SIF Banat-Crișana S.A.

Separate Financial Statements
as at 31 December 2016

prepared in accordance with the Norm no. 39/2015 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority, operating within the Financial Instruments and Investments Sector

Contents

Separate statement of profit or loss and other comprehensive income

for the financial year ended as at 31 December 2016

In RON	***Note***	**31-Dec-16**	**31-Dec-15** ***restated***
Income			
Dividend income	*7*	101,624,336	34,072,103
Interest income	*8*	5,314,722	6,461,141
Other operating revenue		225,646	227.233
Investment income			
Gains from investment property	*9*	177,703	10.515.917
(Loss)/Net gains from exchange differences		(110,431)	73,886
Net profit from the sale of assets	*10*	2,189,901	55,302,792
Net Profit/(Loss) from financial assets at fair value through profit or loss		(140)	(672,551)
Expenses			
(Expenses) for the impairment of available-for-sale financial assets	*11*	(5,489,150)	(2,320,687)
Other (expenses)/reversals from adjustments for the impairment of other assets and provisions	*12*	(458,984)	469,374
Fees expenses	*13*	(2,255,325)	(2,443,923)
Other operating expenses	*14*	(16,916,799)	(13,340,795)
Profit before tax		**84,301,479**	**88,344,490**
Income tax	*15*	(2,938,778)	(13,019,922)
Net profit of the financial year		**81,362,701**	**75,324,568**
Other comprehensive income			
Items that are or may be transferred to profit or loss			
Fair value reserve (available-for-sale financial assets):			
Amount transferred to profit or loss	*18*	3,861,082	(41,198,683)
Change in fair value	*18*	140,679,472	292,758,381
Tax effect on the above reserves	*18*	(7,321,445)	(36,191,166)
Fixed assets revaluation reserve		32,765	65,029
Other comprehensive income		**137,251,875**	**215,433,561**
Total comprehensive income for the period		**218,614,576**	**290,758,129**
Earnings per share			
Basic		0.151	0.137
Diluted		0.151	0.137

The separate financial statements were authorized for issue by the Board of Directors on 20 March 2017 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi	Octavian Avrămoiu	Ștefan Doba
Chairman, General Manager	Vice-chairman, Deputy General Manager	Finance Manager

Separate statement of financial position
as at 31 December 2016

In RON	***Note***	**31 December 2016**	**31 December 2015** ***restated***	**01 January 2015** ***restated***
Assets				
Cash and cash equivalents	*16*	16,372,090	1,478,015	37,065,143
Bank deposits	*17*	41,253,904	149,922,496	56,762,595
Financial assets at fair value through profit and loss – held for trading		309	449	132,318,525
Available-for-sale financial assets	*18*	2,007,925,978	1,728,617,277	1,354,602,562
Held-to-maturity investments	*19*	6,336,716	34,498,231	50,844,602
Investment Property	*20*	19,466,667	19,288,964	1,028,912
Property, Plant and Equipment	*21*	3,183,928	3,330,474	3,562,895
Other financial assets	*22*	15,434,596	4,195,075	2,160,113
Other assets		215,140	193,724	262,978
Total assets		**2,110,189,328**	**1,941,524,705**	**1,638,608,325**
Liabilities				
Dividends payable	*23*	20,204,246	20,850,807	13,126,579
Deferred tax liabilities	*24*	130,804,501	124,114,688	82,769,736
Other financial liabilities	*25*	4,465,122	7,749,815	2,668,668
Provisions for risks and expenses		469,374	-	-
Total liabilities		**155,943,243**	**152,715,310**	**98,564,983**
Equity				
Share capital	*26*	54,884,927	54,884,927	54,884,927
Effect of applying IAS 29 on the share capital	*26*	684,298,992	684,298,992	684,298,992
Treasury shares	*26*	(52,443,756)		
Losses from redemption of treasury shares		(734,130)		
Reserves established following the application of Law no. 133/1996	*26*	2,105,675,691	2,105,675,691	2,105,675,691
Effect of applying IAS 29 on the capital over the retained earnings	*26*	(2,644,488,595)	(2,644,488,595)	(2,644,488,595)
Retained earnings		204,087,976	122,725,274	181,573,572
Other reserves		608,927,140	608,927,140	516,746,351
Reserves from the reevaluation of Property, Plant and Equipment		97,794	65,029	
Legal reserves	*26*	10,976,985	10,976,985	10,976,985
Reserves from the reevaluation of available-for-sale financial assets		982,963,061	845,743,951	630,375,419
Total equity		**1,954,246,085**	**1,788,809,394**	**1,540,043,342**
Total liabilities and equity		**2,110,189,328**	**1,941,524,704**	**1,638,608,325**

The separate financial statements were approved by the Board of Directors on 20 March 2017 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi	Octavian Avrămoiu	Ștefan Doba
Chairman, General Manager	Vice-chairman, Deputy General Manager	Finance Manager

Separate statement of changes in equity *for the financial year ended as at 31 December 2016*

In RON	Inflated share capital	Treasury shares	Losses from redemption of shares	Legal reserve	Reserves established following Law no. 133/1996 inflated	Reserves from reevaluation of available-for-sale financial assets	Reserves from reevaluation of fixed means	Other reserves	Accumulated profit	Effect of applying IAS 29 to the equity elements on retained earnings	Total
Balance as at 1 January 2016	**739,183,919**	**0**	**0**	**10,976,985**	**2,105,675,691**	**845,743,951**	**65,029**	**608,927,140**	**122,725,274**	**-2,644,488,595**	**1,788,809,394**
Comprehensive income											
Profit of the financial year	-			-	-	-			81,362,701	-	81,362,701
Other comprehensive income											
Reserve from the reevaluation of available-for-sale financial assets transferred to the statement of income	-			-	-	3,861,082			-	-	3,861,082
Net change of the reserve from the reevaluation of available-for-sale financial assets	-			-	-	140,679,472			-	-	140,679,472
Reevaluation of Property, Plant and Equipment							32,765				32,765
Deferred income tax						(7,321,445)					(7,321,445)
Total comprehensive income of the period	**-**	**-**	**-**	**-**	**-**	**137,219,110**	**32,765**	**-**	**81,362,701**	**-**	**218,614,576**
Transactions with shareholders, recognized directly in equity											
Dividends payable corresponding to year 2015	-			-	-	-			-	-	-
Dividends written-off	-			-	-	-	-		-	-	-
Redemption of treasury shares		(52,443,756)	(734,130)								(53,177,886)
Total transactions with shareholders, recognized directly in equity	-	**(52,443,756)**	**(734,130)**	-	-	-	-	-	-	-	**(53,177,886)**
Balance as at 31 December 2016	**739,183,919**	**(52,443,756)**	**(734,130)**	**10,976,985**	**2,105,675,691**	**982,963,061**	**97,794**	**608,927,140**	**204,087,975**	**(2,644,488,595)**	**1,954,246,084**

The separate financial statements were approved by the Board of Directors on 20 March 2017 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi	Octavian Avrămoiu	Ștefan Doba
President, General Manager	Vice-president, Deputy General Manager	Economic Director

Separate statement of changes in equity *for the financial year ended as at 31 December 2016*

In RON	Inflated share capital	Legal reserves	Reserves established following Law no. 133/1996 inflated	Reserves from reevaluation of available-for-sale financial assets	Reserves from reevaluation of fixed means	Other reserves	Accumulated profit	Effect of applying IAS 29 to the equity elements on retained earnings	Total
Balance as at 1 January 2015	**739,183,919**	**10,976,985**	**2,105,675,691**	**630,375,419**		**608,927,140**	**89,392,783**	**(2,644,488,595)**	**1,540,043,342**
Comprehensive income									
Profit of the financial year	-	-	-	-			75,324,568	-	75,324,568
Other comprehensive income									
Reserve from the reevaluation of available-for-sale financial assets transferred to the statement of income	-	-	-	(41,198,683)			-	-	(41,198,683)
Net change of the reserve from the reevaluation of available-for-sale financial assets	-	-	-	292,758,381			-	-	292,758,381
Reevaluation of Property, Plant and Equipment				-36,191,166	65,029				(36,126,137)
Deferred income tax									
Total comprehensive income of the period	**-**	**-**	**-**	**215,368,532**	**65,029**	**-**	**75,324,568**	**-**	**290,758,129**
Total transactions with shareholders, recognized directly in equity									
Dividends payable corresponding to year 2014	-	-	-	-			(54,884,927)	-	(54,884,927)
Dividends written-off	-	-	-	-	-		12,892,850	-	12,892,850
Total transactions with shareholders, recognized directly in equity	-	-	-	-	-	-	(41,992,077)	-	(41,992,077)
Balance as at 31 December 2015	**739,183,919**	**10,976,985**	**2,105,675,691**	**845,743,951**	**65,029**	**608,927,140**	**122,725,274**	**(2,644,488,595)**	**1,788,809,394**

Compared to the presentation of the financial statements for the year 2015, within Other comprehensive income the deferred tax effect was inserted. From the values of the Reserve from the reevaluation of available-for-sale financial assets transferred to the statement of income and of the Net variation of the reserve from the reevaluation of the available-for-sale financial assets, the influence of the deferred income tax was removed, the respective amount being presented differently.

The separate financial statements were approved by the Board of Directors on 20 March 2017 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi	Octavian Avrămoiu	Ștefan Doba
President, General Manager	Vice-president, Deputy General Manager	Economic Director

Separate statement of cash flows
for the financial year ended as at 31 December 2016

In RON	***Note***	**31 December 2016**	**31 December 2015**
Operating activities			
Net profit of the period		**81,362,701**	**75,324,568**
Adjustments for:			
Depreciation of Property, Plant and Equipment and Intangible Assets		237,539	255,359
Net (Gains)/Loss from the disposal of Property, Plant and Equipment		0	0
Earnings from evaluation of Investment Property		-177,703	-10,515,917
(Reversals)/Expenses with adjustments for the impairment of assets		5,489,150	1,851,312
Net profit from the sale of assets	*10*	-2,189,901	-55,302,792
(Net earnings)/ net loss from financial assets at the fair value through profit and loss		140	672,551
Dividends income	*7*	-101,624,336	-34,072,103
Interests income	*8*	-5,314,722	-6,461,141
Expenses with /(income from) other provisions and adjustments		458,984	-12,605
Income tax	*15*	2,938,778	13,019,922
Changes in assets and liabilities corresponding to operating activities			
Changes in other assets (receivables, etc.)		-2,546,555	-2,019,926
Changes in other financial liabilities		1,535,469	-9,741
Paid income tax		-1,851,725	-2,246,889
Net cash used in operating activities		**-21,682,180**	**-19,517,403**
Investment activities			
Payments for the acquisition of shares in subsidiaries and other available-for-sale securities (shares, fund units, government securities)	*10,18*	-152,658,954	-36,895,424
Proceeds from the sale of other available-for-sale securities (shares)		3,784,252	73,114,113
(Investments) / Proceeds from deposits for a period higher than 3 months		108,181,106	-92,790,943
Proceeds from the sale of assets at fair value through profit and loss		0	22,227,229
(Payments) for the acquisition of assets at their fair value through profit and loss			-3,570,538
Proceeds from the redemption of held-to-maturity Investments by issuer of bonds		27,013,833	16,016,606
Payments for the acquisition of Property, Plant and Equipment		-49,939	-125,531
Dividends cashed		102,603,588	30,477,215
Interests cashed		4,850,262	6,421,949
Net cash from investment activities		**93,724,148**	**14,874,677**
Financing activities			
Dividends paid		-3,970,007	-30,944,403
Redemption of treasury shares		-53,177,886	
Net cash used in financing activities		**-57,147,892**	**-30,944,403**
Net increase / (decrease) in cash and cash equivalents		**14,894,076**	**-35,587,129**
Cash and cash equivalents as at 1 January		1,478,015	37,065,143
Cash and cash equivalents as at 31 December		**16,372,090**	**1,478,015**

Notes to the separate financial statements

for the financial year ended as at 31 December 2016

1. Reporting entity

Societatea de Investiţii Financiare Banat–Crişana SA (the „Company”) was established according to Law no. 133/1996 by the reorganization and transformation of Fondul Proprietatea Privata Banat-Crişana and it is a trading joint-stock company operating according to Law 31/1990 and to Law no. 297/2004.
The registered office of SIF Banat–Crişana is in Arad, Calea Victoriei, nr. 35 A, judeţul Arad, cod 310158, phone 0257.234.167, Facsimile: 0257.250.165. The registration number with the Trade Register Office is: J02/1898/1992, and the Tax Identification Number is: 2761040
The business object of the Company is:

- carrying-out financial investments in order to increase the value of its treasury shares according to the regulations in force;
- managing the investment portfolio and exercising all rights related to the invested instruments;
- other auxiliary and related activities, according to the regulations in force.

The Company’s shares have been listed on the Bucharest Stock Exchange, starting with 1 November 1999 and are traded on the Premium category regulated market, having the symbol SIF1.
Starting with 29.01.2014, the depositary company of the Company is BRD Groupe Société Générale, until that date ING Bank NV Amsterdam Bucharest branch office held this position and the company providing registry services is Depozitarul Central SA Bucharest.

2. Basis of preparation

(a) Statement of compliance

The separate financial statements were prepared in accordance with the Norm no. 39/2015 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority within the Financial Instruments and Investments Sector (the Norm).

At the time of approval of these separate financial statements the Company has not prepared the related consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the "Group") as required by IFRS 10. The Company applied an interpretation contained in the agenda paper issued by the European Commission Internal Market and Services for the meeting of the Accounting Regulatory Committee (document ARC/08/2007) about relationship between the IAS regulation and the 4th and 7th Company Law Directives. The Commission Services Department was of the opinion that, if a company chooses or is required to prepare its annual financial statements in accordance with IFRS as adopted by the European Union, it can prepare and file them independently from the preparation and filing of its consolidated financial statements.

In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - will be fully consolidated.

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2016, as soon as they become available in order to obtain full information on the financial position, results of operations and cash flows of the Group as a whole.

The separate financial statements were authorized by the Board of Directors on 20 March 2017.
According to the Regulations no. 1606/2002 of the European Parliament and of the European Union Council dated 19 July 2002, as well as to the provisions of the Decision issued by the National Securities Commission no. 1176/15.09.2010, the financial investments Companies must prepare and submit before the Financial Supervisory Authority (FSA) the annual consolidated financial statements, in accordance with IFRS, within 8 months as of the end of the financial year.

The date 31 December 2011 is the transition date to IFRS. During 2011-2014 the Company prepared for information the financial statements in accordance with IFRS (by restatement of the statutory financial statements), that were audited and disclosed to public.
The date 31 December 2015 is the adoption date of IFRS as mai accounting basis for statutory reporting as well, date when, by restatement, the operations determined following the passing from the Regulations of National Securities Commission no. 4/2011 to the Accounting Regulations under IFRS were made and registered.

The most important changes in the financial statements prepared according to the Accounting and Reporting Regulations to comply with the IFRS requirements adopted by the European Union are:

- grouping more elements into more comprehensive categories;
- adjustments of assets, liabilities and equity items, according to IAS 29 - „Financial Reporting in Hyperinflationary Economies" because the Romanian economy was a hyperinflationary economy until 31 December 2003;
- fair value adjustments and adjustments for impairment of financial assets, according to IAS 39 - „Financial Instruments: Recognition And Measurement";
- adjustments in the statement of income to register the dividends income when declared and at their gross value;
- adjustments for the recognition of receivables and payables regarding the deferred income tax, according to IAS 12 „Income Taxes"; and
- disclosure requirements in accordance with IFRS.

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker. The chief operating decision-maker (president of BOD) is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. The Company is managing all activities as one reportable activity segment

(b) Presentation of the separate financial statements

The Company adopted a liquidity-based presentation within the statement of financial position and a presentation of income and expenses depending on their nature within the statement of comprehensive income, considering that these disclosure methods provide reliable and more relevant information than that one presented based on other methods allowed by IAS 1 „Presentation of financial statements".

(c) Basis of measurement

The separate financial statements are prepared based on the fair value convention for the financial assets and liabilities at their fair value through profit and loss and the available-for-sale financial assets, except for those for which the fair value cannot be established reliably.
Other financial assets and liabilities as well as the non-financial assets and liabilities are presented at amortized cost, reevaluated amount or historical cost.
The methods used to measure the fair value are presented at Note 3(e)(iii) and Note 5.

(d) Functional and presentation currency

The Company's management considers that the functional currency, as defined by IAS 21 „Effects of changes in foreign exchange rates", is the Romanian leu (RON or lei). The separate financial statements are presented in RON, rounded to the nearest RON, the currency that the Company's management chose as presentation currency.

(e) Use of estimates and judgments

The preparation of the separate financial statements in accordance with IFRS supposes the use by the management of some estimates, judgments and assumptions that affect the application of the accounting policies as well as the reported value of the assets, liabilities, income and expenses. Such estimates and assumptions related to these judgments are based on the historical experience as well as on any other factors considered reasonable within the context of these estimates. The results of these estimates form the basis of judgments related to the carrying amounts of the assets and liabilities cannot be obtained from other sources of information. The results obtained may differ from the values of estimates.

The underlying estimates and assumptions are reviewed on an ongoing basis. The reviews of the accounting estimates are recognized during the period in which the estimate is reviewed, if the review affects only that period or during the period in which the estimate is reviewed and the future periods if the review affects both the current period and the future periods.
The judgments made by the management in applying the IFRS that have a significant effect on the separate financial statements as well as the estimates that involve a significant risk of a material adjustment during the next year are presented at Note 5.

(f) Changes in accounting policies

Te accounting policies adopted comply with those ones used during the previous year.

3. Significant accounting policies

The accounting policies presented below have been applied coherently during all periods presented within these separate financial statements.

(a) Subsidiaries and associates

Subsidiaries are entities under the Company's control. The Company controls an entity in which it invested when it is exposed or has rights over the variable return based on its participation in the entity in which it invested and has the capacity to influence that income through its authority over the entity in which it invested. When assessing control, the potential or convertible voting rights that are exercisable at that moment are also considered.
Associates are those companies in which the Company can exercise a significant influence, but not the control over the financial and operating policies.
The list of subsidiaries and associates as at 31 December 2015 and 31 December 2016 are presented at Note 29 of the separate financial statements.
In the separate financial statements, the investments in subsidiaries and associates are accounted for as available-for-sale financial assets according to the accounting policy 3e).

(b) Transactions in foreign currency

The operations expressed in foreign currency are carried in RON at the official exchange rate on the transaction settlement date. The monetary assets and liabilities registered in the foreign currency on the issue date of the statement of financial position are changed into the functional currency on the exchange rate on the respective day. The gains or the losses from the monetary elements are represented as the difference between the amortized costs expressed in the functional currency at the beginning of the reporting period, adjusted by an effective interest and the payments during the period, and the amortized cost in foreign currency converted into the functional currency at the exchange rate at the end of the period.

The non-monetary assets and liabilities denominated in foreign currency and measured at their fair value are translated into the functional currency at the exchange rate on the date when the fair value was determined.

The gains or losses from settlement are recognized in the statement of income, except for the cases in which the exchange differences result from the translation of the financial instruments classified as being available for sale that are included in the reserve resulting from the modification of the fair value of these financial instruments and of the cases in which the exchange differences result from the translation of the financial instruments classified at their fair value through profit and loss that are presented as being gains or losses from the fair value.

The exchange rates of the main foreign currencies were:

Currency	Spot rate 31 December 2016	Spot rate 31 December 2015
EUR	4.5411	4.5245
USD	4.3033	4.1477

(c) Accounting for the effect of hyperinflation

According to IAS 29 („Financial Reporting in Hyperinflationary Economies") the financial statement of an entity whose functional currency is the currency of a hyperinflationary economy must be presented in the terms of the current purchase power of the currency on the issuing date of the statement of financial position, that is the non-monetary elements are restated using the consumer price index on the acquisition or contribution date.

According to IAS 29, an economy is considered hyperinflationary if, besides other factors, the cumulated rate of inflation for a three-year period exceeds 100%.

The continuous decrease of the inflation rate and other factors related to the characteristics of the economic environment of Romania indicate the fact that the economy whose functional currency was adopted by the Company stopped being hyperinflationary, with effect on the financial periods starting with 1 January 2004. Therefore, the provisions of IAS 29 were adopted for the issue of the separate financial statements until 31 December 2003.
Therefore, the values expressed in the measuring unit current as at 31 December 2003 are treated as the basis for the carrying amounts reported in the separate financial statements and do not represent measured values, replacement

cost, or any other measurement of the current value of the assets or prices at which the transactions would take place at this moment.
In order to prepare the separate financial statements as at 31 December 2016, the Company adjusted the following elements to be expressed in the measuring unit current as at 31 December 2003:

- The share capital and the reserves (See note 26);
- The available-for-sale financial assets measured at cost, for which there is no active market and for which it is not possible to determine a fair value reliably (See note 3 e));

(d) Cash and cash equivalents

The cash comprises the cash on hand and the demand deposits.
The cash equivalents are short-term financial investments, highly liquid, that are slightly convertible into cash and are referred to a non significant risk of change in value.
Upon the issue of the statement of cash flows, the following have been considered cash and cash equivalents: cash on hand, current bank accounts and deposits with an initial due date of less than 90 days.

(e) Financial assets and liabilities

(i) Classification

The company classifies the financial instruments held under the following categories:

Financial assets or liabilities measured at fair value through profit or loss

This category includes financial assets or financial liabilities held for trading, derivative financial instruments, structured and financial instruments designated at fair value through profit or loss upon the initial recognition. A financial asset or liability is classified within this category if it was acquired mainly to speculative purpose or if it was appointed within this category by the Company management.
The structured derivative financial instruments are classified as being held for trading if they do not represent instruments used for the hedge accounting.

Held-to-maturity investments

The held-to-maturity investments represent those non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the firm intent and ability to hold to maturity, other than:

- Those that the entity, upon the initial recognition, appoints them as being evaluated at fair value through profit or loss;
- Those that the entity appoints as being available for sale; and
- Those that correspond to the definition of loans and receivables.

The Company must not classify any financial asset as held-to-maturity if the Company, during the current financial year or during the latest two previous years, has sold or reclassified before maturity more than a non significant value of the held-to-maturity investments (more than non significant related to the total value of held-to-maturity investments), other than those of sales or reclassifications that:

- are so closed to maturity or the anticipated reimbursement date of the financial asset (for example, at less than three months before the due date) so that the modifications of the interest market rate have no significant effect on the fair value of the financial asset;
- take place once the entity collected the greatest part of the initial value of the financial asset through scheduled payments or anticipated payments; or
- are attributable to an isolated event falling outside the entity’s scope of control, do not repeat and would not have been anticipated by the entity.

Loans and receivables

The loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than:

- those that the entity intends to sell immediately or within short time (that must be classified as being held-to-maturity) and those that the entity, upon the initial recognition, designates as being at fair value through profit or loss;
- those that the entity, upon the initial recognition, designates as being available for sale; or

- those for which the holder might not recover substantially the entire initial investment, due to other reasons than the credit deterioration (that must be classified as being available for sale).

Available-for-sale financial assets

The available-for-sale financial assets are those financial assets that are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss.
Subsequent to the initial recognition, the available-for-sale financial assets for which there is an active market are measured at fair value and the changes in fair value, other than the impairment losses, as well as the gains and losses resulted from the changes in foreign exchange rate corresponding to the available-for-sale monetary elements, are recognized directly in equity. When the asset is derecognized, the accumulated gain or loss recognized in equity is transferred to the statement of income.

(i) Recognition

The assets and liabilities are recognized on the date when the Company becomes contractual party to the conditions of the respective instrument. The financial assets and liabilities are measured upon the initial recognition at fair value plus the directly attributable trading costs, except for the financial assets at fair value through profit or loss for which the trading costs are not included in the value of the instrument and of the investments in shares whose fair value could not be determined reliably and are recognized initially at cost.

(ii) Measurement

After the initial recognition, the entity must measure the financial assets, including the derivative instruments considered assets, at their fair value, without any deduction for the trading costs that might be borne at the sale or other assignment, excepting the following categories of financial assets:
a) loans and receivables – measured at amortized cost according to the effective interest method;
b) held-to-maturity investments – measured at amortized cost according to the effective interest method; and
c) investments in equity that have no market price quoted on an active market and whose fair value cannot be evaluated reliably and derivative instruments that have as underlying assets such equity instruments – measured at cost.

All financial assets, except for those measured at fair value through profit or loss, are tested periodically for the impairment of value (see 3 (iv)).
After the initial recognition, the entity must measure all financial liabilities at amortized cost according to the effective interest method, except for:
a) The financial liabilities measured at fair value through profit or loss. Such liabilities, including the derivative instruments that are liabilities, are measured at fair value, except for the derivate liabilities that are related and must be settled through the delivery of a non quoted equity instrument whose fair value cannot be measured reliably; these derivate liabilities must be measured at cost;
b) financial liabilities that arise when the transfer of the financial asset fails to fulfill the conditions for derecognition.

Measurement at amortized cost

The amortized cost of a financial asset or of a financial liability is the value at which the financial asset or the financial liability is measured after the initial derecognition minus the reimbursement of principal, plus or minus the accumulated amortization using the effective interest method for each difference between the initial value and the value at due date, and minus any reduction (direct or by the use of an adjustment account) for impairment or unrecoverability.
The effective interest rate represents the rate that updates exactly the future payments and proceeds in cash during the forecasted life of the financial instrument or, where applicable, during a shorter period, up to the level of the net carrying amount of the financial asset or of the financial liability. For the calculation of the effective interest rate, the entity must estimate the cash flows considering all contractual conditions of the financial instrument, but must not consider the future losses from the changes in credit risk. The calculation includes all fees paid or cashed by the contracting parties that make integral part of the effective interest rate, transaction costs and all the other premiums and discounts.

Measurement at fair value

Fair value represents the price that would be received upon the sale of an asset or paid to extinguish a debt within a transaction developed under normal conditions between the participants in the principal market, on the measurement date, or in the absence of the principal market, on the most advantageous market to which the Company has access at that date.

The company measures the fair value of a financial instrument using the prices quoted on an active market for that instrument. A financial instrument has an active market if for that instrument quoted prices are readily available and regularly. The company measures the instruments quoted on the active markets using the closing price.

A financial instrument is considered as being quoted on an active market when the quoted prices are readily available and regularly from an exchange, dealer, broker, association within the industry, a service for establishing the prices or a regulatory agency, and these prices reflect the transactions occurring actually and regularly, developed under objective market conditions.

Within the category of shares quoted on an active market, all those shares admitted to trading on the Stock Exchange or on the alternative market having frequent transactions are included (for example: at least 30 within the 30-day trading interval before the measurement date. The criterion to establish the active market must be set so that to ensure a stable portfolio of shares measured at cost/at fair value from one reporting period to another one). The market price used to determine the fair value is the closing price of the market on the last trading day before the measurement date.

The fund units are measured according to the Net Asset Value, calculated by the fund administrator using the closing quotations for the quoted financial instruments. If the Company notices that there is no active market for the fund holding, it recurs for measurement to the public financial statements of the fund holding, respectively to the net asset value. According to the net asset, a corrected Net Asset Value is obtained used to evaluate the units in the financial statements of SIF Banat-Crișana.

Government securities are measured based on the market quotation available on Bloomberg for the respective item, multiplied by the unit nominal value.

In the absence of a price quotation on an active market, the Company uses measurement techniques. The fair value of the financial assets not traded on an active market is determined by authorized valuators, within the current assessment compartment within the Company.
The valuation techniques include techniques based on the use of observable inputs, such as the quoted price of the identical element held by another party as asset, on a market that is not active, and for the assets for which the observable prices are not available, measurements techniques based on the analysis of the updated cash flows, and other measurement methods used regularly by the market participants, using at maximum the information of the market, based at least as possible on the company specific information. The Company uses valuation techniques that maximize the use of observable data and minimize the use of non observable data.

The value resulted through the use of a measurement model is adjusted depending on the number of factors, because the valuation techniques do not reflect reliably all factors considered by the market participants when closing a transaction. The adjustments are recorded so that to reflect the risk models, the differences between the sale and purchase quotations, the liquidity risks as well as other factors. The Company management considers that these adjustments are necessary to present a faithful measure of the value of the financial instruments held at fair value in the statement of financial position.

Financial instruments that have no active market, being traded at a very low number of transactions, and their fair value cannot be determined reliably, are measured at cost and are tested periodically for impairment**.** The measurements of these participations bear the risk that they are not reliable values, due to the (i) lack of reasonable information related to these companies, as effect of our position of minority, (ii) the companies are not liquid, there is no potential buyer and there are no comparables on the market.

(iii) Identification and measurement of impairment

For each reporting period, the Company assesses the extent to which there is any objective proof that a financial asset or a group of financial assets is impaired.
If there is any proof of this kind, the Company applies the provisions below in order to determine the value of any impairment loss, differently for:

a) financial assets accounted for at amortized cost;
b) available-for-sale financial assets accounted for at fair value or at cost.

A financial asset or a group of financial assets is impaired and impairment losses are borne if and only if there is objective proof of impairment as a consequence of one or many events occurred after the initial recognition of the asset, and if that event (or events) triggering losses has an impact over the future estimated cash flows of the financial asset or of the group of financial assets that can be estimated reliably.

The loss can be determined not by one event but it must be the combined effect of many events.

The forecasted losses as a result of some future events, regardless of their probability, are not recognized.

The objective proof that a financial asset or a group of assets is impaired includes observable information about the upcoming events that trigger losses:
(a) the significant financial difficulty of the issuer or of the debtor;
(b) a breach of the contract (eg. Non fulfillment of the payment obligation of the interest or of the principal);
(c) the creditor, due to economic or legal reasons related to the financial difficulties incurred by the debtor, grants to the debtor a concession that otherwise the creditor would not consider otherwise;
(d) the issuer, the debtor incurs the bankruptcy procedure or is likely to incur bankruptcy or other form of financial reorganization;
(e) the disappearance of an active market for that financial asset because of the financial difficulties;
or
(f) observable data showing that there is a quantifiable decrease in the future estimated treasury flows within a group of financial assets from the initial recognition of those assets, although the decrease cannot be identified with the separate financial assets of a group, including:

(i) non favorable changes in the status of the debtors' payments within the group (eg. greater number of delayed payments); or

(ii) national or local economic conditions correlated to the failure to fulfill the obligations regarding the group assets.

(g) information related to the significant changes that took place in the technological, market, economic or legal environment in which the issuer operates and indicate the fact that the cost of an investment in the equity instrument might not be recovered.

The significant or prolonged decrease of the fair value of an investment in an equity instrument under its cost represents also objective evidence of impairment.

Under certain cases, the observable data required to estimate the value of an impairment loss of a financial asset may be limited or might not be fully relevant under the current circumstances. For example, this might be the case when a debtor incurs financial difficulties and there is scarce available historical information related to similar debtors. Under such cases, an entity uses its experience-based rationale in order to estimate the value of any impairment loss. Similarly, an entity uses its experience-based rationale in order to adjust the observable data so that a group of financial assets reflects the actual situations.

Financial assets accounted for at amortized cost

If there is objective proof that a loss has incurred from the impairment of loans and receivables or held-to-maturity investments accounted for at amortized cost, the value of the loss is assessed as being the difference between the carrying amount of the asset and the updated value of the future estimated cash flows (excluding the future losses from the risk of loan that were not incurred), updated with the initial effective interest rate of the financial asset.

When such an impairment loss occurs, the carrying amount of the asset is reduced by using an impairment adjustment account.
The value of impairment loss is recognized in profit or loss.

If, during a subsequent period, the value of the impairment loss decreases, and the decrease is related objectively to an event occurred once the impairment has been recognized, the loss previously recognized impairment loss is reversed using an impairment adjustment account.
Reversal may not result in a carrying amount of the financial asset higher than the value that would have been the amortized cost should the impairment have not been recognized, on the date when the impairment loss is reversed.
The value of reversal of the impairment loss is recognized in profit or loss.

Available-for-sale financial assets

As regards the available-for-sale financial assets, when a decrease in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective proof that the asset is impaired, the accumulated loss that was recognized directly in other comprehensive income will be reversed from the equity accounts and recognized in the statement of income even if the financial asset has not been yet derecognized.

The value of the accumulated loss that is reversed from equity in the statement of income will be the difference between the acquisition cost (net of principal repayment and amortization) and the current fair value, less any impairment loss of that financial asset recognized previously in the statement of income.

The impairment losses of assets recognized in the statement of income corresponding to some participations classified as being available for sale cannot be reversed in the statement of income. If, during a subsequent period, the fair value of an impaired participation increases, the increase of the value will be recognized directly in other comprehensive income.
If there is objective proof related to a impairment loss of a non listed participation that is not presented at fair value because the fair value cannot be measured reliably, or related to a related derivative financial asset or to be settled by such a non listed, the value of the impairment loss is measured as the difference between the carrying amount of the financial asset and the updated value of the future cash flows using the current internal rate of return of the market for a similar financial asset. These impairment losses are not reversed in the statement of income.
In order to determine whether an asset is depreciated, the Company takes into account the relevant loss events, such as the significant or long-term decrease of the fair value below the cost; the conditions of market and of the field of activity, provided that these ones influence the recoverable measure of the asset; the financial conditions and the short-term perspectives of the issuer, including any non favorable specific events that might influence the operations developed by the issuer, the recent losses of the issuer, the qualified independent auditor's report on the most recent financial statements of the issuer, etc.

Given the intrinsic limitations of the methodologies applied and the significant incertitude of assessing the assets on the international and local markets, the Company estimates may be revised significantly after the approval date of the financial statements.

(v) Derecognition

The Company derecognizes a financial asset when the rights to receive cash flows from that financial asset expires, or when the Company transferred the rights to receive the contractual cash flows corresponding to that financial asset in a transaction in which it transferred significantly all risks and benefits of the ownership right.
Any interest in the financial assets transferred retained by the Company or created for the Company is recognized separately as an asset or liability.
The Company derecognizes a financial liability when the contractual obligations ended or when the contractual obligations are cancelled or expire.

(vi) Reclassifications

The Company:

a) shall not reclassify a derivative instrument out of the category of instruments measured at fair value through profit or loss while it is held or issued;

b) shall not reclassify any financial instrument out of the category of instruments assessed at fair value through profit or loss if upon the initial recognition, it was designated by the entity at fair value or loss; and

c) if the financial asset is no longer held for sale or repurchase in the near future (despite the fact that the financial asset may have been acquired or may have arisen particularly to sell or repurchase in the near future), may reclassify that financial asset out of the category of instruments assessed at fair value through profit or loss.

The entity must not reclassify any financial instrument into the category of instruments measured at fair value through profit or loss after the initial recognition.

If, at a certain moment, a financial asset or a financial liability must be accounted for at cost or at amortized cost, and not at fair value, the fair value of the financial asset or of the financial liability at that date becomes its new cost or amortized cost, as the case may be; this situation might occur:

- following the change in the entity's intent or capacity;
- under the rare cases in which it is not available after a reliable evaluation of the fair value;

Any previous gains or losses from that asset that were recognized in other elements of the comprehensive income are accounted for as follows:

a) As regards a financial asset with a fixed due date, the loss or the gains must be amortized in profit or loss during the useful life of the held-to-maturity investment according to the effective interest method. Any difference between the new amortized cost and the value at due date must also be amortized during the remaining life of the financial asset using the effective interest method, similarly to the amortization of a premium and a discount. If the financial asset is impaired subsequently, any gains or loss that was recognized before directly to other comprehensive income is reclassified from equity to profit or loss;

b) As regards a financial asset that has no fixed due date, the loss or the gains must be recognized in profit or loss when the financial asset is sold or assigned differently. If the financial asset is impaired subsequently, any gains or loss that was recognized in other comprehensive income is reclassified from equity to profit or loss.

(vii) Gains and losses

Gains or losses resulting from a change in the fair value of a financial asset or of a financial liability that is not part of a hedging relationship are recognized as follows:

a) The gains or losses generated by financial assets or financial liabilities classified as being measured at fair value through profit or loss are recognized in profit or loss;

b) The gains or losses generated by an available-for-sale financial asset are recognized at other comprehensive income, except for impairment losses

When the assets are derecognized, the accumulated losses or gains previously recognized in other comprehensive income are reclassified from equity in profit or loss.

When the financial assets are impaired or derecognized and the financial liabilities are accounted for at amortized cost, and through their amortization process, the Company recognizes the gains or the loss in the statement of income.

As regards the recognized financial assets using the settlement date accounting, no change of the fair value of the asset to be received during the period between the trading date and the settlement date is recognized for the assets carried at cost or at amortized cost (except for impairment losses). But for the assets accounted for at fair value, the change in fair value must be recognized in profit or loss or in equity, as the case may be.

(f) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortized cost using the effective interest method

(g) Property, Plant and Equipment

(i) Recognition and measurement

The Property, Plant and Equipment recognized as assets are measured initially at cost. The cost of an item of Property, Plant and Equipment is formed of the purchase price, including the non recoverable taxes, after having deducted any trade discounts and any costs attributable directly to bringing the asset to the premises and under the necessary condition so that this one might be used to the purpose intended by the management, such as: expenses with employees resulting directly from the construction or acquisition of assets, the costs of site preparation, the initial delivery and handling costs, the installation and assembly costs, the professional fees.

The Property, Plant and Equipment are classified by the Company within the following classes of assets of the same nature and with similar uses:

- Lands and buildings;
- Technical plants and transport means;
- Other furniture, fittings and equipment

(ii) Measurement after recognition

After the recognition as asset, the Property, Plant and Equipment in the form of land and buildings whose fair value can be evaluated are accounted for at a reevaluated value, this one being the fair value on the reevaluation date less any subsequent accumulated depreciation and any accumulated impairment losses. Other Property, Plant and Equipment are measured at cost less accumulated amortization and any impairment losses.

Reevaluations are made regularly in order to ensure the fact that the carrying amount is not different from what it would have been determined by using the fair value at the end of the reporting period.

If an item of Property, Plant and Equipment is reevaluated, then the entire class of Property, Plant and Equipment which includes the item is referred to reevaluation.

If the carrying amount of an asset is increased following a reevaluation, the increase is recognized in other comprehensive income and accumulated in equity, as reevaluation surplus.

However, the increase will be recognized in profit or loss provided that it compensates a decrease from the reevaluation of the same asset recognized before in profit or loss.

If the carrying amount of an asset is decreased as a result of a reevaluation, this decrease is recognized in profit or loss.

However, the decrease will be recognized in other comprehensive income to the extent in which the reevaluation surplus presents a credit balance for that asset the transfers from the reevaluation surplus in the retained earnings are not made through profit or loss.

(iii) Subsequent costs

The subsequent costs corresponding to Property, Plant and Equipment are measured according to the general recognition criteria of the Property, Plant and Equipment described at chapter (i) Recognition.
The daily maintenance costs („repairs and maintenance costs") corresponding to the Property, Plant and Equipment are not accounted for; they are recognized as costs of the period during which they are incurred. These costs consist mainly in expenses with the workforce and with consumables, and may include the cost of the low-value components.
The expenses with the maintenance and repairs of Property, Plant and Equipment are registered in the statement of income when they are incurred, and the significant improvements of the Property, Plant and Equipment, that increase their value or their life, or increase significantly the capacity to generate some economic benefits by these ones, are accounted for.

(iv) Depreciation

Depreciation is calculated for the cost of the asset or another value replacing the cost, less the residual value. Depreciation is recognized in the statement of income using the straight-line method for the estimate useful live for the Property, Plant and Equipment, as of the date when they are available for use, this modality reflects faithfully the forecasted manner to consume the economic benefits incorporated in the assets.

The estimated useful lives for the current period and for the comparative periods are the following:

Buildings	10-50 years
Equipment, technical installations and machines	3-30 years
Transport means	4-12 years
Furniture and other Property, Plant and Equipment	3-20 years

The depreciation methods, the estimated useful lives as well as the residual values are reviewed by the Company management at each reporting date.

(v) Sale/disposal of Property, Plant and Equipment

The carrying amount of a Property, Plant and Equipment is derecognized (removed from the statement of financial position) on disposal or when no future economic benefit is expected from its use or assignment.
The Property, Plant and Equipment that are scrapped or sold are removed from the balance sheet together with the corresponding accumulated amortization. Any profit or loss resulted from such an operation is included in the result for the period.

(h) Intangible assets

Intangible assets are measured initially at cost. After the initial recognition, an intangible asset is accounted for at cost less the accumulated amortization and any losses from the accumulated depreciation (Note 3k).

(i) Subsequent expenditure

Subsequent expenditures are accounted for only when these ones increase the value of the future economic benefits embedded in the asset to which they are intended. All the other expenditures, including the expenses for the impairment of the goodwill and the internally generated marks, are recognized in the statement of income when they are incurred.

(ii) Amortisation of intangible assets

Amortisation is calculated for the cost or the asset or other amount replacing the cost, less the residual value. Amortisation is recognized in the statement of income using the straight-line method for the estimated useful life for the intangible assets, as of the date when they are available for use, this modality reflects the most reliable the forecasted modality to consume the economic benefits embedded in the asset.

The estimated useful lives for the current period and for comparative periods are the following:

Computer software	1-3 years
Other intangible assets	1- 5 years

The amortization methods, the useful lives and the residual values are reviewed at the end of each financial year and adjusted accordingly.

(j) Investment property

Investment property is a real estate (land, building) held by the Company rather to derive income from rent or to increase the value of the capital, or both of them, rather than to be used to produce or to supply goods or services or to administrative purposes or to be sold during the ordinary course of business.

(i) Recognition

Investment property must be recognized as asset if, and only if there is the probability that the future economic benefits associated to the investment property correspond to the Company and the cost of the investment property can be reliably measured.

(ii) Measurement

Measurement at recognition

Investment property must be measured initially at cost, including transaction costs. The cost of an investment property bought comprises its purchase price plus any directly attributable expenses (for example, professional fees to render the legal services, fees for the transfer of the ownership right and other transaction costs).

Measurement after recognition

Fair value based model

After the initial recognition, all investment properties are measured at fair value, unless fair value cannot be determined reliably on a continuing basis.

Under exceptional situations, on the purchase date for the first time of an investment property, there is clear evidence that fair value of the investment property cannot be determined reliably on an ongoing basis, the Company measures that investment property using the cost model. The residual value of the investment property is assumed to be null. All the other investment properties are measured at fair value. If the Company measured before an investment property at fair value, then it will continue to assess that investment property at fair value until its disposal.

The gains or losses resulted following the changes in the fair value of the investment property are recognized in the statement of income of the period when they occur.

The fair value of the investment property must reflect the market conditions at the end of the reporting period.

(iii) Transfers

The transfers in and from the category of Investment property must be made when and only when there is a modification of the use, emphasized by:

(a) the Company begins to use – for transfers from the investment property category to the Property, Plant and Equipment category used by the Company;

(b) starting the arrangement process to the sale perspective – for transfers from the investment property category to the inventories category, held for sale.

(c) the Company stops using – for transfers from the Property, Plant and Equipment category used by the Company to the investment property category;

(d) starting of an operational leasing with another party – for transfers from the inventories category to the investment property category.

(iv) Derecognition

The carrying amount of an Investment property is derecognized (removed from the statement of financial position) on disposal or when the investment is permanently withdrawn from the use and the occurrence of future economic benefits from its disposal is no longer expected.

The gains or the losses generated from the scrapping or disposal of an Investment property must be recognized in the statement of income during the scrapping or disposal period.

(k) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets, other than deferred tax assets, is reviewed at each reporting date in order to identify whether there is any indication of impairment. If such clues exist, the recoverable value of the respective assets is estimated.
An impairment loss is recognized when the carrying amount of the asset or of the cash generating units exceeds the recoverable value of the asset or of the cash generating unit. A cash generating unit is the smallest identifiable cash generating group and is independent to other assets and other groups of assets. The impairment losses are recognized in the statement of income.
The recoverable value of an asset or of a cash generating unit is the maximum between the value in use and its fair value less the costs for the sale of that asset or unit. In order to determine the net value in use, the future cash flows are updated using a discount rate before tax that reflects the current market conditions and the risks specific to the respective asset.

The impairment losses recognized during the previous periods are measured each reporting date in order to determine if they decreased or do not exist anymore. The impairment loss is reversed if a change occurred in the estimates used to determine the recoverable value. The impairment loss is reversed only if the carrying amount of the asset does not exceed the carrying amount that would have been calculated, net of amortization and impairment, if the impairment loss had not been recognized.

(l) Share capital

The ordinary shares are recognized in equity. The directly attributable incremental costs to an issue of ordinary shares are deducted from the share capital, net of taxation effects.
In order to prepare the separate financial statements in accordance with IFRS, the Company also applied the provisions of IAS 29 „ Financial Reporting in Hyperinflationary Economies" adjusting, in order to be expressed in the measuring unit current as at 31 December 2003, the share capital.

(m) Provisions for risks and expenses

The provisions are recognized in the statement of financial position when the Company incurs the obligation related to a past event, the Company is likely to be required in the future to use economic resources to extinguish this obligation and a reasonable estimate of the obligation can be made. In order to determine the provision, future cash flows are discounted using a discount rate before tax that reflects the current market conditions and the risks specific to the respective liability. The value recognized as provisions represents the best estimate of the necessary expenses to settle the actual obligation at the end of the reporting period.

(n) Interest income and expenses

The interest income and expenses are recognized in the separate statement of income according to the effective interest method. The effective interest rate that updates exactly the payments and proceeds in cash estimated in the future during the expected live of the financial asset or liability (or, as the case may be, during a shorter period) at the carrying amount of the financial asset or liability.

(o) Dividend income

The dividends for an available-for-sale equity instrument are recognized in the profit or loss when the entity's right to receive the payment is established.
As regards the dividends received as shares as an alternative to the cash payment, the dividends income is recognized at the level of the cash that would have been received, in correspondence with the increase of the corresponding participation. The Company does not register income from dividends corresponding to the shares received when there are distributed proportionally to all shareholders.

The dividend income is registered at the gross value including the dividend tax that is recognized as a current expense with the income tax.

(p) Employee benefits

(i) Short-term benefits

The obligations with the short-term employee benefits are not discounted and are recognized in the statement of comprehensive income as the corresponding service is rendered.

The short-term employee benefits include wages, bonuses and social security contributions. The short-term employee benefits are recognized as expense when the services are rendered. A provision is recognized for the amounts expected to be paid as bonuses in short-term cash or employee profit participation scheme considering that the Company has at present a legal or implicit obligation to pay those amounts as results of the past services rendered by the employees and if the respective obligation can be estimated reliably.

(ii) Defined contribution plans

The Company makes payments on behalf on its own employees to the Romanian State pension system, health insurance and unemployment fund, during the normal course of business. The Company also retains and pays to the private pension funds the amounts with which the employees enrolled in a facultative pension plan.

All the Company employees are members and have the legal obligation to contribute (by means of the social contribution) to the pension system of the Romanian State (a State defined contribution plan). All the corresponding contributions are recognized in the statement of income when they are made. The Company has no other supplementary obligations.

The Company is not committed in any independent pension plan and, therefore, it has no other obligations to this purpose. The Company must not render subsequent services to the former or current employees.

(iii) Long-term employee benefits

The Company's net obligation as regards the benefits corresponding to the long-term services is represented by the value of future benefits that the employees earned in exchange of the services rendered by these ones during the current period and previous periods. According to the collective employment Contract in force, the people who retire at full retirement age may benefit upon retirement of an aid in the amount of five average net salaries in the Company.
The present value of such an obligation is not material, and as such it was not recognized in these financial statements.

(q) Income tax

The income tax corresponding to the year comprises the current tax and the deferred tax. The current income tax includes the income tax resulted from dividends recognized at gross value.
The income tax is recognized in profit or loss or in other comprehensive income if the tax corresponds to the equity elements.

Current tax is the expected tax payable on the taxable income for the year, determined based on the percentages applied on the balance sheet date and of all adjustments corresponding to the previous periods.

Deferred tax is determined using the balance sheet method for those temporary differences occurring between the calculation tax basis for assets and liabilities and their carrying amount used for reporting in separate financial statements.

As at 31 December 2016 and 31 December 2015 the income tax amounted to 16%.

The deferred tax is not recognized for the following temporary differences:, initial recognition of the assets and liabilities resulted from transactions that are not business combinations and do not affect the accounting profit or the tax profit and differences resulting from the investments in subsidiaries and associates, provided that these ones are not reversed in the near future. The deferred tax is calculated based on the taxation rates expected to be applicable to the temporary differences when reversed, according to the legislation in force on the reporting date or on the legislation issued on the reporting date that will come into force subsequently.

The deferred tax receivables tax is recognized only if it is probable to obtain taxable profit in the future after the compensation with the tax loss of the previous years with the income tax to recover. The deferred tax receivables are reduced if the tax benefit is unlikely to be realized.
The additional taxes that appear from the dividend distribution are recognized at the same date with the payment obligation of dividends.
The deferred tax receivables and liabilities are presented at the net value in the Company's separate financial statements.
The deferred tax assets and liabilities are compensated if there is a legally enforceable right to compensate the deferred tax receivables and liabilities that relate to taxes levied by the same tax authority, from the same taxable entity, or different tax entities which intend to offset the deferred tax receivables and liabilities on a net base or the tax receivables and liabilities will be realized simultaneously.

(r) Earnings per Share

The Company presents the basic and diluted Earnings per Share for the ordinary shares. The basic Earnings per Share are determined by dividing the profit or loss attributable to ordinary shareholders of the Company to the weighted average number of ordinary shares corresponding to the reporting period. The diluted Earnings per Share is determined by adjusting the profit or loss attributable to ordinary shareholders and of the weighted average number of ordinary shares with the dilution effects generated by the potential ordinary shares.

(s) Dividends

Dividends are treated as a profit distribution during the period in which they were declared and approved by the General Meeting of Shareholders.
Dividends not cashed during three years and for which the right to ask was limited are registered in the retained earnings

(t) Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Group from 1 January 2016, but did not have any material impact on the Group.

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants – Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 or later, and which the Company has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company is currently assessing the impact of the new standard on its financial statements

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Company is currently assessing the impact of the new standard on its financial statements.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Company is currently assessing the impact of the new standard on its financial statements

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently assessing

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Company will present this disclosure in its 2017 financial statements.

The following other new pronouncements are not expected to have any material impact on the Company when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28).
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statementsThere are no other standards and interpretations that are not yet effective and that might have an impact on the financial position of the Company or its performance.

4. Significant risk management

4.1 Financial risk

The risk management policy can be found in the Company organizational structure and it encompasses both general and specific risks, as set forth in law no. 297/2004 and the C.N.V.M. Regulation no. 15/2004, as amended and completed.

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

(a) Market risk

Market risk is the present or future risk of recording losses related balance and off-balance sheet due to adverse movements in market price (such as stock prices, interest rates, foreign exchange rates). Management sets the limits on the value of risk that may be accepted, which are monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Position risk is associated with financial instruments portfolio held by the Company with intention to benefit from positive evolution of prices of underlined financial assets or potential dividends/coupons issued by entities. The Company is exposed to general position risk as well as specific, due to short term investments made in bonds, shares and fund units.

The management is permanently monitoring the reduction of adverse effects related to this financial risk, through an active procedure of diversifying the investment portfolio and by using one or more technics of diminishing of the risk through trading activity or market prices evolution related to financial instruments held by the Company.

Concentration risk relates to all financial assets held by the Company, regardless of Company intention to hold these assets, and through diminishing this risk is intended to avoid large exposure against the same debtor/entity at Company level.

The management policy of diversifying exposures is applied to portfolio structure, business structure as well as structure of financial risks exposure. Thus this diversifying policy implies: avoiding excessive exposures against the same debtor/issue, or geographical area; diversifying business structure implies avoiding at Company's level excessive exposure against specific type of business/sector; diversifying structure of financial risks intends to avoid excessive exposure against the same financial risk.

The Company is exposed to the following categories of market risk:

(i) Equity Price risk

Price risk is the risk of decline in value of a security or portfolio related to changes in asset prices.

The Company is exposed to the risk of fair value of financial instruments fluctuation due to changes in market prices, whether caused by factors specific to the activity of its issuer or factors affecting all instruments traded in the market.
The Board of Directors monitors the market risk management and internal procedures, which require that when price risks are not consistent with the Company's investment policy and principles, it shall proceed to rebalance the portfolio.
In recent years, because of the global financial crisis, Romania was also affected by price risk through depreciation of stock prices.

A positive variation of 10% in the price of financial assets at fair value through profit or loss would lead to an increase in profit after tax by RON 26 (31 December 2015: RON 38), a negative variation of 10% having an equal net impact on the opposite direction.

A positive variation of 10% in the prices of available-for-sale financial assets at fair value , investements in shares and unit funds would lead to an increase in equity, net of tax, of RON 157,893,533 (31 December 2015: RON 143,077,970), a negative variation of 10% with an equal net impact on an opposite direction.

The company holds shares in companies operating in various sectors, such as:

As it can be noticed from the above table, as at 31 December 2016, the Company mainly held shares in companies in the banking and insurance field, accounting for 55% of the total portfolio, decreasing compared to 57% registered as at 31 December 2015.

In RON	**31 December 2016**	**%**	**31 December 2015**	**%**
Financial brokerage and insurance	998,800,769	54,3%	953,882,121	56.8%
Manufacturing industry	321,458,880	17,5%	266,313,435	15.9%
Hotels and restaurants	136,860,802	7,4%	121,921,116	7.3%
Wholesale and retail trade, repair of motor vehicles	22,314,716	1,2%	24,041,251	1.4%
Production and supply of energy, gas and water	38,587,783	2,1%	27,113,050	1.6%
Extractive industry	48,652,649	2,6%	49,433,082	2.9%
Other activities	2,537,009	0,1%	2,827,560	0.2%
Financial services applicable to real estate	248,899,192	13,5%	215,560,572	12.8%
Constructions	1,217,306	0,1%	1,217,304	0.1%
Transport and storage	19,740,660	1,1%	16,750,049	1.0%
Agriculture, forestry and fishing	665,734	0,0%	896,310	0.1%

TOTAL	**1,839,735,500**	**100%**	**1,679,955,848**	**100%**

As at 31 December 2015 and 31 December 2016 holds unit funds in Active Plus and Omnitrend closed investment fund. The Company is exposed to price risk through the investments made by the fund.

(ii) Interest rate risk

Interest rate risk is the risk that revenues or expenses, or the value of assets or liabilities of the Company will fluctuate due to changes in market interest rates.

As regards the interest bearing financial instruments: the interest rate risk consists of the risk of fluctuation recorded in the value of a financial instrument due to changes in interest rates and risk differences between the maturity of interest bearing financial assets and interest bearing liabilities. However, the interest rate risk may also affect the value of assets bearing fixed interest rates (e.g. bonds) so that an increase in interest rate on the market will determine a decrease in the value of future cash flows generated by them and may lead to their price reduction if it increases the preference of investors to place their funds in bank deposits or other instruments whose interest has grown, and vice versa - a reduction in interest rate on the market may increase the price of shares and bonds and will lead to an increase in the fair value of future cash flows.

With respect to the Company's interest bearing financial instruments, the policy is to invest in financial instruments generally in the short-term, no more than 12 months, thus considerably reducing both the risk of fluctuation and the risk of maturity variance (the Company has no debt with maturity over 1 year). With respect to the fixed interest bearing assets or tradable assets, the Company is exposed to the risk that fair value of future cash flows related to financial instruments will fluctuate as a result of changes in market interest rates. However, most financial assets of the Company are in stable currencies whose interest rates are unlikely to vary significantly.

Thus the Company will be subject to limited exposure to the fair value interest rate risk or to future cash flows due to fluctuations in the prevailing levels of market interest rates.
The Company does not use derivative financial instruments to protect itself against interest rate fluctuations.

The following tables show the Company's exposure to the interest rate risk:

In RON	**2016**	**2015**
Cash and cash equivalent	700,000	1,180,000
Bank deposits	40,872,334	149,053,440
Available-for-sale financial assets*	101,591,097	
Held to maturity investments	6,160,454	33,087,934
TOTAL	**149,323,884**	**183,321,373**

The available for sale financial instruments exposed to interest rate risks as at 31/12/2016 are the government bonds held by the Company

The impact on the Company’s net profit and equity of a change of ± 1.00% in the interest rate related to variable interest bearing assets in lei is RON 1,254,321 (31 December 2015: RON 1,539,899).

(iii) Currency risk

Currency risk is the risk of loss or failure to achieve the estimated profit as a result of unfavorable exchange rate fluctuations. The Company invests in financial instruments and enters into transactions which are denominated in currencies other than the functional currency, thus being exposed to risks that the exchange rate of the national currency in relation to another currency may adversely affect the fair value or future cash flows of that share of financial assets and liabilities denominated in other currencies.

In the reporting periods the company conducted transactions in Romanian currency (RON) and in foreign currencies. The Romanian currency has fluctuated compared to the foreign currencies EUR and USD.
The financial instruments used enable the conservation of the value of monetary assets held in RON, by making investments and collecting interest according to their maturity.

The Company has not entered into any fx derivative transaction during the financial years presented.

Financial assets exposed to foreign currency risk (expressed in RON)

In RON	**2016**	**2015**
Cash and cash equivalent	42,641	19,772
Bank deposits	5,366,250	10,070,912
Available-for sale financial assets*	395,459,760	391,269,791
Held to maturity investments	6,336,716	6,320,509
TOTAL	**407,205,367**	**407,680,984**

*Available-for-sale financial assets exposed to foreign currency risks includes investment in share of Erste Bank listed in EUR at the Vienna stock exchange and investments in fund units.

The category of available-for-sale financial assets includes shares and fund units in Omnitrend and Active Plus Investment Funds.
As at 31 December 2016 the total assets of Active Plus closed investment fund were represented mainly of traded shares held in the 80.7% and other securities admitted for trading on a market in another Member State 19.2%, and structured products from Merrill Lynch Intl&CO with underlying shares SIF2.
As at 31 December 2016 the assets of Omnitrend closed investment fund were mainly represented by traded shares held in SIF Moldova – 42.7% and shares and bonds traded on a stock exchange market of a non-Member State 51.5% (Transeastern Power Trust).

As at 31 December 2015 the total assets of Active Plus closed investment fund was represented mainly of traded shares held by SIFs 77% and other securities admitted to trading on a market in another Member State 23%, and structured products Merrill Lynch Intl&CO with underlying shares SIF2.
As at 31 December 2015 the assets of Omnitrend closed investment fund were mainly represented by traded shares held in SIF Moldova – 38.4% and shares and bonds traded on a stock exchange market of a non-Member State 59.3% (Transeastern Power Trust).

The net impact on the Company's profit of change of ± 5% in the RON/EUR exchange rate, all other variables remaining constant, is ±RON 17,102,625 (31 December 2015: ± RON 17,122,601).

(b) Credit risk

Credit risk is the risk of financial loss of the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations.

The main concentration to which the Company is exposed arises from the Company’s investments in debt securities. The Company is also exposed to counterparty credit risk on cash and cash equivalents and other financial assets balances.

The maximum amount of credit exposure is represented by the carrying amounts of the financial assets recognized in the statement of financial position. The Company is not exposed to credit risk from off-balance sheet.

Considering the fact that through its activity, the Company has long term exposure in relation to its participation in financial and non-financial entities, management is permanently reviewing the risk the Company is exposed to by maintaining it at prudent and manageable level.

The maximum exposure to credit risk before any credit enhancements at 31 December is the carrying amount of the financial assets as set out below:

31 December 2016	Current accounts	Bank deposits	Bonds issued by financial institutions (Held to maturity)	Government bonds	Other financial assets	Total
Not overdue and not impaired						
BBB+	15,317,091					15,317,091
BBB-	7,697			103,690,723		103,698,420
BB+	5,530					5,530
BB	244,930	700,000	6,336,716			7,281,646
B	21,290	31,868,337				31,889,627
CCC+	4,518					4,518
C	50,945	9,004,000				9,054,945
NR	1,772				15,434,596	15,436,368
TOTAL	**15,653,773**	**41,572,337**	**6,336,716**	**103,690,723**	**15,434,596**	**182,688,145**

31 December 2015	Current accounts	Bank deposits	Corporate bondsn(held to maturity)	Bonds issued by financial institutions (held to maturity)	Other financial assets	Total
Curente și nedepreciate						
Rating AAA până la A-						
BBB+	37.904					37.904
BBB-	12.613					12.613
BB+	7.342					7.342
BB	144.267	6.907.205		6.320.509		13.371.981
B	3.589	37.050.000				37.053.589
CCC+	3.151	9.646.234				9.649.385
C	58.108	93.630.000				93.688.108
NR	2.844	3.000.000	28.177.722		4.195.075	35.375.641
TOTAL	**269.818**	**150.233.439**	**28.177.722**	**6.320.509**	**4.195.075**	**189.196.563**

As at 31 December 2016 and 31 December 2015 the Company did not hold any collaterals as insurance, and any other improvements in the credit rating. As at 31 December 2016 and 31 December 2015 the Company had no records of past due but not impaired financial assets.

Exposure of current accounts and placements with banks (excluding interest accrued)

	Credit rating	31 December 2016	31 December 2015
Veneto Banca	B	31,889,627	37,053,589
BRD - Groupe Société Générale *	BBB+	15,311,757	5,238
Bancpost	C	9,009,113	44,907,554
Banca Transilvania	BB	944,930	7,051,472

Piraeus Bank Romania	C	45,832	48,780,554
Intesa Sanpaolo Romania	BB-	7,697	8,952
Raiffeisen Bank Romania	Ba1	5,530	7,342
Alpha Bank Romania	CCC+	4,518	9,649,385
Banca Comerciala Romana	BBB+	2,930	9,891
UniCredit Tiriac	BBB+	2,404	22,775
Banca Comerciala Feroviara	NR	1,772	3,002,844
ProCredit Bank Romania	BBB-	-	3,661
TOTAL (Nota 16 și 17)		**57,226,110**	**150,503,257**
		0	-0

*Including the amount of RON 15,298,336 in settlement rate, cashed on 03.01.2017
** When the Bank from Romania had no direct rating, the parent company credit rating was used

The cash and cash equivalent and bank deposits are not past due and not impaired. The external credit rating of cash and cash equivalent and bank deposits is presented for each bank above

The corporate bonds are not past due and not impaired. The external credit rating of corporate bonds is BB.

Out of the total other financial assets an amount of 15,038,259 is not overdue and not impaired.
As at 31 December 2016 and 31 December 2015 the Company has impaired receivables (various debtors) amounting to RON 745,724 (31 December 2015: RON 756,114) representing dividends and penalties due from portfolio companies and not collected for the period 1994-2007.

(c) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations arising from short-term financial liabilities that are settled by payment of cash or other financial means, or the risk that such obligations are extinguished in a manner unfavorable to the Company.
The company monitors the evolution of its liquidity levels to be able to meet its payment obligations at due date and constantly analyzes assets and liabilities based on the remaining period to contractual maturities.
The structure of assets and liabilities was analyzed based on the remaining period from the balance sheet date to contractual maturity date, both as at 31 December 2016 and as at 31 December 2015, as follows:

In RON	Carrying amount	Less than 3 months	3 to 12 months	More than 1 year	No fixed maturity
31 December 2016					
Financial assets					
Cash and cash equivalents	**16,372,090**	16,353,775		-	18,314
Bank deposits	**41,253,904**	20,793,049	20,460,855		-
Financial assets at fair value through profit or loss	**309**	-	-	-	309
Available-for-sale financial assets	**2,007,925,978**	-	-	103,690,723	1,904,235,254
Held-to-maturity investments	**6,336,716**	-		6,336,716	-
Other financial assets	**15,434,596**	15,434,596	-	-	-
Total financial assets	**2,087,323,592**	**52,581,420**	**20,460,855**	**110,027,439**	**1,904,253,878**
Financial liabilities					
Dividends payable	**20,204,246**	20,204,246	-	-	-
Other financial liabilities	**4,465,122**	4,465,122		-	-
Total financial liabilities	**24,669,368**	**24,669,368**	**-**	**-**	**-**
Liquidity surplus	**2,062,654,224**	**27,912,052**	**20,460,855**	**110,027,439**	**1,904,253,878**

In RON	Carrying amount	Less than 3 months	3 to 12 months	More than 1 year	No fixed maturity
31 December 2015					
Financial assets					
Cash and cash equivalents	**1,478,015**	1,449,818		-	28,197
Bank deposits	**149,922,496**	19,084,883	130,837,613		-
Financial assets at fair value through profit or loss	**449**	-	-	-	449
Financial assets at fair value through profit or loss	**1,728,617,277**	-	-	-	1,728,617,277
Held-to-maturity investments	**34,498,231**	-		34,498,231	-
Other financial assets	**4,195,075**	4,195,075	-	-	-
Total financial assets	**1,918,711,542**	**24,729,775**	**130,837,613**	**34,498,231**	**1,728,645,923**
Financial liabilities					
Dividends payable	**20,850,807**	20,850,807	-	-	-
Other financial assets	**7,749,815**	7,749,815		-	-
Total financial liabilities	**28,600,622**	**28,600,622**	**-**	**-**	**-**
Liquidity surplus	**1,890,110,920**	**(3,870,847)**	**130,837,613**	**34,498,231**	**1,728,645,923**

4.2 Other risks

By the nature of the business object, the Company is exposed to various types associated to financial instruments and to market on which it invests. The main types of risks the Company is exposed to are:

- taxation risk;
- economic environment risk;
- operational risk.

The risk management takes into account the maximization of the Company profit related to the risk level it is exposed to. The Company uses various management and measurement policies and procedures for the risk types it is exposed to. These policies and procedures are presented at subchapter dedicated to each type of risk.

(a) Taxation risk

Starting with 1 January 2007, following Romania's accession to the European Union, the Company had to comply with the EU regulations and therefore was prepared to implement changes brought by the European legislation. The Company has implemented these changes, but their implementation remains open to tax audit for 5 years.

Interpretation of texts and practical implementation of the procedures of the new applicable tax regulations could vary and there is a risk that in some cases the tax authorities might adopt a position different from that of the Company.

In terms of income tax corresponding to financial year 2015 is a risk of different interpretation by the tax authorities to accounting treatments that were determined by the transition to IFRS as an accounting basis.

In addition, the Romanian Government has a number of agencies authorized to conduct audits (controls) of companies operating in Romania. These controls are similar to tax audits in other countries, and may extend not only to tax matters but to other legal and regulatory issues of interest to these agencies. The Company may be subject to tax audits as new tax regulations are issued.

(b) Economic environment risk

The process of adjusting the amounts depending on the risk that occurred on international financial markets during the recent years has severely affected the performance, including the financial market in Romania, leading to an increased uncertainty about future economic developments.

The effects of the international financial crisis were felt also on the Romanian financial market particularly in the form of: significant increase in total amount of non-performing loans in the domestic banking system, difficult access to finance for both the population and economic entities, banks' orientation rather to financing the authorities, by purchases of government bonds than financing the economic development or consumption, depreciation of the national currency, decline of real estate prices, deterioration of macroeconomic indicators (inflation, budget deficit, current account deficit, decline in direct foreign investment, increase of unemployment etc.)

The management of SIF Banat-Crisana cannot predict all the effects of the financial crisis with an impact on the financial sector in Romania, but it believes that in 2016 it adopted the necessary measures for the Company’s sustainability and development under the present state of the financial market by monitoring its cash flows and adapting its investment policies.

Risk avoidance and mitigation of their effects is ensured by the company through an investment policy which complies with prudential rules imposed by the applicable laws and regulations in force.

SIF Banat-Crisana adopted risk management policies through which risks are managed actively, by implementing specific risk identification, evaluation, measurement and control procedures meant to provide reasonable assurance with respect to the achievement of the Company's objectives, thus seeking a consistent balance between risk and expected profit.

The risk management aims at: (i) identifying and assessing significant risks with major impact in achieving the target investment and developing activities to counter the risk identified; (ii) adapting the risk management policies to the developments in the financial capital market, monitoring performance and improving risk management procedures; (iii) reviewing investment decisions in line with the development of the capital and money market; (iv) compliance with the legislation in force.

Significant solvency difficulties of some countries in the Euro area also continued in 2016, which led to speculation about the long-term sustainability of the Euro area. The deep recession in a number of countries, the large-scale consequences of programs of fiscal austerity and other governmental actions, as well as concerns about the viability of the financial institutions in some countries have led to increased volatility in government securities, which reached alarming levels during the last year.

Most recently, certain measures undertaken by the European Central Bank and the European Commission have yielded positive results in terms of improving market confidence. However, the situation remains fragile.

(c) Operational risk

Operational risk is the risk of direct or indirect loss resulting from deficiencies or weaknesses in procedures, personnel, the Company's internal systems or from external events that can have an impact on its operations. Operational risks arise from all the Company’s activities.
The Company's objective is to manage the operational risk so as to limit financial loss, not damage its reputation and achieve the investment objective of generating returns for investors.
The primary responsibility for implementation and development of control over the operational risk lies with the Board of Directors. This responsibility is supported by the development of general standards of operational risk management, including controls and processes within service providers and service commitments with service providers.

(d) Capital adequacy

The management policy with respect to capital adequacy focuses on maintaining a sound capital base in order to support the ongoing development of the Company and attain the investment objectives.
The Company's equity includes the share capital, different types of reserves and the retained earnings. The equity amounted to RON 1,926,015,891 as at 31 December 2016 (RON 1,788,842,159 as at 31 December 2015).
For the financial investments entities, classified within the closed investment companies category – NON – UCITS, as far as we know, there is no regulation that should impose minimum share capital, therefore we appreciate that the only applicable minimum limit at present is that one regulated by art. 10 of Law no. 31/1990 on the share capital of the joint-stock company.

5. Significant accounting estimates and judgments

The management discusses the development, selection, presentation and application of significant accounting policies and estimates. They are approved in the meetings of the Board of Directors of the Company.
These presentations complement the information on financial risk management (see note 4).

Key sources of estimation uncertainty

Significant accounting judgments in applying the Company's accounting policies include:

Application of Amendments to IFRS 10 Investment Entities

The company analyzed the possibility of applying IFRS 10 and the Amendments to *IFRS 10, IFRS 12 and IAS 27* (*Investment companies*), the criteria set out in Amendments to achieve the conditions to be considered an investment entity. The conclusion of the management is that currently the company does not meet all the requirements of IFRS 10 and the Amendments, such as: *the establishment of an exit strategy* for substantially all investments that may be held for indefinite time and *administration based on the fair value* of holdings in portfolio companies.

Determining the fair value of financial instruments

The fair value of the financial instruments that are not traded on an active market is determined using the measurement techniques described at the accounting policy 3(e)(iii). The fair value of the financial instruments rarely traded and for which there is no price transparency is less objective and is determined using various levels of estimates of the degree of liquidity, of concentration, uncertainty of the market factors, price assumptions and other risks affecting the financial instrument.

The Company uses the following hierarchy of methods to measure fair value:

- Level 1: quoted market price on an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices on active markets for similar instruments; quoted prices for similar instruments on markets considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques largely based on unobservable inputs. This category includes all instruments where the valuation technique includes items that are not based on observable data and the unobservable input parameters could have a significant effect on the instrument's valuation. This category includes mainly equity investments that are valued based on present value of future cash flows of these companies (Discounted cash flow model).

The fair value of financial assets and liabilities that are traded on active markets are based on quoted market prices or on prices quoted by brokers. For all other financial instruments, the Company determines the fair value by using valuation techniques. The valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation techniques. Assumptions and data used in valuation techniques include the risk free interest rates and reference rates, credit gaps and other premiums used in estimating discount rates, yields on bonds and equity, exchange rates, stock market price indices, volatility and expected correlations. The purpose of the valuation techniques is to determine the fair value to reflect the price of financial instruments on the reporting date, the price that would be determined in objective conditions by market participants.

The Company uses valuation models recognized to determine the fair value of simple financial instruments which use only observable market data and require very few estimates and analysis from management (e.g. instruments that are valued based on quoted prices for similar instruments and which do not require adjustments based on unobservable data or estimates in order to reflect the difference between the two instruments). Observable prices and input parameters are usually available on the market for capital instruments. Their availability reduces the need for estimates and analyses from management and the uncertainty associated with determining the fair value. The availability of observable market prices and inputs varies depending on products and markets and is subject to changes arising from specific events and general conditions on the financial markets.

For shares that do not have a quoted market price on an active market, the Company uses valuation models which are usually derived from known models of valuation. Some or all significant input data of these models may not be observable on the market and are derived from market prices or estimated based on assumptions. The valuation models needing unobservable inputs require from management high level analysis and estimates to determine the fair value. The management analysis and estimates are involved, in particular, in the selection of a suitable valuation model, in the establishment of future cash flows of a financial instrument, in determining the probability of default by the counterparty and of advance payments and in selecting the appropriate discount rates.

The fair value of the financial instruments for which there is no active market (Level 2 and 3) was determined by authorized valuators within the Valuation department of the Company, using the strategy set by the management of the issuer and valuation techniques including techniques based on the present net value, the discounted cash flow method, the method of comparisons with similar instruments for which there is an observable market price. Valuation techniques have been used consistently, with no changes in their application.

An analysis of the financial instruments and investment property and land and buildings recognized at fair value according to the valuation method is presented in the table below:

31 December 2016 *In RON*	level 1 **Level 1**	level 2 **Level 2**	level 3 **Level 3**	**Total**
Financial assets ar fair value through profit and loss	309	0	0	309
Available for sale financial assets at fair value-shares	1,253,185,682	3,010,212	558,989,265	1,815,185,159
Available for sale financial assets at fair value-fund units			64,499,756	64,499,756
Available for sale financial assets at fair value-government securities	101,591,097			101,591,097
Held to maturity investments	6,336,716			6,336,716
Investment property			19,466,667	19,466,667
Land and building			2,960,971	2,960,971
	1,361,113,804	**3,010,212**	**645,916,658**	**2,010,040,674**

31 decembrie 2015 *In RON*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets ar fair value through profit and loss	449			449
Available for sale financial assets at fair value-shares	1,166,787,058	2,876,225	484,984,459	1,654,647,742
Available for sale financial assets at fair value-fund units			48,661,429	48,661,429
Held to maturity investments	34,498,231			34,498,231
Investment property			19,288,964	19,288,964

Land and building			3,071,953	3,071,953
	1,201,285,738	**2,876,225**	**556,006,805**	**1,760,168,768**

The table below presents the reconciliation of the opening balance with the closing balance of financial assets available for sale at fair value and Investment property, level 3 of the fair value hierarchy:

	Available-for-sale assets-shares	**Available-for-sale assets-fund units**	**Investment property**
2015			
Balance as at 1 January 2015	**484,860,242**	**48,136,143**	**1,028,912**
Transfers from Property, Plant and Equipment			251,829
(Gain)/Loss recognized in:			
- statement of income	28.780.798		10,440,264
- other comprehensive income	(4,224,448)	525,286	
Acquisitions	5,685,619		7,567,959
Acquisition cost of shares disposed	-30,117,752		
Balance as at 31 December 2015	**484,984,459**	**48,661,429**	**19,288,964**
2016			
Balance as at 1 January 2016	**484,984,459**	**48,661,429**	**19,288,964**
Transfers from cost measured			
(Gain)/Loss recognized in:			
- statement of income		(4,077,417)	177,703
- other comprehensive income	61,332,858	5,915,743	
Impairment loss	(737,936)		
Acquisitions/Inputs	13,409,884	14,000,000	
Acquisition cost of shares disposed	0		
Balance as at 31 December 2016	**558,989,265**	**64,499,755**	**19,466,667**

Although the Company considers its fair value estimates as appropriate, the use of other methods or assumptions could result in different amounts of the fair value. For fair values recognized from the use of a significant number of unobservable inputs (Level 3), changing one or more assumptions in order to make possible alternative assumptions would impact the comprehensive income.

The company has conducted a sensitivity analysis for the amount resulting from the valuation of financial assets available for sale – shares, estimating the risk of variations on the main valuation factors. The company used two valuation techniques, namely:

- Valuation based on discounted net cash flow (level 3 equity investments) - thus both EBITDA amounts and the weighted average cost of capital values were changed by +/-5% (2015: +/-5%), considered as limit risk, obtaining values per share and implicitly values of the Company's equity with a deviation from the standard value. These deviations from the standard value affect the statement of profit or loss and the other comprehensive income (net of tax).

Sensitivity analysis for level 3 equity investments using the Discounted Cash Flow model

2016

Change in variable global items	**Impact on statement of income**	**Impact on other comprehensive income**
Increase in EBITDA by 5%	252,275	32,079,976
Decrease in EBITDA by 5%	-257,126	-32,136,753
Increase in WACC by 5%	368,709	20,144,826
Decrease in WACC by 5%	-334,749	-20,415,690

2015

Change in variable global items	**Impact on statement of income**	**Impact on other comprehensive income**
Increase in EBITDA by 5%	316,707	20,115,000
Decrease in EBITDA by 5%	-316,707	-20,103,483
Increase in WACC by 5%	501,593	17,499,741
Decrease in WACC by 5%	-429,547	-17,261,098

A sensitivity analysis was conducted for the amount resulting from the valuation of available-for-sale financial assets – fund units. These funds invest in highly liquid shares and bonds. As such, the sensitivity analysis was considering a +/- 10% variation of equity instruments market prices influence other comprehensive income (net of tax) by RON +/- 5,417,919 as at 31 December 2016 (31 December 2015: RON +/- 4,087,560).

A sensitivity analysis was conducted for the amount resulting from the valuation of Investment property, estimating the risk of variations on the main influencing factors. Two valuation techniques were used, namely:
- Assessment based on discounted net cash flow – thus, the revenue values to be obtained from these investment properties have been modified +/-5%. These deviations from the standard value affect profit or loss (net of tax).
- Assessment based on market value - thus market price values expected to be obtained from these investment properties have been modified +/-5%. These deviations from the standard value affect profit or loss (net of tax).

2016

Change in variable global items	**Impact on statement of income**
Increase in revenue by 5%	426,847
Decrease in revenue by 5%	-426,847
Market value increase by 5%	482,461
Market Value Decrease by 5%	-482,461

2015

Change in variable global items	**Impact on statement of income**

Increase in revenue by 5%	333,554
Decrease in revenue by 5%	-333,554
Market value increase by 5%	498,107
Market Value Decrease by 5%	-498,107

Management believes that the presentation as above is useful for determining lines of action useful in managing risk.

Classification of financial assets and liabilities

The Company's accounting policies provide the basis for assets and liabilities to be classified at baseline in various accounting categories. For the classification of assets and liabilities at fair value through profit and loss, the Company has determined that one or more criteria set out at note 3(e)(i) have been met.

For classification of financial assets as held-to-maturity, the Company determined that both the positive intent and ability to hold the asset to maturity, required by Note 3 (e) (i) have been met.

Details of the classification of the Company's financial assets and liabilities are presented at Note 6.

Notes to the separate financial statements

for the financial year ended as at 31 December 2016

6. Financial assets and liabilities

Accounting classifications and fair values

The table below summarizes the carrying amounts and fair values of the Company's financial assets and liabilities as at 31 December 2016:

IN RON	**Trading assets**	**Available for sale securities**	**Loans and receivables**	**Held to maturity investments**	**Financial liabilities at amortised cost**	**Total carrying amount**	**Fair value**
Cash and cash equivalent (note 16)	**-**	**-**	**16,372,090**	**-**	**-**	**16,372,090**	**16,372,090**
Cash at hand			18,314			18,314	18,314
Cash in current accounts			15,653,776			15,653,776	15,653,776
Short term deposits			700,000			700,000	700,000
Long term bank deposits (note 17)			**41,253,904**			**41,253,904**	**41,253,904**
Financial assets at fair value through profit and loss	**309**	-	-			**309**	**309**
Available for sale financial assets (note 18)	**-**	**2,007,925,978**	**-**	**-**	**-**	**2,007,925,978**	**2,007,925,978**
Shares		1,839,735,500				1,839,735,500	1,839,735,500
Bonds		103,690,723				103,690,723	103,690,723
Unit funds		64,499,755				64,499,755	64,499,755
Held to maturity investments (note 19)	-	-		**6,336,716**		**6,336,716**	**7,088,934**
Bonds issued by financial institutions				6,336,716		6,336,716	7,088,934
Other financial assets (note 22)	-	-	**15,434,596**			**15,434,596**	**15,434,596**
Total financial assets	**309**	**2,007,925,978**	**73,060,590**	**6,336,716**	**-**	**2,087,323,593**	**2,088,075,811**

Dividends payable	-	-			-20,204,246	- 20,204,246	- 20,204,246
Other financial liabilities	-	-			-4,465,122	- 4,465,122	- 4,465,122
Total financial liabilities	**-**	**-**			**- 24,669,368**	**- 24,669,368**	**- 24,669,368**

To estimate the fair value of financial assets and liabilities measured at amortized cost, the Company used the following estimates and significant judgments:

- For cash and cash equivalents items, other financial assets and liabilities that are issued or held short term and that generally do not bear interest or bear fixed interest rates, the Company approximated fair value with their cost;

Accounting classifications and fair values

The table below summarizes the carrying amounts and fair values of the Company's financial assets and liabilities as at 31 December 2015:

IN RON	**Trading assets**	**Available for sale securities**	**Loans and receivables**	**Held to maturity investments**	**Financial liabilities at amortised cost**	**Total carrying amount**	**Fair value**
Cash and cash equivalent (note 16)			**1,478,015**			**1,478,015**	**1,478,015**
Cash at hand	-	-	28,197			28,197	28,197
Cash in current accounts			269,818			269,818	269,818
Short term deposits			1,180,000			1,180,000	1,180,000
Long term bank deposits (note 17)			**149,922,496**			**149,922,496**	**149,922,496**
Financial assets at fair value through profit and loss	**449**	**-**	**-**			**449**	**449**
Available for sale financial assets (note 18)		**1,728,617,277**	**-**	**-**	**-**	**1,728,617,277**	**1,728,617,277**
Shares		1,679,955,848				1,679,955,848	1,679,955,848
Bonds		0				-	-
Unit funds		48,661,429				48,661,429	48,661,429
Held to maturity investments (note 19)	**-**	**-**		**34,498,231**	**-**	**34,498,231**	**38,083,744**

Corporate bonds				28,177,722		28,177,722	31,763,235
Bonds issued by financial institutions				6,320,509		6,320,509	6,320,509
Other financial assets (note 22)	-	-	**4,195,075**			**4,195,075**	4,195,075
Total financial assets	**449**	**1,728,617,277**	**155,595,585**	**34,498,231**	**-**	**1,918,711,542**	**1,922,297,055**
Dividends payable	-	-			-20,850,807	- 20,850,807	- 20,850,807
Other financial liabilities	-	-			-7,749,815	- 7,749,815	- 7,749,815
Total financial liabilities	**-**	**-**			**- 28,600,622**	**- 28,600,622**	**- 28,600,622**

7. Dividend income

Dividend income is recorded at gross value. Tax rates on dividends for the financial year ended as at 31 December 2016 from resident and non-resident companies were 5% and nil (2015: 16% and nil). Details of dividend income from the most significant counterparties are presented in the table below:

In RON	**2016**	**2015**
Banca Transilvania	53,244,339	0
Vrancart	10,325,547	1,936,040
Erste Group Bank AG	5,896,618	1,963,806
SAI Muntenia Invest SA	5,526,049	10,930,636
BRD	4,356,959	0
SNGN Romgaz SA	4,243,501	1,842,750
Biofarm	3,478,037	3,256,572
SIF Moldova	2,317,497	2,605,896
Gaz Vest	2,100,782	1,568,976
SIF Muntenia	1,805,558	2,868,830
SIF Oltenia	1,508,390	1,392,360
IAMU Blaj	1,210,982	1,020,081
SNTGN Transgaz	1,210,560	791,384
Silvana	721,886	721,886
Conpet Ploiesti	631,988	444,106
Electrica SA	479,450	0
Mobex Targu Mures	446,724	0
Iproeb	344,540	-
Antibiotice Iasi	294,489	332,314
Hercules	137,275	127,620
Urbana Bistrita	132,080	
Spumotim	124,260	742,015
Eximbank	121,902	0
Comelf	121,191	231,562
Reva Simeria		163,014
SNP Petrom		401,696
Rompetrol Well Services		110,838
Fondul Proprietatea		111,500
Others	843,733	508,221
Total	**101,624,336**	**34,072,103**

8. Interest income

In RON	**2016**	**2015**
Interest income on deposits and current accounts	1,589,377	3,460,005
Interest income on held-to-maturity investments	1,853,455	3,001,136
Interest income on available-for-sale assets – government securities	1,871,890	-
	5,314,722	**6,461,141**

9. Gains on investment property

During year 2015 the gains on investment property was included within other operational income. For a better presentation of information, in 2016, these gains are presented separately.

In RON	**2016**	**2015**
Gains on investment property	177,703	10,515,917
	177,703	**10,515,917**

10. Net profit on sale of assets

Net profit was entirely due to transactions with available-for-sale financial assets.

In RON	**2016**	**2015**
Acquisition cost of available-for-sale financial assets sold	-1,594,351	-54,261,617
Proceeds from sale of financial assets	3,784,252	73,290,865
Other income on disposal of available for sale financial assets	-	36,273,544
Net profit from sale of financial assets	**2,189,901**	**55,302,792**

(*)In 2015 both the Other income on disposal and the acquisition cost of available for sale financial assets sold included The amount by which the share capital of SIF Hoteluri SA (RON 28.8 million) was increased as a result of the merger by absorption of five hotel companies (Beta Transport SA Cluj, Hotel Meseșul SA Zalău, Rusca SA Hunedoara, Trans Euro Hotel SA Baia Mare, Valy Tim SA Timișoara). The acquisition cost of hotels uptake was represented by their fair value at the merger date. The transaction affected both costs and income, net effect being 0.

In 2015 the other income on disposal included also
- The value of building and land obtained as a result of withdrawal from Hidrotim SA Timișoara (RON 6.8 million);
- The value of land acquired following the share withdrawal from Azuga SA (RON 0.7 million).

In 2015 the acquisition cost of available for sale financial assets sold included the accounting value of sold shares in 2015, BRD and Erste, reduced by the fair value reserve for these assets In amount of 41 million RON, recycled in the income statement upon sale.

Notes to the separate financial statements

for the financial year ended as at 31 December 2016

11. Impairment of available-for-sale financial assets

In RON	**2016**	**2015**
Impairment of available-for-sale financial assets	-(1,411,733)	-2,320,687
Permanent impairment recycled from Other comprehensive income in respect of closed investment funds	(4,077,417)	-
	-5,489,150	**-2,320,687**

12. Other (expenses)/reversals from adjustments for the impairment of other assets and provisions

During year 2015 other expenses /reversals from adjustments for the impairment of other assets and provisions were presented cumulated with the adjustment expenses for the impairment of available-for-sale financial assets and were presented separately from expenses.
During year 2016 for a better understanding of the data, these expenses were presented in detail.

In RON	**2016**	**2015**
Provisions expenses for litigations	-469,374	
Adjustment reversals for the impairment of receivables	10,390	469,374
	-458,984	**469,374**

13. Fees expenses

In RON	**2016**	**2015**
FSA fees	1,741,294	1,690,507
Depository fees	365,879	357,447
Fees payable to financial institutions	4,152	247,169
Registry fees	144,000	148,800
Total	**2,255,325**	**2,443,923**

14. Other operating expenses

In RON	**2016**	**2015**
Expenses with other taxes, fees and related payments	200,060	166,543
Expenses with salaries and other personnel expenses	12,865,662	10,404,994
Depreciation expenses	237,540	255,359
Expenses with external services	3,613,538	2,513,899
Total	**16,916,799**	**13,340,795**

Expenses with salaries and similar expenses

	2016	2015
Expenses with salaries *	10,943,131	8,682,015
Expenses with insurance and social security	1,767,925	1,540,522
Other staff expenses	154,606	182,457
TOTAL	12,865,662	10,404,994

* The amount includes the premiums granted for the achievement of the employee's and directors'/manager's goals, according to the BVC provisions, that is the limits of directors' supplementary remunerations and general limits of the managers' remunerations approved by the Shareholders General Meeting

	2016	2015
Employees with high education	31	34
Employees with secondary education	3	3
Employees with general studies	4	4
TOTAL	38	41

The average number of employees for the financial year ended as at 31 December 2016 was 39 (2015: 45).

The fee paid to the auditors during the year 2016 for the audit of the separate financial statements amounted to RON 249,219 (2015:

15. Income tax

In RON	**2016**	**2015**
Current income tax		
Current income tax (16%)	0	5,402,589
Tax on dividends (0%, 5%)	3,570,410	1,998,113
Tax exemption for transactions with ownerships greater than 10%		465,434
Deferred tax expenses / (income)		
Available-for-sale financial assets	-635,906	1,878,158
Financial assets at fair value through profit or loss	-22	1,557,868
Investment Property	4,296	1,717,760
Total income tax recognized in profit or loss	**2,938,777**	**13,019,922**

Reconciliation of profit before tax with income tax expense in the statement of income:

In RON	2016	2015
Profit before tax	**84,301,479**	**88,344,491**
Tax under statutory tax rate of 16% (2015: 16%)	13,488,237	14,135,119
Income tax effect of:		
Tax on dividend (0%, 5%)	3,570,410	1,998,113
Nondeductible expenses and similar items	20,076,687	12,301,868
Nontaxable income	-34,196,556	-15,051,619
Amounts of sponsorship within legal limits and other deductions		-363,560
Income tax	**2,938,777**	**13,019,922**

The non deductible expenses on which the income tax effect was calculated include mainly the cost corresponding to shares withdrawn from portfolio (sale or liquidation) in which the holding was higher than 10% and during a term higher than one year.

The nontaxable income includes mainly the dividends income corresponding from the Romanian legal entities and income from adjustment reversal for losses of value corresponding to non-current financial assets.

(*) Starting with 1 January 2014, the amendments to the Tax Code become effective, according to which revenues from the sale/transfer of equity securities and liquidation proceeds are also included under non-taxable income when calculating income tax, along with dividend income, regardless whether the legal entities in which equity securities are held are Romanian or foreign, from countries with which Romania has concluded double taxation treaties (including countries outside the EU). This income is nontaxable if certain conditions are met (if at the date of sale/transfer of equity securities or at the date of commencement of liquidation procedures the minimum 1-year period of uninterrupted holding of minimum 10% of the shares is reached). Given that the economic benefits associated with the available-for-sale financial assets that meet the conditions stipulated in the Tax Code are not taxable, according to IAS 12, the tax basis of these assets is equal to the accounting basis and therefore deferred tax receivables previously recognized for temporary differences arising from adjustments for impairment were reversed or expensed.

During prior years, following the acquisition of ERSTE shares through exchange of BCR shares, under the IFRS accounting system, the gain was recorded in retained earnings and deferred tax has been recorded for the transaction.
The current income tax includes the deferred income tax rate related to the sales of ERSTE shares during 2015. The Company calculates income tax resulting from the transaction with Erste shares as the difference between the selling price and the tax base of the shares. In the absence of specific tax regulations, income tax is calculated both as the difference between the selling price and the IFRS cost of the shares and recorded as income tax expense, and the difference between the IFRS cost of the share and the fiscal base of the ERSTE shares by adjusting the tax calculated through deferred tax.

16. Cash and cash equivalents

In RON	31 December 2016	31 December 2015	01 December 2015
Cash in hand	18,314	28,197	28,975
Current accounts in banks	15,653,776*	269,818	536,168
Deposits at banks with original maturity less than 3 months	700,000	1,180,000	36,500,000
Total	**16,372,090**	**1,478,015**	**37,065,143**

*It includes the anticipated redemption amount of the bonds issued by Industrial Energy (Romenergo), amount paid by Industrial Energy on 30 December 2016 and cashed by the Company on 3 January 2017.

The current account opened with banks and bank deposits are permanently available to the Company and are not restricted.

Cash and cash equivalent are neither past due nor impaired. The credit rating of the financial institution where the cash is held is presented in note 4.1 b).

17. Bank deposits

Corection of prior year error - In the financial statements issued for the financial year 2015 the full amount of the bank deposits presented below were erroneously presented together with cash and cash equivalents, with their breakdown depending on the deposits maturity within the note. In the financial year 2016, two different notes have been issued for a better presentation.

In RON	31 December 2016	31 December 2015	01 December 2015
Deposits at banks with initial maturity more than 3 months	41,253,903	149,922,495	595
Total	**41,253,903**	**149,922,495**	**56,762,595**

Bank deposits are neither past due nor impaired. The credit rating of the financial institution where the cash is held is presented in note 4.1 b).

18. Available-for-sale financial assets

In RON	31 December 2016	31 December 2015
Shares measured at fair value	1,815,185,159	1,654,647,742
Shares measured at cost_____	24,550,341	25,308,106
Fund units measured at fair value	64,499,756	48,661,429
Government securities	103,690,723	0
Total	**2,007,925,978**	**1,728,617,277**

Government securities are measured based on the market quotation available on Bloomberg for the respective item, multiplied by the unit nominal value.

Shares were measured at fair value by multiplying the number of shares held on the balance sheet date with the closing price from the last trading day of the reporting period or the price determined by other measurement methods, respectively the evaluation made by valuators (see Note 5). As at 31 December 2016, the category of shares measured at fair value includes mainly the value of shares held in Banca Transilvania, Erste Group Bank AG, SIF Imobiliare PLC, BRD - Groupe Societe Generale S.A (31 December 2015: Erste Group Bank AG, Banca Transilvania, SIF Imobiliare PLC, BRD - Groupe Societe Generale S.A).

The shares measured at cost represent the shares held in some listed companies, (eg. (Petrocart, Mobex) for which there is no active market, and their fair value cannot be established reliably.
An eventual measurement of shares measured at cost triggers the risk that the respective measurements are not reliable, because of: (i) the lack of information related to the companies and their business in their entirety, considering the Company's minority position; (ii) the companies are not liquid, there is no potential buyer, interest has not been shown either for them or for the quota held by the Company; (iii) situation in which the probability of various estimates cannot be evaluated reliably.

The fund units include holding in the Active Plus closed investment fund amounting to RON 56.6 mil and in Omnitrend closed investment fund amounting to RON 7,4 mil (net)

The impairment established as at 31 December 2016 for the fund units held in Omnitrend closed investment fund amounting to RON 4,077,417 were booked in the income statement (31 December 2015: RON 4,682,261 were recognized in other comprehensive income).

The movement of the available-for-sale financial assets during the financial year ended as at 31 December 2016 is presented in the table below:

In RON	Shares measured at fair value	Shares measured at cost	Fund units measured at fair value	Government bonds at fair value	Total
1 January 2016	**1,654,647,742**	**25,308,106**	**48,661,429**	**0**	**1,728,617,277**
Acquisitions 2016	24,762,258	0	14,000,000	100,989,762	139,752,020
Sales 2016	-1,309,036	-501,650	0		-1,810,686
Impairment losses	-1,155,618	-256,115	-4,077,417		-5,489,150
Change in fair value	138,239,813	0	5,915,742	2,700,961	118,517,639
31 December 2016	**1,815,185,159**	**24,550,341**	**64,499,754**	**103,690,723**	**2,007,925,978**

The movement of the available for sale financial assets during the financial year ended as at 31 December 2015 is shown below:

In RON	Shares measured fair value	Shares measured at cost	Fund units measured at fair value	Total
1 January 2015	**1,271,937,266**	**34,529,153**	**48,136,143**	**1,354,602,562**
Reclassification from assets measured through profit and loss	113,276,063			113,276,063
Reclassification 2015	5,446,736	-5,446,736	0	0
Acquisitions 2015	36,895,424	0		36,895,424
Sales 2015	-57,381,169	-1,829,980	0	-59,211,149
Impairment losses	-376,355	-1,944,331		-2,320,686
Change in fair value	284,849,778	0	525,285	285,375,063
31 December 2015	**1,654,647,742**	**25,308,106**	**48,661,429**	**1,728,617,277**

During 2015, as a result of a detailed analysis regarding the strategy of keeping or selling some investments, some investments were reclassified from fair value through profit and loss category to Avialable for sale category. This one-time change regarded investments considered as being strategic - these were either in energy maket related entities or financial institutions.

The accounting value of these reclassified investments was 120,945,958 RON, the fair value at the moment of reclassification being 113,276,063 RON. The impairment of 7,669,859 RON was recognised in the income statement. As of 31 December 2015 the fair value of these titels was 110,438,671, lower with 2.837.392 RON than in the moment of reclassification, these amounts being booked in other comprehensive income.

As of 31 December 2016, the fair value of these investments is 104,918,126 lei, the decrease in value of 5,520,545 RON was booked in other comprehensive income.
Cumulated other comprehensive income effect since reclassification in 2015 is 8,356,937 RON.

Acquisitions of shares in 2016, amounting to RON 24,762,258 mainly include the following:
- Acquisitions of shares traded on the stock market amounting to RON 11.4 mil (Romgaz RON 3.3 mil, Biofarm SA RON 3.1 mil., Electrica RON 2.9 mil, Transgaz RON 2 mil., etc);
- participation in the increase of the share capital of SIF Imobiliare PLC with the amount of RON 13.4 mil.

Disposals of total shares amounting to RON 1,810,686 (Albalact RON 1.1 mil, Fondul Proprietatea RON 0.2 mil, etc).

During 2016 fund units amounting to RON 14 mil were acquired in the Active Plus closed investment fund.

Acquisitions of available-for-sale financial assets during 2015 mainly include purchases of on the stock exchange market amounting to RON 31.2 mil (Romgaz RON 24.3 mil, Electrica RON 4.7 mil, Conpet SA RON 1.2 mil., Biofarm RON SA 1.0 mil., etc) and direct purchase of shares amounting to RON 5.7 mil (SAI Muntenia Invest, the management company of SIF Muntenia).

Disposals of shares amounting to RON 59.2 mil. of sales of shares (BRD RON 28.0 mil, Erste Group Bank RON 27.3 mil, Transelectrica RON 0.6 mil, etc.) and withdrawals from companies (Azuga SA RON 1.3 mil, Hidrotim SA RON 1.3 mil).

The administrator of the Active Plus Fund is SAI Swiss Capital with registered office in București, Bd. Dacia nr. 20, etaj 4,. Sector 1 registered with the Trade Register of Bucharest under no. J40/10183/1998, tax identification number 11070990, authorized by the National Securities Commission according to Decision no. D4551/28.10.1998, registered with the register of the National Securities Commission under no. PJR05SAIR/400015 dated 14/12/2004, phone 021.408.42.25, fax 021.408.42.22.
The depository of Active Plus Fund is UniCredit Țiriac Bank S.A., Romanian legal entity with registered office in București, Str. Ghețarilor nr. 23-25, sector1, RO-014106, România, registered with the Trade Register of Bucharest under no. J40/7706/1991, tax identification number RO361536, holder of NBR authorization, series B No.000007/01.07.1994, registered with the register of the National Securities Commission under no. PJR10DEPR/400011.

The Administrator of Omnitrend is SAI SIRA with registered office in București, Strada Finlanda nr. 25, etaj 2, Sector 1 registered at the Trade Register of Bucharest under no. J40/914/1996, tax identification number 8106253, authorized by the National Securities Commission according to Decision no. 256/19.01.2004, registered with the register of the National Securities Commission under no. PJR05SAIR/400008, phone 021.230.00.78, fax 021.230.45.50.

The depository of Omnitrend Fund is Banca Comercială Română S.A., Romanian legal entity, with registered office in București, B-dul Regina Elisabeta nr. 5, sector 3, registered at the Trade Register of Bucharest under no. J40/90/23.01.1991, tax identification number 361757, registered with the register of the National Securities Commission under no. PJR10/DEPR/400010 dated 04.05.2006.

Reserve of fair value corresponding to available-for-sale financial assets

In LEI	**2016**	**2015**
As at 1 January	**845,743,951**	**630,375,419**
Gains from the measurement at fair value of the available-for-sale financial assets	140,679,472	292,758,381
(Gains) transferred to the statement of income corresponding to available-for-sale financial assets withdrawn from portfolio	-216,335	-41,198,683
Effect of impairment of available-for-sale financial assets transferred to the statement of income	4,077,417	
Effect of the corresponding deferred income tax	-7,321,445	-36,191,166
As at 31 December	**982,963,061**	**845,743,951**

Government bonds are fully performing and not overdue as at 31/12/2016. These are not impaired.

19. Held-to-maturity investments

In RON	**31 December 2016**	**31 December 2015**
Bonds (ii)	6,336,716	34,498,231
Total	**6,336,716**	**34,498,231**

Outstanding bonds as at 31 December 2016 include corporate bonds issued by Banca Transilvania in EURO, amounting to RON 6,160,454 acquired in May 2013, convertible in shares of Banca Transilvania, with due date in May 2020, with an annual variable interest rate based on EURIBOR $_{6months}$ + a margin established at 6.25%;

As at 31 December 2015 there were bonds issued by Romenergo SA Bucharest company, at present Industrial Energy, amounting to RON 26.95 mil, acquired in June 2013, with a due date in June 2017 and the interest rate of 8% p.a., bonds that were repurchased during year 2016.

Held to maturity investments are fully performing and not overdue as at 31/12/2016. These are not impaired. These investments are without an external credit rating

20. Investment property

	31 December 2016	31 December 2015
Balance as at 1 January	**19,288,964**	**1,028,912**
Entries		7,567,959
Transfer from Property, Plant and Equipment		251,829
Changes in fair value	177,703	10,440,264
Balance as at 31 December	**19,466,667**	**19,288,964**

The change in fair value as at 31 December 2016 is favorable and resulted following the assessment of the Investment property.

As at 31 December 2015 the entries in Investment property include the value of the building and land acquired following the withdrawal from Hidrotim SA Timișoara company amounting to RON 6,901,576 and the value of the land acquired following the withdrawal of the contribution from Azuga SA company amounting to RON 666,383.

As at 31 December 2015 the value of the building held in Cluj was transferred from Property, Plant and Equipment following the closing of the activity of the branch office in Cluj.

Changes in fair value are mainly the results of the valuation made as at 31 December 2015 for the land in Bușteni, acquired from Azuga SA company. The amount resulting from evaluation was recognized in other operating income.
The valuation was carried out by internal valuators certified by the National Association of Romanian Certified Valuators (ANEVAR), with experience in such evaluations.

21. Property, Plant and Equipment

In RON	**Lands and buildings**	**Technical installations and transport means**	**Other plants, equipment and furniture**	**Total**
Cost				
As at 1 January 2016	3,484,852	1,956,786	464,519	**5,906,157**
Reevaluation	155,129			**155,129**
Acquisitions	0	23,912	23,297	**47,209**
Sales	179,746	-261,976	-52,910	**-135,140**
As at 31 December 2016	**3,819,727**	**1,718,722**	**434,906**	**5,973,355**
Accumulated depreciation and impairment losses				
As at 1 January 2016	412,899	1,778,354	384,430	**2,575,683**
Depreciation related reevaluation	122,364			**122,364**
Depreciation expenses	110,982	97,572	17,966	**226,520**
Sales	179,746	-261,976	-52,910	**-135,140**
As at 31 December 2016	**825,991**	**1,613,950**	**349,486**	**2,789,427**
Net carrying amount				
As at 1 January 2016	**3,071,953**	**178,432**	**80,089**	**3,330,474**
As at 31 December 2016	**2,993,736**	**104,772**	**85,420**	**3,183,928**

In RON	**Lands and buildings**	**Technical Installations and transport means**	**Other plants, equipment and furniture**	**Total**
Cost				
As at 1 January 2015	3,868,075	1,898,582	441,181	**6,207,838**
Reevaluation	110,065			**110,065**
Acquisitions	0	88,101	37,428	**125,529**
Sales	-493,288	-29,897	-14,090	**-537,275**
As at 31 December 2015	**3,484,852**	**1,956,786**	**464,519**	**5,906,157**
Accumulated depreciation and impairment losses				
As at 1 January 2015	538,510	1,720,832	385,601	**2,644,943**
Reevaluation depreciation	45,035			**45,035**
Depreciation expenses	70,812	87,419	12,920	**171,151**
Sales	-241,458	-29,897	-14,091	**-285,446**
As at 31 December 2015	**412,899**	**1,778,354**	**384,430**	**2,575,683**
Net carrying amount				
As at 1 January 2015	**3,329,565**	**177,750**	**55,580**	**3,562,895**
As at 31 December 2015	**3,071,953**	**178,432**	**80,089**	**3,330,474**

22. Other financial assets

The financial statements issued for year 2015, the statement of financial position, presented Other assets on one row. The current financial statements detail the total of Other assets on two rows, that is Financial assets and Other assets.

In RON	**31 December 2016**	**31 December 2015**	**01 December 2015**
Various debtors	15,783,982	4,920,020	1,268,495
Current income tax receivables	355,009	0	2,124,418
Other financial assets	41,328	31,169	5,293
Provisions for impairment of various debtors	-745,724	-756,114	-1,238,093
Total	**15,434,596**	**4,195,075**	**2,160,113**

The provisions for impairment of various debtors and for dividends receivables can be analyzed as follows:

In RON	**31 December 2016**	**31 December 2015**	**01 December 2015**
As at 1 January	**756,114**	**1,238,093**	**778,667**
Provision reversal	-10,390	-481,979	-9,948
Establishment of provisions	-	-	469,374
As at 31 December	**745,724**	**756,114**	**1,238,093**

As at 31 December 2016 the provisions reversal was mainly realized following the emphasis of some outstanding dividends, as a result of the cancellation of the respective companies.

As at 31 December 2015 the provisions reversal was mainly realized following the receipt of outstanding dividends.

The other financial assets are represented mainly by various advances paid for investments acquisitions and dividends receivable. These are with counterparties with no external credit rating.

As of 31 December 2016, other debtors (including dividends receivable) amounting to 745,724 RON (2015: 756,424 RON) were overdue with more than 365 days and were fully impaired.
The financial assets which are not overdue and not impaired does not have an external credit rating.

23. Dividends payable

In RON	**31 December 2016**	**31 December 2015**
Dividends payable 2014	20,204,246	20,850,807
Total Dividends payable	**20,204,246**	**20,850,807**

The dividend/share for year 2014 was 0,1 RON/share.
According to the decision of the GMS, dividends not collected for three years and for which the right to require payment expired, are recorded in the retained earnings.

24. Deferred tax liabilities

Deferred tax assets and liabilities as at 31 December 2016 are generated by the elements detailed in the following table:

In RON	**Assets**	**Liabilities**	**Net**
Financial assets at fair value through profit or loss	-309	-	-309
Available-for-sale financial assets	-	805,597,010	-805,597,010
Property, Plant and Equipment and Investment property	-	11,930,808	-11,930,808
Total	**-309**	**817,527,818**	**-817,527,818**
Tax corresponding to loss carried forward			-
Net temporary differences - 16%			-817,527,818

Deferred tax liabilities	**-130,804,499**

Deferred tax assets and liabilities as at 31 December 2015 are generated by the elements detailed in the following table:

In RON	**Assets**	**Liabilities**	**Net**
Financial assets at fair value through profit or loss	-499	-	-449
Available-for-sale financial assets	-	763,812,396	-763,812,396
Property, plant and equipment and Investment Property	-	11,903,958	-11,903,958
Total	**-499**	**775,716,354**	**-775,716,803**
Tax corresponding to loss carried forward		-	
Net temporary differences - 16%			-775,716,803
Deferred tax liabilities			**-124,114,688**

Deferred income tax liabilities in balance as at 31 December 2016 amounting to RON 130,695,815 (2015: RON 124,114,688) include:
- Deferred income tax recognized directly in other comprehensive income by reducing other comprehensive income amounting to RON 109,158,878 (2015: RON 101,946,117), being generated entirely by reserves for financial assets available for sale at fair value,
- Deferred tax corresponding mainly to the differences between the financial assets hyperinflation and adjustments for depreciation, out of which an amount of RON 631,632 recognized in the retained earnings (favorable) and the amount of RON 7,321,444 recognized in result carried-forward.

The movement table in respect of deferred tax liabilities is as follows:

IN RON	**01 January 2016**	**Charged/ (credited) to profit or loss**	**Charged / (credited) directly to other comprehensive income**	**31 December 2016**
Financial assets at fair value through profit and loss	72	-22	0	49
Available for sale financial assets	122,209,983	-635,906	7,321,444	128,895,522
Property, plant and equipment and investment property	1,904,633	4,296	0	1,908,929
	124,114,689	-631,633	7,321,444	130,804,500

IN RON	**01/01/2015**	**Charged/ (credited) to profit or loss**	**Charged / (credited) directly to other comprehensive income**	**31/12/2015**
Financial assets at fair value through profit and loss	-2,368,009	1,878,158	489,922	72
Available for sale financial assets	84,950,872	1,557,868	35,701,243	122,209,983
Property, plant and equipment and investment property	186,874	1,717,759	0	1,904,633
	82,769,738	**5,153,785**	**36,191,165**	**124,114,689**

25. Other financial liabilities

In RON	**31 December 2016**	**31 December 2015**
Liabilities to employees and corresponding contributions	2,139,210	2,780,949
Taxes and fees	11,459	4,832,005
Domestic suppliers	456,630	136,861
Payments to make	1,857,823	
Total	**4,465,122**	**7,749,815**

26. Capital and reserves

(a) Share capital

The share capital according to the Articles of Incorporation of SIF Banat Crişana amounts to RON 54,884,926.80 and is divided into 548,849,268 shares with nominal value of RON 0.1 and is the result of direct subscriptions to the share capital of SIF by converting into shares the amounts due as dividends under law no. 55/1995 and law no. 133/1996. As at 31 December 2016, the number of shareholders was 5,767,382 (31 December 2015: 5,774,815).
Shares issued by SIF Banat Crisana are traded on the Bucharest Stock Exchange since November 1999. The records of shares and shareholders is kept by Depozitarul Central S.A. Bucharest.
All shares are ordinary shares, were subscribed and fully paid as at 31 December 2016 and as at 31 December 2015. All shares have equal voting rights and a nominal value of RON 0.1/share. The number of shares authorized to be issued is equal to the shares issued.

Reconciliation of the share capital in accordance with IFRS with the share capital in accordance with the statutory share capital is shown below:

In RON	**31 December 2016**	**31 December 2015**
Statutory share capital	54,884,927	54,884,927
The effect of applying IAS 29 on share capital	684,298,992	684,298,992
Restated share capital	**739,183,919**	**739,183,919**

Following the approval by the General Meeting of Shareholders in April 2016, a number of 30,849,268 shares was redeemed in August 2016 (with a number of 28,849,268 shares the share capital will be reduced, and 2,000,000 shares will be distributed to employees, directors and managers). The total redemption value of the shares amounted to RON 52,443,756.

(b) Reserves set up following the application of Law no. 133/1996

The reserve for the initial portfolio was set up after the application of Law no. 133/1996, as the difference between the portfolio value and the subscribed capital contribution to SIF. These reserves are treated as a contribution share premium and are not used when selling the financial assets. The reconciliation of the reserve related to the initial portfolio according to IFRS with the reserve according to the accounting regulations applicable up to the date of application ASF Norm no. 39/2015 is shown in the following table:

In RON	**31 December 2016**	**31 December 2015**
Reserves from the application of Law no. 133/1996	145,486,088	145,486,088
The effect of applying IAS 29 on reserves set up following the application of Law no. 133/1996	1,960,189,603	1,960,189,603
Reserves from the application of Law no. 133/1996	**2,105,675,691**	**2,105,675,691**

Hyperinflation effect on the share capital amounting to RON 684,298,992 and on the reserve established following the application of Law no. 133/1996 amounting to 1,960,189,603 was recorded by reducing the retained earnings, resulting in an accumulated loss related to applying IAS 29 on the capital items in the amount of RON 2,644,488,595 at the end of each period presented.

(c) Reserves from revaluation of available for sale financial assets

This reserve includes cumulative net changes in the fair values of available-for-sale financial assets from the date of their classification within this category to the date they have been derecognized or impaired.
The reserves from the revaluation of available-for-sale financial assets are recorded net of related deferred tax. The value of deferred tax is recognized directly as an equity deduction and is presented at Note 24.

(d) Legal reserves

According to the legal requirements, the Company establishes legal reserves in the amount of 5% of profits recorded according to applicable accounting standards up to 20% of the share capital according to the Articles of Incorporation. The value of the legal reserve as at 31 December 2016 amounts to RON 10,976,985 (31 December 2015: RON 10,976,985). During the financial years 2015 - 2016, the Company has no longer established legal reserves from the distributed profit which reached the ceiling of 20% of the share capital according to the Articles of Incorporation.
Legal reserves cannot be distributed to shareholders.

(e) Dividends

The Company shareholders did not approve during year 2016 to distribute dividends from the profit for year 2015 (during year 2015 the dividend was distributed from the profit of the financial year 2014 at the level of the amount of RON 0.1 /share, that is the total amount of RON 54,884,927).

In the financial statements issued for year 2015, within the separate statement of financial position the Company's other reserves were presented cumulated with the accumulated profit. In the financial statements for year 2016 these were presented separately both for year 2016 and for the previous year.

27. Earnings per share

Basic earnings per share were calculated based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares:

In RON	**2016**	**2015**
Profit attributable to ordinary shareholders	81,362,701	75,324,568
Weighted average number of ordinary shares	538,566,179	548,849,268
Earnings per ordinary share	**0.151**	**0.137**

Diluted earnings per share equal basic earnings per share, as the Company did not record potential ordinary shares.

28. Contingent assets and liabilities

(a) Litigations

As at 31.12.2016 the Legal Department reported 102 litigations on the docket of the courts of law. The company had active legal standing in 83 litigations, passive legal standing in 18 litigations and had the status of intervener in one litigation.

In most lawsuits in which the Company acts as plaintiff, the subject of litigation is the cancellation / /ascertaining the nullity of some resolutions passed by the General Meetings of Shareholders in portfolio companies, recovery of non-collected dividends or insolvency proceedings of portfolio companies.

The company is in litigation with Transilvania Construcții Cluj company, following the cancellation of the Resolution of the GMS for dividends distribution, cashed by the Company in 2015 by enforcement and were requested to be reimbursed by Transilvania Construcții SA on the appeal upon enforcement.

The Company management considers that the result of this litigation is not certain and forecasted, it may be even unfavorable to the Company, that's why a provisions amounting to RON 469,374 was established.

(b) Transfer pricing

Romanian tax legislation has rules on transfer pricing between related parties since 2000. The current legislative framework defines the "arm's length" principle for transactions between related parties as well as transfer pricing methods. As a result, tax authorities are expected to initiate thorough checks of transfer prices, to ensure that the tax result and/or customs value of imported goods are not distorted by the effect of prices applied between affiliates. The Company cannot assess the outcome of such verification.

(c) Other commitments

Not applicable.

29. Related parties

The parties are considered related if one party has the ability to control the other party or exercise significant influence over its financial and operational decision making.

The Company has identified the following related parties in the course of business:

Key management personnel

31 December 2016

- As at 31 December 2016 the Board of Directors of SIF Banat-Crisana SA was composed of 7 members: Bogdan-Alexandru Drăgoi- President, Octavian Avrămoiu- Vice President, Ștefan Dumitru, Valentin Chiser, Ion Stancu, Dan Weiler and Ionel Marian Ciucioi.
- As at 31 December 2016 the executive managers of SIF BANAT-CRIŞANA SA: Bogdan-Alexandru Drăgoi –General Manager, Octavian Avrămoiu – Deputy General Manager, Teodora Sferdian – Deputy General Manager and Laurențiu Riviș - Manager.

31 December 2015

- As at 31 December 2015 the Board of Directors of SIF Banat-Crisana SA was composed of 7 members: Bogdan-Alexandru Drăgoi- President, Octavian Avrămoiu- Vice President, Ștefan Dumitru, Valentin Chiser, Ion Stancu, Dan Weiler and Ionel Marian Ciucioi.
- As at 31 December 2015 the executive managers of SIF BANAT-CRIŞANA SA: Bogdan-Alexandru Drăgoi – General Manager, Octavian Avrămoiu – Deputy General Manager, Teodora Sferdian - Deputy General Manager.

During the financial year, no transactions were carried out and no advances and loans were granted to the Company's managers and administrators, except for work related travel advances.

During 2016 gross payments of members of the BoD and managers amounted RON 6,562 thousands (2015: RON 3,120 thousands).

The Company has not received and has not given guarantees in favor of any related party.

Subsidiaries

Company's subsidiaries as at 31 December 2016 and as at 31 December 2015 are as follows:

Company Name	Percentage of ownership as at 31 December 2016	Percentage of ownership as at 31 December 2015
SIF IMOBILIARE PLC NICOSIA	100.00%	99.99%
SAI Muntenia Invest SA BUCURESTI (management company of SIF Muntenia)	99.96%	99.96%
NAPOMAR SA CLUJ-NAPOCA	99.43%	99.43%
SIF HOTELURI SA ORADEA	99.00%	99.00%
AZUGA TURISM SA BUCURESTI	98.94%	98.94%
SILVANA SA CEHU SILVANIEI	96.28%	96.28%
ARIO SA BISTRITA	93.64%	93.64%
IAMU SA BLAJ	76.70%	76.70%
CENTRAL SA CLUJ	63.51%	63.51%
VRANCART SA ADJUD	74.72%	74.72%
SOMPLAST SA BISTRITA	70.75%	70.75%

Associates

The associates of the Company as at 31 December 2016 and as at 31 December 2015 are as follows:

a. Entities in which the Company holds over 20% of the share capital and it has significant influence:

Company Name	Percentage of ownership as at 31 December 2016	Percentage of ownership as at 31 December 2015
GAZ VEST SA ARAD	25.82%	25.82%
BIOFARM SA BUCURESTI	23.22%	22.06%

b. Entities in which the Company holds over 20% of the share capital, but which do not qualify as associates, because the company has no significant influence:

Company Name	**Percentage of ownership as at 31 December 2016**	**Percentage of ownership as at 31 December 2015**
NORD CONSTRUCTII SA CAREI	44.31%	44.31%
COMAR SA BAIA MARE	34.94%	34.94%
ATLASCARD SA DEVA	31.36%	31.36%
PETROCART	30.18%	30.18%
FORESTIERA SA TIRGOVISTE	25.75%	25.75%
MOBICOM SA SATU MARE	24.11%	24.11%
AGROMEC GATAIA	23.91%	23.91%
CTCE SA ALBA IULIA	23.24%	23.24%
MOLIDUL SA SUCEAVA	21.63%	21.63%
COMAT CARAS SEVERIN	20.41%	20.41%
COMAT ALBA	0%	20.67%

c. Holding over 20% of the share capital, but companies are in insolvency/liquidation/bankruptcy etc:

Company Name	**Percentage of ownership as at 31 December 2016**	**Percentage of ownership as at 31 December 2015**	**State**
ARADEANCA SA ARAD	39.16%	39.16%	INS
MOBILA USI SA BACAU	32.45%	32.45%	LJ
ELBAC SA BACAU	32.45%	32.45%	LJ
AGROPRODUCT RESITA	30.00%	30.00%	RJ
AGROINDUSTRIALA NADLAC	30.00%	30.00%	DIZ
UZINA ARDEALUL ALBA IULIA	29.51%	29.51%	LJ
COMMIXT SA OCNA MURES	28.97%	28.97%	LJ
MOBIMET SA HATEG	28.87%	28.87%	LJ
METALURGICA SA MARGHITA	28.41%	28.41%	F
SUINPROD GALDA DE JOS	27.09%	27.09%	LJ
MEBIS SA BISTRITA	26.78%	26.78%	INS
EXFOR SA BUCURESTI	24.23%	24.23%	LJ
AGROINDUSTRIALA SAGU	23.62%	23.62%	LJ
MOPAL SA BISTRITA	21.89%	21.89%	RJ
TRANSILVANIA AIUD	20.19%	20.19%	LJ
AGROTRANSPORT SA RESITA	0%	23.46%	RJ
AGROINDUSTRIALA SOCGAT GATAIA	0%	22.65%	DIZ
METALURGICA SA	0%	20.01%	RJ

Ins: insolvency
Li: liquidation
RJ: judicial reorganization
DIZ: dissolution
F: bankruptcy

Investments in all of these companies are classified as avaialbe for sale financial assets and presented in note 18

Revenues and expenses with related parties

	2016	2015
Dividend income:		
VRANCART ADJUD	10,325,547	1,936,040
SAI Muntenia	5,526,049	10,930,636
BIOFARM BUCURESTI	3,478,037	3,256,572
GAZ VEST ARAD	2,100,782	1,568,976
IAMU BLAJ	1,210,982	1,020,081
SILVANA CEHU SILVANIEI	721,886	721,886
ATLASCARD DEVA	40,774	54,938
Total	**23,404,057**	**19,489,129**

Expenses with related parties

Various rental costs and other costs	137,299	148,642

Year end balances with related parties

	2016	2015
Other debtors		
SILVANA CEHU SILVANIEI	671,886	0
VRANCART ADJUD	12,906,934	0
Total	**13,578,820**	**0**
Other liabilities		
SIF Imobiliare	1,857,823	0
Administrare Imobiliare	11,577	11,534
Total	**1,869,400**	**11,534**

During year 2016, the Company participated in the increase of the share capital of the following companies:
- SIF Imobiliare PLC with the amount of RON 13,409,884, out of which until the end of the year 2016 the amount of RON 11,581,149 was paid;
- Vrancart SA Adjud with the amount of RON 12,906,934, amount paid integrally, but until the end of the year 2016 it was not operated with the Central Depository.

During year 2016, the Company paid to Administrare Imobiliare SA company (management company of SIF Imobiliare) the total amount of RON 137,257, representing consideration for rent and operating expenses for rented space in Bucharest, where the branch office of Bucharest operates.

30. Correction of prior year errors and other changes in presentation

The Company operated changes to the presentation of the financial statements for 2015, to certain entries in the Statement of profit or loss and other elements of comprehensive income, in the Statement of financial position and Statement of changes in equity, as follows:

a.- Statement of profit or loss and of other elements of comprehensive income for the financial year ended 31 December 2016

As compared to the presentation from the financial statements for the financial year 2015, the following changes were operated in the presentation:

a) gains from investment property valuation were removed from Other operating revenues, and was presented in the Gains from investment category;
b) expenses for financial asset impairment were presented in the Expenses category (the previous year they had been presented distinctly from Expenses as a line item in no category) and were broken down into two lines, Available for sale assets impairment, and Other (expenses)/reversals for other financial asset impairment adjustments and provisions
c) In 2015 the presentation of Other elements of comprehensive income was made in net figures (gross amounts minus deferred income tax). In the current year's financial statements the gross figures are presented, with the line "Deferred income tax" related to these figures separately inserted.
d) a new line presenting the Revaluation reserves related to fixed assets was inserted in the other comprehensive income. In the previous year this line was not presented within Other comprehensive income.

2015 I/S line items	As originally presented	As restated
a) Gain from investment property valuation	10,515,917 (in revenues category)	10,515,917 (in investment income category)
b) Expenses for financial asset impairment	(1,851,313)	(2,320,687)
Other losses/reversal of financial asset impairment		469,374

2015 Other comprehensive income items	As originally presented	As restated
Amount transferred to profit and loss	(28,395,882)	(41,198,683)
Change in fair value	243,764,414	292,758,381
Tax effect of the above reserve	0	(36,191,166)
Revaluation reserve for fixed assets	0	65,029

b.- Statement of financial position

The following structural changes were operated in order to improve the information disclosed in the financial statements for 2015:

Assets:

a) the balance sheet line item "Cash and Cash equivalents" was separated into "cash and cash equivalent" and "***Bank deposits*** "; (note 16,17)
b) the balance sheet line item **"Other assets"** was separated into "**Other financial assets"** and "**Other assets**" (note 22)

Liabilities: the "Other liabilities" balance sheet line was renamed "Other financial debts"

Equity:

c) reserves set up following the application of Law 133/1996 are presented. together with the impact of IAS 29 compliance;

d) ***Other reserves*** are distinctly presented, whereas in the financial statements for 2015 they had been included in the sum total of ***Accumulated profit.***

2015 Balance sheet	As originally presented	As restated
a)Cash and cash equivalent	151,400,510	1,478,015
a)Bank deposits	0	149,922,496
b)Other assets	4,388,799	193,724
b)Other financial assets	0	4,195,075
c)Reserves estabilished from the application of Law 133/1996	145,486,088	2,105,675,691
c)The effect of applying IAS 29 on the reserves estabilished from the application of Law 133/1996	1,960,189,603	0
d)Other reserves	0	608,927,140
d)Accumulated profit	731,652,414	122,725,274

c.- Statement of changes in equity

The changes operated are in accordance with the financial entries inserted in the statement of financial position.

31. Events after the Balance Sheet Date

As at 15 February 2017, SIF Banat-Crișana published the preliminary financial results corresponding to the year ended as at 31 December 2016 prepared in accordance with IFRS, by market communication (BVB) and publishing on the Company's Internet page, address www.sif1.ro.

32. Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The CODM has been identified as the Board of Directors of the Company.

Description of products and services from which each reportable segment derives its revenue

- The Company is organised on the basis of one main business segments, its main activity being carrying-out financial investments in order to increase the value of its treasury shares according to the regulations in force and subsequently managing the investment portfolio and exercising all rights related to the invested instruments
- ***(b) Factors that management used to identify the reportable segments***

The Company considered that it has only one reportable segment, as it has one core strategic business unit.

Segment financial information reviewed by the CODM includes the investment portfolio of the Company, mainly the available for sale financial assets, and the dividend revenue of the Company. The CODM obtains financial statements of the Company prepared in accordance with IFRS. Such financial information overlaps with the segment analysis provided internally to the CODM. Management therefore applied the core principle of IFRS 8, *Operating Segments*, in determining which of the overlapping financial information sets should form the basis of operating segments. Management considered that information on IFRS financial statements is available less frequently in concluding that reporting on segments shall exclude details other than information about the investments portfolio and dividend revenue.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on International Financial Reporting Standards:

The CODM evaluates performance of the lone segment based on profit before tax.

Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2016 is set out below:

	2016	**2015**
Revenue from dividends	101,624,336	34,072,103
Interest income	5,314,722	6,461,141
Other operating income	225,646	227,233
Total revenues	**107,164,704**	**40,760,477**
Net gain/loss from investments	**2,257,033**	**65,220,044**
Operating expenses	**-25,120,258**	**-17,636,031**
Profit before tax	**84,301,479**	**88,344,490**
Tax expense	-2,938,778	-13,019,922
Total segment results	**81,362,701**	**75,324,568**
Cash and cash equivalent	16,372,090	1,478,015
Bank deposits	41,253,904	149,922,496
Investments in financial assets	2,014,263,003	1,763,115,957
Investments in investment property and property plant and equipment	22,650,595	22,619,438
Other assets (financial and other)	15,649,736	4,388,799
Total reportable segment assets	**2,110,189,328**	**1,941,524,705**
Dividends payable	20,204,246	20,850,807
Deferred tax liability	130,804,501	124,114,688
Other liabilities (financial and non financial)	4,934,496	7,749,815
Total reportable segment liabilities	**155,943,243**	**152,715,310**
Capital expenditure for investments in available for sale financial assets	-152,658,954	-36,895,424

All of the company's revenues are obtained in Romania.