 2014, the IASB issued the amendment to IFRS 10 and IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments establish that the portion of gain or loss resulting from the sale or transfer of an asset or a subsidiary to a joint venture or an associate to be recognised in the financial statements of the seller/transferor is to be determined based on whether the asset or subsidiary sold/transferred constitutes or not a business as defined in IFRS 3. If the asset or subsidiary is a business, the entity should recognise the profit or loss on the total interest held before the transaction; otherwise, the portion of profit or loss on the interest still held by the entity must be eliminated. The amendments are applicable from January 1, 2016. Early adoption is allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.
- On September 25, 2014, the IASB published document "Annual Improvements to IFRSs: 2012-2014 Cycle". These amendments are to be applied for financial periods beginning on or after January 1, 2016.
  This document introduces several amendments to the following standards:
    - IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The amendment introduces specific guidance for when an entity reclassifies an asset (or a disposal group) held for sale as held for distribution (or viceversa), or when the requirements for classifying an asset as held for distribution are no longer met. According the amendments, (i) such reclassifications should not be considered as changes to a plan to sell or distribute the asset and applicable classification and measurement criteria remain unchanged; (ii) those assets that no longer meet the classification criteria established for assets held for distribution should be treated as assets that cease to be classified as held for sale;
    - IFRS 7 – Financial Instruments: Disclosure. The amendments provide additional guidance to clarify whether a servicing contract constitutes continuing involvement in a transferred asset in order to determine whether disclosures are required for the transferred assets. In addition they clarify that – as a general rule – disclosures on offsetting of financial assets and liabilities are not expressly required for interim financial statements. However, such disclosure might be required under IAS 34, if they provide significant information;
    - IAS 19 – Employee Benefits. This document amends IAS 19 to clarify that high quality corporate bonds used to determine the discount rate of post-employment benefits should be in the same currency in which the benefits are to be paid.
    - IAS 34 – Interim Financial Reporting. This document introduces several amendments to clarify which requirements are to be met when the required disclosures are included in the interim financial report, however not in the interim financial statements.

  Directors are evaluating the potential impact of these amendments on the consolidated financial statements of the Group.

- On December 18, 2014, the IASB issued the amendment to IAS 1 – Disclosure Initiative. The purpose of these amendments is to clarify certain disclosure elements and remove perceived impediments to presenting clear, understandable financial reports. Amendments are as follows:
    - Materiality and aggregation: clarifies that an entity should not obscure information by aggregating or disaggregating information and that materiality considerations apply to the primary statements, notes and specific disclosure requirements in IFRSs. Disclosures specifically required by IFRSs need to be provided only if the information is material;
    - Statement of financial position and statement of profit or loss or other comprehensive income: clarifies that the list of line items specified by IAS 1 for these statements can be disaggregated and aggregated as relevant. Guidance is provided on the use of subtotals in these statements;
    - Presentation of items of other comprehensive income ("OCI"): clarifies that the share of OCI of associates and joint ventures accounted for using the equity method should be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss;
    - Notes: clarifies that entities have flexibility when designing the structure of the notes and provides guidance on systematic ordering of the notes.

  These amendments are to be applied for financial periods beginning on or after January 1, 2016. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.
- On December 18, 2014, the IASB published document "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)" with amendments that address issues about the application of the consolidation exception granted to investment entities. These amendments are to be applied for financial periods beginning on or after January 1, 2016. Early adoption is permitted. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted, as the Company does not meet the definition of investment entity.