Tax number: 18084764-2-41
Court of registry: Metropolitan Court
Registration orders: Pk.61.344/1996/2
Registration number: 7375

HUNGART

Collective Rights Management Society of Visual Artists
(HUNGART CRMSVA)

1055 Budapest, Falk Miksa utca 30

Addendum to the Report for 2015

31 December 2015

5 May 2016

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PRESENTATION OF HUNGART SOCIETY

HUNGART Collective Rights Management Society of Visual Artists was founded by a private person pursuant to Government Decree 146/1996 (IX. 19.).

Seat of the Society: 1055 Budapest, Falk Miksa utca 30.

The government decree referred to sets forth that the management of copyright and related rights may only be undertaken by an association registered and founded in accordance with Sections 61 to 64 of the Civil Code.

The Society was registered under registration number 7375 by the Metropolitan Court pursuant to court order number Ol.Pk.61344/1996/2 that became final on 27 February 1997.

Based on Ministry of Culture and Education Decree 5/1997 (11.12.), the minister for culture and education registered HUNGART Collective Rights Management Society of Visual Artists as rights management society.

The objective of the society is to particularly enforce the protection of its members, fine artists, applied artists, photographers, as well as the legal successors of these artists, i.e., protect the copyright of these right holders both in Hungary and foreign countries.

The Society engaged in its activities as a public benefit organisation from 2000 to 2005. At its regular annual meeting, the assembly of delegates decided that although the specific activities of the Society comply with requirements stipulated in Act CLVI of 1997, the public benefit status is not particular advantageous for the Society, which is why they decided to terminate it. The Metropolitan Court deregistered the organisation's public benefit status pursuant to court order number 16.pk.61.344/1996/9 issued on 5 June 2006 and becoming final on 28 July 2006.

Rules governing the activity of the Society are stipulated in Sections 85 to 92 of Chapter XII of Act LXXXVI of 1999 on copyright. Supporting artistic partner organisations and improving the social situation of artists in need ties in with the collective management of copyright and related rights constituting a core target activity.

The Society does not have any founders or founding assets. Operating costs were covered by the handling fee for copyright royalty collected and taxes at the rate specified in the Distribution regulation, which was a net 22% and 15% in financial year 2015.

HUNGART does not engage in business activities ever since its foundation.

The assembly of delegates is the supreme decision-making body of the Society. The Presidency comprised of eight members manages the practical activities of the organisation and is presided by a president and two vice presidents elected from its members. The three-member supervisory committee verifies the lawful operation and financial management of HUNGART. The employed members of the work organisation of the Society undertake daily tasks, whilst contracted external organisations and individuals undertake work activities in areas in which employment is not a practical option.

All of the members of the organisation undertaking accountancy services (accounting) are registered chartered accountants or certified auditors.

GG PLUS registered under registration number 000141A audits the annual report of HUNGART Society; Éva Gampel is the contracted auditor, whose chamber membership number is 004681.

ACCOUNTING POLICY

The balance sheet date is the last day of March following the year under review, since experiences over the past years have made this necessary. With this date it was possible to ensure that financial events relating to the year under review could be taken into account and presented in between the effective date of 31 December and the balance sheet date.

The Society applies the method of double-entry accounting; its chart of accounts was developed according to recommendations published in financial and accountancy journals.

Based on Section 89 (13) of the act on copyright, organisations engaging in the collective management of rights were required to switch from compiling a simplified annual report to an annual report from 2012.

In accordance with Section 89 (13) of this act, when compiling the report we also had to take account of provisions governing the so-called Civil Act (Act CLXXV of 2011), with special regard to the public benefit status.

We therefore developed the necessary coherence to comply with Government Decrees 224/2000 (XII.24.) and 342/2011 (XII.29.) regulating the reporting requirements of civil society organisations based on the accountancy act, as well as provisions set forth in Government Decree 350/2011 (XII.30.) on the financial management of these organisations, donations and rules relating to certain public benefit issues.

While compiling the annual report HUNGART Collective Rights Management Society of Visual Artists followed and observed core principles of accounting by taking account of presenting a reliable accurate overall balance. An audit, self-audit was not conducted in connection with previous years.

Changes took place in the valuation procedures in relation to the previous year while compiling the report, which we will present in detail below.

It is only possible to compare a part of the data according to accountancy requirements with the data for previous year. Requirements stipulated in the accountancy act prevail in respect of the financial management of the Society and the extent of relevant and major items relating to the report.

The income of the Society is every income realised in the year under review relating to the core activity and business activity, equally including grants, while its costs are direct costs relating to the core activity and business activity, the operating costs of the organisation.

Valuation of fixed assets, tangible assets and intangible assets is incorporated in the balance sheet at net value. The purchase price is the cost, which includes costs arising up to capitalisation concurrently fixed to the asset.

We apply the linear depreciation method for calculating depreciation of assets based on expected useful life, the depreciation keys set forth in the corporate tax act proportionately to the number of days used. Assets under a value of less than 100,000 HUF are charged in a single lump sum upon use.

We present the value of the inventories at the actual production cost.

We include purchased securities in the group of fixed assets if we don't expect to sell these within one year; if the security recorded as a fixed asset is sold following the balance sheet date, this is recorded as a current asset on the balance sheet.

The FIFO (First In First Out) method is applied for removing securities from the records when sold, i.e., always the longest held security is accounted for upon sale. The book value of interest-bearing securities may not include the interest paid upon purchase, i.e. is recorded at face value.

The Society calculates accruals and deferrals according to the general rules of the Accountancy Act, as well as on the grounds of requirements stipulated by the supervisory body.

The valuation of assets and liabilities not highlighted above and recording these in the balance sheet is performed in compliance with the general rules of the Accountancy Act.

According to the requirements stipulated in the Accountancy Act (Act C of 2000) and the Government Decrees referred to, the Society disposes of the accounting policy, together with the related inventory, scrapping, cash management and valuation regulations.

SUPERVISORY REPORT AND CHANGES TO THE ACCOUNTING POLICY

The Hungarian Intellectual Property Office overseeing rights management initiated the introduction of a standard supervisory report compiled by PwC in spring 2014, in addition to the further extension of the accounting report, which equally covered the accounting policy established by rights management organisations. After multiple rounds of negotiation, the draft versions of the documents compiled were finalised and their use was stipulated as a mandatory expectation.

Changes fundamentally targeted the accounting of royalties, not only in regard to revenues and expenditures, but also in respect of the entry of these.

According to the final decision, we first applied changes to accountancy policy and records on 1 January 2015 and changes to reporting in the report for 2014, with special regard to the supervisory report on top of the usual balance sheet.

Based on the changes approved and introduced, we changed the practice we applied and established beforehand to be able to comply with general expectations valid from 2015.

The supervisory body instructed HUNGART to only include the revenue of financially settled royalties in the year under review and present royalties due for the year under review, however, paid at the beginning of the following year, in which regard we applied accrual in accordance with the accountancy act in the period of financial performance.

Royalties received after distribution by our Society from other rights managers and royalties from the sale of art objects in the 4th quarter were realised at the end of March of the year under review, in accordance with which we previously set the balance sheet date.

Therefore, we did not enter the revenue of 111.857 thousand HUF among others comprised of the 54.6 million HUF blank carrier and cable received from Artisjus in the year under review, reprography amounting to 28 million HUF, the resale of 19.2 million HUF for the 4th quarter of 2014 and the broadcasting fee of 4.5 million HUF. These items would have represented 50% of our revenue. These items were entered in the accounts of the year under review.

Deferred income in 2013 was equivalent to 92.5 million HUF.

They also made a mention of our previous practice, namely, that we did not record every royalty entitlement in respect of revenue collected in the year under review as items of expenditure, but only those items that effectively arose as a cost item, regardless of how these amounts cannot be paid in the majority of cases because conditions required for payment are missing.

The lack of entering items in accounts and the royalty expenditure statement jointly lead to a loss of 132 million HUF in 2014. After the adjustments made in 2015, a loss of 5 million HUF arose in the year under review.

Royalties expected to be paid in the following year previously recorded as accruals are entered as a short-term liability. We included handling costs not enforced in royalties five years retroactively in the our records we updated in the year under review, which we record during re-distribution following the expiry of the limitation period. Accounts were updated between the long-term liability surpassing one year, short-term liabilities and the accrual of revenues.

To summarise the above, with the exception of operating expenses, it is not possible to compare the data of the report for the year under review with the report for the previous year. We equally indicated this problem of comparison in last year's report, in which regard remarks were not made. In compliance with the supervisory report, royalty expenditures we recorded as mediated services in 2015 as opposed to the practice of personnel payment statements applied in previous years.

Finally, we would like to mention changes to administrative obligations relating to rights management. The reduction of administrative burdens generally announced did not take place; on the contrary, they increased significantly. Compiling statements of a various basis and depth in connection with royalties is extremely time-consuming and laborious and does not facilitate day-to-day rights management.

GENERAL FINANCIAL MANAGEMENT AND LEGAL ENVIRONMENT OF RIGHTS MANAGEMENT

The impacts of the financial crisis that evolved in recent years and the ensuing economic crisis is slowly resolving and this can also be sensed in the rights management activity. The drop in primary royalty revenues from the year following the year in which the crisis began has come to a halt; however, has not yet reached the pre-crisis level. After the revenue stagnation of 75-80 million HUF in the past few years, the revenue of 91 million HUF generated in the year under review is considered good. However, revenue ratios have not substantially changed; the ratio of primary (directly collected) and secondary (received for distribution) royalties are largely identical.

The unsatisfactory payment discipline of galleries has for years made the rights management activity of the Society difficult, in which regard certain so-called major art traders are the forerunners. They do not pay in spite of being constantly notified, or only pay with substantial delay and in many cases it is also necessary to take legal action due to the failure to meet promises.

The majority of statement of claims sent to regularly late paying or not paying galleries is effective because they show a relatively expedient intent of payment after receipt.

Non-payment of royalty is accompanied by the regular, deliberate lack of data provision in the case of a few galleries, as an outcome of which it also becomes difficult to enforce claims.

Legal claims amount to approximately 2 million HUF as a result of effective legal work; however, the sum in dispute is unknown in the case of two lawsuits.

The rights management regulatory environment has stabilised, although changes will once again be introduced due to the adoption of the EU regulation in 2016, which will have an impact on data provision and administrative work.

The royalty was reduced from 5% to 4% in 2012 in the case if art objects sold pursuant to the amendment of the Copyright Act. This represents a 20% decrease.

We calculated with 22% handling costs in the case of primary royalties in the plan for 2015, since investment interest may also be used to cover operating costs. In view of the enforcement of accruals, the handling costs rates and other revenue that may be used seem sufficient for covering operating costs if the trend of royalty revenue increase continues.

In relation to revenues, the Society approximately paid an annual net 100 million HUF to right holders, which demonstrates successful activities.

The 27% healthcare tax charged on royalty payments still fails to serve the interests of right holders, which is why we have to apply the individual handling costs accounting method to compensate for this particular tax.

The common charge of 12-14 million HUF subject to payments cannot be covered from the handling costs.

The artistic funding activity of the Society reflected the practice adopted in recent years.

The regular scholarship programme that began in 1998 was suspended in 2012, because HUNGART transferred the amount earmarked for the programme to the National Cultural Fund where the scholarship grants were not distributed. 7% of the received secondary distribution royalties destined for cultural purposes and 12.5% of the re-distributed royalties exceeding five years had to be handed over to the National Cultural Fund. This framework has further decreased since 2013, since the Society received 25% less from secondary royalties (reprography, blank carriers and cable TV) due to legislative changes. The use of this funding is not transparent, because it could be spent for any given purposes from the collective fund and it is not possible to verify the rate according to which this funding is spent in the benefit of the field generating this funding. The National Cultural Fund still fails to provide information, nor does it present an account on its use.

SUMMARY EVALUATION OF FINANCIAL MANAGEMENT AND THE REPORT DATA

The loss of 4,982,000 HUF on the balance sheet of the activities of the Society fundamental ensues from accumulated depreciation.

<u>RIGHTS MANAGEMENT ACTIVITY</u>

We present royalty revenue data for 2014 and 2015 according to the copyright cash accounting scheme. Data for the preceding years equally includes accrued income. Due to the alternative valuation, comparison of the numerical data does not effectively provide any information in relation to 2014. Royalty data offers the opportunity to demonstrate trends if the preceding year is removed from the set of data.

Based on this, it is possible to establish that revenues fluctuate. Revenue generated from resale (blank carriers, cable, reprography) are activities undertaken by our partner organisations. We do not have any major influence on royalty received from foreign countries either; for example, we received a reprography royalty fee of 14 million HUF in 2015 for the period from 2009 to 2013. Hopefully, the minimum revenue generated from the 4% resale and taxes for 2016 will reach the rate of the current year, or at least this is what can be deduced from the figures of the first quarter. Licensing associated with 2-3 major art exhibitions played a role in the licensing (multiple) figure. However, broadcast revenues are expected to drop due to the thematic transformation of MTVA state broadcasting channels and programmes.

Data of invoiced income by type of royalty (including handling) in thousand HUF:

	2011	2012	2013	2014	**2015**
- 4-5 % resale	58,570	54,550	59,139	53,066	**70,626**
(taxes)	(15,205)	(25,202)	(28,336)	(25,452)	**(23,824)**
License (multiplication)	7,563	9,645	8,718	16,396	**16,680**
Broadcast royalty	12,072	12,000	12,684	8,450	**14,366**
Blank carriers, cable	40,620	50,394	41,426	0	**54,682**
Reprography charge	37,425	34,951	27,702	0	**28,725**
Royalty from a foreign country	6,980	8,324	7,980	8,287	**19,666**
Total:	163,230	169,864	157,649	86,199	**204,745**

Distribution of royalty payments in thousand HUF:

	2011	2012	2013	2014	2015
Individual royalties	98,788	93,338	90,277	92,413	81,272
Hungarian organisation	3,686	11,145	5,964	6,931	6,712
Foreign partner organisation	8,133	13,452	13,344	21,167	9,285
Total	110,607	117,936	109,585	120,511	97,269
Number of individual right holders	859	605	637	643	609

A sum of 65,530 thousand HUF was received in 2015 from royalties paid in the year under review. Of this amount, the sum of secondary royalties distributed amounted to 29,530 thousand HUF. We managed to pay 65% (17,458 thousand HUF) of the amount of redistributed royalties exceeding 5 years (general expiry period).

We handed over a set and costume design royalty of 5,468 thousand HUF to FILMJUS for distribution.

(Annex 1 of the income statement for the presented the detailed breakdown of royalty accounts)

Funding Policy

In accordance with the Society's approved funding policy, the decision of the presidency in May 2015 decided on the publication of 4 monographs. The exclusive quality books aimed at presenting the artists that were awarded grants earlier on were published in October, and together with these a total of 30 editions have been published in the series presenting contemporary artists.

We have so far generated a revenue of 797 thousand HUF in the year under review from the sale of the editions published. Supporting the professional work of the artists and presenting the achievements of artistic creation is the fundamental objective of publishing these editions, rather than substantially increasing the revenue of the Society. Preparations for publishing the editions planned for 2016 is already underway. We have the opportunity to publish five monographs this year, the financial framework for this is in place.

8,718 thousand HUF was transferred to the National Cultural Fund in 2012, 11,120 thousand HUF was transferred in 2013, 9,273 thousand HUF was transferred in 214 and 9,158 thousand HUF was transferred in 2015.

The presidency approved funding amounting to 5,216 thousand HUF for art organisations and 4,677 thousand HUF for social purposes from the community distributions. (The itemised breakdown of funding approved and used for community purposes in 2015 is detailed in Annex 2 to the income statement.)

OPERATING BUDGET

The operating budget of HUNGART for 2015 is presented in Annex 1, to which we have also attached costs according to the 5th account group of the ledger. We calculated with a revenue of 50,328 thousand HUF when planning, which amounted to 51,903 thousand HUF after being adjusted by accrued and deferred items. The budget is by and large break even based on the expenditures for the year (51,464 thousand HUF).

Total operating costs barely deviate from revenues by only 1%. Personnel expenditures were 189 thousand HUF higher and material expenditures were 2,425 thousand HUF higher than planned. There was a significant difference in the case of postal and telephone costs, IT supervision and the handling costs of securities. We spent minimum 169 thousand HUF on equipment purchases. The operating cost was equivalent to 56,873 thousand HUF according to the supervisory report, in which case depreciation was also taken into account.

By introducing individual handling costs, the healthcare tax of 12,759 thousand HUF to be paid in connection with royalties no longer generated a loss, the revenue entered into accounts compensated payment obligations.

Priority items of expenditure:	Auditor's fee for 2015	360,000 HUF
Hungarian Intellectual Property Office supervisory fee:	Royalties and taxes	150,786,885-
	Foreign royalties	19,666,181-
	Handling cost paid	44,247,118-
	Monographs	787,117-
	Individual handling costs	12,758,322-

Other revenue from legal action	295,900-
Financial revenues	6,572,754-
Total:	235,114,277 * 0.3% = 399,945 HUF
FILMJUS royalty distributed	5,468,221-
Supervisory fee	229,646,056 * 0.3% = 688,938 HUF

ACCOUNTING REPORT DATA AND DETAILED OVERVIEW

1.1 Changes to balance sheet data

	1000HUF	Preceding period	Given period	Absolute change
	ASSETS			
01.	**A. Fixed assets**	**412 711**	**410 799**	**-1 912**
02.	I. Intangible assets	1 354	874	-480
10.	II. Tangible assets	97 943	92 995	-4 948
18.	**ni.** Invested financial assets	313 414	316 930	3 516
27.	**B. Current assets**	**81 264**	**101 626**	**20 362**
28.	I Inventories	44 436	44 229	-207
35.	H. Receivables	4 471	527	-3 944
43.	Hl Securities	20 000	0	-20 ()()()
49.	IV. Cash	12 357	56 870	44 513
52.	C. Active **accruals**	**1 921**	**4 727**	**2 806**
56.	**TOTAL ASSETS**	**495 896**	**517 152**	**-21 256**
	LIABILITIES			
57.	D. **Equity**	**136 383**	**131 401**	**4 982**
58.	L Subscribed capital	0	0	0
60.	H. Unpaid subscribed capital (-)	0	0	0
61.	**ni.** Capital reserve (change in capital/retained earnings)	268 213	136 383	-131 830
62.	IV. Accumulated profit reserve	0	0	0
63.	V. Committed reserve	0	0	0
64.	VT. Valuation reserve	0	0	0
67.	VII. Retained earnings	-131 830	-4 982	126 848
68.	E. Provisions	**0**	**0**	**0**
72.	F. Liabilities	**343 887**	**329 118**	**14 769**
73.	I. Deferred liabilities	0	0	0
77.	**n.** Long-term liabilities	217 824	81 678	136 146
86.	Hl. Short-term liabilities	126 063	247 440	-121377
98.	**G. Accrued expenses**	**15 626**	**56 633**	**-41007**
102.	**TOTAL LIABILITIES**	**495 896**	**517 152**	**21 256**

ASSETS

The property purchased, refurbished in the SunPalace building was entered into accounts at a net value of 91,226 thousand HUF. The residual value of the car was 629 thousand HUF at the end of the year.

The net tangible asset inventory of the Society (mobiles, computers, telephone, fax, office furniture, refurbished computer work stations) was 1,140 thousand HUF at the end of the year.

The net value of the software used on the machines was equivalent to a net 874 thousand HUF at the end of the year. It is also evident in the attached asset analysis that only a multifunctional photocopier and four low value pieces of equipment were purchased (Annex 2: Assets and their depreciation). The zero value computers are over six years old and their replacement has become due to ensure safe operation.

Treasury bonds are recorded as fixed assets, none of which need to be exchanged during the coming year according to the information available on the balance sheet date.

The publication costs of the HUNGART series of editions was recorded in the inventory row (44,229 thousand HUF). There are no invoiced accounts receivables, every royalty invoice has been paid.

Other receivables are the royalty overpayment of 97 thousand HUF and the advance payment of 430 thousand HUF for legal costs, which is expected to be recovered after the court proceeding ends.

The closing balance of bank accounts (Budapest Bank, securities account) was 56,275 thousand HUF. Cash flow was limited to the most necessary items, petty cash amounted to 595,290 HUF, since one of the royalty debts owed was paid in cash at the end of the year.

Accruals of expenditures was performed according to legal requirements; items include insurance for the next period, programme up-date and travel pass.

4,576 thousand HUF of the accrued income is the proportionate interest on the zero coupon treasury bonds.

LIABILITES

Long-term royalty liabilities exceeding one year		***81,678 Thou. HUF***
Detailed breakdown of long-term liabilities		
Royalty paid to national organisations/invoice		37 Thou. HUF
National supplier invoice		22 Thou. HUF
Membership fee in a foreign organisation		714 Thou. HUF
VAT due in the 12th month		849 Thou. HUF
Personal income tax liability 12th month		427 Thou. HUF
Royalties healthcare tax 12th month		245 Thou. HUF
Social security liability 12th month		757 Thou. HUF
Company car 4th name		28 Thou. HUF
Self-verification allowance		18 Thou. HUF
Royalty distributed, to be distributed		29.628 Thou. HUF
Royalty of 214,026 thousand HUF paid within one year		
	- supervisory fee for 2015	689 Thou. HUF
Passive accrual items:		
- Utility charges for December		94 Thou. HUF
Telephone costs		53 Thou. HUF
- post and dispatch services		69 Thou. HUF
- lawyer's fee for December		640 Thou. HUF
	- auditor's fee for 2015	360 Thou. HUF

The handling costs of undistributed broadcasting royalties and taxes received (2,182 thousand HUF and 5,212 thousand HUF), the distributed, however, unpaid resale royalty and handling costs for duplication (4,366 thousand HUF and 2,494 thousand HUF), as well as reclassified royalty handled for over five years recorded as a long-term liability in the previous year is recorded as ***passive accrual revenue***.

1.2. Changes to the data of the income statement

	1000 HUF	Preceding period	Current period	Difference in %
I.	**Net sales revenue**	**119 150**	**214 700**	**180.19**
II.	**Capitalised value of own performance**	**0**	**0**	**0.00**
III.	**Other revenues**	**6 664**	**13 841**	**207.70**
IV.	**Material expenditures**	**94 006**	**199 445**	**212.16**
V.	**Personnel expenditures**	**127 474**	**34 883**	**273.65**
VI.	**Depreciation charge**	**5 843**	**5 597**	**-4.21**
VII.	**Other expenditures**	**37 726**	**160**	**995.76**
A.	**EARNING BEFORE INTEREST AND TAX**	**-139 235**	**-11 544**	**917.09**
VIII.	**Revenues of financial transactions**	**7 501**	**6 573**	**-12.37**
IX.	**Expenditures of financial transactions**	**96**	**12**	**-85.50**
B.	**EARNNGS OF FINANCIAL TRANSACTIONS**	**7 405**	**6 561**	**-11.40**
C.	**USUAL ENTREPRENEURIAL PROFIT OR LOSS**	**-131 830**	**-4 982**	**962.21**
X.	**Extraordinary revenues**	**0**	**0**	**100.00**
XI.	**Extraordinary expenditures**	**0**	**0**	**100.00**
D.	**EXTRAORDINARY EARNINGS**	**0**	**0**	**0.00**
E.	**PROFIT BEFORE TAX**	**-131 830**	**-4 982**	**962.21**
XII.	**Tax liability**	**0**	**0**	**0.00**
F.	**PROFIT AFTER TAX**	**-131 830**	**-4 982**	**962.21**
G.	**REAINED EARNINGS**	**-131 830**	**-4 982**	**962.21**

Beyond the royalty revenue presented above, an archiving (redistribution after five years) handling fee not recorded earlier is also included as a net revenue item.

The individual handling cost invoiced (12,758 thousand HUF) compensating for the healthcare tax, the revenue generate from the sale of the monographs (787 thousand HUF) and the reimbursement of legal costs amounting to 298 thousand HUF is recorded as other expenditure.

The yield on the zero coupon and treasury bonds represented 6,551 thousand HUF of financial revenues. The exchange gain on foreign currency transfers was 22 thousand HUF due to the hectic fluctuation of exchange rates; however, we also had to record an exchange loss of 12 thousand HUF.

Vehicle taxes amounting to 132 thousand HUF and the penalty interest of 28 thousand HUF paid was recorded as other expenditure. In accordance with the new accountancy policy, in relation to previous years grants were recorded in the indirect services row and the difference of the value of monographs sold from the distribution of previous taxes were recorded as royalty liabilities.

Changes to royalty payments is presented in Annex 1 to the income statement. We have highlighted the royalty items in the appropriate rows of the income statement for transparency purposes.

In the following we present changes to the composition of key balance sheet items and changes to a few financial indicators applied in the business sector, but just as relevant to the financial management of the Society.

1.3. Key balance sheet items

Composition of and changes to liabilities

Liabilities	**Preceding period**	Current period **Thou. HUF**
Equity capital	**136 383**	**131 401**
Initial capital/subscribed capital	0	0
Subscribed, unpaid capital	0	0
Changes in capital	268 213	136 383
Fixed reserve	0	0
Valuation reserve	0	0

Retained earnings of the core activity	-131 830	-4 982
Provisions	**0**	**0**
Liabilities	**343 887**	**329 118**
Subordinated liabilities	0	0
Royalty long-term liabilities	217 824	81 678
Supplier short-term liabilities	1 862	773
Other short-term liabilities/taxes	4 652	2 324
Royalty short-term liabilities	119 549	214 026
Distribution liability tax	0	29 628
Accrued expenses	**15 626**	**56 633**
Total liabilities	**495 896**	**517 152**

The introduction of the supervisory report and the new accountancy policy requirements associated with this are beyond income statement changes for the year under review (cash-flow revenue), which affected accruals and deferral of assets and made major adjustments necessary in terms of liabilities in the previous year. The specified amounts entered as liabilities in the long and short term rows and placed the royalty handling costs expected to be redistributed in the passive accruals row.

Changes to the liabilities items implies restructuring the presentation of liabilities and should not negatively impact on the assessment of the economic and financial status of HUNGART, even more so because the data of the royalty accounts were known and coverage was always available for this.

1.4. Asset Status

Use of fixed assets

The net value of tangible assets and intangible assets (use rate) was 68.1% of the gross value in the previous year and 64.3% in the year under review. More specifically, the ratio of the net value of office appliances and installations was 16.9% and 5% respectively in the past two years.

Coverage for fixed assets

In both years, on top of equity, the final inventory of fixed assets was covered by internal resources at a rate of 33% in the previous year and 32.0% in the year under review due to adjustments.

Equity

The equity ratio of the SOCIETY HUNGART CRMSVA represented 27.5% of total liabilities in the previous year and 25.4% in the year under review. Equity shifted towards external resources due to the adjustments.

Capital structure ratio

Liabilities were equivalent to 252.13% of the equity in the previous year and 250.50% in the year under review.

1.5. Liquidity and Solvency

Acid test ratio

The value of the acid test ratio rating short-term liquidity (the ratio of combined value of accounts receivable, securities and liquid assets in relation to short-term liabilities) was 0.29 in the previous year and 0.24 in the year under review.

Ratio of liquid assets

The ratio of assets influencing short-term liquidity was 7.4% of total assets in the previous year and 11.1% in the year under review.

Long-term liquidity

The long-term liquidity rate (the ration of current assets in relation to liabilities) was 0.24 in the previous year and 0.3 in the year under review.

Liabilities and liquid assets

The liquid assets (accounts receivable, securities, liquid assets) fully covered liabilities on the balance sheet date.

Liabilities and income

If all liabilities were to exclusively be paid from revenues, 530 days worth of revenue would cover this.

1.6. Cash-flow

	Item (1000 HUF)	Preceding year	Current year
1.	Cash-flow from operating activities (Operating cash flow, rows 1-13)	7 480	184 344
1	Profit before tax (+-)	-131 830	-4 982
2	Depreciation (+)	5 952	5 597
3	Depletion (+-)	0	0
4	Forming or using provisions (+-)	0	0
5	Profits of selling fixed assets (profit-loss +)	0	0
6	Changes in accounts payable (+-)	1 793	-1 089
7	Change in other short-term debts (+-)	118 236	122 466
X	Change in passive accruals and deferred items (+-)	-78 349	41 007
9	Change in accounts receivable (+-)	-448	4 037
10	Change in current assets (without accounts receivable and cash) (+-)	-6 022	20 114
11	Change in active accruals (+-)	98 257	-2 806
12	Paid, payable tax (-)	0	0
13	Paid dividend (-)	0	0
II.	Cash-flows from investing activities (Investment cash flow, rows 14-16)	-15 985	-3 685
14	Investment in plant and equipment (-)	-15 985	-3 685
15	Proceeds from sale of land, plant and equipm. (+)	0	0
16	Received profit-sharing and dividend (+)	0	0
III.	Cash-flows from financial activities (Financing cash flow, rows 17-27)	0	-136 146
17	Incomes of public offering (+)	-217 824	0
18	Incomes of bond or other security offering (+)	0	0
19	Long-term borrowing (+)	0	0
20	Payment of long-term debt (+)	0	0
21	Cash received (+)	0	0
22	Inventory withdrawal (capital decrease) (-)	0	0
23	Repayment of bonds and credit securities (-)	0	0
24	Payment of debts (-)	0	0
25	Long term loans, bank deposits (-)	0	0
26	Permanently granted cash (-)	0	0
27	Change in claims against founding members (+-)	217 824	-136 146
IV	Change in cash (rows I+II+III)	-8 504	44 513

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Compiled by: Ferenc Holocsi, MKVK No. 03419