

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**  
(All amounts are presented in RON)

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**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.**

**CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2017**

**Prepared in accordance with International Financial Reporting Standards as adopted by the EU**

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014  
(All amounts are presented in RON)**

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*Translator's explanatory note : This is a free translation of the original Romanian financial statements of Tursim, Hoteluri, Restaurante MareaNeagră SA. In the event of any discrepancy between this translation and the original document, the original Romanian financial statements shall prevail.*

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**  
**STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017 (All amounts are presented in RON)**

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2017	2016

**Continuing operations**

Income from accommodation		1	21,016,132	20,160,054
Income from catering		2	10,128,015	10,617,463
Rental income		3	606,151	1,169,102
Other income included in turnover		4	3,104,123	3,439,483
Income from disposals of tangibles and non-current assets held for sale		5	1,382,160	10,919,946
Other income		6	2,749,096	1,868,293
Revenues associated with the costs of the completed production		7	0	0
<b>Total Operational Income</b>		<b>8</b>	<b>38,985,678</b>	<b>48,174,341</b>

Expenses related to inventories		9	6,225,155	6,971,502
Utility expenses		10	2,279,987	2,579,857
Employee benefits expense		11	12,237,858	11,413,279
Depreciation and amortization expenses		12	7,268,161	7,266,785
Expenses related to disposed fixed assets and assets held for sale		13	712,351	5,895,660
Other taxes		14	3,257,647	3,332,924
Expenses related to external services		15	3,583,838	4,614,157
Other expenses		16	1,289,070	162,965
<b>Total Operational expenses</b>		<b>17</b>	<b>36,854,068</b>	<b>42,237,129</b>

<b>The result of operational activities</b>		<b>18</b>	<b>2,131,610</b>	<b>5,937,212</b>
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**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**  
**STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017 (All amounts are presented in RON)**

For the financial year ended at 31 December	Note	Row	(RON)	(RON)
			2017	2016
<i>Financial income</i>		19	160,920	197,465
<i>Financial expenses</i>		20	113,124	582,023
<b>Net financial result</b>		21	<b>47,796</b>	<b>(384,558)</b>
<b>Result before taxation</b>		22	<b>2,179,406</b>	<b>5,552,654</b>

<i>Current income tax expense</i>		23	42,274	1,182,409
<i>Specific activity tax</i>		24	293,512	0
<i>Deferred income tax expenses</i>		25	227,584	0
<i>Deferred income tax income</i>		26	0	29,269
<b>Result for continuing operations</b>		27	<b>1,616,036</b>	<b>4,399,514</b>

<b>Other comprehensive income</b>				
<i>Increase/(decrease) of revaluation surplus</i>		28	(485,555)	(5,992,486)
<i>Tax related to other comprehensive income</i>		29	(38,458)	(461,725)
<b>Other comprehensive income after taxation</b>		30	<b>(524,013)</b>	<b>(6,454,211)</b>

<b>Total comprehensive income for the period</b>		31	<b>1,092,023</b>	<b>(2,054,697)</b>
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Earnings per share (RON/share) 0.0028 0.0076

Diluted earnings per share (RON/share) 0.0028 0.0076

The consolidated financial statements were approved by the Board of Directors on March 15, 2018 and were signed by:

CHAIRMAN OF THE BOARD OF DIRECTORS  
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER  
DANIELA TUDOR

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**  
**STATEMENT OF CONSOLIDATED FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

As at 31 December	Note	Row	(RON)	(RON)
			2017	2016

<b>Assets</b>
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<b>Non-current assets</b>				
<i>Tangible assets</i>				
Freehold land and land improvements	8	1	59,734,338	83,615,615
Buildings	8	2	107,021,706	108,674,822
Plant and machinery, motor vehicles	8	3	9,295,115	11,493,125
Fixtures and fittings [...]	8	4	9,547,939	11,082,477
Tangible assets in progress	8	5	991,285	1,355,732
<i>Intangible assets</i>		6		
Concessions, patents , licenses, trademarks , similar rights and assets		7	313,488	508,981
Other intangible assets	9	8	101,498	1,824
Trade receivables and other receivables		9	453,572	453,572
Investment property	8;10	10	17,191,112	16,350,751
Financial assets		11	2,432,010	2,432,010
Deferred tax assets		12	951,078	941,069
<b>Total fixed assets</b>		<b>13</b>	<b>208,033,140</b>	<b>236,909,978</b>

<b>Current Assets</b>				
<i>Inventories</i>	12	14	442,154	617,359
<i>Financial assets</i>	11	15	0	0
<i>Current tax assets</i>		16	38,336	2,972

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**  
**STATEMENT OF CONSOLIDATED FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

As at 31 December	Note	Row	(RON)	(RON)
			2017	2016
Trade receivables and other receivables	13	17	4,933,051	6,118,303
Accrued expenses	14	18	782,016	923,873

Cash and cash equivalents	15	19	5,635,805	7,777,716
Non-current assets held for sale	16	20	36,516,013	11,007,555
<b>Total Current Assets</b>		<b>21</b>	<b>48,347,375</b>	<b>26,447,778</b>

<b>Total Assets</b>		<b>22</b>	<b>256,380,515</b>	<b>263,357,756</b>
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<b>Equity</b>				
Share capital	17	23	57,894,994	57,894,994
Capital adjustment following adoption of IAS 29 for the first time	17	24	85,945,333	85,945,333
Share premium	17	25	1,895,855	1,895,855
Reserves	18	26	26,881,973	26,451,693
Inflated reserves application of IAS 29 for the first time	18	27	16,745,901	16,745,901
Revaluation differences	19	28	107,559,706	108,045,261
Result for the period	19	29	1,616,036	4,399,514
Retained earnings except retained earnings from the adoption of IAS 29 for the first time	19	30	52,923,423	53,330,461
Retained earnings came following the application of IAS 29 for the first time	19	31	(102,691,275)	(102,691,275)
Other elements of equity	20	32	(12,690,908)	(12,895,836)
<b>Total Equity</b>		<b>33</b>	<b>236,081,038</b>	<b>239,121,901</b>

31 December	Note	Row	(RON)	(RON)
			2017	2016

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**  
**STATEMENT OF CONSOLIDATED FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

<b>Liabilities</b>				
<b>Long-term liabilities</b>				
<i>Long-term loans</i>		34	1,600,000	2,400,000
<i>Trade payables and other liabilities, including derivatives</i>	21	35	39,735	208,539
<i>Accruals for employee benefits</i>		36	0	0
<i>Provisions</i>	22	37	409,128	478,458
<i>Deferred tax liabilities</i>	7	38	13,160,564	12,960,795
<b>Total Long-term liabilities</b>		<b>39</b>	<b>15,209,427</b>	<b>16,047,792</b>
<b>Current liabilities</b>				
<i>Short-term loans</i>	21	40	800,000	3,943,232
<i>Trade payables and other debts, including derivatives</i>	21	41	4,265,210	3,872,289
<i>Deferred income</i>	4	42	0	347,699
<i>Provisions</i>	22	43	24,841	24,841
<i>Deferred tax liabilities</i>		44	0	0
<b>Total Current liabilities</b>		<b>45</b>	<b>5,090,051</b>	<b>8,188,061</b>
<b>Total Liabilities</b>		<b>46</b>	<b>20,299,477</b>	<b>24,235,853</b>
<b>Total Equity and Liabilities</b>		<b>47</b>	<b>256,380,515</b>	<b>263,357,756</b>

The consolidated financial statements were approved by the Board of Directors on March 15, 2018 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS  
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER  
DANIELA TUDOR

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA SA**  
**STATEMENT OF CONSOLIDATED CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

Explanation	Share capital	Share capital adjustments IAS 29	Share premium account	Revaluation surplus	Reserves	Reserve adjustments IAS 29	Retained earnings except retained earnings from the adoption of IAS 29 for the first time	Retained earnings according IAS 29 first time adopted	Result for the period	Other elements of equity	Total equity
<b>Balance at January 1 2016</b>	<b>57,894,994</b>	<b>85,945,333</b>	<b>1,895,855</b>	<b>114,037,747</b>	<b>24,917,245</b>	<b>16,745,901</b>	<b>47,420,552</b>	<b>(102,691,275)</b>	<b>4,802,150</b>	<b>(13,362,778)</b>	<b>237,605,724</b>
Adjustments after IAS 29 implementations	0	0	0	(5,992,486)	0	0	5,785,834	0	0	461,724	255,072
Reductions in output (sales, scraping, restitution)	0	0	0	0	0	0	631	0	0	0	631
Loss/ Net profit for the year	0	0	0	0	0	0	(10,650)	0	0	0	(10,650)
Transfer to reserves	0	0	0	0	957,331	0	(4,668,054)	0	4,399,514	282,335	971,126
Error corrections	0	0	0	0	577,117	0	4,802,148	0	(4,802,150)	(277,117)	299,998
Other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Changes in the fair value of financial investments held for sale	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	0	0	0	0	0	0	0	0
<b>Balance at 31 December 2016</b>	<b>57,894,994</b>	<b>85,945,333</b>	<b>1,895,855</b>	<b>108,045,261</b>	<b>26,451,693</b>	<b>16,745,901</b>	<b>53,330,461</b>	<b>(102,691,275)</b>	<b>4,399,514</b>	<b>-12,895,836</b>	<b>239,121,901</b>
Reductions in output (sales, scraping, restitution)	0	0	0	(485,556)	0	0	485,556	0	0	0	0
Error corrections	0	0	0	0	0	0	(631)	0	0	0	(631)
Loss/Net profit for the year	0	0	0	0	0	0	(757,865)	0	0	0	(757,865)
Transfer to reserves	0	0	0	0	319,633	0	(4,967,707)	0	1,616,036	315,575	(3,142,685)
Cancellation of past loss	0	0	0	0	110,647	0	4,833,608	0	(4,399,513)	(110,647)	860,318
Other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Change in fair value of financial investments held for sale	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus	0	0	0	0	0	0	0	0	0	0	0
<b>Balance at 31 December 2017</b>	<b>57,894,994</b>	<b>85,945,333</b>	<b>1,895,855</b>	<b>107,559,705</b>	<b>26,881,973</b>	<b>16,745,901</b>	<b>52,923,423</b>	<b>(102,691,275)</b>	<b>1,616,036</b>	<b>(12,690,908)</b>	<b>236,081,038</b>

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**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.**  
**STATEMENT OF CONSOLIDATED CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

Explanation	Row	2017	2016
Cash-flow	1		
+/- Profit or Loss	2	1,616,036	4,399,514
+ Depreciation included in cost	3	7,268,161	7,266,785
- Changes in inventories (+/-)	4	25,333,253	6,893,215
- Changes in receivables (+/-)	5	(1,450,894)	(6,095,447)
+ Variation of suppliers and Advance payments from customers(+/-)	6	217,813	(508,333)
- Variation other asset items (+/-)	7	(13,234,259)	2,987,042
+ Variation in other liabilities (+/-)	8	6,448,295	236,097
<b>= Cash flow from operating activities (A)</b>	9	<b>4,902,205</b>	<b>7,609,253</b>
+ Disposals of tangible non-current assets	10	1,515,619	10,919,946
- Purchase of tangible non-current assets	11	3,818,831	15,522,582
<b>= Cash flow from investing activities (B)</b>	12	<b>(2,303,212)</b>	<b>(4,602,636)</b>
+ Loans variation (+/-), as:	13	0	0
+short-term loans receivable	14	9,900,000	11,950,000
- refunds of short-term loans	15	9,900,000	10,291,943
+medium and long term loans receivable	16	0	3,200,000
-refunds of medium and long term loans	17	800,000	0
- Dividends paid	18	3,940,903	3,134,644
<b>= Cash flow from financial activities (C)</b>	19	<b>(4,740,903)</b>	<b>1,723,413</b>
<b>+ Cash at beginning of the period</b>	20	<b>7,777,715</b>	<b>3,047,686</b>
<b>+ Net Cash Flow(A+B+C)</b>	21	<b>(2,141,910)</b>	<b>4,730,030</b>
<b>= Cash at the end of the period</b>	22	<b>5,635,805</b>	<b>7,777,716</b>

The consolidated financial statements were approved by the Board of Directors on March 15, 2018 and were signed by the:

CHAIRMAN OF THE BOARD OF DIRECTORS  
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**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

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**NOTE 1 – REPORTING ENTITY**

These financial statements are consolidated financial statements, in accordance with IAS 27.4.

The consolidated financial statements comprise the financial statements of Turism, Hoteluri, Restaurante Marea Neagră SA and its subsidiary Balneoterapia Saturn SRL

Turism, Hoteluri, Restaurante Marea Neagra S.A. ("The Parent Group") is a Group founded in 1991 that works in Romania in accordance with Law 31/1990 and Law 297/2004 regarding the capital market.

The Parent Group name is Turism, Hoteluri, Restaurante Marea Neagra S.A. (abbreviated THR Marea Neagra S.A.). The Group has the legal form of "joint stock Group (JSC)" and is an entity with unlimited life.

The Group is headquartered in Mangalia, Lavrion Street, no. 29, Zip code 905500

Contact details of the Group are:

Telephone: 0241752452

Fax: 0241755559

Website: [www.thrmareaneagra.ro](http://www.thrmareaneagra.ro)

e-mail: [thrmareaneagra@yahoo.com](mailto:thrmareaneagra@yahoo.com)

Unique registration code in the Trade Register: 2980547

Fiscal registration code: RO 2980547

Number of Registered business: J 13/696/1991

According to the statute, the main activity of the Group is CAEN code: 5510 Hotels and other similar accommodation facilities.

The Group operates in Romania, being present on other geographic markets.

**Regulated market** where the issued securities are traded: Bucharest Stock Exchange (market symbol: EFO).

**Subscribed and paid up share capital:** 57,894,993.9 RON divided in 578,949,939 shares. In reporting the years there have been no changes in the number of shares. Of the total shares issued and outstanding at 31.12.2017:

- THR does not hold redeemed shares;
- Subsidiary does not own shares.

The main characteristics of the securities issued by T.H.R. Marea Neagra S.A.: common, dematerialized, ordinary, indivisible and of equal value, issued at a nominal value of 0,10 RON / share.

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

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**NOTE 1 – REPORTING ENTITY (CONTINUED)**

The subsidiary is Balneoterapia Saturn SRL (“The Subsidiary”), headquartered in Mangalia, Lavrion Street, no. 29, Constanta County

The contact details of the Group are:

Telephone: 0241.752.452

Unique registration code in the Trade Register: 14271182

Number of Registered business: J 13/1910/2001

The Group’s shares are not traded on a regulated market. The shareholders evidence is held by the administrators using the register of shareholders

Largest group in which the entity works as a subsidiary: **S.I.F. TRANSILVANIA S.A.**

The smallest group in which the entity works as a subsidiary: **S.I.F. TRANSILVANIA S.A.**

Registered office of S.I.F. TRANSILVANIA S.A. is: Brasov, Nicolae Iorga Street, no.2, Brasov county.

Group’s consolidated financial statements of SIF Transilvania SA can be obtained from the registered office.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in preparing these consolidated financial statements in accordance with IFRS as adopted by EU, are presented below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

**2.1 Basis of preparation**

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

These financial statements are consolidated financial statements of THR Marea Neagră SA and Balneoterapia Saturn SRL („Group”).

The accruals principle and the going concern principle have been applied when preparing these financial statements

The Group has prepared the annual financial statements for the year ended 31 December 2016 in accordance with International Financial Reporting Standards as adopted by European Union, applicable to companies whose securities are admitted to trading on a regulated market, according to the Order of the Minister of Finance no. 881/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market and the Order of the Minister of Finance no. 2844/2016 approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, including subsequent amendments and additions.

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The accounts of the Subsidiary are listed in RON, in accordance with the Romanian Accounting Standards ("RAS"). These accounts were restated to reflect the existing differences between the financial statements in accordance with RAS and those in accordance with IFRS. This was made to restate the separate financial statements, under all material aspects, with IFRS adopted by the EU.

The most significant changes brought to the financial statement prepared in accordance with RAS, to restate them to IFRS requirements adopted by the EU are:

- Incorporating more elements into more comprehensive categories;
- Reclassification of fixed assets into investment property and non-current assets held for sale;
- Recognizing deferred tax assets and deferred tax liabilities in accordance with IAS 12 "Income taxes"; and
- Presentation requirements in accordance with IFRS.

The accounts of the Parent Group are listed in RON, in accordance with IFRS as adopted by the European Union.

The financial statements have been authorized for issue by the Board of Directors on March 15, 2018.

In accordance with IAS 29 and IAS 21, the consolidated financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in the current unit to the date of the financial statements, therefore non-monetary items should be restated using a general price index which was given at the date of acquisition or contribution. IAS 29 stipulates that an economy is considered hyperinflationary if, among other factors, the cumulative inflation exceeds 100% over a period of 3 years.

At 31.12.2015, the Parent Group proceeded to share capital restatement according to IAS 29, by reconstituting the evolution of capital and reserves of the foundation until 2003 (specifying the exact date and source) applying inflation indices.

**Presentation of Financial Statements**

The consolidated financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Group has adopted a presentation based on assessing the nature and liquidity of assets in the statement of financial position and a statement of income and expenses according to their nature in the statement of comprehensive income, considering that these methods of presentation provides information that is more relevant than other methods that would have been permitted by IAS 1.

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017**  
(All amounts are presented in RON)

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of valuation**

The consolidated financial statements are prepared using the cost method, except land and buildings which are revalued at fair value. Fair value method is applied, except for assets or liabilities for which the fair value cannot be determined reliably.

Valuation of assets and liabilities was made as:

- **Inventories** are valued at the lower value between cost and net realizable value.
- **Tangible assets** are measured initially at:
  - i) The acquisition cost, for those acquired for consideration;
  - ii) The input value, for those received as a contribution in kind to the establishment of share capital or increase of share capital;
  - iii) at fair value at the acquisition date, for those received as free of charge.For subsequent recognition, the Group has adopted the revaluation model.
- **Intangible assets** are initially measured at cost. After recognition intangible assets are accounted based on the cost model, at cost less any accumulated depreciation and any accumulated impairment losses.
- **Investment properties (buildings and land)** are determined at the fair value by an independent evaluator by :
  - 1. determining replacement value;
  - 2. estimating accrued depreciation;
  - 3. determination of the remaining value of construction ;
  - 4. direct comparison method by reference to market prices in a similar and comparable in area.
- **Financial investments** are recognized at cost.
- **Non-current assets held for sale** are measured at the lower value of carrying amount and fair value less cost to sell.
- **Cash and cash equivalents** are presented in the balance sheet at cost.

**Use of estimates and judgments**

The preparation of financial statements in accordance with IFRS as adopted by the European Union involves the use of estimates, judgments and assumptions by management that affect the application of accounting policies as reported amounts of assets, liabilities, income and expenses. The estimates and assumptions associated with these estimates are based on historical experience and other factors considered reasonable in the context of these estimates. The results of these estimates form the basis of judgments about the carrying amounts of assets and liabilities that cannot be obtained from other sources of information. The results may differ from these estimates.

The estimates and underlying assumptions are reviewed periodically. Revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period in which the estimate is revised and future periods if the revision affects both current period and future periods.

Changes in estimates, by their nature are not related to prior periods and are corrections of errors.

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As an exception to the presentation of the effect of the change in estimate shown above, if such a change gives rise to changes in assets and liabilities or capital, the effect of this change will be presented through an adjustment of assets, liabilities or equity in the period in which the change has taken place.

Judgments made by management in applying IFRS that have a significant effect on the consolidated financial statements and estimates that involve a significant risk of a material misstatements in the next year are disclosed in Note 26.

**2.2 General aspects of applied accounting policies**

If a standard or an interpretation specifically applies to a transaction, other event or condition, accounting policies applied to that element, it is chosen by applying the standard or interpretation in question, considering any implementation guide issued by the IASB for the standard or interpretation in question.

The accounting policies are consistently applied to transactions, other events and similar conditions, except when a standard or an interpretation requires or permits the classification of categories, for which different policies may apply to the previous.

Changing an accounting policy is permitted only under the following conditions:

- This change is required by a standard or an interpretation;
- The change will provide reliable and relevant information about the effects of transactions, events and conditions.

Significant errors of previous periods found on the recognition, measurement, presentation or disclosure of elements of financial statements should be corrected retrospectively in the first set of financial statements that are authorized for issuance by:

- restating the comparative amounts for the period or prior periods in which the error occurred; or
- restating the opening balances of assets, liabilities and equity for the farthest period presented, if the error occurred before the farthest prior period presented.

**2.3 Standards and interpretations available in the current period**

Based on the provisions of each standard, the Group has developed accounting policies in accordance. If the Standards provide alternatives solutions or exceptions, have been established policies opted for.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Group has applied starting from 2012, the following International Financial Reporting Standards with the accounting policies adjustments for the Group:

IAS 1	Presentation of financial statements	Fundamental Accounting Principles, structure and content of financial statements, mandatory posts and the concept of true and fair view, completed with amendments applicable from 1 January 2013.
IAS 2	Inventories	Defining of the accounting process applicable to inventories in the historical cost system: evaluation (first in - first out, weighted average cost and net realizable value) and the perimeter of allowed costs.
IAS 7	Statement of Cash Flows	Analysis of cash variations, classified into three categories: cash-flows from operating activities, cash-flows from investing activities, cash-flows from financing activities.
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Defining the classification, the information that need to be disclosed and accounting treatment of certain items in the income statement.
IAS 10	Events after the reporting period	Requirements for when events after the end of the reporting period should generate an adjustment to the financial statements: definitions, terms and conditions, particular cases (dividends).
IAS 12	Income Taxes	Definition of tax accounting processing on the period result and detailed stipulations on deferred taxes, supplemented by amendments applicable from 1 January 2013
IAS 16	Property, plant and equipment	Accounting treatments, net book value calculation and relevant principles regarding depreciation for most types of property, plant and equipment.
IAS 17	Leases	Defining lessee and lessor, accounting treatments regarding location-financing contracts and simple location contracts.
IAS 18	Revenue	Revenue recognition principles for ordinary activities from certain types of transactions and events (fair value principle, the principle of linking expenditure to income, the percentage of advancement services, asset sharing, etc.).
IAS 19	Employee benefits	Accounting principles regarding employee benefits: short and long term benefits, post-employment benefits, advantages on equity and allowances on termination of employment.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Accounting principles for direct or indirect public aid (clear identification, concept of fair value, restraining subsidized connection etc.).
IAS 21	The Effects of changes in Foreign Exchange Rates	Accounting treatments of abroad activities, foreign currency transactions and restarting financial statements of a foreign entity.
IAS 23	Borrowing Costs	The definition of borrowing costs and accounting treatments: the notion of qualifying asset, how to incorporate borrowing costs in the amount of qualified assets.
IAS 24	Related Party Disclosures	Details of related party relationships and transactions (legal and natural persons) who exercises control or significant influence over one of the group's companies or the management.
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Principles and information on the retirement schemes (funds), distinguishing defined contribution schemes and defined-benefit.
IAS 27	Consolidate and Separate Financial Statements	Principles concerning the presentation of separate financial statements, defining the obligation of consolidation and control, the convergence of accounting rules within the group, other principles.
IAS 29	Financial Reporting in Hyperinflationary Economies	Reconstitution of capital and reserves evolution.
IAS 31	Interests in Joint Ventures	Accounting principles and policies to joint venture operations performed, assets or holdings in a joint venture.
IAS 32	Financial Instruments: Presentation	Rules of presentation (classification of debt equity, expenses or income/equity).
IAS 33	Earnings per Share	Principles of determination and representation of earnings per share.
IAS 36	Impairment of Assets	Key definitions (recoverable amount, fair value less costs of disposal, value in use, cash-generating units), the frequency of impairment tests, accounting for the impairments, and for goodwill impairment
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Defining provisions and approach of estimating provisions, individual cases examined (including the problem of restructuring).



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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

IAS 38	Intangible Assets	Definition and accounting treatments for intangible assets, recognition and measurement policies on the processing costs for research and development etc.
IAS 39	Financial Instruments: Recognition and Measurement	Recognition and measurement principles regarding financial assets and liabilities, the definition of derivatives, hedge accounting operations, the issue of fair value etc.
IAS 40	Investment Property	Establishing the evaluation method: fair value model or cost model, transfers between different categories of assets etc.
IFRS 1	First-time Adoption of International Financial Reporting Standards	The procedures for financial statements according to IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS, supplemented by amendments applicable from 1 January 2013.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operation	Defining an asset held for sale and discontinued operations, and the evaluation of these elements.
IFRS 7	Financial Information: Disclosures	Financial information related to financial instruments are referring primarily to: (i) information about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments, supplemented by amendments applicable from 1 January 2013.
IFRS 10	Consolidated Financial Statements	Establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 11	Joint Arrangements	Establishing principles for financial reporting for entities that hold interests in jointly controlled commitments.
IFRS 12	Disclosure of Interests in Other Entities	Requires an entity to disclose information that will enable users of its financial statements to evaluate: the nature and risks associated with interests held in other entities; and the effects of those interests on the financial position, financial performance and its cash flows.
IFRS 13	Fair value measurement	The definition of fair value, establishing, in a single IFRS, a framework for measuring fair value, requiring the presentation of information on fair value.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3.1 Foreign currency translation**

**Presentation currency and functional currency**

The financial statements are presented in RON, rounded to the nearest RON, which is the reference currency, RON is both functional currency and presentation currency.

**Transactions and balances**

Transactions in foreign currency are recorded in RON at the official exchange rate at the date of settlement of transactions, Monetary assets and liabilities in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate at the day,

The exchange rates of major foreign currencies were:

	<b>31 decembrie 2017</b>	<b>31 decembrie 2016</b>
EUR	4.6597	4.5411
USD	3,8915	4.3033

Operations in foreign currencies are recorded in accounting in both currencies, foreign exchange and RON. Apply these accounting policies:

- conversion transactions in a foreign currency to the functional currency (RON) is performed based on the exchange rate in effect at the time the transactions occur;
- cash and cash equivalents, receivables and liabilities recorded in a currency other than RON existing liabilities at the end of a financial year, are valued at the exchange rate announced by the central bank for the last banking day of the year.

Gains and losses resulting from the settlement of transactions in a foreign currency and the conversion of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in financial result.

The conversion differences related to non-cash items such as equity securities, are reported as:

- As part of the gain or loss from the adjustment to fair value if the shares held for trading;
- Included in equity in value reserve at fair value in case of units held for sale.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3.2 Property, plant and equipment**

**Measurement at recognition**

An item of property, plant and equipment that qualifies for recognition as an asset, is measured at cost.

Tangible assets are initially measured at cost (those acquired for consideration), or at the input value (those received as a contribution in kind to the establishment of share capital or increase of share capital), respectively at fair value at acquisition date (those received as free of charge).

**Evaluation after recognition**

For subsequent recognition, the Group has adopted the revaluation model.

The value of the revalued asset is its fair value at the date of revaluation. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Revaluations are performed by independent appraisers certified by ANEVAR.

Revalued amount (in addition) substitutes the acquisition cost.

If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognized as an expense, in which case it should be recognized in profit or loss. [IAS 16,39]

A decrease arising as a result of a revaluation should be recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset. [IAS 16,40]

The revaluation surplus included in equity in respect of an item of property and equipment is transferred directly to retained earnings when the asset is derecognized. It involves the transfer of the entire surplus when the asset is retired or disposed of. Transfers from revaluation surplus to retained earnings is not made through profit or loss.

Amounts paid or payable, generated daily repairs and maintenance of tangible assets are recorded at cost-owned Group under accrual accounting properly influencing the income statement for the period.

Amounts paid or payable generated by operations leading to increasing the value and / or the life, property and equipment owned by upgrading or those operations that lead to a significant improvement of the technical parameters, the growth potential of generating benefits economical by them, is capitalized (properly increase the carrying value of the respective assets).

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Depreciation**

Depreciation charge for each period are recognized in profit or loss unless they are included in the carrying amount of another asset.

Depreciation is calculated at book value (acquisition cost or revalued amount), less the residual value, using the straight-line method, over the estimated useful life of the assets. The depreciation is charged monthly to the statement of other comprehensive income. Depreciation of an asset begins when it is available for use, when it is in the location and condition necessary for it to function in the manner intended by management. Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date when the asset is derecognized. Therefore, depreciation does not cease when the asset is used or is retired from active use unless the asset is fully depreciated.

When registering revaluations, accumulated depreciation is eliminated.

The residual value and useful life of an asset shall be reviewed at least at each financial year-end. If expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Land is not depreciated.

Depreciation of other tangible assets is calculated using the straight-line method, allocating costs related to the residual value according to the corresponding life

	<b>Years</b>	
	<u><b>2017</b></u>	<u><b>2016</b></u>
Buildings	50	50
Other equipment, furniture and other changes	as far as 12	as far as 12
Vehicles	as far as 14	as far as 14

**Impairment of tangible assets**

An asset is impaired when its carrying amount exceeds its recoverable amount.

At each reporting date, the entity should check if there are indicators of impairment of assets. If such indicators are identified, the entity shall estimate the recoverable amount of the asset.

If the carrying amount of an asset is decreased as a result of a revaluation, the decrease is recognized in the profit or loss. However, the reduction is recognized in other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. Reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derecognition**

The carrying amount of a fixed asset shall be derecognized:

- (a) when disposed, or
- (b) When no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of a fixed asset shall be included in profit or loss when the item is derecognized.

Gains shall not be classified as revenue.

**2.3.3 Intangible assets**

**Recognition and measurement**

In recognition of an asset as an intangible asset the entity must demonstrate that the item meets the following:

The definition of an intangible asset. An intangible asset is separable, capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; and arises from contractual rights or other legal rights, whether those rights are transferable or separable from the entity or from other rights and obligations.

Recognition criteria:

- it is probable that the expected future economic benefits attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

An intangible asset shall be measured initially at cost. The cost of a separately acquired intangible asset comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any directly attributable cost of preparing the asset for its intended use.

For intangible assets acquired free of charge or for symbolic consideration through a government grant, the entity recognizes the asset initially at nominal value plus any costs directly attributable to preparing the asset for its intended use.

Intangible assets according to generally accepted regulations cannot be acquired through exchange of assets, which are treated as separate deliveries.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recognition of expenses**

Expenditure on an intangible item shall be recognized as an expense when it is incurred unless they are part of the cost of an intangible asset that meets the recognition criteria.

Expenditure on an intangible item that was initially recognized as an expense shall not be recognized as part of the cost of an intangible asset at a later date.

**Evaluation after recognition**

After recognition, an intangible asset is accounted for under the cost model, namely at its cost less any accumulated depreciation and any accumulated impairments.

**Amortization**

Computer software is amortized over a period between 1 year and 3 years, and licenses for the period of validity, using the straight-line depreciation method.

**2.3.4 Cash and cash equivalents**

Cash and cash equivalents are presented in the statement of financial position at cost. For the purpose of statement of cash-flows, cash and cash equivalents include petty cash, bank accounts, including deposits with a maturity of three months or less, cash in transit, other short-term financial investments with high liquidity with a maturity of three months or less and overdraft facilities.

**2.3.5 Trade receivables**

Trade receivables are categorized as financial assets.

A financial asset is recognized in the statement of financial position when, and only when the Group becomes part of the certain contractual terms of the instrument.

Trade receivables are carried at original invoice amount less allowance (impairment test) recognized for doubtful receivables. The amount of the trade receivables allowance is calculated as difference between the carrying amount and the recoverable amount.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3.6 Financial assets and liabilities**

**Classification**

The Group classifies financial instruments held in the following categories:

*Financial assets and liabilities measured at fair value through profit and loss*

This category includes financial assets or financial liabilities held for trading and financial instruments classified at fair value through profit or loss at initial recognition. A financial asset or liability is classified in this category if it was mainly purchased for speculative purposes or if it has been designated in this category by management.

*Investments held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as held for sale. Held-to-maturity investments are measured at amortized cost.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as assets at fair value through profit or loss or as held for sale.

*Financial assets held for sale*

Financial assets held for sale are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Financial assets held for sale are measured at fair value in the statement of financial position. Changes in the fair value of financial asset, other than gains or losses from exchange rate variations, are recognized in equity. When the asset is derecognized, the gain or loss is transferred to profit or loss.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recognition**

Financial assets and liabilities are recognized at the settlement date, respectively at the date on which the financial instruments are sold or purchased. Financial assets and liabilities are initially measured at fair value, plus directly attributable transaction costs, except for investments in shares which fair value could not be determined reliably and which are initially recognized at cost.

**Amortized cost measurement**

Amortized cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition minus principal payments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount and minus any write down for impairment or uncollectability.

**Fair value measurement**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value measurement assumes a transaction taking place in the active market for the asset or liability. A financial instrument is traded on an active market, if quoted price are available quickly and regularly for that certain financial instrument. Financial assets available for sale for which there is not an active market and for which it is not possible to determine a fair value, are measured at cost and annually tested for impairments.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include techniques based on the net present value, discounted cash flow method, the method of comparison to similar instruments for which there is an observable market price and other evaluation methods.

**Identification and measurement of impairment**

*Financial assets measured at amortized cost*

An entity is required to assess at each balance sheet date whether there are any indicators of impairment. A financial asset or group of assets is impaired, only if there are indicators of impairments as a result of one or more events that occurred after the initial recognition of the asset ("loss generating event"), and these events have an impact of the future cash-flows generated from the asset or from the group of assets, which can be measured reliably.



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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

If any such impairment indicators exist, the entity is required to perform a detailed impairment calculation to determine whether any impairments should be recognized or not. The impairment should be amounted to the difference between the asset's carrying amount and the net present value of estimated discounted cash flows using the initial effective interest rate.

If a financial asset measured at amortized cost has a variable interest rate, the discount rate for measuring any loss of damping is current variable interest rate, specified in the contract. The carrying amount of the asset is diminished by the use of an allowance account. Impairment losses are recognized in profit or loss.

In the subsequent period of an event occurring after the recognition of impairments will generate a decrease of the impairments previously recognized. The impairment loss is reversed either directly or by adjusting an allowance account. Reduction of the impairment loss is recognized in profit or loss.

*Available-for-sale financial assets*

The Group assesses at each balance sheet date whether there are indicators of impairment of the financial asset or group of financial. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the share below its cost is considered to determine whether the assets are impaired or not.

If such indicators of impairment exist for the available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and is recognized in profit or loss. Impairment losses recognized in the income statement and within equity instruments are not reversed through profit or loss. If, in a subsequent period, the amount fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Given the intrinsic limitations of the applied methodologies and significant uncertainty of the valuation of assets in international markets and local, the Group's estimates may be revised significantly after the date when the financial statements are authorized for issue.

**Derecognition**

The Group derecognizes a financial asset when the rights to receive cash flows from the financial asset expire or when the Group has transferred its rights to receive the contractual cash flows attributable to the financial asset in a transaction in which it has substantially transferred all the risks and rewards of ownership.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Any interest in transferred financial assets retained by the Group or created for the Group is recognized as a separate financial asset or liability.

The Group derecognizes a financial liability when its contractual obligations have been completed or when its contractual obligations are canceled or expires.

**2.3.7 Employee Benefits**

The Group makes payments to pension funds, health funds, unemployment funds, allowances and vacations for all staff. All employees of the Group are members of the state pension plan. These expenses are recognized in profit or loss for the period covered.

The Group does not operate any other pension plan or retirement benefits so it has no other obligations in respect of pensions.

**2.3.8 Income tax**

**Recognition of current tax assets and liabilities**

The current tax liability for the reporting period and prior periods is recognized to the extent that it is not paid.

If the amounts paid in current period and in prior periods exceeds the amount due for those periods, the excess is recognized as current tax asset.

Benefits relating to a tax loss that can be transferred in order to recover income tax of a previous period is recognized as current tax asset.

Liabilities (or assets) for the current period income tax and prior periods are measured at the amount expected to be paid (recovered) to/by the tax authorities, using the tax rates (and legislation) applicable at the balance sheet date.

**Recognition of deferred tax assets and liabilities**

taxes calculated, by using the balance sheet method, based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws), that have been enacted or substantially adopted at the balance sheet date and are expected to apply when the related deferred income tax is realized or the deferred income tax is settled.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The main temporary differences arise from the following operations:

- Application of tax incentives, consisting of additional deduction of 20% of the book value of assets, when the assets are available for use
- Application of accounting treatments different from the fiscal treatment regarding the recognition of investment properties
- The existence of settlement periods greater than one year
- Application of accounting treatments different from the fiscal treatment regarding the recognition of revaluation surplus
- Application of accounting treatments different from the fiscal treatment regarding the recognition of materials in the form of small inventory

Deferred tax arising from the fair value of non-current assets held for sale, which are directly credited or debited in equity will be subsequently recognized in profit or loss together with the deferred gain or loss.

Deferred tax assets are recognized to the extent that there is likelihood of future taxable profit of which can be recovered temporary difference.

A deferred tax asset must be recognized for all deductible temporary differences to the extent that it is probable taxable profit will be available against which the deductible temporary difference can be used, except the case when the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- i) is not a business combination;
- ii) at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).

A deferred tax asset for the carried forward losses and unused tax credits will be recognized by the Group to the extent that it is probable to exist future taxable profits against which the losses and unused tax credits can be used.

**2.3.9 Specific activity tax**

Starting from January 1st 2017, THR Marea Neagra applied the provisions according to Law 170/ 2016 on the specific activities tax taking in consideration the principal activity corresponding to CAEN 5510 - " Hotels and other accommodation facilities',

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3.10 Provisions**

Provisions are liabilities of uncertain timing or amount.

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

If the Group expects a partial or full reimbursement of the expenditure required to settle a provision (e.i. insurance contracts) it shall:

- a) recognize a reimbursement only if it is certain that it will take place if the Group will fulfill its obligations and the amount recognized for a reimbursement will not exceed the provision;
- b) recognize the amount refunded as a separate asset. In statement of comprehensive income, expenditure related to a provision may be presented after the recognized amount of repayment was decreased.

Provisions shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimate. If an outflow of resources embodying economic benefits is not probable, the provision must be reversed.

No provision is recognized for costs that are incurred for this activity in the future.

Group records provisions for onerous contracts in situations where the expected benefits to be derived from a contract are lower than the unavoidable costs associated with contractual obligations.

Provisions are recognized when the Group has a legal or constructive obligation arising from past events, when it is necessary to settle the obligation that an outflow of resources embodying economic benefits and when the amount of the obligation can be measured reliably.

**2.3.11 Recognition of income**

Revenues of the Group are accounted for by their nature (operational, financial).

Revenue should be measured at the fair value of the consideration received or receivable. In the case of a financial transaction, the fair value is determined by discounting all future receipts, using a default interest rate, the difference from the book value being interest income. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, the income should be recognized only to the extent of the expenses recognized that are recoverable.

The amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits for the entity and do not result in increases in equity. Therefore, they are excluded from income. Similarly, in the case of a Management Agreement, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenues, instead revenues are represented by commissions.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenues from rendered services are accounted as the services are rendered. The provided services include the execution of works and any other operations that cannot be considered as delivery of goods. The stage of completion of the work is determined based on the situation of works that acGroup the invoices, records receptions or other evidence regarding the stage of completion and services reception. For recognition is required to exist the probability that the economic benefits associated with the transaction will flow to the Group, the final stage of the transaction at the end of the period and the costs incurred for the transaction and those for completion of the transaction can be measured reliably.

Interest incomes are recognized using the effective interest method proportional to the relevant period of time, based on the principal and the effective rate over the period to maturity or shorter period if it binds transaction costs, it is established that the Group will obtain such income. When unpaid interest has accrued before the acquisition of an interest-bearing investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition; only the post-acquisition portion is recognized as revenue.

Income from financial assets, respectively dividends receivable from entities in which the Group holds equity, are recognized in the financial statements of the Group in the financial year when they are approved by the General Meeting of each entity.

The nominal value of shares that are received free of charge is also recorded as income from financial assets, as a result of direct incorporation of the profit for the last period in the equity of an entity in which shares are held.

Shares received free of charge after the issuer's share capital increases, increases made by incorporating the current year profit are accounted for as dividend income to the nominal value (cost), which were later recognized at fair value.

Income derived from the sale / disposal of investments held are recognized at the time when their ownership is transferred from the seller to the buyer, using settlement date accounting.

Revenues from sales of shares are recognized on a gross basis (transaction amount), and those resulting from transactions with short-term financial investments are recognized on a net basis (difference between the sales and cost).

**2.3.12 Dividend Payment**

The Group recorded obligation to pay dividends in the year in which the dividend distribution of profit is approved by the General Meeting of Shareholders.

**2.3.13 Activity segments**

The Group's management reviews the Group's overall activity (using statutory information). Information regarding business segments has not been obtained.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3.14 New international standards not applied by the Group**

The Group does not apply some IFRS or new stipulations regarding IFRS issued, but not in effect at the date of the financial statements. The Group cannot estimate the impact of applying this stipulations and intends to apply them when they come into force. Among the issued, but not adopted standards, the Group will not face the situation to prospectively apply neither of them. These are:

- IFRS 9 *Financial Instruments* incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition of financial instruments, published in July 2014 with the entry date on or after 1 January 2018. At European Union (EU) level, this standard has been approved and published in the Official Journal of the European Union on 29 November 2016.
- IFRS 14 applies to a company's first annual financial statements in accordance with IFRS, starting from 1 January 2016 or after. IFRS 14 was published in January 2014. In the EU, this standard was not yet approved.
- IFRS 15 applies to a company's first annual financial statements in accordance with IFRS starting from 1 January 2018 or after. IFRS 15 was published in May 2014 and it was approved in UE in September 2016 with the entry date on or after 1 January 2018.
- IFRS 16 Lease Contracts applies to a company's first annual financial statements in accordance with IFRS, starting from 1 January 2019 or after. IFRS 16 was published in January 13th, 2016. At the level of the European Union (EU), this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- Amendments to IFRS 7 Financial Instruments: information provided in January 2017. At the European Union level, these are pending approval.
- Proposed amendments to IFRS 10 regarding the sale or contribution of assets between an investor and its associates or joint ventures, published in September 2014 with the entry date on or after 1 January 2016. In the EU, for the approval of this standard, a schedule has not been yet determined.
- Amendments to IAS 12 regarding *Recognition of Deferred Tax Assets for Unrealised Losses*, published in January 2016 with the entry date on or after 1 January 2017. At European Union level these are in process of approval.
- Clarifications to IFRS 15 "Revenue from contracts with customers" born in April 2016 with effect from 1 January 2018. At EU level, these are pending approval. At European Union (EU) level, this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.
- Amendments to IFRS 2: "Classifications and ratings of transactions relating to stock-based payments" arising in June 2016, with effect from 1 January 2018. At EU level, these are pending approval.
- Amendments to IFRS 4: "Application of IFRS 9 financial instruments IFRS 4 Insurance Contracts", which appeared in September 2014 with entry into force after 1 January 2018. At EU level, this standard has been approved and published in the Official Journal of the European Union on 9 November 2017.
- Amendments at IFRS 17 "Insurance contracts", published on 18 May 2017 with effect from 1 January 2021.
- IFRIC 22 "Foreign currency Transactions and advanced considerations" appeared in December 2016 with entry into force after 1 January 2018. At EU level, it is pending approval.
- Amendments at IFRIC 23 "Uncertainty over Income Tax Treatments" appeared in the 8 December 2016 with the entry into force after 1 January 2019.
- Amendments to IAS 40 "Investment property transfers" that appeared in 8 December 2016 with entry into force after 1 January 2018. At EU level, these are pending approval.
- Amendments at IFRS 9 "Prepayment Features with Negative Compensation", published on 12 October 2017 with the entry into force after 1 January 2019.
- Amendments at IAS 28 "Long-term interests in Associates and Joint Ventures" published on 12 October 2017 with the entry into force after 1 January 2019.
- Amendments at IAS 19 "Plan Amendment, Curtailment or Settlement" published in February 7, 2018 with the entry into force after 1 January 2019.

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**NOTE 3 – OPERATING INCOME, LESS INCOME FROM ASSET SALES**

The main activity of the Group is tourist accommodation services, catering and entertainment. In 2017, the Group recorded next tourist traffic:

Month	National House of Public Pension – Treatment	Agencies	Foreign	On their own	Day-tourist	
					Other beneficiaries	TOTAL
<b>Conducted in 31 December 2017</b>	128,563	189,201	11,893	20,259	32,619	382,535
Income and expenses budget(BVC) 2017	138,900	176,567	17,834	22,281	21,674	377,256
<b>Differences from 2017/BVC 2017</b>	<b>(10,337)</b>	<b>12,634</b>	<b>(5,941)</b>	<b>(2,022)</b>	<b>10,945</b>	<b>5,279</b>
<b>Percentage achieved 2017/BVC 2017</b>	<b>92.56%</b>	<b>107.16%</b>	<b>66.69%</b>	<b>90.93%</b>	<b>150.50%</b>	<b>101.40%</b>
Conducted in 31 December 2017	135,734	187,424	14,671	21,108	23,806	382,743
<b>Differences in 2017 from 2016</b>	<b>(7,171)</b>	<b>(1,777)</b>	<b>(2,778)</b>	<b>(849)</b>	<b>8,813</b>	<b>(208)</b>
<b>Percentage achieved from 2017/ achieved 2016</b>						
<b>Percentage BVC 2017/ achieved 2016</b>	<b>94.72%</b>	<b>100.95%</b>	<b>81.06%</b>	<b>95.98%</b>	<b>137.02%</b>	<b>99.95%</b>
Differences BVC 2017/ achieved 2016						
<b>Share structure 2017</b>	<b>33.61%</b>	<b>49.46%</b>	<b>3.11%</b>	<b>5.30%</b>	<b>8.53%</b>	<b>100.00%</b>
<b>Share structure 2016</b>	<b>35.46%</b>	<b>48.97%</b>	<b>3.83%</b>	<b>5.51%</b>	<b>6.22%</b>	<b>100.00%</b>

As can be seen, in 2017 we achieved a tourism circulation of 382,535 of day-tourist, decreasing by 0.05% compared to the one recorded in 2016 and decreasing by 1.4% on the touristic traffic level used when budgeting the incomes and expenses for the year.



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**NOTE 3 – OPERATING INCOME, LESS INCOME FROM ASSET SALES (CONTINUED)**

Suitable the tourist traffic, the group recorded operating income following:

RON

Indicator	Financial year ended at 31 December 2017	Financial year ended at 31 December 2016	Index 2017/2016 (%)
<b>Turnover, including</b>	34,854,421	35,386,102	98.50%
<i>Income from accommodation</i>	21,016,132	20,160,054	104.25%
<i>Income from catering</i>	10,128,015	10,617,463	95.39%
<i>Rental income</i>	606,151	1,169,102	51.85%
<i>Other income included in turnover</i>	3,104,123	3,439,483	90.25%
<i>Income from disposed fixed assets and non-current assets held for sale</i>	1,382,160	10,919,946	12.66%
<i>Other income</i>	2,749,096	1,868,293	147.14%
<i>Revenues associated with the costs of the completed production</i>	0	0	
<b>Total operational income</b>	<b>38,985,678</b>	<b>48,174,341</b>	<b>80.93%</b>

RON

Deferred income	31 December 2017	31 December 2016	Indice 2017 / 2016 (%)
Investment subsidies	0	347,699	0%
<b>Total investment subsidies</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>Total deferred income</b>	<b>0</b>	<b>347,699</b>	<b>0%</b>

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**NOTE 4 - INCOME FROM DISPOSAL OF FIXED ASSETS AND NON-CURRENT ASSETS HELD FOR SALE**

RON

Explanation	Financial year ended at 31 December 2017	Financial year ended at 31 December 2016
Income from disposed fixed assets	0	102,357
Income from non-current assets held for sale	1,382,160	10,817,589
<b>Income from disposal of fixed assets and assets held for sale</b>	<b>1,382,160</b>	<b>10,919,946</b>

Income from disposed fixed assets for 2017 are result of selling the following:

- Restaurant Mercur in Eforie South- building and land;
- Heater in Neon in Eforie North - building;
- Land Hotel Sport in Eforie North;

**NOTE 5 - EMPLOYEE BENEFITS EXPENSES. INFORMATION REGARDING EMPLOYEES AND MEMBERS OF THE ADMINISTRATION BOARD AND MANAGEMENT**

Employee benefits expenses are presented as follows:

RON

Explanation	Financial year ended at 31 December 2017	Financial year ended at 31 December 2016
Salaries	9,341,474	8,978,821
Social security contributions	2,605,342	2,138,051
Provisions for employee benefits	0	0
Meal vouchers expenses	291,043	296,407
<b>Total</b>	<b>12,237,858</b>	<b>11,413,279</b>

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**NOTE 5 - EMPLOYEE BENEFITS EXPENSES. INFORMATION REGARDING EMPLOYEES AND MEMBERS OF THE ADMINISTRATION BOARD AND MANAGEMENT (CONTINUED)**

- 1) The Group has not contracted obligations of payment of pensions to former members of the Board of Directors, management and supervision therefore it has not accounted such obligations.
- 2) The Group has not granted and will not grant loans or advances (except for salary advances and/or delegation expenses) to the members of the Board and management. The Group has not booked such obligations at the end of 2016.

Employees:

No.	Indicator	Average number 2017	No, at 31.12.2017	Average number 2016
1	Permanent staff, showing separately:	117	117	125
	a) TESA staff	41	44	46
	b) Operative staff	76	73	79
2	Seasonal staff	20	245	271
3	<b>Total staff</b>	<b>137</b>	<b>362</b>	<b>396</b>

The Group has not undertaken obligations for pension plans other than the one stated by Law no, 263/2010 on the unitary system of public pensions, with the subsequent updates.

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**NOTE 6 - OPERATIONAL EXPENSES (EXCEPT EMPLOYEE BENEFITS)**

No.	Operational Expenses	RON	
		Financial year ended at 31 December 2017	Financial year ended at 31 December 2016
<b>1</b>	<b>Expenses related to inventories:</b>		
1.1	<i>Raw materials and consumables expenses</i>	6,225,155	<b>6,971,502</b>
1.2.	<i>Materials in form of small inventories and packaging expenses</i>	2,353,662	2,866,811
1.3.	<i>Merchandise expenses</i>	422,436	263,427
2	<b>Utility expenses</b>	3,449,057	3,841,264
3	<b>Amortization/depreciation and impairment expenses of fixed assets</b>	2,279,987	<b>2,579,857</b>
4	<b>Expenses from disposed assets and non-current assets held for sale:</b>	7,268,161	<b>7,266,785</b>
5	<b>Other taxes, duties and similar expenses</b>	712,351	<b>5,895,660</b>
6	<b>External performance expenses</b>	3,257,647	<b>3,332,924</b>
7	<b>Other expenses</b>	3,583,838	<b>4,614,157</b>
8	<b>Total operational expenses (except employee benefits)</b>	1,289,070	<b>162,965</b>
		24,616,209	<b>30,823,850</b>

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**NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)**

Starting from January 1<sup>st</sup> 2017, according to Law 170/ 2016 on the specific activities tax, the legal Romanian persons which on 31 December 2016 have simultaneously fulfill the conditions:

- They were entered in Articles of Association, as a principal or secondary activity one of the activities corresponding to CAEN 5510 - " Hotels and other accommodation facilities',
- 5520 - "facilities for accommodation for holidays and periods of short duration", 5530 - "Parks for caravans, camping and camps", 5590 - "Other accommodation services", 5610 - "Restaurants", 5621 - " Food services activities (catering) for events", 5629 - "Other food services activities", 5630 - "Bars and other a beverage serving activities";
- Which actually carries on activities in the areas referred to in the preceding subparagraph;
- Not in liquidation, according to the law, are liable to pay tax to specific activities.

The Group shall carry out their activities subject to specific activity tax (CAEN code 5510, 5610 and 5630) via:

- A number of 21 Hotel resort ( hotel restaurant bar) with a capacity of the marketable production of 6,808 places of accommodation 4,952 places in restaurants and 674 seats in pubs/cafés;
- buffet with a capacity of 30 seats and a commercial area of 46 square meters.

In accordance with the provisions of Article 5(2) of the detailed rules for the application of Law no.170/2016, the company specific activity tax calculated for the period of the fiscal year for which it carries on business, as the period laid down in the opening of the unit until the last day of validity of the license, except in the case of complex Hora for which carried out the activity was considered to be the referred to in the schedule of opening and closing of the Group, 23 May-20 October, 2017. The documents which were taken as a basis for the calculation of the specific activity tax have been schedule of opening and closing of the establishments for the summer season 2017, licenses for the operation and standardised sheets concerning the classification of the nominal of accommodation spaces on the categories and types for each hotel complex, terminals which were basic to the address for requesting certificates for the classification structures for tourist reception with functions of accommodation and catering.

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**NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)**

In table no.1 we present a summary of specific activity tax for 2017, in table no 2, 3, 4, the specific activity tax calculation on each resort, and in table no 5 the calculation for each hotel :

Nr. no	Indicators	TOTAL year 2017	Total complex hotelier (hotel+ restaurant + bar)	Total 4 stars	Total 3 stars	Total 2 stars	Total alimentație publică
<b>1</b>	<b>Accommodation places</b>	<b>6,808</b>	<b>6,808</b>	<b>992</b>	<b>3,446</b>	<b>2,370</b>	<b>0</b>
	number of places – units of catering required	4,952	4,952	992	2,780	1,180	0
	number of places at bar – units of catering required	444	444	120	264	60	0
	number of places at bar – units of catering required	230	230	40	190	0	0
	number of places buffet – independent catering	30	0	0	0	0	30
<b>2</b>	Standard specific activity tax (k)	0	0	271	171	113	0
<b>3</b>	<b>Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2017 (RON)</b>	<b>293,512</b>	283,474	74,226	160,943	48,305	10,038

Nr. no	Indicators	Total 4 stars	4 stars		
			Complex Brad-Bran-Bega	Cleopatra	
<b>1</b>	<b>Accommodation places</b>	<b>992</b>	<b>146</b>	<b>292</b>	<b>554</b>
	number of places – units of catering required	992	438		554
	number of places at bar – units of catering required	120	80		40
	number of places at bar – units of catering required	40			40
<b>2</b>	Standard specific activity tax (k)		271	271	271
<b>3</b>	<b>Number of working days according to the opening and closing schedule 2017</b>		82	142	84
<b>4</b>	<b>Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2017 (RON)</b>	74,226	8,889	30,786	34,551

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**NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)**

**TABLE no. 3**

Nr. No	Indicators	Total 3 stars	3 stars							
			Hora	Balada	Sirena	Cerna	Raluca	Lidia	Narcis	Siret
<b>1</b>	<b>Accommodation places</b>	<b>3,446</b>	<b>566</b>	<b>566</b>	<b>566</b>	<b>298</b>	<b>260</b>	<b>244</b>	<b>640</b>	<b>306</b>
	number of places – units of catering required	2,780	566	566	566	296	260	220	0	306
	number of places at bar – units of catering required	264	40	40	40	0	20	54	40	30
	number of places at bar – units of catering required	190		100					90	
<b>2</b>	<b>Standard specific activity tax (k)</b>		<b>171</b>	<b>171</b>	<b>171</b>	<b>171</b>	<b>171</b>	<b>171</b>	<b>171</b>	<b>171</b>
<b>3</b>	<b>Number of working days according to the opening and closing schedule 2017</b>		<b>151</b>	<b>84</b>	<b>100</b>	<b>84</b>	<b>69</b>	<b>88</b>	<b>92</b>	<b>100</b>
<b>4</b>	<b>Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2017 (RON)</b>	<b>160,943</b>	<b>40,040</b>	<b>22,274</b>	<b>26,517</b>	<b>11,727</b>	<b>8,405</b>	<b>10,059</b>	<b>27,585</b>	<b>14,336</b>

**TABLE no. 4**

Nr. No	Indicators	Total 2 stars	2 stars									
			Prahova	Mures	Aida	Magura	Gloria	Capitol	Diana	Venus	Vraja Marii	Atena
<b>1</b>	<b>Accommodation places</b>	<b>2,370</b>	<b>306</b>	<b>306</b>	<b>448</b>	<b>228</b>	<b>216</b>	<b>218</b>	<b>234</b>	<b>208</b>	<b>60</b>	<b>146</b>
	number of places – units of catering required	1,180	306	0	448	0	0	218	0	208	0	0
	number of places at bar – units of catering required	60	0	0	0	0	0	0	0	60		
	number of places at bar – units of catering required	0	0	0	0	0	0	0	0			
<b>2</b>	<b>Standard specific activity tax (k)</b>		<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>
<b>3</b>	<b>Number of working days according to the opening and closing schedule 2017</b>		<b>70</b>	<b>70</b>	<b>70</b>	<b>0</b>	<b>71</b>	<b>71</b>	<b>70</b>	<b>92</b>	<b>105</b>	<b>63</b>
<b>4</b>	<b>Specific activity tax /unit/ no. of days according to schedule of opening/closing in 2017 (RON)</b>	<b>48,305</b>	<b>6,631</b>	<b>6,631</b>	<b>9,709</b>	<b>0</b>	<b>4,748</b>	<b>4,792</b>	<b>5,071</b>	<b>5,924</b>	<b>1,950</b>	<b>2,848</b>

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**NOTE 7 – SPECIFIC ACTIVITY TAX, CURRENT TAX AND DEFERRED TAX, EARNINGS PER SHARE (CONTINUED)**

**TABLE no. 5**

No.	Indicators/Coefficients	Total public services	Cold baths buffet
1	Number of places decreased	30	30
2	Standard tax value(k)	1,400	1,400
3	The variable according to the ranking of the locality(x)	5	5
4	The variable of the effective area of the location (y)	21	21
5	Seasonality coefficient(z)	0.3	0.3
6	Write-down coefficient for the technical area (q)	0.9	0.9
7	<b>F=k*x*y*z*q(RO)</b>	<b>10,038</b>	<b>10,038</b>

In accordance with the requirements of art.10 of Law 170/2016, related to specific activities tax for some activities taking into consideration that the entity derives revenues from other activities that aren't included in the corresponding CAEN codes subjected to the specific activity tax, applying for these activities the declaration and payment system of the tax profit provided by Law no. 227/2015 with subsequent amendments and supplements.



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**NOTE 7 - CURRENT TAX AND DEFERRED TAX. EARNINGS PER SHARE**

The differences between regulations issued by the Ministry of Public Finance of Romania and accounting principles applied in preparing these financial statements generate temporary differences between the carrying amount and the tax base of certain assets and liabilities,

No.	Explanation	THR Marea Neagră SA (RON)	Balneoterapia SRL (RON)
1	<b>Total income, of which:</b>	<b>8,848,107</b>	<b>2,582,427</b>
2	Non-taxable income	1,512,631	0
3	Items similar to income total, of which:	291,586	0
4	Taxable income	7,627,062	2,582,427
5	Total expenses, of which:	<b>8,615,805</b>	<b>2,315,953</b>
	<i>Non-deductible expenses</i>	374,412	0
	Income deferred tax expenses	51,386	0
6	<b>The difference between the accounting and tax depreciation</b>	<b>19,641</b>	<b>0</b>
7	Legal reserve tax profit	283,688	266,474
8	<b>Taxable profit / (tax loss)</b>	<b>(648,156)</b>	<b>266,474</b>
9	Legal reserve	14,184	0
10	<b>Tax profit due</b>	<b>0</b>	<b>42,274</b>

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**NOTE 7 - CURRENT TAX AND DEFERRED TAX. EARNINGS PER SHARE (CONTINUED)**

**Earnings per share**

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Group for the financial year 2017 amounted to **1,616,036 RON** (2016: profit **4,399,514 RON**) on weighted average number of ordinary shares in circulation to 578,949,939 adjusted with self-owned shares value. Diluted earnings per share is determined by adjusting net profit attributable to ordinary shareholders and the weighted average number of shares outstanding, adjusted with self-owned shares value, dilution effects of all potential ordinary shares.

**Profit attributable to ordinary shareholders**

	<b>RON</b>	
	<b>2017</b>	<b>2016</b>
Profit (loss) for the period	1,616,036	4,399,514
Profit (loss) for the period attributable to ordinary shareholders	1,616,036	4,399,514
<b>Weighted average number of ordinary shares</b>	578,949,939	578,949,939
Ordinary shares issued at 1 January	0	0
Effect of self -owned shares held		
Weighted average number of ordinary shares at 31 December	578,949,939	578,949,939
<b>Earnings per share (basic)</b>	<b>0.0028</b>	<b>0.0076</b>
Profit attributable to ordinary shareholders (basic)	1,616,036	4,399,514
Convertible bonds interest expenses after tax		
Profit attributable to ordinary shareholders (diluted)	1,616,036	4,399,514
<b>Weighted average number of ordinary shares (diluted)</b>	<b>578,949,939</b>	<b>578,949,939</b>
Weighted average number of ordinary shares (basic)	578,949,939	578,949,939
Effect of conversion of convertible bonds		
Effect of share options issued		
Weighted average number of ordinary shares (diluted) at 31 December	578,949,939	578,949,939
<b>Earnings per share (diluted)</b>	<b>0.0028</b>	<b>0.0076</b>

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**NOTE 8 - TANGIBLE NON-CURRENT ASSETS**

	RON					
Description	Property	Plant	Equipment	Furniture and Fixtures	Advance payments for assets and work in progress	Total
0	1	2	3	4	5	6
<b>Cost or assumed cost</b>						
<b>Balance at January 1, 2016</b>	<b>95,421,151</b>	<b>112,214,268</b>	<b>19,226,639</b>	<b>14,092,014</b>	<b>4,004,687</b>	<b>244,958,759</b>
Acquisitions	0	12,237,496	1,294,904	1,956,306	15,224,923	<b>30,713,629</b>
Reclassification of small inventory to fixed assets (Growth)	0	0	939,987	1,219,755	0	<b>2,159,742</b>
Disposals of non-current assets	(11,801,418)	(12,656,786)	(477,930)	(777,320)	(17,873,878)	<b>(43,587,332)</b>
Revaluation	0	0	0	0	0	<b>0</b>
<b>Balance at December 31, 2016</b>	<b>83,619,733</b>	<b>111,794,978</b>	<b>20,983,600</b>	<b>16,490,755</b>	<b>1,355,732</b>	<b>234,244,797</b>
<b>Balance at January 1, 2017</b>	<b>83,619,733</b>	<b>111,794,978</b>	<b>20,983,600</b>	<b>16,490,755</b>	<b>1,355,732</b>	<b>234,244,797</b>
Acquisitions	0	4,414,180	20,791	24,874	4,247,446	<b>8,707,291</b>
Reclassification of small inventory to fixed assets (Growth)	547,563	0			0	<b>547,563</b>
Disposals of non-current assets / Impairments	(24,428,840)	(2,852,666)	(30,624)	(3,923)	(4,611,894)	<b>(31,927,946)</b>
<b>Balance at December 31, 2017</b>	<b>59,738,456</b>	<b>113,356,492</b>	<b>20,973,767</b>	<b>16,511,706</b>	<b>991,286</b>	<b>211,571,704</b>
<b>Depreciation and impairment losses</b>						
<b>Balance at January 1, 2016</b>	<b>0</b>	<b>1,302</b>	<b>7,295,725</b>	<b>3,870,070</b>	<b>0</b>	<b>11,167,097</b>
Period depreciation	0	3,226,478	2,221,804	1,633,890	0	7,082,172
Impairment losses	4,118	0	0	0	0	4,118
Disposals of fixed assets	0	0	0	0	0	0
Depreciation of revalued buildings 31.12.2016 (cancellation)	0	(107,624)	(27,054)	(95,682)	0	(230,360)
<b>Balance at December 31, 2016</b>	<b>4,118</b>	<b>3,120,156</b>	<b>9,490,475</b>	<b>5,408,278</b>	<b>0</b>	<b>18,023,027</b>

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**NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)**

Description	Property	Plant	Equipment	Furniture and Fixtures	Work in progress	Total
<b>Balance at January 1, 2017</b>	<b>4,118</b>	<b>3,120,156</b>	<b>9,490,475</b>	<b>5,408,278</b>	<b>0</b>	<b>18,023,027</b>
Period depreciation	0	3,261,267	2,203,990	1,556,838	0	7,022,095
Impairment losses	0	(46,637)	(15,813)	(1,349)	0	(63,799)
<b>Balance at December 31, 2017</b>	<b>4,118</b>	<b>6,334,786</b>	<b>11,678,653</b>	<b>6,963,767</b>	<b>0</b>	<b>24,981,323</b>
<b>Balance at January 1, 2016</b>	<b>95,421,151</b>	<b>112,212,965</b>	<b>11,934,640</b>	<b>10,221,944</b>	<b>4,004,686</b>	<b>233,795,386</b>
<b>Balance at December 31, 2016</b>	<b>83,615,615</b>	<b>108,674,821</b>	<b>11,493,124</b>	<b>11,082,476</b>	<b>1,355,732</b>	<b>216,221,768</b>
<b>Balance at January 1, 2017</b>	<b>83,615,615</b>	<b>108,674,821</b>	<b>11,493,124</b>	<b>11,082,476</b>	<b>1,355,732</b>	<b>216,221,768</b>
<b>Balance at December 31, 2017</b>	<b>59,734,338</b>	<b>107,021,706</b>	<b>9,295,115</b>	<b>9,547,939</b>	<b>991,285</b>	<b>186,590,383</b>

On 31.12.2015 the group made the last revaluation of tangible non-current assets.

The Group revalued tangible non-current assets in the following years: 1999. 2002. 2003. 2005. 2007. 2009. 2011. 2012.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent that the revaluation surplus shows a credit balance for the asset. Reduction recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Revaluation differences recorded by the group on 31.12.2017 related assets located in its patrimony are 107,559,706 RON and cannot be distributed to shareholders

For tangible non-current assets, the Group hasn't registered any life span changes, the determination of the amortization for the pledged assets hasn't changed as well and there was no reclassification for some parts of the expenses or the amortization on behalf of other expenses.

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**NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)**

Taking into consideration the investments in year 2016, regarding some of the company's assets, investments that increased significantly their value, conducting to the improvement of the initial technical parameters, in accordance with HG 2139/2004 relating to the "Catalog concerning the classification and the useful life of fixed assets - Section III - "Further clarification", the useful life was increased by 5 years, starting with January 1, 2017, as it follows:

<b>Noinv</b>	<b>Building</b>	<b>Assets value before investments (RON)</b>	<b>Investments value year 2016 (RON)</b>	<b>UL at 31.12.2016</b>	<b>UL starting with 01.01.2017</b>
10105	Building Restaurant Aida in Saturn	354,011.42	143,229.39	25 years and 11 months	30 years and 11 months
10066	Building Restaurant Cerna in Saturn	83,076.00	345,173.91	24 years and 3 months	29 years and 3 months
10056	Building Hotel Aida in Saturn	3,784,116.00	365,192.27	25 years and 11 months	30 years and 11 months
10052	Building Hotel Balada in Saturn	2,056,235.00	1,293,060.63	25 years and 11 months	30 years and 11 months
10065	Building Hotel Cerna in Saturn	930,647.00	823,185.13	24 years and 3 months	29 years and 3 months
10057	Building Hotel Hora in Saturn	3,067,216.00	1,303,223.65	25 years and 11 months	30 years and 11 months
10050	Building Hotel Narcis in Saturn	7,714,034.00	5,905,620.46	25 years and 11 months	30 years and 11 months
100516	Building Hotel Lidia in Venus	4,446,584.00	193,339.70	29 years and 6 months	34 years and 6 months
100407	Building Restaurant Lidia in Venus	165,296.00	599,389.01	20 years and 1 month	25 years and 1 month

As a result of investments made in 2016, it has set for assets a new useful life regarding Buffet Narcis in Saturn, according to the following table:

<b>Noinv</b>	<b>Building</b>	<b>Asset value before investment (RON)</b>	<b>Investments 2016 (RON)</b>	<b>UL at 31.12.2016</b>	<b>UL starting with 01.01.2017</b>
10274	Buffet building Narcis	15.00	128,613.79	0 years	12 years

For tangible non-current assets, the Company hasn't registered any life span changes, the determination of the amortization for the pledged assets hasn't changed as well and there was no reclassification for some parts of the expenses or the amortization on behalf of other expenses.

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**NOTE 8 - TANGIBLE NON-CURRENT ASSETS (CONTINUED)**

Regarding tangible non-current assets, the Group has no restrictions on the ownership title.

The Group owns:

- all the presented assets,
- a total land area of 462,640.96 square meters, as:
  - 421,195.42 square meters based on ownership certificates issued by the Ministry of Tourism for: Saturn S.A., Venus S.A., Eforie Nord S.A., Eforie Sud S.A. and release and receipt protocol between Neptun - Olimp S.A. and Miorita Estival 2002 S.A.,
  - 17,278.70 square meters purchased from the City Hall Eforie North, under contracts of sale - buy,
  - 24,166.84 square meters following the exchange conducted with the City Hall Mangalia and Eforie North.

Pledged, mortgaged and restricted assets

On 31.12.2017, the Group has established mortgages on these assets:

- Complex Hotel – Restaurant Sirena from Saturn and the land, in favor of BCR, guaranteed loan amount being 7,500,000 RON credit which must be repaid in June 2018, at 31.12.2017, all credit line being unused.
- Complex Hotel – Restaurant Balada from Saturn and the land, in favor of Unicredit Bank, guaranteed loan amount being 3,200,000 RON, credit which must be repaid in October 2020, at 31.12.2017, final balance of 2,400,000 RON.

In this class there was no compensation from third parties for impaired assets.

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**NOTE 9 - INTANGIBLE ASSETS (CONTINUED)**

In 2017, the main investment objectives achieved by the Group in amount of 4,424,384 were the following:

		RON
No.	The investment objective	Value
1	Rehabilitation and installations execution of ventilation and air conditioning, ventilation and air conditioning system, painting walls, electrical installations and sanitary Hotel Cleopatra	980,510
2	Outside wall painting, electrical installations and sanitary R Brad, H Lidia, H Atena, H Cerna, H Mures, H Prahova, H Siret, H Capitol, R Balada, Balada Swimming Pool, R Venus, R Lidia, R Bega, R Hora, R Siret, R Sirena, R Prahova, H Raluca, R Aida, H Hora, H Vraja Marii	549,085
3	Fitting of 114 pieces of entry doors, carpet, work on the doors, electrical and sanitary installations at Hotel Balada.	375,116
4	Construction works, underlayment and other work R Cleopatra, BBB swimming pool, R.Orion, R Narcis, Pisicna Cleopatra, CT Vraja Marii, R.Capitol, H Gloria, GG Jupiter	296,170
5	Outside walls painting, sanitary installations Restaurant Cerna	254,778
6	Air condition rehabilitation, electrical and sanitary installation Hotel Sirena	227,050
7	Sanitary remedation, electrical and sanitary installations Hotel Aida	214,269
8	Ventilation and air condition rehabilitation, outside wall painting sanitary installation rehabilitation Hotel Bran	198,736
9	Ventilation and air condition rehabilitation, outside wall painting sanitary installation rehabilitation Hotel Brad	191,162
10	Ventilation and air condition rehabilitation, outside wall painting sanitary installation rehabilitation Hotel Bega	183,812
11	Underlayment and other work hotel Diana	146,246
12	Sanitary groups rehabilitation Hotel Tosca	113,049
13	Sanitary groups rehabilitation (8 sanitary groups) and other works, Hotel Venus	94,176
14	Outside walls painting and other electrical installation rehabilitation H Magura, Bai Reci Ef.Sud, Bufet Narcis, Spalatoria Saturn	86,803
15	Drawing board authorisation ISU R Lidia, H Lidia, R Sirena, R Balada, R Hora, R Narcis, H Sirena, H Narcis, H Hora, R Cleopatra, H Cleopatra, H Balada, R Brad, H Brad, H Bega, H Bran, R Bega, R Capitol, H Capitol si fire intervence scheme complex Narcis	55,302
16	Outside walls painting R Magura, R Minerva, R Sulina, R Dunarea, CP 3, Bakery Saturn, Raluca swimming pool	36,811
17	Economic Management system implementation Clarvision ( program , server)	14,622
18	Playground improvements at swimming pool Cleopatra and Balada	10,622
19	Other upgrades	10,329
	<b>TOTAL INVESTMNETS without VAT</b>	<b>4,038,646</b>
	VAT	385,738
	<b>TOTAL INVESTMENTS including VAT</b>	<b>4,424,384</b>

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**NOTE 9 - INTANGIBLE ASSETS**

	<b>RON</b>	
<b>EXPLANATION</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>I) Book value of intangible assets:</b>	<b>2,401,518</b>	<b>2,311,459</b>
Licenses + projects	1,729,643	1,721,834
Other intangible assets	671,875	589,625
<b>II) Decreases (amortization):</b>	<b>1,986,532</b>	<b>1,800,654</b>
Licenses + projects	1,416,155	1,212,853
Other intangible assets	570,377	587,801
<b>III) Net book value</b>	<b>414,986</b>	<b>510,805</b>
a) Licenses + projects	313,488	508,981
b) Other intangible assets	101,498	1,824

The increase is mainly due to the acquisition and implementation of Opera hotel management software, by supplementing the Opera license for Hotel Cleopatra, Complex Bran-Brad-Bega and Hotel Aida.

All intangible assets have defined useful life, amortization method is linear in all cases for the useful life. According to the accounting policy adopted in the Group, life duration is up to 20 years for concessions, patents, licenses and up to 3 years for other assets. Intangible assets are booked at their cost.

All intangible assets are pointed in their cost value.



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**NOTE 10 –INVESTMENT PROPERTY**

Investment properties are measured at using the fair-value model, and are disclosed as follows:

RON		
Explanation	31 December 2017	31 December 2016
Complex Claudia (land+building)	1,484,529	1,376,054
Rapsodia restaurant (building)	0	264,658
Complex Minerva (land+building)	807,441	749,580
Complex Miorita (land+building)	7,819,118	7,115,782
Complex Semiramis (land+building)	5,968,634	5,788,432
Apollo Tennis court	0	4,482
Hora kindergarten building	0	33,799
Atelier Mecanic Saturn land	675,272	631,584
Semiramis beach buffet land	436,118	386,380
<b>Total</b>	<b>17,191,112</b>	<b>16,350,751</b>

Assets classified as investment properties were evaluated by independent evaluators (IPIEV Consulting) in a corporate member of ANEVAR. with certificate number 0250 - 01/01/2016. The company's headquarter is located in Bucuresti. Nicolae Grigorescu Bvd. nr. 29A. bl. N22. sc. B. et. 4. ap.53. sector 3. Its trade registration number is J40 / 10356/2001 and it is a corporate member of ANEVAR certified by nr. 0250/01.01.2016.

The approaches used in the evaluation were: cost approach - replacement cost method and income approach – discounted future cash-flow method.

Analyzing all estimated values according to the approach. in the present case. the selected property value is obtained by the cost approach. given the purpose of the assessment made.

For assets recognized as investment property there are leases signed. Rental incomes are recognized in the income statement and are presented in Note 4 - Income from operating activities.

The inputs used in measuring fair value techniques are classified by level 2, comprising inputs other than quoted prices included in Level 1 that are observable for the asset or liability in question, either directly or indirectly,

Level 2 Inputs include quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, observable inputs other than quoted prices for the asset or liability and data input or results mainly in conjunction with observable market data by correlation or other means.

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**NOTE 10 –INVESTMENT PROPERTY (CONTINUED)**

Fair value adjustments to assets classified as investment property in profit and loss at the end of 31.12.2017, and after evaluation:

**RON**

Explanation	31 December 2017			31 December 2016		
	Gains from fair value measurement of investment properties	Losses from fair value measurement of investment properties	Gains/Losses	Gains from fair value measurement of investment properties	Gains/losses from fair value measurement of investment properties	Gains/Losses
Complex Claudia (land+building)	108,475	0	108,475	39,639	0	39,639
Complex Minerva (land+building)	57,861	0	57,861	32,298	0	32,298
Complex Miorita (land+building)	703,336	0	703,336	35,434	0	35,434
Complex Semiramis (land+building)	180,202	0	180,202	94,126	0	94,126
Machine Shop Saturn – land	43,688	0	43,688	30,178	0	30,178
Semiramis beach buffet – land	49,738	0	49,738	1,413	0	1,413
<b>Total</b>	<b>1,143,300</b>	<b>0</b>	<b>1,143,300</b>	<b>233,088</b>	<b>0</b>	<b>233,088</b>

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**NOTE 11 – FINANCIAL ASSETS**

Securities are recognized in the financial statements in accordance with IAS 27 (reviewed in 2010). IAS 36 (reviewed in 2009). IAS 39 (reviewed in 2009) and IFRS 7 (issued in 2008). According to these 4 standards, the company adopted the following policy for the recognition and valuation of shares and securities:

- investments in subsidiaries, jointly controlled entities and associates are recognized at cost,
- short-term investments held for sale unlisted on the stock exchange market are recorded at cost. For value depreciation, the company makes adjustments (the depreciation treatment for these securities is determined by IAS 39, paragraph 63) ,
- short-term investments held for sale listed, on the stock exchange market, are recorded at fair value (the value of trading on the last day of the year). In case of winnings or losses, they will be recognized in equity. If there are any indicators of impairment (as presented in paragraph 59 of IAS 39), as well as gains and losses from exchange rate differences, the loss of value is recognized in the period result.

Other investment	31 December 2017			31 December 2016		
	Book value	Impairment	Net book value	Book value	Impairment	Net book value
<b>Long-term investments</b>						
Shares at Transilvania Hotels&Travel S.A.	2,432,010	0	2,432,010	2,432,010	0	2,432,010
<b>Long-term investments</b>	<b>2,434,010</b>	<b>0</b>	<b>2,434,010</b>	<b>2,434,010</b>	<b>0</b>	<b>2,434,010</b>

Long term securities are recognized in the financial statements in accordance with IAS 27 Consolidated and Separate Financial Statements, at cost. Securities that fall into the first category consist of equity of Transilvania Hotels&Travel SA being recognized at financial assets:

Company	Share capital %	31 December 2017	31 December 2016
Transilvania Hotels&Travel SA	32.059%	2,432,010	2,432,010

Transilvania Hotels&Travel SA has a share capital of 7,586,120 RON, comprising 3,034,448 shares with a nominal value of 2.5RON/share and has the registered office: Maria Rosetti Street, No. 35, branch 2, Bucuresti.

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**NOTE 12 – INVENTORIES**

Inventories	RON			
	Book value (RON) at 31.12.2017	Balance at 31.12.2017	Adjustments for depreciation 31.12.2017	Book value (RON) at 31.12.2017
Raw materials	0		0	0
Materials (without price differences and VAT)	430,763	38,304	469,067	600,335
Inventories	2,617	0	2,617	6,108
Finished goods	0	0	0	0
Raw materials and consumables at third parties	0	0	0	3,254
Merchandise	4,153	0	4,153	2,931
Packaging materials	4,621	0	4,621	4,621
Advances for inventories acquisitions	0	0	0	110
<b>Total</b>	<b>442,154</b>	<b>38,304</b>	<b>480,458</b>	<b>617,359</b>

Inventories of materials and necessary equipment are used for investments acquired in order to complete ongoing investments.

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**NOTE 13 – RECEIVABLES**

Receivables are presented in the financial statements depending on the nature of them (trade receivables and other receivables) at the likely amount to be collected.

No	Name	Receivables at 31.12.2017	Allowances at 31.12.2017	Net book value of receivables 31.12.2017	Net book value of receivables 31.12.2016	Variation of receivables 2017/2016 (%)
1	Trade receivables and other receivable from which:	<b>4,933,051</b>	<b>(1,219,460)</b>	<b>6,152,511</b>	<b>6,118,303</b>	<b>80.63%</b>
1.1.	Trade receivables from which:	1,566,343	(1,219,460)	2,785,803	2,137,054	<b>73.29%</b>
	<i>Transylvania Hotels &amp; Travel SA</i>	670,329	0	670,329	445,762	<b>150.38%</b>
1.2.	Receivables from state budget	3,227,959	0	3,227,959	3,884,928	<b>83.09%</b>
1.3.	Debtors active sales	0	0	0	31,585	<b>0.00%</b>
1.4.	Sundry debtors	216	0	216	18,885	<b>1.14%</b>
1.5.	Other receivables	138,533	0	138,533	45,851	<b>302.14%</b>
2	Current income tax	<b>38,336</b>	<b>0</b>	<b>38,336</b>	<b>2,972</b>	<b>0.00%</b>
3	Receivable assets	<b>453,572</b>	<b>0</b>	<b>453,572</b>	<b>453,572</b>	<b>100.00%</b>
4	Deferred tax assets	<b>951,078</b>	<b>0</b>	<b>951,078</b>	<b>941,069</b>	<b>101.06%</b>
	<b>Total</b>	<b>6,376,037</b>	<b>(1,219,460)</b>	<b>7,595,497</b>	<b>7,515,916</b>	<b>84.83%</b>

The Group's receivables consist mainly of tourism services in amount of 2,721,244 RON adjusted to 1,219,460 RON representing an older debt related to the services offered by Rugby Club Constanta as well as state budget receivables represented by VAT to be recovered in amount of 3,180,194 RON (due to investments and purchases made).

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**NOTE 13 – RECEIVABLES**

Depending on their age, the book value of receivables is:

Receivables	Total at 31.12.2017	Under 30 days	30-180 days	181-365 days	>1 year
Trade receivables and other receivable from which:	<b>6,152,511</b>	<b>151,976</b>	<b>1,540,612</b>	<b>205,336</b>	<b>4,254,587</b>
Trade receivables from which:	2,785,053	59,343	919,335	14,073	1,792,302
<i>Transilvania Hotels &amp; Travel SA</i>	670,329	772	225,964	0	443,593
Receivables from state budget	3,227,959	27,081	589,410	191,263	2,420,205
Debtors active sales	0	0	0	0	0
Sundry debtors	216	0	67	0	149
Other receivable	139,283	65,552	31,800	0	41,931
Current income tax	38,336	38,336	0	0	0
Receivable assets	453,572	0	0	0	453,572
Deferred tax assets	951,078	10,009	0	0	941,069
<b>Total</b>	<b>7,595,497</b>	<b>200,321</b>	<b>1,540,612</b>	<b>205,336</b>	<b>5,649,228</b>

**NOTE 14 - ACCRUED EXPENSES**

RON

Accrued expenses	31.dec.2017	31.dec.2016
Vignette tax	184	268
Insurance policies	39,334	41,455
Other accrued expenses	742,498	882,150
<b>Total accrued expenses</b>	<b>782,016</b>	<b>923,873</b>

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**NOTE 15 - CASH AND CASH EQUIVALENTS**

	RON	
Explanation	31.12.2017	31.12.2016
Bank accounts in RON	5,609,914	7,698,948
Bank account in foreign currencies	900	74,711
Petty cash in RON	19,388	2,719
Other values	5,603	1,338
<b>Total</b>	<b>5,635,805</b>	<b>7,777,716</b>

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**NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE**

RON							
NO	Category	Book value of non-current assets held for sale in 2017	Book value of assets disposed or disposed through reclassification in 2017	Book value of non-current assets held for sale at 31.12.2017	Book value of non-current assets held for sale in 2016	Book value of non-current assets sold in 2016	Book value of non-current assets held for sale at 31.12.2016
1	Restaurant Minerva	149,433	0	149,433	0	0	0
2	Restaurant  Sulina	88,351	0	88,351	0	0	0
3	Restaurant Dunarea	174,688	0	174,688	0	0	0
4	Complex Atena (hotel + restaurant)	1,311,461	0	1,311,461	0	0	0
5	Complex Tosca (Hotel + restaurant + buffet)	113,049	0	2,890,022	0	0	2,776,973
6	Stop on the tour Saturn	32,213	0	32,213	0	0	0
7	CP 3 Saturn	179,061	0	179,061	0	0	0
8	Restaurant Pelican	145,092	0	145,092	0	0	0
9	GG Jupiter	451,633	0	451,633	0	0	0
10	Bakery Saturn	19,035	0	19,035	0	0	0
11	Restaurant Mercur	4,110	117,790	0	0	0	113,680
12	Complex Venus (Hotel + restaurant)	0	1,010,910	0	0	0	1,010,910
13	Garden/restaurant Rapsodia	264,658	43,912	315,431	0	0	94,685
14	Hotel Ancora	0	0	258,532	0	0	258,532
15	Complex Capitol (Hotel + restaurant)	60,862	0	543,884	0	0	483,022
16	Hotel Gloria	43,414	0	485,240	0	0	441,826
17	Complex Magura (Hotel + restaurant)	32,881	0	1,526,033	0	0	1,493,152
18	Hotel Riviera	0	0	464,177	0	0	464,177
19	Hotel Meteor	246,812	0	246,812	0	0	0



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<b>20</b>	CT Neon	75,334	205,369	0	0	0	130,035
	<b>TOTAL BUILDINGS</b>	<b>3,392,088</b>	<b>1,377,982</b>	<b>9,281,098</b>	<b>0</b>	<b>0</b>	<b>7,266,992</b>
<b>1</b>	Land Restaurant Minerva	1,813,760	0	1,813,760	0	0	0
<b>2</b>	Land Restaurant  Sulina	1,458,496	0	1,458,496	0	0	0
<b>3</b>	Land Restaurant Dunarea	1,183,104	0	1,183,104	0	0	0
<b>4</b>	Land Complex Atena (hotel + restaurant)	1,251,952	0	1,251,952	0	0	0
<b>5</b>	Land Complex Tosca (Hotel + restaurant + buffet)	0	0	2,602,496	0	0	2,602,496
<b>6</b>	Land – stop on the tour Saturn	15,890,160	0	15,890,160	0	0	0
<b>7</b>	Land CP 3 Saturn	791,024	0	791,024	0	0	0
<b>8</b>	Land Restaurant Pelican	668,304	0	668,304	0	0	0
<b>9</b>	Land GG Jupiter	1,080,560	0	1,080,560	0	0	0
<b>10</b>	Land - Bakery Saturn	127,504	0	127,504	0	0	0
<b>11</b>	Land Restaurant Mercur	0	222,949	0	0	0	222,949
<b>12</b>	Land Complex Venus (Hotel + restaurant)	0	547,563	0	0	0	547,563
<b>13</b>	Land - Garden Rapsodia	0	0	233,022	0	0	233,022
<b>14</b>	Land - Hotel Sport	163,976	163,976	0	0	0	0
<b>15</b>	Land - Snack Bar Carmen	0	0	39,050	0	0	39,050
<b>16</b>	Land complex Cocorul acces way	0	0	95,483	0	0	95,483
	<b>TOTAL LANDS</b>	<b>24,428,840</b>	<b>934,488</b>	<b>27,234,915</b>	<b>0</b>	<b>0</b>	<b>3,740,563</b>
	<b>TOTAL ASSETS HELD FOR SALE</b>	<b>27,820,928</b>	<b>2,312,470</b>	<b>36,516,013</b>	<b>0</b>	<b>0</b>	<b>11,007,555</b>

Non-current assets held for sale are stated at the lower value between the carrying amount and fair value less costs to sell. Any subsequent increase or decrease of value of these assets was recognized in profit or loss, based on a specialized evaluation

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**NOTE 16 –NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)**

Profit from selling these non-current assets held for sale was recognized in profit and loss account as follows:

						RON
2017			2016			
Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Income from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Expenses from disposal of non-current assets held for sale	Profit/Loss	
1,382,160	(710,084)	672,076	10,817,589	(5,609,735)	5,207,854	

Income from disposal of non-current assets held for sale were included on line 5 of the statement of profit or loss and other comprehensive income and disposal expenses of assets held for sale were presented in row 13 form the statement of comprehensive income.

Assets classified as held for sale were revalued during year 2017 with tangible assets. but after evaluation resulting values were higher than the carrying amount, therefore they were reflected in books at their carried value that become the fair value. The assets classified as held for sale have been assessed, a part of them in the course of the year 2017, and other have been valued at 31.12.2017, the resulting values being higher than the value recorded in the accounts, with the exception of the restaurant/garden Rapsodia in Eforie Nord whose assessed has been smaller than that of recorded in the accounts, resulting in this case a loss which has been recognized in the profit and loss account. Shown in the accounts of other assets held for sale has been effectuated at book value.

**NOTE 17 - THE SHARE CAPITAL. OWNERSHIP STRUCTURE AND CHANGES IN CAPITAL**

The subscribed and paid up share capital is amounted to 57,894,993.9 RON divided into a number of 578,949,939 shares. During the reporting periods subscribed and paid up share capital did not change.

Of the total number of shares issued and outstanding at December 31, 2017 and December 31, 2016:

- THR Marea Neagra SA does not hold redeemed shares;
- Its subsidiaries do not own shares (none of them is one of the shareholders of SIF Transilvania);

The main characteristics of the securities issued by T.H.R. Marea Neagra S.A.: common, nominative, of equal value and dematerialized shares issued at a nominal value of 0.10 RON / share.

During 2016 the share capital has not changed, the structure of shareholders at 31.12.2017 communicated by BVB:

Shareholders name	Percent(%)	Shares	Capital value(RON)
SIF Transilvania S,A,	77.7131%	449,920,140	44,992,014.00
Other shareholders	22.2869%	129,029,799	12,902,979.90
<b>TOTAL</b>	<b>100.0000%</b>	<b>578,949,939</b>	<b>57,894,993.90</b>

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**NOTE 17 - THE SHARE CAPITAL. OWNERSHIP STRUCTURE AND CHANGES IN CAPITAL (CONTINUED)**

The Group has no employee stock grant schemes and there are no restrictions on voting rights. It also has no knowledge of agreements between shareholders which may result in restrictions on the transfer of securities and / or voting rights.

THR Marea Neagră S.A. shares, are listed on the second category of Bucharest Stock Exchange started from 15 august 2002, with symbol "EFO". In the last trading day of 2017, 29.12.2017, the closing price of EFO was 0.096 RON/share, compared to 0.0826 RON/share at 30.12.2016.

**NOTE 18 - CAPITAL RESERVES. REVALUATION DIFFERENCES**

	RON	
<b>Explanation</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Revaluation surplus	107,559,706	108,045,261
Reserves	26,881,973	26,451,693
Inflated reserves from application of IAS 29	16,745,901	16,745,901
<b>Total reserve</b>	<b>151,187,580</b>	<b>151,242,855</b>

The revaluation surplus refers to property and plant of the group and it was generated by the revaluations of tangible non-current assets in the years of 1999, 2002, 2003, 2005, 2007, 2009, 2011, 2012 and 2015.

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**NOTE 19 - RETAINED EARNINGS**

RON

Element name	31.12.2017	Decrease	Increase	31.12.2016
<i>Retained earnings except retained earnings from the adoption of IAS 29 for the first time</i>	<b>52,923,423</b>	<b>5,767,050</b>	<b>5,360,013</b>	<b>53,330,461</b>
Retained earnings representing non-distributed benefits	300,000	4,967,706	4,833,610	434,096
Retained earnings from correction of accounting errors from previous years	(768,516)	799,345	41,479	(10,650)
Revaluation surplus transferred to retained earnings	53,391,939	0	485,555	52,906,384
Retained earnings from adoption of IFRS	0	0	(631)	631
<i>Retained earnings came following the application of IAS 29 for the first time</i>	<b>(102,691,275)</b>	<b>0</b>	<b>0</b>	<b>(102,691,275)</b>

**NOTE 20 - OTHER ELEMENTS OF EQUITY**

RON

Other elements of equity	31.12.2017	31.12.2016
Deferred tax recognized in equity	(12,580,261)	12,618,719
Profit distribution to legal reserve	(110,647)	277,117
<b>Total Other elements of equity</b>	<b>(12,690,908)</b>	<b>12,895,836</b>

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**NOTE 21 - LIABILITIES, LESS DEFERRED INCOME AND PROVISIONS**

Short-term liabilities of the group are amounted to 5,065,627 RON, depending on the time structure of chargeability, as:

RON

Short-term liabilities	Liabilities at 31.12.2016	Liabilities at 31.12.2017	under 30 days	30-90 days	91-180 days	181-270 days	between 270-365 days	> 1 year
Amounts owed to credit institutions	3,943,232	800,000	0	0	0	600,000	200,000	0
Advances collected for orders	26,129	709,062	709,062	0	0	0	0	0
Trade payables	493,949	640,356	624,194	551	0	15,611	0	0
Other liabilities	3,352,211	2,915,792	2,439,338	0	194,447	82,582	1,141	198,284
<b>Total</b>	<b>7,815,521</b>	<b>5,065,210</b>	<b>3,772,594</b>	<b>551</b>	<b>194,447</b>	<b>698,193</b>	<b>201,141</b>	<b>198,284</b>

Short-term liabilities consist primarily of performance guarantees granted by entrepreneurs in the amount of 2,158,066 RON, wages and related contributions in the amount of 252,900 RON for the month of December 2017, specific activity taxes amounted to 146,756 RON due to 25th January 2018, administration warranties in amount of 198,284 RON, shareholders dividends in amount of 421,192 RON, from deferred tax and from a short term investment credit in amount of 800,000 RON.

Depending on the time of chargeability their long-term liabilities are grouped as:

RON

Long-term liabilities	Liabilities at 31.12.2016	Liabilities at 31.12.2017	1-5 years	> 5 years
Long term loans	2,400,000	1,600,000	1,600,000	0
Trade payables and other liabilities, including derivatives	208,539	39,735	39,735	0
Trade payables	0	0		
Other liabilities	208,539	39,735	39,735	0
<b>Deferred tax liabilities</b>	<b>12,960,795</b>	<b>13,160,498</b>	<b>13,160,498</b>	<b>0</b>
<b>Total</b>	<b>15,569,334</b>	<b>14,800,233</b>	<b>14,800,233</b>	<b>0</b>

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**NOTE 22 – PROVISIONS**

The Group has not undertaken obligations for pension plans other than the one stated by Law no. 263/2010 on the unitary system of public pensions, with the subsequent updates. The collective labor agreement signed for 2016 stipulates a retirement bonus of a gross salary. For the retirement bonuses to be paid in 2017. the company estimated a provision.

At December 31 2017 the Group had established the following provisions:

- o Provision for copyrights amounted to 22,413 RON due to the Union of Phonogram Producers in Romania,
- o Provision of 34,168 RON representing an artist fee for 2013 and 2014, represented through CREDIAM Bucuresti,
- o Provision in the amount of 352,547 RON representing television fee that would be due by Romanian Television Society 2012-2015,

The Group has canceled in 2017 a provision amounted to 60,564RON afferent to the final sentence related to the use of Meteor Hotel land and a provision of 8,000RON related to the court decision concerning the pronounce sentence regarding the cancellation of the fine granted to the ANAF, because of non-issue of an receipt in Hotel Bran.

**RON**

<b>Explanation</b>	<b>31.12.2017</b>	<b>Provision 31.12.2017</b>	<b>Cancelling provision in 2017</b>	<b>31.12.2016</b>
Provisions for litigation	409,128	0	69,330	478,458
Provisions for pensions and similar obligations	24,841	0	0	24,841
<b>Total Provisions</b>	<b>433,969</b>	<b>0</b>	<b>69,330</b>	<b>503,299</b>

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**NOTE 23 - RELATED PARTIES TRANSACTION**

Compared to 2016, in the year 2017 were carried out transactions with related parties, as set out in the tables below. Values presented include value added tax.

**RON**

<b>Receivables</b>		
<b>Related parties</b>	<b>Financial year ended at 31.dec.2017</b>	<b>Financial year ended at 31.dec .2016</b>
<i>Transilvania Hotels&amp;Travel SA</i>	670,329	445,762
<b>TOTAL</b>	<b>670,329</b>	<b>445,762</b>

<b>Liabilities</b>		
<b>Related parties</b>	<b>Financial year ended at 31.dec.2017</b>	<b>Financial year ended at 31.dec .2016</b>
<i>Transilvania Hotels&amp;Travel SA</i>	223,683	0
<b>TOTAL</b>	<b>223,683</b>	<b>0</b>

<b>Sales</b>		
<b>Related parties</b>	<b>Financial year ended at 31.dec.2017</b>	<b>Financial year ended at 31.dec .2016</b>
<i>Transilvania Hotels&amp;Travel SA</i>	725,601	11,897,374
<b>TOTAL</b>	<b>725,601</b>	<b>11,897,374</b>

<b>Acquisitions</b>		
<b>Related parties</b>	<b>Financial year ended at 31.dec.2017</b>	<b>Financial year ended at 31.dec .2016</b>
<i>Transilvania Hotels&amp;Travel SA</i>	319,589	12,658
<b>TOTAL</b>	<b>319,589</b>	<b>12,658</b>

<b>Credit line balance</b>		
<b>Related parties</b>	<b>Financial year ended at 31.dec.2017</b>	<b>Financial year ended at 31.dec .2016</b>
Transilvania Leasing and Credit IFN SA	0	3,143,232
<b>TOTAL</b>	<b>0</b>	<b>3,143,232</b>

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<b>Credit line payments</b>		
<b>Related parties</b>	<b>Financial year ended at 31.dec.2017</b>	<b>Financial year ended at 31.dec .2016</b>
<i>Transilvania Hotels&amp;Travel SA</i>	3,156,980	2,791,943
<b>TOTAL</b>	<b>3,156,980</b>	<b>2,791,943</b>
<b>Interest and fees</b>		
<b>Related parties</b>	<b>Financial year ended at 31.dec.2017</b>	<b>Financial year ended at 31.dec .2016</b>
<i>Transilvania Hotels&amp;Travel SA</i>	16,465	80,341
<b>TOTAL</b>	<b>16,465</b>	<b>80,341</b>

**NOTE 23 - RELATED PARTIES TRANSACTION (CONTINUED)**

The values presented in the above tables do not include VAT.

According to IAS 24 "Related Party Disclosures" section, 17 specify that:

- outstanding balances by receivables and payables between related parties are related commercial transactions are conducted under terms and conditions similar terms and conditions which were accepted by third parties and are not guaranteed;
- we cannot provide additional information on guarantees given or received as it was not appropriate to represent;
- we didn't set up adjustments for impairment regarding the doubtful receivables and we have not written down any irrecoverable receivables from related parties because it was not the case.

**NOTE 24 –CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

The Group is involved in litigations, mainly relating to assets and land claims as follows:

- land area of 197 square meters afferent Biroului Tehnic Eforie Nord (current headquarters of Eforie Nord Police), ongoing litigation.
- constructive agency PTTR Ag. Voiaj Saturn litigation with CN Posta Romana;

In all disputes THR undertook the necessary efforts to defend ownership.



**NOTE 24 –CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

The Group is involved in litigations, mainly relating to assets and land claims as follows:

- No use of 3 lands amounting to 848 square meters in Eforie occupied by Hotel Riviera (partially) and workshops, of conflicted with Georgescu Zamfirica and Georgescu Magdalene. In all disputes THR undertook the necessary efforts to defend ownership.

The Group is involved in a litigation with the City Hall Mangalia therefore tax audit conducted by the 2008-2012 period, inspection completed by the tax inspection report nr.57355 / 11.10.2015 under which were issued two decisions to impose, in total amount of 7,604,311.45 RON.

The execution of those two decisions was suspended by the Court of Appeal Constanta - file nr.776 / 118/2015 and the suspension effects subsist until the settlement of the substantive judicial action that THR will promote and which will take the annulment of decisions to impose.

The Group recognized and estimated that the amount due of 1.577.262 RON represents:

- i) tax additional buildings in the amount of 482,520 RON representing taxation of buildings without a reduction of 50% granted by Article 285 paragraph 2 of the Tax Code,
- ii) additional land tax in the amount of 253,029 RON representing taxation without the 50% discount granted by Article 285 paragraph 2 of the Tax Code,
- iii) penalties related to buildings and land tax established additional by monitoring body in the amount of 841,713 RON.

For the difference between the amount of buildings and land tax additional established by the control body and that recognized by society, there was requested and received erratum in the evaluation reports prepared by Preciss CONSULTING SRL 31.12.2007. 31.12.2009. 31.12.2011 and 31.12.2012 specifying that the fair value of the buildings included at the time of assessments the value of installations, functional facilities or modernizations made to the buildings referred to until the time of reassessment, which leads to the conclusion that there are additional risks to society.

The Group also has an ongoing litigation:

- with the City Eforie following a tax inspection for the amount in dispute up to 73,260 RON.
- with travel agency Mareea Comtour SRL for debt recovery of 1,191,170RON, representing touristic services offered by Society to the tourist arrived through Mareea Comtour SRL agency plus penalties;
- with Carja Vasile for canceling his demands regarding the refund from the Group of the amounts given in behalf of the selling-buying contract having as object Flora Vila and the improvement operated on the Vila.
- with the Romanian Television Company concerning the reimbursement by the company, the amount of 681,080 RON representing the counterpart of duty unpaid TV during the period May 2016 - September 2014. From this amount, the group has established a provision in the amount of 352,547 RON.

**NOTA 25 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

Preparation of financial statements in accordance with IFRS has involved the use of the Group's management to make judgments in applying accounting policies with implications carrying amount of assets and liabilities in the consolidated financial statements, such:

- tangible assets were revalued periodically, The evaluation was done by certified evaluators, members of ANEVAR.
- The fair values are based on market values respectively estimated value for which an asset could be exchanged on the valuation date in a transaction made in objective conditions, after proper marketing action, interested parties that are in full knowledge of the facts. In the absence of current prices in an active market, valuations are prepared by taking into account the aggregate amount of cash flows that could be estimated from the sale of the asset. To the annual net cash flows it is applied a rate of return that reflects the specific inherent risks in order to establish the fair value of the assets.
- assets carried at cost are evaluated for impairment in accordance with the accounting policies of the Group. The assessment for allowance of receivables is made individually and is based on management's best estimate of the present value of the cash flows expected to be received. To estimate these cash flows, the management makes certain estimates on the financial statements of the counterparty. Each impaired assets individually analyzed. Provisions accuracy depends on the estimation of future cash flows for specific counterparties. The amounts of provisions were estimated taking into account the chances of winning of the pending files to the competent courts. Because chances of winning results from the evaluation of the legal department grew, the Group would have to reduce its provisions made for these claims. However, the Group management considered it is not prudent to reverse provisions, and decided to keep them at the level of previous year.
- For the differences in fair value we have performed the calculation of the related deferred tax.

**NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY**

Specific activity, determine the Group's exposure to a variety of general risk, but also specific risks and financial market on that operates. Risk is defined as the possibility of unfavorable deviations to arise, against expected levels due to random fluctuations. Significant risks have a high impact on the Group.

The purpose of risk assessment is to identify the significance level and effects of the risks assumed by the Group in investment activity.

In their activity, the Group may face uncontrollable risks, which are generally associated with external factors such as macroeconomic conditions, legislative changes, changes in the competitive environment etc.

Usually, however, the Group faced controllable risks, for which adopted active management policies and procedures (analysis, monitoring and control).

These risks are associated with internal invoices and nature of activity, the complexity of the organizational structure, quality of staff etc.

The main significant risks that the Group has to face, are:

- exchange rate risk
- interest rate risk

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**NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY**

- credit risk
- liquidity risk
- operational risk

**Exchange rate risk**

The Group is easily exposed to the fluctuations of exchange rate, mainly in the case of foreign currency current accounts, receivables and liabilities in other currencies, and receivables and liabilities in RON, but which on contracts are strengthened in relation to other currencies, usually in EURO and / or USD.

The Group has not used and not used at this time derivatives to protect the RON exchange rate fluctuations relative to other currencies.

**Interest rate risk**

Operating cash flows of the Group are affected by changes in interest rates, mainly in the case of lines of credit contracted depending on ROBOR.

**Credit risk**

Credit risk is the risk of recording losses or reaching the estimated profits, due to non-fulfillment of financial obligations. THR Marea Neagră SA has sold assets in installments, for which has calculated and collected interest rate. The rest of the price of contracts and interest are secured by mortgages on assets in favor of THR.

**Liquidity risk**

Liquidity is the ability of the Group to secure the necessary funds to fulfill all direct and indirect payable obligations, at a reasonable price at any time.

Liquidity risk is the risk that the Group may encounter difficulties in fulfilling its contractual obligation associated with financial liabilities that are settled in cash.

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**NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)**

An analysis of assets and liabilities has been made, based on the remaining period from the balance sheet date to the contractual maturity date for the financial year 2017, as:

<i>Explanation</i>	<b>Note</b>	<b>Book value</b>	<b>Under 3 months</b>	<b>Between 3 and 12 months</b>	<b>Over 1 year</b>	<b>Indefinite maturity</b>
<b>Assets</b>						
Cash and cash equivalents	15	5,635,805	5,635,805	0	0	0
Trade receivables and other receivables	13	4,933,051	151,976	1,745,948	2,881,208	153,919
Inventories	12	442,154	0	437,558	4,596	0
Other current assets		782,016	135,809	354,763	291,444	0
Non-current assets including non-current assets held for sale		244,587,489	0	0	0	244,587,489
<b>Total assets</b>		<b>256,380,515</b>	<b>5,923,590</b>	<b>2,538,269</b>	<b>3,177,248</b>	<b>244,741,407</b>
<b>Liabilities</b>						
Provisions	22	433,969	0	24,841	0	409,128
Trade payables and other payables	21	19,865,509	3,773,144	1,292,066	1,639,735	13,160,564
Deferred income (Grants)		0	0	0	0	0
<b>Total liabilities</b>		<b>20,299,477</b>	<b>3,773,144</b>	<b>1,316,907</b>	<b>1,639,735</b>	<b>13,569,692</b>
<b>Liquidity surplus in the period</b>		<b>236,081,038</b>	<b>2,150,446</b>	<b>1,221,362</b>	<b>1,537,513</b>	<b>231,171,716</b>
<b>Cumulative liquidity surplus</b>		<b>236,081,038</b>	<b>2,150,446</b>	<b>3,371,808</b>	<b>4,909,321</b>	<b>236,081,037</b>

**TURISM, HOTELURI, RESTAURANTE MAREA NEAGRĂ SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

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**NOTE 26 - SIGNIFICANT RISK MANAGEMENT POLICY (CONTINUED)**

**Capital management**

Group's capital management objectives are to ensure the protection and the ability to reward shareholders, to maintain an optimal capital structure to reduce capital costs.

In order to maintain or change the capital structure, the Group may change the amount of dividends paid to shareholders, shareholders capital yield, issue new shares or sell assets to reduce debts.

The Group monitors the amount of capital raised based on gearing. This rate is the ratio of net debt and total equity. Net debts are calculated as total net cash debts. Total equity is calculated as equity plus net debt.

<i>Explanation</i>	<b>31 December 2017</b>	<b>31 December 2016</b>
Total liabilities (long and short term)	20,299,477	24,235,853
Cash and cash equivalents	5,635,805	7,777,716
Total equity	236,081,038	239,121,901
<b>Net liabilities indicator</b>	<b>(221,417,365)</b>	<b>(222,663,764)</b>

**Operational risk**

Operational risk is the risk of recording losses or failure to achieve the estimated profits due to internal factors such as inadequate implementation of domestic activities, the existence of a personal or inadequate systems or due to external factors such as economic conditions, changes capital market, technological progress. Operational risk is inherent in all activities of the Group.

Defined policies for managing operational risk have considered each type of events that can generate significant risks and ways of their manifestations, to remove or reduce financial or reputational losses.

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**NOTE 27 –SUBSEQUENT EVENTS**

We have no knowledge about events after the balance sheet date that would lead to significant influence on the data presented in the consolidated financial statements prepared for the financial year 2017.

**NOTE 28 - BOARD OF DIRECTORS PROPOSAL FOR ALLOCATING NET PROFIT**

At the end of 2017 the Group registers

- Retained loss in amount of **768,515.72** RON from the correction of accounting errors, **10,650** RON representing the recording in 2016 of the expenses related to services provided by Man-Co SRL in 2015, **793,063** RON representing the value of projects drawn up in order to upgrade the base materials, not in use until this date, the expenses related to the period 2009-2012), loss on which the Board of Directors proposes to be covered from the "retained earnings representing the revaluation reserve surplus account (1175);
- a net profit of **1,691,836** RON which the Board of Directors proposed to be distributed as follows:

- The legal reserve in accordance with art. 183 of the Companies Law 31/1990. republished:	110,647.00 RON,
- Distribution of dividends to shareholders	741,711.59 RON,
- Allocation fund development	839,477.41 RON,

The separate financial statements were approved by the Board of Directors on March 15, 2018 and were signed by:

CHAIRMAN OF THE BOARD OF DIRECTORS  
NARCISA MOSOIU

CHIEF FINANCIAL OFFICER  
DANIELA TUDOR