



Condensed Consolidated Interim
Financial Statements
Three and Six Months Ended June 30, 2022
UNAUDITED

At a Glance

Etrion Corporation

Etrion Corporation was created as a renewable energy development company. From our inception we have been committed to contributing to the diversification of the energy mix by leveraging the abundance of renewable resources to generate clean, reliable and cost-effective solar energy.

In 2021, Etrion sold all its operating and under construction solar parks in Japan to two different Japanese consortiums. Subject to the possibility of the Board identifying other potential business opportunities, the Company may deploy the remaining capital into a new venture or complete its windup activities and proceed with the dissolution within approximately 36 months after the sale of the Japanese assets. Any cash remaining at the completion of the windup activities and settlement of all liabilities of the Company will be distributed to shareholders.



For more information about our Company,
take a look on our website at: www.etrion.com

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The accompanying condensed consolidated unaudited interim financial statements of the Company for the three and six months ended June 30, 2022, have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements. Readers are cautioned that these condensed consolidated unaudited interim financial statements may not be appropriate for their purposes.

Condensed consolidated interim statement of net loss and comprehensive net loss

For the three and six months ended June 30, 2022 and 2021

UNAUDITED

Expressed in US\$'000

	Three months ended		Six months ended		
	Q2-22	Q2-21	Q2-22	Q2-21	
Continuing operations					
General and administrative expenses	6	(812)	(4,562)	(1,602)	(6,244)
Other expense	7	(1)	(404)	(26)	(537)
Operating loss		(813)	(4,966)	(1,628)	(6,781)
Finance income	8	-	575	-	677
Finance costs	8	(3,328)	(110)	(7,314)	(767)
Net finance costs		(3,328)	465	(7,314)	(90)
Loss before income tax		(4,141)	(4,501)	(8,942)	(6,871)
Income tax expense	9	(51)	2,524	(87)	2,441
Loss for the period from continuing operations		(4,192)	(1,977)	(9,029)	(4,430)
Profit from discontinued operations, net of tax	5	-	103,079	-	104,002
Net loss for the period		(4,192)	101,102	(9,029)	99,572
Other comprehensive (loss) income					
Items that may be reclassified to profit and loss:					
Gain (Loss) on currency translation		2,289	(4,385)	5,428	(6,107)
Gain (Loss) on cash flow hedges, net of tax – discontinued operations		-	(589)	-	229
Reclassification adjustment on cash flow hedges - disposed assets		-	11,504	-	11,504
Total other comprehensive loss		2,289	6,530	5,428	5,626
Total comprehensive net loss for the period		(1,903)	107,632	(3,601)	105,198
Loss attributable to:					
Owners of the parent		(4,192)	101,102	(9,029)	99,572
Total		(4,192)	101,102	(9,029)	99,572
Total comprehensive loss attributable to:					
Owners of the parent		(1,903)	107,632	(3,601)	105,198
Total		(1,903)	107,632	(3,601)	105,198
Total comprehensive loss attributable to owners of the Company:					
Continuing operations		(1,903)	(6,362)	(3,601)	(10,537)
Discontinued operations		-	113,994	-	115,735
Total		(1,903)	107,632	(3,601)	105,198
Basic and diluted loss per share from continuing operations	10	\$(0.01)	\$(0.00)	\$(0.03)	\$(0.01)
Basic and diluted loss per share for the period	10	\$(0.01)	\$0.30	\$(0.03)	\$0.30

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim balance sheet

As at June 30, 2022

UNAUDITED

Expressed in US\$'000

	Note	June 30 2022	December 31 2021
Assets			
Non-current assets			
Deferred income tax assets		41	44
Total non-current assets		41	44
Current assets			
Other receivables	12	248	541
Cash and cash equivalents	11	16,155	20,578
Total current assets		16,403	21,119
Total assets		16,444	21,163
Equity			
Attributable to common shareholders			
Share capital	13	2,055	2,055
Contributed surplus		9,461	9,461
Other reserves		782	(4,646)
Retained earnings (accumulated losses)		1,558	10,587
Total equity		13,856	17,457
Liabilities			
Non-current liabilities			
Employment benefit obligations		1,098	1,422
Total non-current liabilities		1,098	1,422
Current liabilities			
Trade and other payables	15	1,422	2,204
Current tax liabilities	9	68	80
Total current liabilities		1,490	2,284
Total liabilities		2,588	3,706
Total equity and liabilities		16,444	21,163

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For the three and six months ended June 30, 2022 and 2021

UNAUDITED

Expressed in US\$'000

	Share capital	Contributed surplus	Other reserves	Accumulated (losses) earnings	Reserve of disposal group held for sale	Total equity
Balance at January 1, 2021	111,304	13,641	1,916	(92,556)	(12,793)	21,512
Comprehensive income:						
Income for the period	-	-	-	99,572	-	99,572
Other comprehensive income (loss):						
Cash flow hedges (net of tax)	-	-	229	-	-	229
Discontinued operations	-	-	(229)	-	11,733	11,504
Currency translation	-	-	(6,107)	-	-	(6,107)
Total comprehensive (loss) income	-	-	(6,107)	99,572	11,733	105,198
Transactions with owners in their capacity as owners:						
Share-based payments	-	(4,180)	-	-	-	(4,180)
Balance at June 30, 2021	111,304	9,461	(4,191)	7,016	(1,060)	122,530
Balance at January 1, 2022	2,055	9,461	(4,646)	10,587	-	17,457
Comprehensive loss:						
Loss for the period	-	-	-	(9,029)	-	(9,029)
Other comprehensive income (loss):						
Currency translation	-	-	5,428	-	-	5,428
Total comprehensive (loss) income	-	-	5,428	(9,029)	-	(3,601)
Balance at June 30 2022	2,055	9,461	782	1,558	-	13,856

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flow

For the three and six months ended June 30, 2022 and 2021

UNAUDITED

Expressed in US\$'000

	Note	Three months ended		Six months ended	
		Q2-22	Q2-21	Q2-22	Q2-21
Operating activities:					
Net income for the period		(4,192)	101,102	(9,029)	99,572
Less: net income from discontinued operations		-	103,079	-	104,002
Loss for the period from continuing operations		(4,192)	(1,977)	(9,029)	(4,430)
Adjustments for:					
Depreciation and amortization	6	-	32	-	65
Income tax expense	9	51	(2,525)	87	(2,441)
Share-based payment expense	6/14	-	1,415	-	1,547
Interest expense on corporate bonds	8	50	110	50	650
Loss on call option	8	-	-	-	117
Foreign exchange gain	8	3,313	(575)	7,264	(677)
Other expense		(1)	(131)	(26)	-
Sub-total		(779)	(3,651)	(1,654)	(5,169)
Changes in working capital:					
Trade and other receivables		361	(1,371)	294	(1,681)
Trade and other payables		(604)	12,173	(1,407)	10,718
Income tax paid		-	83	-	-
Net cash outflow from continuing operations		(1,022)	7,234	(2,767)	3,868
Net cash inflow from discontinued operations		-	(3,373)	-	(1,977)
Total cash flow (used in) generated from operating activities		(1,022)	3,861	(2,767)	1,891
Investing activities:					
Proceeds from sale of subsidiaries		-	128,084	-	128,084
Proceeds from sale of shareholder loan		-	1,219	-	1,219
Net cash outflow from continuing operations		-	129,303	-	129,303
Net cash outflow from discontinued operations		-	(18,445)	-	(18,445)
Total cash flow generated from investing activities		-	110,858	-	110,858
Financing activities:					
Interest paid		-	-	-	(179)
Corporate bond repayment		-	-	-	(40,316)
Proceeds from Lundin family loan		-	-	-	4,679
Proceeds from Lundin family loan		-	(4,928)	-	(4,928)
Net cash outflow from continuing operations		-	(4,928)	-	(40,744)
Net cash outflow from discontinued operations		-	(942)	-	(1,086)
Total cash flow used in financing activities		-	(5,870)	-	(41,830)
Net decreased cash and cash equivalents		(1,022)	108,849	(2,767)	70,919
Effect of exchange rate changes on cash and cash equivalents		(919)	173	(1,656)	(6,712)
Subsidiaries deconsolidation		-	(40,215)	-	(40,215)
Cash and cash equivalents at the beginning of the period		18,096	64,864	20,578	109,679
Cash and cash equivalents at the end of the period	11	16,155	133,671	16,155	133,671
From continuing operations		16,155	131,679	16,155	131,679
From discontinued operations		-	1,992	-	1,992

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2022 and 2021

UNAUDITED

Expressed in US\$'000 unless otherwise stated

1. General information

Etrion Corporation ("Etrion" or the "Company" or, together with its subsidiaries, the "Group") is incorporated under the laws of the Province of British Columbia, Canada. The address of its registered office is 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia V6C 3E8, Canada.

In 2021, Etrion sold all its operating and under construction solar parks in Japan to two different Japanese consortiums and therefore is no longer owning and operating any solar projects. On August 24, 2021, the Company distributed \$109.2 million to the shareholders as a return of capital, and the share capital was reduced accordingly. [Note 13](#)

Further to the sale of all of the Company's assets and the return of capital to shareholders, and in order to minimize the costs and management time associated with the listing of the Corporation's common shares on the Toronto Stock Exchange (the "TSX") and Nasdaq Stockholm stock exchange (the "Nasdaq"), the Company applied to voluntarily delist the common shares. Such delisting from the TSX became effective after the close of trading on September 17, 2021 and from the Nasdaq after the close of trading on January 4, 2022.

The Company plans to retain approximately CAD\$20 million in cash to address any potential warranty claims from the sale of its assets in Japan, corporate obligations, and potential claims as well as wind-up cost.

Subject to the possibility of the Board identifying other potential business opportunities, the Company expects to complete its windup activities and proceed with the dissolution within approximately 36 months after Closing. The Company will make a determination during this period of 36 months whether it will begin a windup process or engage in new businesses.

These condensed consolidated interim financial statements are presented in United States ("US") Dollars ("\$"), which is the Group's presentation currency. The Company's Board of Directors approved these condensed consolidated interim financial statements on August 2, 2022.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

(a) Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021. These condensed consolidated interim financial statements have been prepared on the basis of accounting policies, methods of computation and presentation consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2021.

(b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. There are no other IFRS or interpretations that are not yet effective and that would be expected to have a material impact on the Group.

3. Accounting estimates and assumptions

In connection with the preparation of the Company's condensed consolidated interim financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. The assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the condensed consolidated interim financial statements are prepared.

On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the consolidated financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results could differ from these assumptions and estimates, and such differences could be material. There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2022, from those disclosed in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2021.

4. Segment reporting

In 2022, there is no longer segment reporting information, following the completion of the Company's only segment (Solar Japan) in 2021. The segment was classified as discontinued operations since September 2020. [Note 5](#)

5. Discontinued operations and assets held for sale

In 2020, Etrion engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd as financial advisor to assist with the sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. The Company's 100% participation in the shares of the Japanese subsidiaries and the shareholder loan outstanding from these entities were both acquired by two consortiums for JPY16.0 billion (\$148.3 million) and JPY131 million (\$1.2 million), respectively.

The results of the Solar Japan discontinued operations for the period are presented below:

	Three months ended		Six months ended	
	Q2-22	Q2-21	Q2-22	Q2-21
Revenue	-	6,710	-	10,654
Operating expenses	-	(1,022)	-	(2,157)
General and administrative expenses	-	(6,724)	-	(6,770)
Other expense	-	(992)	-	(994)
EBITDA	-	(2,028)	-	733
Depreciation and amortization	-	-	-	-
Finance costs	-	(1,021)	-	(2,105)
Income before income tax from discontinued operations	-	(3,049)	-	(1,372)
Income tax expense	-	(610)	-	(1,364)
Net Income for the period from discontinued operations	-	(3,659)	-	(2,736)
Gain on sale of subsidiaries	-	118,242	-	118,242
Reclassification adjustment on cash flow hedges – disposed assets	-	(11,504)	-	(11,504)
Profit from discontinued operations	-	103,079	-	104,002

6. General and administrative expenses

	Three months ended		Six months ended	
	Q2-22	Q2-21	Q2-22	Q2-21
Salaries and benefits	23	1,438	428	1,947
Board of Directors' fees	22	36	42	65
Share-based payments	-	2,113	-	2,245
Professional fees	148	228	319	1,041
Listing and marketing	49	105	67	153
Depreciation and amortization	-	32	-	65
Office lease	14	56	44	111
Taxes other than income	498	498	424	424
Office, travel and other	58	56	278	193
Total general and administrative expenses	812	4,562	1,602	6,244

7. Other expense

	Three months ended		Six months ended	
	Q2-22	Q2-21	Q2-22	Q2-21
Unrecoverable VAT and other	1	404	26	537
Total other expense	1	404	26	537

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2022 and 2021

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Expressed in US\$'000 unless otherwise stated

8. Net finance costs

	Three months ended		Six months ended	
	Q2-22	Q2-21	Q2-22	Q2-21
Finance income:				
Foreign exchange gain	-	575	-	677
Total finance income	-	575	-	677
Finance costs:				
Foreign exchange loss	3,313	-	7,264	-
Interest expense on corporate bonds	-	-	-	64
Loss on call option	-	-	-	117
Loss on debt extinguishment	-	-	-	435
Other finance costs	15	110	50	151
Total finance costs	3,328	110	7,314	767
Net finance costs	3,328	(465)	7,314	90

During the three and six months ended June 30, 2022, the Group recognized an unrealized foreign exchange loss of \$3.3 million and of \$7.3 million associated with intercompany loans with the subsidiary in Luxembourg denominated in Euros (2021: foreign exchange gain of \$0.6 million and of \$0.7 million). The Group had a fixed rate corporate bonds which was fully repaid on January 7, 2021. During the three and six months ended June 30, 2021, the Group recognized a finance cost of \$0.4 million together with a loss on call option of \$0.1 million associated with the redemption of the corporate bond.

9. Income taxes

(a) Income tax expense

	Three months ended		Six months ended	
	Q2-22	Q2-21	Q2-22	Q2-21
Income tax expense:				
Corporate income tax (expense) recovery	(51)	2,524	(87)	2,441
Total income tax (expense) recovery	(51)	2,524	(87)	2,441

During the three and six months ended June 30, 2022, the Group recognized an income tax expense of \$51,000 thousand and \$87,000 thousand (2021: Income tax recovery of \$2.5 million and \$2.4 million) of associated with its management services subsidiaries. The tax recovery was triggered by a change in the estimate tax impact in connection with the sale of the Japanese assets.

(b) Current income tax liabilities

	June 30 2022	December 31 2021
Corporate income tax	68	80
Total current income tax liabilities	68	80

10. Loss per share

Basic and diluted loss per share is calculated by dividing the net loss for the period attributable to owners of the Company by the weighted average number of shares outstanding during the period. The calculation of basic and diluted loss per share is as follows:

	Three months ended		Six months ended	
	Q2-22	Q2-21	Q2-22	Q2-21
Income attributable to common shareholders:				
Loss from continuing operations	(4,192)	(1,977)	(9,029)	(4,430)
Income from discontinued operations	-	103,079	-	104,002
Total loss attributable to common shareholders	(4,192)	101,102	(9,029)	99,572
Weighted average number of thousand shares outstanding	334,094	334,094	334,094	334,094
Basic and diluted (loss) earnings per share:				
Loss from continuing operations	\$(0.01)	\$(0.00)	\$(0.03)	\$(0.01)
Income from discontinued operations	\$0.00	\$0.30	\$0.00	\$0.31
Total basic and diluted loss per share	\$(0.01)	\$0.30	\$(0.03)	\$0.30

11. Cash and cash equivalents

The Group's cash and cash equivalents are held in banks in Canada, Luxembourg, Switzerland, the United States and Japan with high and medium grade credit ratings assigned by international credit agencies. The fair value of cash and cash equivalents approximates their carrying value owing to short maturities.

	June 30 2022	December 31 2021
Unrestricted cash at parent level	16,155	20,578
Total	16,155	20,578

12. Other receivables

	June 30 2022	December 31 2021
Current portion:		
VAT account receivables	100	257
Advances paid and prepaid expenses	35	139
Other current assets	113	145
Total other receivables	248	541

13. Share capital

The Company has authorized capital consisting of an unlimited number of common shares, of which 334,094,324 shares are issued and fully-paid and outstanding at March 31, 2022 (December 31, 2021: 334,094,324). In addition, the Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which have been issued. The common shares of the Company have no par value, are all the same class, carry voting rights, and entitle shareholders to receive dividends as and when declared by the Board of Directors.

On August 24, 2021, the Company distributed \$0.327 per share to the shareholders as a return of capital for a total amount of \$109.2 million, and the share capital was reduced accordingly. No dividends were declared during the three and six months ended June 30, 2022 and 2021.

14. Share-based payments

The Company maintains a Restricted Share Unit (RSU) award plan for employees, consultants, directors, and officers. During the three and six months ended June 30, 2022, the Group recognized share-based payment of \$nil (2021: \$2.1 million and \$2.2 million) related to its RSUs scheme. [Note 6](#)

Since June 22, 2021, all outstanding RSUs have been fully expensed, following the completion of the sale of the majority of the Company's Japanese assets. On August 24, 2021, the Company settled the RSUs in cash and distributed \$0.327 per RSU to the holders of the RSUs for a total amount of \$5.0 million. The holders of the RSUs will be entitled to additional payments in the event that further distributions of net proceeds from the sale of the Company's assets and/or certain tax refunds are made to shareholders. As of June 30, 2022, the number of Company's outstanding RSUs is 15,300,000.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2022 and 2021

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15. Trade and other payables

	June 30 2022	December 31 2021
Financial liabilities		
Trade payables	96	364
Total financial liabilities	96	364
Accrued expenses	719	1,234
Other payables	607	606
Total trade and other payables	1,422	2,204

16. Related parties

For the purposes of preparing the Company's condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns through various trusts approximately 36% of the Company's common shares (2021: 36%). Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed below. Details of transactions between the Group and other related parties are disclosed below.

(a) Related party transactions

During the three and six months ended June 30, 2022, the Group entered into the following transactions with related parties:

	Three months ended		Six months ended	
	Q2-22	Q2-21	Q2-22	Q2-21
General and administrative expenses:				
Lundin Energy AB	-	5	2	4
Lundin SA	-	-	-	30
Finance costs				
Lundin family:				
- Interest expense	-	2	-	-
Total transactions with related parties	1	7	3	34

There were no amounts outstanding to related parties at June 30, 2022 and December 31, 2021.

There were no amounts outstanding from related parties at June 30, 2022 and December 31, 2021.

17. Financial assets and liabilities

	June 30, 2022			December 31, 2021		
	Financial assets at amortized cost	Fair value recognized in profit and loss	Total	Financial assets at amortized cost	Fair value recognized in profit and loss	Total
Financial assets						
Current						
Cash and cash equivalents	16,155	-	16,155	20,578	-	20,578
Total financial assets	16,155	-	16,155	20,578	-	20,578

	June 30, 2022			December 31, 2021		
	Financial and other liabilities at amortized cost	Fair value recognized in profit and loss	Total	Financial and other liabilities at amortized cost	Fair value recognized in profit and loss	Total
Financial liabilities						
Current						
Trade payables	97	-	97	364	-	364
Total financial liabilities	97	-	97	364	-	364

The Group's financial instruments carried at fair value are classified at the following levels within a measurement hierarchy that is based on the valuation technique used to estimate fair values:

Level 1: includes fair value measurements derived from quoted prices in active markets for identical assets or liabilities. The fair values of financial instruments traded in the active market are based on quoted market prices at the balance sheet date. At June 30, 2022 and December 31, 2021, the Group's cash and cash equivalents were classified as Level 1.

Level 2: includes fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques that maximize the use of observable market data, where it is available, and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. At June 30, 2022 and December 31, 2021, the Group had no financial instruments classified as Level 2.

Level 3: includes fair value measurements derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data. At June 30, 2022 and December 31, 2021, the Group had no financial instruments classified as Level 3.

The Group's assets that are measured at fair value are as follows:

	June 30 2022	December 31 2021
Financial assets		
Level 1: Cash and cash equivalents (including restricted cash)	16,155	20,578
Total financial assets	16,155	20,578

18. Contingencies

On August 10, 2015, the Group received a litigation notice from a former employee alleging unreconciled labor-related differences. The Company's Directors believe the claim is without merit, and the Group continues to vigorously defend itself. Given the current stage of the legal process, the Company is unable to make a reliable estimate of the financial effects of the litigation and has not included a provision for liability under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in these consolidated financial statements.

19. Subsequent events

As previously mentioned and most recently in the April 15th, 2021 Management Information Circular to shareholders, the Company has been in the last few years actively pursuing reimbursement of certain tax payments (Tremonti Ambiente) in Italy regarding years 2010-2013, 2014-2015 and 2016-2017 before the Italian Courts. On July 27th, 2022, the Regional Tax Court in Rome ruled partially in favor of the Company and recognized the right of refund of EUR 6 million (gross) for the 2010-2013 tax years. Having said that, the Italian Tax Authorities can still appeal the ruling of the Regional Tax Court before the Supreme Court; the appeal should be filed within 60 days from the official notification of the ruling which would consequently delay final resolution by a few years. Therefore, the Company expects to be in a position to assess the certainty / likelihood and timing of the recovery of the funds by early November 2022. At same time, on July 13, 2022 a negative ruling was issued by the First Instance Tax Commission of Rome on the refund for the tax years 2016-2017, which the Company will appeal. On the whole, litigation for the 2014-2015 and 2016-2017 years continues at various stages before the Courts and the Company will inform should positive developments arise.