

TTS (Transport Trade Services) S.A.

**SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AS AT DECEMBER 31, 2016**

**PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS")
AS ADOPTED BY EU**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TTS (Transport Trade Services) S.A.
Bucharest, Romania

1. We have audited the accompanying separate financial statements of TTS (Transport Trade Services) SA („the Company”), which comprise the separate statement of financial position as at December 31, 2016, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

2. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion

6. In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2016, and of its separate financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Limitation on Use

7. This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Deloitte Audit SRL

Deloitte Audit S.R.L.
Bucharest, Romania
May 16, 2017

TTS (Transport Trade Services) S.A.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in "RON", unless specified otherwise)

	Note	Year end December 31, 2016	Year end December 31, 2015
Revenue	4	275,797,694	322,410,287
Raw materials and consumables		(687,203)	(1,692,420)
Merchandise sold		(516,534)	(7,197,697)
Depreciation		(4,660,890)	(4,974,399)
Subcontractors expenses	6	(240,974,479)	(267,762,776)
Payroll expenses		(8,921,671)	(8,133,291)
Other expenses	5	(7,025,337)	(6,099,802)
Other gains and losses	7	611,917	(7,546,119)
Finance income	8	131,479	105,921
Finance costs	9	(523,151)	(594,039)
Profit for the year from continuing operations		13,231,825	18,515,665
Income tax expenses	10	(2,156,498)	(4,320,069)
Total profit for the year		11,075,327	14,195,596

The financial statements were approved by the Board of Directors and authorized to be issued on May 16, 2017, by:



Stefanut Petru,
CEO



Alexandrescu Florin,
CFO

Notes attached are an integral part of these financial statements.

TTS (Transport Trade Services) S.A.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(all amounts are expressed in "RON", unless specified otherwise)

ASSETS	Note	Year end December 31, 2016	Year end December 31, 2015
Long term assets			
Property, plant and equipment	11	72,453,911	76,705,769
Intangible assets	12	2,212,282	2,419,983
Investments in associates	13	137,065,843	114,971,523
Other long term assets	14	242,523	60,125
Total long term assets		211,974,559	194,157,400
Current assets			
Inventories	15	954,430	967,299
Trade receivables and other receivables	16	16,129,385	34,626,479
Loans to associates		23,076,528	27,929,707
Other current assets	17	13,012,428	12,939,312
Cash and cash equivalents	26	36,891,843	13,729,080
Total current assets		90,064,614	90,191,877
Available-for-sale assets		-	-
Total assets		302,039,173	284,349,277
EQUITY AND LIABILITIES			
Equity and reserves			
Capital issued	18	35,072,442	35,072,442
Share premiums	18	46,417,946	46,417,946
Reserves	19	9,673,820	9,648,430
Retained earnings		144,973,924	138,389,529
Total equity		236,138,132	229,528,347
Long term liabilities			
Borrowings	29	7,265,760	5,383,409
Deferred tax liabilities	10	416,008	585,998
Other long term liabilities		913,973	957,331
Total long term liabilities		8,595,741	6,926,738

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TTS (Transport Trade Services) S.A.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(all amounts are expressed in "RON", unless specified otherwise)

	<u>Note</u>	<u>Year end December 31, 2016</u>	<u>Year end December 31, 2015</u>
Current liabilities			
Trade payables and other liabilities	22	47,890,983	34,395,010
Current part of long term liabilities	20	7,419,491	5,655,625
Current provisions		233,499	-
Other current liabilities	23	<u>1,761,327</u>	<u>7,843,558</u>
Total current liabilities		<u>57,305,300</u>	<u>47,894,193</u>
Total liabilities		<u>65,901,041</u>	<u>54,820,931</u>
Total equity and liabilities		<u>302,039,173</u>	<u>284,349,277</u>

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TTS (Transport Trade Services) S.A.
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in "RON", unless specified otherwise)

	Note	Year end December 31, 2016 RON	Year end December 31, 2015 RON
Cash flows from operations			
Gross profit / (loss) for the year		13,231,825	18,515,665
<i>Adjustments for:</i>			
Impairment and depreciation and amortization		4,660,474	4,886,230
Net interest expenses		250,431	798,161
(Profit) / Loss from sales of fixed assets		(614,661)	1,769,030
Net increase / (decrease) in provision for clients		3,791,050	8,659,845
Net increase / (decrease) in provision for investments in associates		129,000	(301,159)
Net increase / (decrease) in provision for litigation		233,499	-
Cash generated from / used in operations before changes to current capital		21,681,618	34,327,772
(Increases) / Decreases in balances of trade receivables and other receivables		16,098,954	(6,756,504)
(Increases) / Decreases in inventories of materials		12,869	(449,105)
Increases / (Decreases) in balances of suppliers		15,453,443	396,443
Cash from operations		53,246,884	27,518,606
Interests paid		(381,910)	(496,560)
Income tax paid		(5,364,968)	(1,665,177)
Net cash from operations		47,500,006	25,356,869
Cash flow from investments			
Purchases of tangible and intangible assets		(2,587,169)	(20,776,675)
Payments for investments		(26,391,730)	(2,014,727)
Income from sales of fixed assets		3,000,915	811,790
Loans granted		4,853,179	(6,167,485)
Interest income		131,479	105,921
Cash flow used in investments		(20,993,326)	(28,041,177)
Net cash used in Investments			
Proceeds from share capital increase		-	-
Dividends paid		(6,946,777)	(3,955,338)
Payments of loans		3,602,859	(5,847,134)
Proceeds from share premiums issued		-	-
Net cash from financing activities		(3,342,918)	(9,802,472)
Net increase / decrease in cash and cash equivalents		23,162,762	(12,486,780)
Cash at the beginning of the year		13,729,080	26,215,861
Cash at the end of the year		36,891,843	13,729,080

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TTS (Transport Trade Services) S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in "RON", unless otherwise specified)

	Share capital	Share premiums	Legal reserves	Other reserves	Revaluation reserves	Retained earnings	Total
Balance as at January 1, 2016	35,072,442	46,417,946	6,890,760	2,757,670	-	138,389,529	229,528,347
Profit / (Loss) for the year	-	-	-	-	-	11,075,327	11,075,327
Revaluation reserves	-	-	-	-	-	-	-
Revaluation reserves pertaining to the transition to IFRS 1	-	-	-	-	-	-	-
Settling up of reserves	-	-	-	25,391	-	(25,391)	-
Share capital issued	-	-	-	-	-	-	-
Share premiums issued	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(4,465,542)	(4,465,542)
Result pertaining to the transition to IFRS1 for the year, net of taxes	-	-	-	-	-	-	-
Deferred taxes pertaining to the revaluation reserve	-	-	-	-	-	-	-
Balance as at December 31, 2016	35,072,442	46,417,946	6,890,760	2,783,061	-	144,973,923	236,138,132

According to shareholder decision dated 29.04.2016, the shareholders of the Company approved the distribution of RON 4,465,542 as dividends.

The financial statements were approved by the Board of Directors and authorized to be issued on May 16,2017, by:



Stefanut Petru,
CEO



Alexandrescu Florin,
CFO

Notes attached are an integral part of these financial statements.

TTS (Transport Trade Services) S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in "RON", unless otherwise specified)

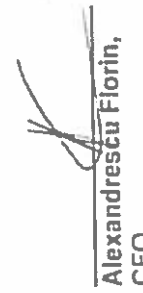
	Share capital	Share premiums	Legal reserves	Other reserves	Revaluation reserves	Retained earnings	Total
Balance as at January 1, 2015	35,072,442	46,417,946	6,752,931	2,757,670	-	130,768,336	221,769,324
Profit / (Loss) for the year	-	-	-	-	-	14,195,596	14,195,596
Revaluation reserves	-	-	-	-	-	-	-
Revaluation reserves pertaining to the transition to IFRS 1	-	-	137,829	-	-	137,829	-
Setting up of legal reserves	-	-	-	-	-	-	-
Share capital issued	-	-	-	-	-	-	-
Share premiums issued	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(6,436,573)	(6,436,573)
Result pertaining to the transition to IFRS1 for the year, net of taxes	-	-	-	-	-	-	-
Deferred taxes pertaining to the revaluation reserve	-	-	-	-	-	-	-
Balance as at December 31, 2015	35,072,442	46,417,946	6,890,760	2,757,670	-	138,389,529	229,528,347

According to shareholder decision dated April 14, 2015, the shareholders of the Company approved the distribution of RON 6,436,573 as dividends.

The financial statements were approved by the Board of Directors and authorized to be issued on May 16, 2017, by:



Stefanut Petru,
CEO



Alexandrescu Florin,
CFO

Notes attached are an integral part of these financial statements.

TTS (Transport Trade Services) S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in "RON", unless otherwise specified)

1. GENERAL INFORMATION

T.T.S. (Transport Trade Services) S.A. (hereinafter referred to as 'the Company'), is a company incorporated in Romania, in 1997 having its registered office at no 34, Vaselor Street, Bucharest. The core business of the Company is represented by activities related to transports. T.T.S (Transport Trade Services) S.A. operates as sender of goods in domestic and international transport, on interior river ways, offering integrated/modular transport services.

2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU

Initial application of new amendments to the existing standards and interpretation effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),**
- **Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),**
- **Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),**
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),**
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),**
- **Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),**
- **Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),**
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),**
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).**

TTS (Transport Trade Services) S.A.
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The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements.

Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018).
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at April 6, 2016 (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods

TTS (Transport Trade Services) S.A.
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beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities, whose principles have not been adopted by the EU remains unregulated.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU.

Basis of preparation

The financial statements have been prepared at historic cost, except for certain financial instruments that are stated at restated value or fair value as described in the accounting policies. The historic cost is generally based on the fair value of the provision supplied in exchange of the assets.

The financial statements have been prepared on a going concern basis, according to the historic cost convention adjusted for the effects of hyperinflation by December 31, 2003 for the share capital and reserves. The financial statements are prepared on the basis of the statutory accounting records in accordance with the Romanian accounting principles, adjusted for compliance with IFRS as adopted by EU.

The main accounting policies are presented below.

Revenues recognition

Income is measured at the fair value of the amounts received or to be received. Revenues is reduced by estimated customers returns, commercial rebates and other similar allowances.

Sale of goods

Revenue from sales of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are met:

- The entity has transferred to the buyer all the significant risks and rewards of ownership over the goods;
- The entity does not hold any managerial involvement associated to ownership or effective control over the goods sold;
- The amount of revenue can be measured in a reliable manner;
- It is probably that the economic benefits will flow directed to the Entity, and
- The costs incurred or to be incurred in respect to the transaction can be measured in a reliable manner.

Specifically, the revenue from sales of goods is recognized when the goods are delivered and the ownership right is transferred.

TTS (Transport Trade Services) S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(all amounts are expressed in "RON", unless otherwise specified)

The revenue from a provide services contract is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- The installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- The servicing fees included in the price of the products sold are recognized by reference to the proportion of the cost of providing the servicing for the product sold; and
- The revenue from time and material contracts is recognized at the contractual rates as labour hours and direct expenses are incurred.

Interest income

The interest income is recorded on a time basis, by reference to the principal due and the applicable effective interest rate, which is the exact rate of discount of the future cash inflows estimated throughout the lifetime of the financial asset, up to the net book value of the respective asset.

TTS (Transport Trade Services) S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in "RON", unless otherwise specified)

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Leases

Leases are classified as financial leases when the terms of the lease substantially transfer all the risks and benefits pertaining to ownership to the lessee. All the other leases are classified as operational leases.

The assets held under financial lease are recognized initially as assets of the Entity at the fair value as of the inception phase of the lease, or, if lower, at the current value of the minimum lease payments. The corresponding lease liability to the lessor is included in the balance sheet as financial lease liability.

Lease payments are split between financial costs and the deduction of the lease obligation, so that to obtain a constant interest rate pertaining to the remaining balance of the liability. The financing costs are recorded directly in the income statement.

The operational lease payments are recognized as expense on a straight line basis. The potential operational leases are recognized as expense as they occur.

FX transactions

The Company operates in Romania and its functional currency is RON.

Transactions in foreign currencies are translated to the respective currency of entity at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Costs related to long term borrowings

The costs related to the long term loans directly attributable to the acquisition, construction or production of assets, which are assets that necessarily take a substantial period of time in order to be used or for sale are added to the cost of those assets, until such time as the respective assets are ready to be used for their purpose or for sale. The income from the temporary investment of specific borrowings until such time as the borrowings are expensed on assets is deducted from the costs pertaining to the long term borrowings eligible for capitalization.

All the other borrowing costs are recognized in the income statement in the period in which they are incurred.

Contribution for employees

The company in the normal course of business, makes payments to the Romanian State for social security, unemployment benefit fund and health care fund according to the levels established under the law and in effect during the year, calculated on the gross salaries on behalf of its employees. The value of these contributions is recorded in the income statement as the related salary expenses.

The Company pays its employees retirement benefits, as defined in the collective employment contract.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The income tax expense represents the sum of the current tax and deferred tax.

Current tax

The tax currently payable is based on the taxable profit of the year. Taxable profit differs from the 'profit before tax' as reported in the consolidated statement of profit and loss, as it excludes the elements of income and expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding taxation bases used in the calculation of the taxable profit. The deferred tax liabilities are generally recognized for all the temporary taxation differences, to the extent where it is probable that taxable profit should exist on which those temporary differences can be used. Such assets and liabilities are not recognized if the temporary difference comes from goodwill or from the initial recognition (other than from a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit, nor the accounting profit.

Deferred tax liabilities are recognized for the temporary taxable differences associated with the investments in subsidiaries and associates and the interests in joint ventures. The deferred tax asset from the temporary deductible differences associated with such investments and interests is recognized only to the extent where it is likely to exist sufficient taxable income on which the benefits pertaining to the temporary differences can be used and it is estimated that they will be reversed in the near future.

The book value of the deferred tax assets is revised as at each balance sheet date and is reduced to the extent where it is no longer likely that taxable income should exist to allow the full or partial recovery of the asset.

Deferred tax assets and liabilities are measured at the taxation rate estimated to be applied in the period when the liability is settled or the asset is realized, based on the taxation rates (and tax laws) in effect or substantially in effect by the balance sheet date. The measurement of the assets and liabilities by the deferred tax reflects the fiscal consequences of the way in which the Company estimates, as at the reporting date, that it will recover or settle the book value of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a an applicable right to offset them in a similar way to the current assets and liabilities which are offset with the current tax and when they regard the income taxes levied by the same tax authority and the Company intends to offset its deferred tax assets with its deferred tax liabilities on a net basis.

Current tax and deferred tax

Current and deferred tax are recognized in profit and loss, except when they relate to items that are recognized in other comprehensive income, or directly in equity in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

The income tax for the period ending December 31, 2016 was 16% (December 31, 2015: 16%).

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Land and buildings held to be used in the production or supply of goods or services or for administrative purposes are recorded in the balance sheet at their historic values adjusted by the effect of the hyperinflation by December 31, 2003, in accordance with IAS 29 *Financial reporting in hyperinflationary economies reduced by the subsequently cumulated depreciation and other impairments*.

The incomes or loss resulted from the sale or decommissioning of an asset is determined as a difference between the income made from the sale of the assets and their net book value. The incomes or losses are recognized in the Income statement.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease previously recognized in the profit and loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

The depreciation of the buildings is recorded in the statement of comprehensive income

Properties in the course of construction for production, rental, and administrative purposes or for purposes not yet determined are recorded at historic cost. The depreciation of these assets, on the same basis as other tangible assets, commences when the assets are ready to be used.

Depreciation of these assets is recorded such as to diminish cost, other than cost of land and properties under construction, throughout their estimated lifetime, on a straight line basis.

The estimated useful service lives, residual values and the depreciation method are revised at each year end, resulting in changes to the future accounting estimates.

The assets held under financial leases are depreciated throughout the useful service life, similarly with the assets held with full title.

The Company has applied one of the exemptions included in IFRS 1 which relieves first time adopters from the requirements to recreate cost information for the property, plant and equipment – *"IFRS1 - D8 allows event - driven fair value to be taken as the deemed cost as the date of that measurement"* In more detail the point refers allows a first time adopter to use and event driven fair value as deemed cost at the measurement date, for measurements events that occurred after the date of transition to IFRS and to specify accounting in such circumstances.

The measurement date was after the date of transition to IFRs, respective December 31, 2012, when a fair value exercise was considered for all fixed assets which has became the deemed cost.

The loss or earning from the sale or decommissioning of a tangible asset are calculated as difference between the income from sales and the net book value of the asset and are recognized in the income statement.

Buildings and special constructions	8 - 60 years
Technical installations and equipment	3 - 30 years
Vehicles	4 - 6 years

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets purchased separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated depreciation amortization and accumulated impairment losses. Amortization is calculated on a straight line basis throughout the useful life. The estimated useful life and the amortization method are revised at the end of each reporting period, effecting changes in the future accounting estimates.

The following useful lives are used in the calculation of amortization:

Licenses	1 - 5 years
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Impairment of tangible and intangible assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment losses. If any such indication exists, the recoverable amount of the asset is estimated to determine the size of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of an individual asset of the cash generating unit into which the asset belongs. Where there can be identified a consistent allocation basis, the Group's assets are also allocated to individual cash generating units or to the smallest group of cash generating units for which a consistent allocation basis can be identified.

Intangible assets with an indefinite useful life and the intangible assets that are not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the fair value less the costs of sale and the value-in-use. In assessing the value-in-use, the estimated future cash flows are discounted at the current value using a discount rate before taxes, which reflects the current market estimates of the time-value of money and the risks specific to the asset, for which the future cash flows have not been adjusted.

If the recoverable value of an asset is estimated as being lower than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable value. An impairment loss is immediately recognized in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss is subsequently reversed, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable value, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the respective asset (cash generating unit) in the prior years. A reversal of the impairment loss is immediately recognized in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including a part corresponding to the fixed and variable expenses are allocated to the inventories held through the method that is most adequate to the respective class of inventories, respective weighted average basis for fuel and FIFO for the other classes of inventories. Net realizable value represents the sale price estimated for inventories less all the costs estimated for completion and the costs pertaining to the sale.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and when a reliable estimate can be made of the respective obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the estimated cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the director's best estimate required to settle Company's obligation.

Financial assets and liabilities

Company's financial assets include investments, cash and cash equivalents, trade receivables. Financial liabilities include financial lease obligations, interest bearing bank borrowings and other liabilities. For each element, the accounting policies regarding the recognition and measurement are disclosed in this note. Management considers that the estimated fair values of these instruments approximate their book values.

Borrowings are initially recognized at fair value, less the costs incurred with the respective operation. Subsequently, these are recorded at amortized costs. Any difference between the addition value and the repayment value is recognized in the profit and loss account during the term of the borrowing, using the effective interest rate.

The classification of the investments depends on the nature and purpose of the same and is determined as at the date of the initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss account are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that one or several events occurred after the initial recognition have had an impact on the future cash flow pertaining to the investment.

Certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they are assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the past experience of the Group in respect of the collection of payments, an increase of the payments delayed beyond the credit term, as well as visible changes in the national and local economic conditions that are correlated with the payment incidents regarding the receivables.

The carrying amount of the financial asset is reduced by the impairment loss, directly for all the financial assets, except for the trade receivables, a case where the carrying amount is reduced by using a provision account. If a receivable is considered not recoverable, it is written off and deducted from the provision. Subsequent recoveries of the amounts previously written off are credited to the provision account. The changes in the carrying amount of the provision account are recognized in the profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Derecognition of the assets and liabilities

The Company derecognizes the financial assets only when the contractual rights on the cash flows expire, or transfer the financial asset and, substantially, all the risks and rewards pertaining to the asset to another entity.

The Company derecognizes the financial liabilities if and only if all its obligations have been paid, cancelled or have expired.

Use of estimates

The preparation of the financial statements requires making estimates and assumptions by the management, which affect the reported amounts of the contingent assets and liabilities as at the balance sheet date, as well as the reported amounts of the income and expenses during the reporting period. Actual results may differ from those estimates. The estimates and assumptions on which the financial statements are based are revised on an ongoing basis. The reviews of the accounting estimates are recognized in the period when the estimate is revised, if such review affects only the respective period, or in the future periods, if the review affects both the current and the future periods.

Comparatives

Certain amounts in the statement of the financial position, statement of the comprehensive result, cash flow statement and statement of changes in shareholders' equity for the prior year have been reclassified to be put in line with the current year presentation.

4. INCOME

An analysis of the Company's income for the financial year is given below:

	Year end December 31, 2016 <u>RON</u>	Year end December 31, 2015 <u>RON</u>
Income from sales of goods	1,011,445	7,551,768
Income from services provided	270,240,991	309,672,618
Income from other activities	4,545,258	5,185,900
Total	<u>275,797,694</u>	<u>322,410,286</u>

The income from services provided is represented mainly by fluvial transportation services provided to several third party customers on the Danube river together with CNFR Navrom Galati and NFR Drobeta but also handling operations and cargo storage. This is the core business of the Company and represents around 98% from the total income for the years ended. As at December 31, 2016 and December 31, 2015, the segment information was not presented since the rest of the business generating revenues for the Company is not significant for the financial statements.

	Year end December 31, 2016 <u>RON</u>	Year end December 31, 2015 <u>RON</u>
Sales to the domestic market (Romania)	142,935,161	126,553,891
Sales to foreign markets	132,862,533	195,856,396
Total	<u>275,797,694</u>	<u>322,410,286</u>

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5. OTHER EXPENSES

	Year end December 31, 2016	Year end December 31, 2015
Electricity expenses	448,501	314,446
Repairs	1,011,402	1,539,054
Rent expenses	1,989,890	303,039
Insurance expenses	681,739	618,838
Commissions expenses	688,653	521,154
Advertising and protocol expenses	953,761	950,749
Travel expenses	87,497	218,471
Telecommunication expenses	217,864	215,084
Tax expenses	629,888	384,438
Other administrative expenses	316,142	1,034,529
Total	7,025,337	6,099,802

6. SUBCONTRACTORS EXPENSES

Subcontractors expenses include expenses with third parties used to render the transportation services.

7. OTHER EARNINGS AND LOSSES

	Year end December 31, 2016 <i>RON</i>	Year end December 31, 2015 <i>RON</i>
Income from financial investments	6,643,933	-
Expenses from financial investments transferred	(5,406,915)	-
Income from financial assets	1,436,625	146,446
Other financial income	1,327,768	532,317
Other financial expenses	-	-
Income / (Expense) from financial investments	4,001,411	678,763
Other income	367,313	963,876
Revenue / (Expense) net from sales of fixed assets	144,658	(1,230,718)
Net income/ (Expenses) from FX differences	298,038	1,177,011
Net income / (Expense) from adjustments for current assets	(3,791,050)	(8,574,903)
Revenue / (Expense) net from adjustments of investment values	(129,000)	301,159
Charging doubtful receivables against income	(45,954)	(861,307)
Revenue / (Expense) net from provisions	(233,499)	-
Total	611,917	(7,546,119)

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8. FINANCE INCOME

An analysis of the Company's income for the financial year is presented below:

	Year end December 31, 2016 <u>RON</u>	Year end December 31, 2015 <u>RON</u>
Interest income	131,479	105,920
Total	<u>131,479</u>	<u>105,920</u>

9. FINANCE COSTS

	Year end December 31, 2016 <u>RON</u>	Year end December 31, 2015 <u>RON</u>
Bank fees and commissions	141,241	97,479
Interests on borrowings	381,910	496,560
Total	<u>523,151</u>	<u>594,039</u>

10. INCOME TAX

	Year end December 31, 2016 <u>RON</u>	Year end December 31, 2015 <u>RON</u>
Current tax		
Current tax expense	2,326,488	4,417,718
Deferred tax		
Expenses / (Income) with deferred tax recognized in the current year	(169,990)	(97,649)
Total	<u>2,156,498</u>	<u>4,320,069</u>

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10. INCOME TAX (continued)

The taxation rate applied for the reconciliation above for the years 2016 and 2015 is 16%.

	Year end December 31, 2016 <i>RON</i>	Year end December 31, 2015 <i>RON</i>
Profit before tax	13,231,825	18,515,665
Income tax calculated at 16%	2,117,092	2,962,506
Non-taxable expenses	2,431,065	2,253,196
Income elements that are exempt from taxation	(2,380,521)	(994,161)
Other elements of income that are exempt from taxation	158,852	196,176
Fiscal credit	-	-
Current tax in respect with the current year before fiscal losses	2,326,488	4,417,717
Fiscal losses carried forward	-	-
Current tax in respect with the current year	2,326,488	4,417,717
Reevaluation reserve impact	(158,852)	(196,176)
Present value of the loan received from IFC and concession granted;	(11,138)	98,527
Income tax expenses recognised in the profit and loss accounts and the other comprehensive income	2,156,498	4,320,069

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11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Fixtures and furniture	Tangible assets in progress	Total
	RON	RON	RON	RON	RON	RON
COST						
Balance as at January 1, 2016	10,087,484	41,470,813	23,635,037	2,612,717	10,478,999	88,285,050
Increases	33,594	1,619,354	1,051,660	327,593	2,058,354	5,090,556
Transfers	29,494	253,007	648,432	233,074	-	1,164,007
Disposals	(2,332,844)	-	(120,169)	(107,721)	(2,548,657)	(5,109,391)
Transfers	-	-	-	-	(1,164,007)	(1,164,007)
Fair value – adjustments	-	-	-	-	-	-
Balance as at December 31, 2016	7,788,234	43,090,167	24,566,527	2,832,590	9,988,696	88,266,214
ACUMULATED DEPRECIATIONS						
Balance as at January 1, 2016	-	1,536,357	9,603,042	439,882	-	11,579,281
Depreciation expense	-	1,274,106	2,751,125	382,272	-	4,407,503
Disposals	-	-	(72,887)	(101,593)	-	(174,480)
Balance as at December 31, 2016	-	2,810,463	12,281,279	720,561	-	15,812,304
NET BOOK VALUE						
As at December 31, 2015	10,087,484	39,934,456	14,031,994	2,172,835	10,479,000	76,705,769
As at December 31, 2016	7,788,234	40,279,704	12,285,248	2,112,029	9,988,696	72,453,911

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11. **PROPERTY, PLANT AND EQUIPMENT (continued)**

COST	Land	Buildings	Plant and equipment	Fixtures and furniture	Tangible assets	Total
	RON	RON	RON	RON	in progress RON	RON
Balance as at January 1, 2015	10,087,484	10,789,622	34,726,149	771,243	26,067,782	82,442,279
Increases	-	30,681,191	2,797,109	1,841,475	13,194,494	48,514,269
Transfers	-	24,519,211	1,524,199	1,791,170	309,119	28,143,698
Disposals	-	-	(13,888,222)	-	(28,783,276)	(42,671,498)
Transfers	-	-	-	-	(28,143,698)	(28,143,698)
Fair value – adjustments	-	-	-	-	-	-
Balance as at December 31, 2015	10,087,484	41,470,813	23,635,037	2,612,717	10,478,999	88,285,050
ACUMULATED DEPRECIATION						
Balance as at January 1, 2015	-	753,608	11,388,138	276,809	-	12,418,554
Depreciation expense	-	782,749	3,786,884	163,073	-	4,732,706
Disposals	-	-	(5,571,980)	-	-	(5,571,980)
Balance as at December 31, 2015	-	1,536,357	9,603,042	439,882	-	11,579,281
NET BOOK VALUE						
As at December 31, 2014	10,087,484	10,036,014	23,338,011	494,434	26,067,782	70,023,724
As at December 31, 2015	10,087,484	39,934,456	14,031,994	2,172,835	10,479,000	76,705,769

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

a) Tangible assets pledged

As at December 31, 2016, the net book value of the tangible assets pledged in favor of banks in respect of the bank borrowings contracted by the Company amounts to RON 13,575,624.

b) Tangible assets purchased under financial leases

As at December 31, 2016, the Company did not have any financial leases.

12. INTANGIBLE ASSETS

	<u>Concessions and patents</u>	<u>Other intangible assets</u>	<u>Intangible assets in progress</u>	<u>Total</u>
COST				
As at December 31, 2014	1,566,116	998,970	-	2,565,086
Additions	-	-	-	-
Disposals	1,496	492,777	-	494,273
As at December 31, 2015	1,567,612	1,491,747	-	3,059,359
Additions	-	45,270	-	45,270
Disposals	-	-	-	-
As at December 31, 2016	1,567,612	1,537,018	-	3,104,630
ACUMULATED AMORTIZATION				
As at December 31, 2014	119,458	278,227	-	397,685
Amortization for the year	32,310	209,382	-	241,692
Amortization pertaining to disposals	-	-	-	-
As at December 31, 2015	151,768	487,608	-	639,377
Amortization for the year	32,394	220,578	-	252,972
Amortization pertaining to disposals	-	-	-	-
As at December 31, 2016	184,162	708,186	-	892,348
NET BOOK VALUE				
December 31, 2015	1,415,844	1,004,139	-	2,419,983
December 31, 2016	1,383,450	828,831	-	2,212,282

Management has analyzed the impairment of the net book value of the tangible and intangible assets and decided that it is not necessary to calculate and record supplementary adjustments for their impairment, as the net value at which they are reflected in the financial position as at December 31, 2016 and December 31, 2015 is their fair value.

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13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

For individual financial statements the Company considers that the cost method would be relevant for the user of its separate financial statements, as presented in the table below:

Name of investment	Set-up year	Core Business	Place of operations	Holding	Holding	Carrying amount of the investment 12/31/2016	Carrying amount of the investment 12/31/2015
				Percentage 12/31/2016	Percentage 12/31/2015		
				%	%	Lei	Lei
Navrom S.A.	1991	Freight transport by inland waterways	Galati, Romania	91.79%	91.790%	39,221,244	39,221,244
Canopus Star S.R.L.	2001	Handling related to freight transport by inland waterways	Constanta, Romania	51.00%	51.000%	45,079,480	45,079,480
Trans Europa Port S.A.	1996	Handling related to freight transport by inland waterways	Galati, Romania	100.00%	0.91257%	17,353,157	13,553,417
TTS Operator S.R.L.	1994	Handling related to freight transport by inland waterways	Constanta, Romania	90.00%	90.000%	1,763,811	1,763,811
Cargorom Trans BVBA	1997	Other transportation support activities	Antwerpen, Belgium	51.00%	51.000%	291,331	291,331
Sim Tur S.R.L.	2006	Hotels and other accommodation facilities similar	Buzau, Romania	91.79%	91.79%	2,565,286	2,565,286
Cernavoda Shipyard Agrimol	2013	Repair and maintenance of ships and boats	Cernavoda, Romania	0.00%	100.000%	-	4,455,000
Bunker Trading	2013	Trading various products	Bucuresti, Romania	99.9%	100.000%	3,552,500	706,000
		Complementary transportation products	Constanta, Romania	0.00%	51.000%	-	50,666
Cargo Trans Vagon S.A.	2004	Freight transport by railway	Bucuresti, Romania	40.74%	25.810%	17,891,218	6,030,752
Pilmsoll KFT	2016	Freight transport by inland waterways	Budapest, Hungary	51.00%	0.00%	9,066,000	-
Transterminal-S S.R.L.	2006	Freight transport by railway	Chisinau, Rep.Moldova	25.50%	25.500%	147,339	147,339
Management NFR S.A.	2003	Consulting for business	Bucuresti, Romania	20.00%	20.000%	18,000	18,000
Danu Transport GMBH	2006	Freight transport by inland waterways	Viena, Austria	0%	15.000%	-	843,720
GIF Leasing IFN	2004	Financial leases	Bucuresti, Romania	7.701%	7.701%	-	129,000
TTS (Transport Trade Services) Gmbh	2014	Complementary activities related to transport	Viena, Austria	75.00%	75.000%	116,477	116,477
Total						137,065,843	114,971,523

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14. OTHER LONG TERM ASSETS

	Year end December 31, 2016	Year end December 31, 2015
	<i>RON</i>	<i>RON</i>
Long term securities	183,930	60,125
Loans to related parties	-	-
Commercial guarantees	58,593	-
Total	242,523	60,125

15. INVENTORIES

	Year end December 31, 2016	Year end December 31, 2015
	<i>RON</i>	<i>RON</i>
Consumables	752,079	749,323
Small tools	104,715	115,443
Goods	97,636	102,532
Total	954,430	967,298

16. TRADE AND OTHER RECEIVABLES

	Year end December 31, 2016	Year end December 31, 2015
	<i>RON</i>	<i>RON</i>
Trade receivables	25,793,504	40,474,321
Value adjustments for doubtful receivables	(10,043,568)	(6,252,519)
Advances paid to suppliers of services	-	25,229
Other receivables	379,449	379,449
Total	16,129,385	34,626,480

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16. TRADE AND OTHER RECEIVABLES (continued)

	Year end December 31, 2016 <i>RON</i>	Year end December 31, 2015 <i>RON</i>
Changes to the provision for doubtful receivables	<u> </u>	<u> </u>
Balance at the beginning of the year	<u>6,252,519</u>	<u>1,579,605</u>
(Decrease) / Increase in provision recognized in the income statement	<u>3,791,049</u>	<u>4,842,798</u>
Balance at the end of the year	<u>10,043,568</u>	<u>6,252,519</u>

During 2016, the main provisions were recorded for Comcereal (2,449,223 RON), Transauto (2,659,946 RON) and Perfect Tour (16,157 RON). The following reversals of provisions for River Trans (332,397 RON) and Cargo Trans Vagon (1,008,207 RON).

17. OTHER CURRENT ASSETS

	Year end December 31, 2016 <i>RON</i>	Year end December 31, 2015 <i>RON</i>
Amounts paid in advance	1,249,760	504,857
Sundry debtors	8,669,542	9,212,443
Taxes to recover	<u>3,093,126</u>	<u>3,222,012</u>
Total	<u>13,012,428</u>	<u>12,939,312</u>

18. ISSUED CAPITAL

Issued capital comprises:

	No. of shares	Share capital	Share premium
Balance at December 31, 2014	<u>666,657</u>	<u>35,072,442</u>	<u>46,417,946</u>
Issue of shares	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2015	<u>666,657</u>	<u>35,072,442</u>	<u>46,417,946</u>
Issue of shares	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2016	<u>666,657</u>	<u>35,072,442</u>	<u>46,417,946</u>

No movements in share capital during 2016 and 2015.

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18 ISSUED CAPITAL (continuare)

As at 31 December 2016 and 31 December 2015, the Company's shareholding structure is as follows:

Shareholding structure	No. of shares	Ratio
Mihailescu Mircea	296.940	45%
Stefanut Petru	84.848	13%
Peter Hungerbuhler	60.606	9%
Stefan Viorel	60.606	9%
Hartan Constantin	30.303	5%
Alexandrescu Florin	18.182	3%
Moldoveanu Aurel	6.061	1%
Petrea Catalin	9.061	1%
Stefan Daniel	9.061	1%
Stoean Antonio	9.061	1%
Simion Camelia	6.061	1%
Alexandrescu Florin	3.070	0%
Cismec Mihaela	3.070	0%
Mihalcea Mihaela	3.070	0%
International Finance Corporation	66.657	10%
Total	666,657	100%

19. RESERVES

	Year end December 31, 2016 RON	Year end December 31, 2015 RON
Legal reserves	6,890,760	6,890,760
Reevaluation reserve	-	-
Other reserves	2,783,061	2,757,670
Total	9,673,820	9,648,430

20. BORROWINGS

	Year end December 31, 2016 RON	Year end December 31, 2015 RON
Secured borrowings		
Short term borrowings	-	-
Current part of long term borrowings	7,419,491	5,655,625
Long term borrowings		
Long term borrowings	7,265,760	5,383,409
Total short and long term borrowings	14,685,251	11,039,034

Amounts due to credit institutions

In 2008 and 2009, the Company obtained a credit facility in amount of EUR 10,000,000 from International Finance Corporation to finance the current activity (contract 26203/2008). The loan has to be repaid in 16 consecutive equal, semi-annual installments (15-Jan-2010 till 15-Jul-2017). The balance of the liability as at 31.12.2016 is of EUR 1,250,000.

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20. BORROWINGS (continued)

Amounts due to credit institutions (continued)

The credit facility comprises the following sublimits of credit

	Amount Initially borrowed
	<i>EUR</i>
Installment 1 (received in 2008)	6,500,000
Installment 2 (received in 2008)	3,000,000
Installment 3 (received in 2009)	500,000
TOTAL	10,000,000

The following covenants were mentioned in the contract:

1. On a consolidated basis
 - a. Current ratio over 1.1
 - b. Financial Debt to Tangible Net Worth Ratio below 1.0
 - c. Peak Debt Service Coverage Ratio over 1.3

The Company may not enter into any agreement or arrangement to lease any property or equipment (except Financial Leases) with lease payments over 500,000 USD in any financial year.

The Company may not share profits, enter into any management contract whereby its business should be managed by another person.

The Company may not make loans / advances to / deposits exceeding 2 million EUR.

The Company may not use the proceeds of any Disbursement in a country that is not a member of the World Bank.

The contract mentioned above was secured with 51% of the shares held by the Company in C.N.F.R. Navrom S.A. The last installment of the borrowing will be paid on July 15, 2017.

As at December 31, 2016 the Company was in compliance with these covenants.

Also, the Company has the following loans contracted from Unicredit Tiriac Bank:

- Credit line for general needs with a total value of 2,000,000 EUR used entirely as at 31.12.2016. The maturity date is on 30.12.2020. The loan is guaranteed with immovable property located in Bucharest, Vaselor Street, no 34 and also with a movable pledge against receivables and current accounts.
- Overdraft and letter of guarantless with a total value of 3,000,000 EUR with a maturity date on 30.12.2020. This loan is not used as at 31.12.2016
- Treasury line with a total value of 1,000,000 EUR, with a maturity date on 30.12.2020.

21. PROVISIONS

The Company recorded a provision for risks and litigation in amount of 233,499 RON for untaken holidays.

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22. TRADE PAYABLES AND OTHER PAYABLES

	Year end December 31, 2016 RON	Year end December 31, 2015 RON
Trade payables	42,203,265	28,408,050
Payables regarding invoices to receive	1,997,906	596,928
Sundry creditors	3,689,812	5,390,032
Total	47,890,983	34,395,010

23. OTHER CURRENT PAYABLES

	Year end December 31, 2016 RON	Year end December 31, 2015 RON
Employees related payables	302,403	319,826
Social security	715,064	690,436
Income tax	-	1,390,056
Tax on salaries payable	183,706	246,388
Interest payable	33,448	55,702
Other liabilities	526,706	5,141,150
Total	1,761,327	7,843,558

24. FINANCIAL INSTRUMENTS

a) Capital risk management

The Company manages its capital in order to make sure that it can continue as a going concern also ensuring a maximization of the shareholders' wealth by optimizing the balance of liabilities and equity.

The Company has liabilities, which include the borrowings presented in note 20.

Equity includes share capital, reserves and retained earnings, as disclosed in Notes 18 and 19.

The Company monitors the equity based on gearing. Gearing is calculated as long term borrowings divided to net worth. Net worth is calculated as "Equity and reserves" as reported in the statement of financial position.

Gearing as at December 31, 2016 and December 31, 2015 was the following:

	Year end December 31, 2016 RON	Year end December 31, 2015 RON
Total borrowings	14,685,251	11,039,034
Total equity and reserves	236,138,132	229,528,347
Gearing	6%	5%

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24. FINANCIAL INSTRUMENTS (continued)

b) Foreign currency risk

The Company is exposed to fluctuations in the FX rates in the commercial and financing transactions. Foreign currency risk results from the recognized assets and liabilities, including borrowings, expressed in foreign currencies. Due to the high costs associated, the Company's policy is not to use derivatives to hedge this risk.

c) Interest rate risk management

The interest rate risk at fair value is the risk that the value of a financial instrument should fluctuate due to the variations in the market interest rates. Financial instruments are interest bearing at market rates and, as a result, it is considered that their fair values do not differ significantly from their book values.

d) Credit risk management

The Company is exposed to a credit risk due to its trade receivables and other receivables. The Company has policies in place meant to ensure that the sales are made to the clients with proper payment history. The due date of the liabilities is carefully monitored and the amounts outstanding after the expiration of the due date are promptly pursued. Trade receivables (clients) are presented net of the adjustments for the impairment of doubtful receivables. The Company develops policies that limit the value of the credit exposure to any financial institution.

e) Liquidity risk management

A prudent liquidity risk management involves maintaining sufficient cash and credit lines available, a continuous monitoring of the estimated and actual cash flow and correlation of the due dates of the financial assets and liabilities. Due to the nature of its business, the Company intends to be flexible in respect of the financing options with the support of the majority shareholder.

f) Fair value of the financial instruments

The fair values of the financial assets and liabilities are determined as follows:

- the fair value of the financial assets and liabilities under standard terms and conditions and traded active and liquid and active market is determined by reference to the listed market rates;
- the fair value of other financial assets and liabilities (excluding derivatives) is determined in accordance with the generally accepted price models, based on the analysis of the discounted cash flows, using prices from observable current market transactions; and
- the fair value of the derivatives is calculated using the listed prices. Where such prices are not available, the analysis of the discounted cash flows is applied using the yield curve applicable to derivatives that do not include options and option evaluation models for the derivatives based on options.

The financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short and long term borrowings and other liabilities. The estimated fair values of these instruments approximate their book values. The book values represent the maximum exposure of the Company to the credit risk related to the existent receivables.

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24. FINANCIAL INSTRUMENTS (continued)

The book values of the Company's currencies expressed in monetary assets and liabilities as at the reporting date are the following:

2015	EUR =	USD =	CHF =	GBP =	RON	31-Dec-15 Total RON
	1 EUR = RON 4.5245	1 USD = RON 4.1477	1 CHF = RON 4.1797	1 GBP = RON 6.1466	RON	
ASSETS						
Cash and cash equivalents	4,675,555	2,966,590	998	133	6,085,802	13,729,080
Receivables and other current assets	15,416,277	1,894,673			30,254,841	47,565,791
Loans to associates	6,615,755	1,451,695			19,862,256	27,929,707
Other long term receivables	-	-	-	-	60,125	60,125
LIABILITIES						
Trade payables and other payables	14,996,256	2,018,829			25,223,481	42,238,568
Short and long term borrowings	11,996,365					11,996,365
Net balance sheet exposure	(285,034)	4,294,130	998	133	40,797,984	44,808,211
2016	EUR =	USD =	CHF =	GBP =	RON	31-Dec-16 Total RON
1 EUR = RON 4.5411	1 USD = RON 4.3033	1 CHF = RON 4.2245	1 GBP = RON 5.2961	RON	RON	
ASSETS						
Cash and cash equivalents	2,688,306	131,801	1,009	114	34,070,613	36,891,843
Receivables and other current assets	11,264,323	1,248,319			16,629,171	29,141,813
Loans to associates	-	-	-	-	23,076,528	23,076,528
Other long term receivables	-	-	-	-	242,523	242,523
LIABILITIES						
Trade payables and other payables	15,351,325	2,018,829			30,057,738	47,427,893
Short and long term borrowings	14,758,575					14,758,575
Net balance sheet exposure	(16,157,271)	638,709	1,009	114	43,961,097	27,166,240

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24. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

The Company is mainly exposed to the variations in the FX rates of EUR and USD against RON. The table below details the Company's sensitivity to a 10% increase or decrease of EUR / USD against RON. 10% is the sensitivity rate used when the internal reporting of the FX risk is made to the top management and represents the management's estimate regarding the reasonably possible changes in the FX rates. Sensitivity analysis includes only the remaining currency expressed in the monetary elements and adjust the translation at the end of the period for a 10% change in the FX rates. In the following table, a negative value indicates a decrease in profit when RON is impaired by 10% as against EUR / USD. A 10% increase of RON against EUR / USD would have an equal and contrary impact on profit and other equity and the balances below would be positive. The changes will be attributable to the exposures pertaining to the borrowings in EUR and USD at year end.

The exchange rates as at December 31, 2016 and as at December 31, 2015 are:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
EUR	4.5411	4.5245
USD	4.3033	4.1477

	<u>Year end December 31, 2016</u>	<u>Year end December 31, 2015</u>
	<i>RON</i>	<i>RON</i>
Profit or loss	(1,679,497)	401,010

The impact on the result according to each currency is the following:

Currency	<u>Year end December 31, 2016</u>	<u>Year end December 31, 2015</u>
	<i>RON</i>	<i>RON</i>
EUR	(1,615,727)	(28,503)
USD	(63,871)	429,413
CHF	101	100
RON	-	-
Total	<u>(1,679,497)</u>	<u>401,010</u>

Tables regarding the liquidity risk and interest rate risk

The following tables detail the periods to the due dates of the financial liabilities of the Company.

The tables have been prepared based on the cash flows not updated of the financial liabilities as at the nearest date when the Company can be required to pay. The table includes both the interest and the cash flows pertaining to equity.

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24. FINANCIAL INSTRUMENTS (continued)

2015	Less than 1 month	> 1 month – 1 year	1–2 year(s)	2–5 years	Total
Not bearing interest					
Trade payables and other current payables	42,238,568				42,238,568
Interest bearing instruments					
Long and short term borrowings	-	5,655,625	6,340,740	-	11,996,365
Long and short term leases	-	-	-	-	-
Cash and cash equivalents	13,729,080	-	-	-	13,729,080
Loans to associates	-	27,929,707	-	-	27,929,707
Receivables and other current assets	24,090,954	23,474,837	-	-	47,454,506
Other long term receivables	-	-	60,125	-	60,125
	-	-	-	-	60,125
2016	Less than 1 month	> 1 month – 1 year	1–2 year(s)	2–5 years	Total
Not bearing interest					
Trade payables and other current payables	49,652,310	-	-	-	49,652,310
Interest bearing instruments					
Long and short term borrowings	-	7,419,491	5,068,534	2,197,226	14,685,251
Long and short term leases	-	-	-	-	-
Cash and cash equivalents	36,891,843	-	-	-	36,891,843
Loans to associates	-	-	-	-	23,076,528
Receivables and other current assets	29,141,813	-	-	-	29,141,813
Other long term receivables	-	242,523	-	-	242,523

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25. RELATED PARTY TRANSACTIONS

Balances and transactions with the related parties are the following:

	<u>Amounts receivable from related parties</u>		<u>Amounts payable to related parties</u>	
	<u>31-Dec-16</u>	<u>31-Dec-15</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	<i>RON</i>	<i>RON</i>	<i>RON</i>	<i>RON</i>
Navrom S A	26,891	1,255,224	27,433,554	18,463,472
TTS Operator S.R.L.	-	461,180	5,381,611	3,871,909
Canopus Star S.R.L.	-	382	6,338,694	2,133,011
Trans Europa Port S.A.	6,000,000	988,650	137,527	205,821
Navrom Bac S.R.L.	-	-	-	-
Navrom - Centru de Afaceri S.R.L.	-	-	-	-
Navrom Shipyard S.R.L.	-	-	-	-
Sim Tur S.R.L.	151,012	151,012	-	-
Cargorom Trans BVBA	-	-	-	-
Agrimol Trade S.R.L.	12,565,549	14,811,701	-	-
Cernavoda Shipyard S.R.L.	9,649,201	7,952,004	63,490	4,476
TTS Vienna	2,178,496	1,725,421	112,787	18,098
Cargo Trans Vagon	-	11,937,351	-	-
Bunker Trade Logistic S.R.L.	3	13	-	-
Total	<u>30,571,152</u>	<u>39,282,938</u>	<u>39,467,663</u>	<u>24,696,787</u>

	<u>Vanzari de bunuri si servicii</u>		<u>Achizitiile de bunuri si servicii</u>	
	<u>31-Dec-16</u>	<u>31-Dec-2015</u>	<u>31-Dec-16</u>	<u>31-Dec-2015</u>
	<i>RON</i>	<i>RON</i>	<i>RON</i>	<i>RON</i>
Navrom S.A.	1,033,019	3,191,722	168,343,974	197,070,663
TTS Operator S.R.L.	4,392,000	4,392,000	21,204,167	18,700,813
Canopus Star S.R.L.	-	-	15,836,286	10,691,550
Trans Europa Port S.A.	522,797	115,466	1,116,096	1,198,570
Navrom Bac S.R.L.	-	-	-	-
Navrom - Centru de Afaceri S.R.L.	-	-	20,798	25,084
Navrom Shipyard S.R.L.	-	-	2,165	3,673
Sim Tur S.R.L.	-	-	-	-
Cargorom Trans BVBA	-	-	-	264,245
Agrimol Trade S.R.L.	12,986	16,539	-	-
Cargo Trans Vagon	-	8,859,435	-	-
Cernavoda Shipyard S.R.L.	2,358,897	7,952	30,822	135,570
Hotel Mercur	-	-	32,116	63,195
Fluvius KFT	441,128	-	250,527	-
Plimsoll KFT	23,941	-	1,029,196	-
TTS Vienna	6,110,091	4,752,805	273,647	1,114,975
Bunker Trade Logistic S.R.L.	14	0	-	-
Transterminal S	38,231	2,052	-	-
Management NFR S.A.	-	3,600	-	-
Total	<u>14,932,904</u>	<u>21,341,571</u>	<u>208,139,794</u>	<u>229,268,338</u>

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26. CASH AND BANK ACCOUNTS

For the purposes of the cash flow statement, cash and cash equivalents include petty cash and bank accounts. Cash and cash equivalents at the end of the financial year, as presented in the cash flow statement can be reconciled with balance sheet elements as follows:

	Year end December 31, 2016 RON	Year end December 31, 2015 RON
Cash in banks	32,050,384	10,223,145
Petty cash	49,111	41,355
Cash equivalents	4,792,348	3,464,580
Total	36,891,843	13,729,080

27. COMMITMENTS AND CONTINGENCIES

Contingent liabilities:

Taxation

Taxation system in Romania is still developing and is subject to various interpretations and constant changes, which may sometimes be retroactive. Although the tax actually due for a transaction can be low, penalties can be significant, as they can be calculated at the value of the transaction plus a ratio. In Romania, the statute of limitation for audits by the tax authorities is of 5 years. Management considers that the tax obligations included in these financial statements are adequate.

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the fiscal regime of the elements of equity that have not been subject to the calculation of the income tax at the date of being entered in the accounts, due to their nature, if the Company changes the destination of the revaluation reserves (to cover losses or to distribute to the shareholders), this will lead to supplementary income tax liabilities.

Environment

The regulations regarding the environment are still developing in Romania and the Company did not record any obligations as at December 31, 2016 or December 31, 2015 for any anticipated costs, including legal and consulting fees, surveys of the location, design and implementation of remedial plans regarding the environment.

28. SUBSEQUENT EVENTS

Through shareholders decision 1/23.03.2017, it was decided that the Company will acquire 39,994 shares from International Finance Corporation representing 6% of the share capital of TTS.

Also through Shareholders decision 2/23.03.2017, it was decided to contract a loan from Unicredit bank in amount of 7,000,000 EUR pledging some fixed assets of the Company.

The financial statements were approved by the Board of Directors and authorized to be issued on May 16, 2017, by:



Stefanut Petru,
CEO



Alexandrescu Florin,
CFO

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