



**ANNUAL  
REPORT  
&  
ACCOUNTS**

**2016**

# ANNUAL REPORT

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# **I. ANNUAL REPORT**

**31 December 2016**

## **1 - INTRODUCTION**

We are pleased to submit to our shareholders the Company's Statement of Financial Position, Statement of Income and Notes thereto for financial year 2016, which have been prepared in accordance with the Portuguese Companies Code.

## **2 - MARKET OVERVIEW AND OPERATIONS**

The lingering recession and global crisis continued to constrain our operations in 2016.

Turnover for the year fell short of our established target of €2.2M, declining year-over-year to €1.8M. The recovery in the domestic market remains incipient and worsening economic conditions in Angola and Mozambique have compelled the Company to develop business in other countries.

However, there are also positive aspects of our performance during the year that should be noted:

- the Company's fine-tuned yet flexible organisational structure has supported significant improvement in results of operations, despite the decline in turnover;
- the company has strengthened its position as the engineering arm of IL&FS Group through an internal capacity building process. A significant number of proposals developed during the year for road rehabilitation and maintenance contracts, particularly in Mozambique and Senegal, create a positive outlook for securing contracts of considerable value due to begin in the second half of 2017.

We describe below the most significant aspects of our operations during the year in each of our businesses:

### *MONITORING & SYSTEMS*

Turnover was consistent with our projections, which were established at a time when the local road construction industry was showing early signs of recovery.

### *TECHNICAL ASSISTANCE*

Technical assistance and specialised geotechnical, tunnel and road surface consulting services remain the company's core business. The Company's projections for the year were met in the Portuguese market, while international business fell short of projections. However, significant

efforts were undertaken during the year in developing studies to support the Company's bids for roadway infrastructure rehabilitation and maintenance contracts. A contractual model developed in Senegal involving the rehabilitation of existing roadways followed by maintenance on a service-level basis, with funding provided by Exim India, could potentially be replicated in other countries.

#### *CONTRACT MANAGEMENT AND SUPERVISION*

The Contract Management and Supervision business underperformed our projections for the year, with turnover in Portugal falling short of projections, while our international operations slightly exceeded projections.

#### *TECHNOLOGY*

In the Technology business, which is highly weighted in Angola, business activity was nil during the year. Barriers imposed on overseas currency transfers prevented the Company from accepting certain orders due to the lack of assurance that payments would be made in Portugal.

We lastly note that our offices in Mozambique were adversely affected by the country's recession and political instability during the year and, on a positive note, that our partnership with NRV | Norvia has been maintained.

### **3 - RESULTS OF OPERATIONS**

Overall revenue from service provision in 2016 was € 1,766,168.98, down 16.3% from the previous year.

Operating income of € 184,077.98 yielded an operating margin of 10.4%, well above the operating margin recorded in the previous year. Net income after taxes was €132,799.96.

To support the Company's reorganisation plans, it is proposed that no dividends be paid to shareholders as in previous years. Income for the year would accordingly be allocated to Free Reserves.

### **4 - TAX DEBT**

In accordance with applicable regulations, no tax or social security contribution debts are recorded in the Company's financial statements.

The company held 3,500 treasury shares at year-end 2016, with a par value of €17,500 and carried at a total value of €35,000. No treasury stock transactions were performed during the period.

### **5 - OBJECTIVES FOR 2017**

Our business plan for 2017 again sets a turnover target of €2.2M, with approximately the same operating margin as in the current year. Achieving this target will require the Company to maintain the capabilities needed to respond to a rebound in the domestic market and continue to develop business in international markets.

The following will be key to business development in 2017 at each division:

In *MONITORING & SYSTEMS*, we will leverage the company's expertise and proprietary technology to deliver inventory and technical assistance services in road infrastructure maintenance operations, building our presence in the domestic market while seizing opportunities in the international market within IL&FS Group, in support of ITNL's operations.

In *TECHNICAL ASSISTANCE*, we will maintain our specialised consultancy capabilities in the domestic market, including the geotechnical component, and further develop our tunnel and road surface expertise, while concurrently developing our existing capabilities in the international market, and especially joint projects with ITNL.

In *CONTRACT MANAGEMENT AND SUPERVISION*, we will maintain our current business interests in Portugal and develop new business internationally, with a particular focus on potential joint projects with ITNL.

In *TECHNOLOGY*, we will maintain our reserves and a prudent approach to operations in the markets where we operate, and in particular Angola. Projects developed in other markets could create new opportunities in this area as well.

We will continue to pursue our Strategic Plan 2015-2020 with its two alternative scenarios for Company growth.

Our performance throughout 2016 demonstrates that an ability to manage synergies within the group will be key to leveraging existing capabilities not only in developing structured projects, but also in supporting ITNL's growth in international markets as experts in road infrastructure management and maintenance.

Lisbon, 13 February 2017

The Board of Directors,

*(signed)*



Chairman - Tomás Maria Santos Rebelo do Espírito Santo

Director - David Rivas Lopez

Director – Enrique Pérez Rebanal

# FINANCIAL STATEMENTS

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• **STATEMENT OF FINANCIAL POSITION**

**Period ended 31.12.2016**

**Euros**

ITEMS	Notes	Dates	
		31/12/2016	31/12/2015
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	7	55,113.17	83,016.48
Other financial investments	8	75,632.98	75,667.22
		130,746.15	158,683.70
<b>Current assets</b>			
Trade receivables	9	1,815,236.59	1,789,315.61
Government and other state authorities	14.1	107,943.64	137,847.12
Other receivables	10	115,631.69	331,655.50
Deferrals		6,376.49	9,226.76
Cash and banks	5	148,241.26	86,559.32
		2,193,429.67	2,354,604.31
<b>Total ASSETS</b>		2,324,175.82	2,513,288.01

<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>	11		
Subscribed shares		350,000.00	350,000.00
Treasury shares		(35,000.00)	(35,000.00)
Legal reserves		77,593.98	77,593.98
Other reserves		1,003,996.20	1,023,324.58
Retained earnings		53,837.75	(24,830.67)
<b>Net income for the year</b>		132,799.66	78668.41
<b>Total Equity</b>		1,583,227.59	1,469,756.30
<b>LIABILITIES</b>			
<b>Noncurrent liabilities</b>			
Funding obtained	12	15,328.86	20,998.14
		15,328.86	20,998.14
<b>Current liabilities</b>			
Trade accounts payable	13	444,650.44	663,987.27
Government and other state authorities	14.2	115,822.15	85,715.03
Funding obtained	12	5,669.28	8,830.51
Other payables	15	159,477.49	264,000.75
		725,619.37	1,022,533.57
<b>Total Liabilities</b>		740,948.23	1,043,531.71
<b>Total Equity and Liabilities</b>		2,324,175.82	2,513,288.01



• **STATEMENT OF INCOME (BY NATURE)**

**Period ended 31.12.2016**

**Euros**

REVENUE AND EXPENSE	NOTES	Periods	
		2016	2015
Sales and services	+ 16	1,766,168.98	2,110,946.54
Operating subsidies	+ 17	8,451.57	8,052.05
Profit/loss in subsidiaries, associates and joint ventures	+/-		(0.01)
Outsourced supplies and services	- 18	(634,204.10)	(1,104,549.87)
Personnel expenses	- 19	(862,939.88)	(859,556.06)
Impairment of receivables (losses/reversals)	-/+ 20	(8,962.89)	3,967.65
Other revenue	+ 20	20,528.01	3,333.74
Other expense	- 20	(78,591.50)	(20,367.35)
<b>Profit before depreciation, debt service and taxes</b>	=	210,450.19	141,826.69
Depreciation and amortisation expenses/reversals	-/+ 7	(26,372.21)	(32,639.95)
<b>Operating income (before financing costs and taxes)</b>	=	184,077.98	109,186.74
Interest and similar expenses paid	12.1	(3,916.68)	(2,751.09)
<b>Income before tax</b>	=	180,161.30	106,435.65
Income tax for the year	-/+ 14.3	(47,361.64)	(27,767.24)
<b>Net income for the year</b>	=	132,799.66	78,668.41
<b>Earnings per share - basic</b>		1.90	1.12

• **STATEMENT OF CHANGES IN EQUITY**

**Period ended 31.12.2015**

**Euros**

DESCRIPTION	NOTES	Paid-up capital	Treasury shares	Supplementary capital contributions and other equity instruments	Issuance premiums	Legal reserves	Other reserves	Retained earnings	Adjustments to financial assets	Other changes in equity	Net income for the year	Total Equity
<b>POSITION AT BEGINNING OF PERIOD (2015)</b>	1	350,000.00	(35,000.00)			77,593.98	911,684.27	162.87	(24,993.53)		113,149.09	1,392,596.68
CHANGES IN PERIOD												
Financial statement conversion differences							(1,508.78)					(1,508.78)
Other changes in equity							113,149.09	(24,993.54)	24,993.53		(113,149.09)	(0.01)
	2						111,640.31	(24,993.54)	24,993.54		(113,149.09)	(1,508.79)
<b>NET INCOME FOR THE YEAR</b>	3										78,668.41	78,668.41
<b>COMPREHENSIVE INCOME</b>	4=2+3										(34,480.68)	77,159.62
<b>POSITION AT END OF PERIOD (2015)</b>	6=1+2+3	350,000.00	(35,000.00)			77,593.98	1,023,324.58	(24,830.67)			78,668.41	1,469,756.30

DESCRIPTION	NOTES	Paid-up capital	Treasury shares	Supplementary capital contributions and other equity instruments	Issuance premiums	Legal reserves	Other reserves	Retained earnings	Adjustments to financial assets	Other changes in equity	Net income for the year	Total Equity
<b>POSITION AT BEGINNING OF PERIOD (2016)</b>	6	350,000.00	(35,000.00)			77,593.98	1,023,324.58	(24,830.67)	(24,993.53)		78,668.41	1,469,756.30
CHANGES IN PERIOD												
Financial statement conversion differences							(19,328.38)					(19,328.38)
Other changes in equity								78,668.41			(78,668.41)	
	7						(19,328.38)	78,668.41			(78,668.41)	(19,328.38)
<b>NET INCOME FOR THE YEAR</b>	8										132,799.66	132,799.66
<b>COMPREHENSIVE INCOME</b>	9=7+8										54131.25	113,471.28
<b>POSITION AT END OF PERIOD (2016)</b>	11=6+7+8	350,000.00	(35,000.00)			77,593.98	1,003,996.20	53,837.75			132,799.66	1,583,227.59

• **STATEMENT OF CASH FLOWS**

**Period ended 31.12.2016**

**Euros**

ITEMS		NOTES	Periods	
			2016	2015
<u>Cash flows from operating activities - direct method</u>				
Cash receipts from customers		+	2,179,966.78	1,894,194.57
Cash payments to suppliers		-	(978,376.09)	(472,584.16)
Cash payments to employees		-	(549,415.39)	(342,247.74)
Cash provided by operating activities		+/-	652,175.30	1,079,362.67
Income tax paid/received on revenue		-/+	(18,907.75)	(1,350.00)
Other receipts/payments		+/-	(559,078.17)	(710,467.25)
<b>Cash flows from operating activities</b>	<b>(1)</b>	<b>+/-</b>	<b>74,189.38</b>	<b>367,545.42</b>
<u>Cash flows from investing activities</u>				
Payments related to:				
Property, plant and equipment		-	(1,525.00)	(3,758.02)
Receipts provided by:				
Property, plant and equipment		+		(4,008.71)
Investment subsidies		+	8,451.57	9,543.50
<b>Cash flows from investing activities</b>	<b>(2)</b>	<b>+/-</b>	<b>6,926.57</b>	<b>1,776.77</b>
<u>Cash flows from financing activities</u>				
Payments related to:				
Funding obtained		-		(23,762.24)
Amortisation of lease agreements		-	(8,830.51)	(305,287.86)
Interest and similar expenses paid		-	(26,223.06)	(12,643.29)
Dividends		-		(12,747.99)
<b>Cash flows from financing activities</b>	<b>(3)</b>		<b>(35,053.57)</b>	<b>(354,441.38)</b>
<b>Change in cash and cash equivalents</b>	<b>(1) + (2) + (3)</b>		<b>46,062.38</b>	<b>14,880.81</b>
Effects of foreign-exchange differences		+/-	15,619.56	
Cash and cash equivalents at beginning of year		+/-	86,559.32	71,678.51
Cash and cash equivalents at end of year		+/-	148,241.26	86,559.32

# NOTES TO THE FINANCIAL STATEMENTS

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## 1. Operations

**ELSAMEX PORTUGAL - Engenharia e Sistemas de Gestão, S.A.** is a corporation with registered offices at Praça de Aivalade, n.º 78º Dto, Lisbon, Portugal.

The Company is engaged primarily in civil engineering consultancy and services and its principal place of business is at the same address as its registered offices.

The company is 70% owned by ELSAMEX INTERNACIONAL, S.L., a company organised under Spanish law having registered offices at Parque Empresarial Barajas Park, San Severo, Madrid, Spain, at which location copies of the financial statements are available for reference.

## 2. Basis of preparation of the financial statements

### 2.1. Description of the basis of preparation of the financial statements

The accompanying financial statements are in conformity with all financial reporting standards within the Accounting Standardisation Framework (SNC). Those standards include the Basis of Presentation of Financial Statements, Standard Financial Statements, the Accounting Code and the Accounting and Financial Reporting Standards (NCRF) and their Interpretations.

Where a specific transaction or situation is not covered by the SNC, the International Accounting Standards adopted under Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July and the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the IASB, and their interpretations (SIC-IFRIC), additionally apply in the order of precedence above.

The accounting principles and recognition criteria adopted as of 31 December 2016 are comparable with those used in the preparation of the financial statements as at 31 December 2015.

## 3. Significant accounting policies

### *Property, plant and equipment*

Property, plant and equipment is recognised at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is computed from the time an asset is available for use by the straight-line method over the estimated useful life of each group of assets.

**Notes to the financial statements for the year ended 31 December 2016**

The depreciation rates used correspond to the following estimated useful life periods (in years):

Depreciation methods, useful life periods and depreciation rates used for property, plant and equipment	Industrial machinery	Transport equipment	Administrative equipment	Other PPE
<b>Useful life</b>	5 to 10 years	4	3 to 4 years	3 to 8 years
<b>Depreciation rates</b>	10 to 20%	25.00%	25 to 33.33%	12.5 to 33.33%
<b>Depreciation methods</b>	Straight-Line	Straight-Line	Straight-Line	Straight-Line

No evidence was found of significant or material changes in useful life or recoverable value, and therefore no prospective revision was made of the depreciation of any assets to reflect any new expectations.

Repair expenditure that does not increase the useful life of an asset or result in significant improvements in property, plant or equipment is recorded as an expense when incurred. Asset inspection and maintenance expenditure is reported as an expense.

Gain or loss on disposal of property, plant and equipment is determined as the difference between the proceeds from and the net carrying value of the assets disposed, and is recognised in profit or loss as "Other revenue or expense" or "Other gains or losses".

*Financial holdings*

"Financial holdings - other methods" includes holdings in an entity in which the company does not exercise control (which would be the case if the company directly or indirectly owned more than 50% of the voting rights at the General Meeting or had the power to direct the entity's financial and operational policies) or significant influence (which would be the case if the company participated in the entity's financial and operational decisions, which typically occurs in respect of holdings of between 20% and 50% in an entity).

Equity interests are carried at costs less any accumulated impairment losses. Dividends are recognised in "Interest and other similar income" when the Company's right to receive payment is established.

*Financial holdings - equity method*

Holdings in associates are accounted for using the equity method unless the associate operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent, in which case the cost method is used.

Associates are entities in which the Company has significant influence over financial and operating policies. Under the equity method, investments in associates are initially recognised at cost and, thereafter, the carrying amounts are increased or decreased by the company's share in the associate's profit or loss following the date of acquisition. Carrying amounts are also adjusted for changes in the associate's equity, with the relevant adjustment directly recognised in the Company's equity.

When the Company's share in an associate's losses exceeds its interest in the associate (including other long-term receivables), recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations in respect of the associate or made payments on behalf of the associate.

Unrealised gains and losses arising from transactions with associates are eliminated to the extent of the Company's interest in those entities.

*Impairment*

Property, plant and equipment and intangible assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Whenever the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised in profit or loss as "Impairment of depreciable/amortisable investments (losses/reversals)" or as "Impairment of receivables (losses/reversals)", if relating to non-depreciable assets.

Recoverable amount is the higher of an asset's net selling price and its value in use. Net selling price is the amount that is obtainable from the sale of an asset in a transaction between independent, knowledgeable parties, less costs directly attributable to the disposal. Value in use is the present value of the future cash flows expected to be derived from the continued use of the asset and its disposal at the end of its useful life. The recoverable amount is estimated for each asset individually or, if this is not practicable, for the cash-generating unit to which the asset belongs.

## Notes to the financial statements for the year ended 31 December 2016

Impairment losses recognised in prior years are reversed if it is determined that previously recognised impairment losses no longer exist or have diminished. A reversal of impairment losses is recognised in profit or loss under the above-mentioned heading. Impairment losses are reversed to the extent of the amount that would have been recognised (net of amortisation or depreciation) if no impairment losses had been recognised in previous years.

### *Leases*

Financial or operating leases are classified on the basis of the substance of the lease arrangement rather than the form.

Leases are classified as (i) financial leases if they transfer substantially all of the risks and rewards of ownership or as (ii) operating leases if they do not transfer substantially all the risks and rewards of ownership.

Assets acquired under financial lease arrangements and the corresponding liabilities are accounted for using the financial method. Under this method, the cost is recorded under assets, liabilities are recorded under liabilities, interest is included in lease payments and asset amortisation/depreciation is recorded as an expense in profit or loss for the relevant period.

In operational leases, rents payable are recognised as expenses in profit or loss for the relevant period.

### *Debt service costs*

Debt service costs are recognised as expenses on an accrual basis in profit or loss for the year.

### *Provisions*

Provisions are recognised if, and only if, the entity has a present obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will occur and the amount of the obligation can be reasonably estimated. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### *Financial instruments*

#### *i) Trade accounts receivable*



## Notes to the financial statements for the year ended 31 December 2016

Most sales/services are carried out under normal credit terms and conditions, and the corresponding trade accounts receivable balances do not include interest charged to the client.

However, a significant part of the Company's sales/services involve special credit terms and conditions arising from the specific nature of the services provided and the fact that the entity being invoiced is not always the end client of the sales/services.

In these cases, it is a customary practice for credit to be extended until payment is received from the end client or project owner, which results in payment periods that are considerably longer than usual and not always foreseeable at the time of invoicing, without this warranting payment of interest or recognition of bad credit.

The same credit conditions occur in respect of sub-contracted services.

At the end of each reporting period, trade accounts receivable are reviewed for objective evidence of impairment. If such evidence exists, the relevant impairment loss is recognised immediately. Impairment is recognised if there is objective and measurable evidence that, as a result of one or more events that occurred, the balance will not be fully received. In making this assessment, the entity takes into account whether market information demonstrates that the client is in default or delinquency, as well as historical information on past and unpaid balances.

### *ii) Non-current loans and accounts payable*

Non-current loans and accounts payable are recognised, using one of the options prescribed in NCRF 27, as liabilities at cost.

### *iii) Trade payables and other payables*

Trade payables and other payables are stated at their nominal value, as they do not bear interest and the effect of discounting is considered immaterial.

Purchases are made under customary credit terms and conditions, with the exception of subcontracted services, in which the same credit terms and conditions as described for Trade accounts receivable apply.

### *iv) Discounted bills and factored trade receivables*

## Notes to the financial statements for the year ended 31 December 2016

The entity derecognises financial assets only when it transfers substantially all the risks and rewards of ownership of those assets to a third party. If the entity retains substantially all the risks and rewards of ownership of the asset, it continues to recognise the financial asset and recognises a liability under "Financing obtained" for the consideration received.

Trade receivables represented by discounted bills that have not yet matured and factored trade receivables at the reporting date are therefore recognised until they are collected.

### *Contingent assets and liabilities*

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the entity.

Contingent assets are not recognised in the financial statements of the entity but disclosed when future economic benefits are probable.

A contingent liability is defined as: (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (ii) a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### *Income tax*

Expense under "Income tax for the period" is the sum of current taxes and deferred taxes.

Current income tax is computed on the entity's taxable income in accordance with the tax regulations in force, whereas deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are calculated and evaluated annually using the tax rates in force or in effect on the date announced for the expected reversal of temporary differences.

Deferred tax assets are recognised only when it is probable that sufficient taxable income will be available in future periods against which deductible temporary differences and credits may be utilised,

## Notes to the financial statements for the year ended 31 December 2016

or where there are taxable temporary differences that offset deductible temporary differences in the reversal year.

At the end of each reporting period, deferred taxes are reviewed and reduced if there future use is deemed unlikely.

Deferred taxes are recognised as expense or revenue for the period, except if deriving from amounts recorded directly in equity, in which case the deferred tax is also recognised directly in equity.

### *Revenue*

Revenue is recognised only when it is probable that the economic benefits related to the transaction will flow to the Company.

Revenue from the provision of services is recognised in proportion to the stage of completion of services at the reporting date.

### *Judgements and estimates*

In preparing the financial statements, the Company makes certain assumptions and estimates affecting assets and liabilities, revenue and expense. All estimates and assumptions are made based on management's best knowledge of current events and transactions at the date of approval of the financial statements.

The most significant accounting estimates reflected in the financial statements include: i) the useful life of property, plant and equipment; ii) reviews for impairment, particularly of accounts receivable;

Estimates were based on the best information available on the reporting date and Management's best knowledge and experience of past and/or current events. However, situations could arise in the future that were not foreseeable on the date of approval of the financial statements and therefore were not accounted for in these estimates. Changes to estimates occurring after the reporting date will be adjusted prospectively in the statement of income.

#### 4. Cash flows

##### 4.1. Breakdown of cash and banks

(in euros)

Net financial assets on the statement of financial position		31/12/2016			31/12/2015		
		Amounts available for use	Amounts unavailable for use	Total	Amounts available for use	Amounts unavailable for use	Total
Cash	Cash	4,912.00		4,912.00	7,027.16		7,027.16
Bank deposits	Demand deposits	142,457.18		142,457.18	79,532.16		79,532.16
	Other Bank Deposits	872.08		872.08			
	Subtotals	143,329.26		143,329.26	79,532.16		79,532.16
Total		148,241.26		148,241.26	86,559.32		86,559.32

#### 5. Related parties

##### 5.1. Relationship with parent

Immediate parent: ELSAMEX INTERNACIONAL, S.L

Parque Empresarial Barajas Park, San Severo, Madrid, Spain

##### 5.2. Remuneration of key management personnel

(In euros)

Remuneration of key management personnel	2016	2015
Remuneration of key management personnel	59,085.48	59,081.08
Employer's Contributions	11,626.59	12,409.54
Total	70,712.07	71,490.62

This amount essentially relates to salaries received.

5.3. Related-party transactions.

(In euros)

Related-party transactions		2016		2015	
		Sales	Purchased Services	Sales	Purchased Services
Parent	ELSAMEX INTERNACIONAL S.L			27,027.00	17,880.00
	Subtotals			27,027.00	17,880.00
	Inteval	13,762.23		500.00	
	Ciesm				26,844.10
	IL&FS	1,451.25		184,017.64	
	Grusamar				57,000.00
	Subtotals	15,213.48		184,517.64	83,844.10
Other related parties	NRV, S.A.	231,421.15	167,052.51	234,045.63	136,386.21
	Subtotals	231,421.15	167,052.51	234,045.63	136,386.21
Total		246,634.63	167,052.51	445,590.27	238,110.31

Sales to NRV include €29,000 in work completed but not invoiced.

(In euros)

Outstanding related-party balances, accumulated impairment losses and expenses recognised in respect of related-party doubtful accounts		2016				2015			
		Balances outstanding at 31.12.2016		Impairment losses related to outstanding balances		Balances outstanding at 31.12.2016		Impairment losses related to outstanding balances	
		Receivable	Payable	Additions or reversals in the period	Accumulated amounts at end of period	Receivable	Payable		Accumulated amounts at end of period
Parent	Elsamex Internacional, S.L.	357,027.00	(71,334.40)			357,027.00	(89,214.40)		
	Subtotals	357,027.00	(71,334.40)			357,027.00	(89,214.40)		
Associates	Ciesm		(26,844.10)				(26,844.10)		
	Inteval	7,719.54				3,500.00			
	IL&FS	79,170.59				177,224.82			
	Chenani Nashri Tunnel	91,695.00				91,695.00			
	Grusamar		(39,000.00)				(114,000.00)		
	Subtotals	178,585.13	(65,844.10)			272,419.82	(140,844.10)		
	NRV, S.A.	262,957.82	(61,325.32)			234,202.44	(101,224.89)		
	Subtotals	262,957.82	(61,325.32)			234,202.44	(101,224.89)		
Total		798,569.95	(198,503.82)			863,649.26	(331,283.39)		

In addition to related-party transactions with our parent, ELSAMEX INTERNACIONAL, S.L, the Company has a strategic knowledge-sharing and shared services partnership with NRV- Consultores de Engenharia, S.A.

All services are offered to or procured from related parties on arms-length terms.

## 6. Property, Plant and Equipment

### 6.1. Disclosures on Property, Plant and Equipment

(In euros)

Property, plant and equipment		Industrial machinery	Transport equipment	Administrative Equipment	Other PPE	Total
At 01.01.2015	Gross carrying amounts	820,829.26	184,930.13	168,072.68	103,346.68	1,277,178.75
	Accumulated depreciation and impairment losses	(772,264.78)	(182,704.52)	(143,807.33)	(98,015.62)	(1,196,792.25)
	Net carrying amounts	48,564.48	2,225.61	24,265.35	5,331.06	80,386.50
Additions		35,303.00		4,380.71		39,683.71
Disposal, damage and write-offs				(744.00)		(744.00)
Other changes		(1,344.56)		(4,187.81)		(5,532.37)
Depreciation		(23,583.30)	(2,225.61)	(5,752.64)	(1,078.40)	(32,639.95)
At 31.12.2015 (01.01.2016)	Gross carrying amounts	854,787.70	184,930.13	167,521.58	103,346.68	1,310,586.09
	Accumulated depreciation and impairment losses	(790,341.32)	(184,930.13)	(153,204.14)	(99,094.02)	(1,227,569.61)
	Net carrying amounts	64,446.38		14,317.44	4,252.66	83,016.48
Additions				3,116.00		3,116.00
Disposal, damage and write-offs			(31,296.53)			(31,296.53)
Other changes		(2,063.19)		(2,583.91)		(4,647.10)
Depreciation		(20,153.32)		(5,265.07)	(953.82)	(26,372.21)
At 31.12.2016	Gross carrying amounts	852,724.51	153,533.60	165,849.49	103,346.68	1,275,554.28
	Accumulated depreciation and impairment losses	(810,494.64)	(153,633.60)	(156,265.03)	(100,047.84)	(1,220,441.11)
	Net carrying amounts	42,229.87		9,584.46	3,298.84	55,113.17

A breakdown of depreciation on Property, Plant and Equipment is provided below:

(In euros)

Depreciation of property, plant and equipment	Industrial machinery	Transport equipment	Administrative Equipment	Other PPE	Total
Accumulated at 01.01.2015	772,264.78	182,704.52	143,807.33	98,015.62	1,196,792.25
Additions	23,583.30	2,225.61	5,752.64	1,078.40	32,639.95
Disposals			(206.67)		(206.67)
Other changes	(5,506.76)		3,850.84		(1,655.92)
Accumulated at 31.12.2016 (01.01.2016)	790,341.32	184,930.13	153,204.14	99,094.02	1,227,569.61
Additions	20,153.32		5,265.07	953.82	26,372.21
Disposals		(31,295.53)			(31,296.53)
Other changes			(2,204.18)		(2,204.18)
Accumulated at 31.12.2016	810,494.64	153,633.60	156,265.03	100,047.84	1,220,441.11

**Notes to the financial statements for the year ended 31 December 2016**

(In euros)

Depreciation recognised in profit or loss		Industrial machinery	Transport equipment	Administrative equipment	Other PPE	Total
Period 2016	Depreciation recognised in profit or loss	20,153.32		5,265.07	953.82	26,372.21
Period 2015	Depreciation recognised in profit or loss	23,583.30	2,225.61	5,752.64	1,078.40	32,639.95

Expenditure on property, plant and equipment remained constrained by the unfavourable business environment in 2016 to expenditure on renovations, replacements or upgrades.

Property, plant and equipment financed under financial lease agreements is detailed in note 12.

## 7. Other Financial Investments

### 7.1. Disclosures on Financial Holdings

At 31 December 2016 the Company had the following holdings in Associates:

COMPANY	HEADQUARTERED IN	SHAREHOLDING	DATE ORGANIZED	CONSOLID. METHOD
NRV, S.A.	Vila Real	8.08%	01-09-1987	Excluded (<20%)

COMPANY	OPENING BALANCE	INCREASE	DECREASE	CLOSING BALANCE	%
NRV, SA	74,546.05	0.00	0.00	74,546.05	9.08%
Total	74,546.05	0.00	0.00	74,546.05	

The company also has a Labour Compensation Fund which at period-end was of €1,086.92.

## 8. Trade accounts receivable

Trade Accounts Receivable have the following maturities:

(In euros)

Trade Accounts Receivable by Age/Maturity	31/12/2016	31.12.2015
Up to 90 days	595,166.01	979,443.70
90 to 180 days	135,070.11	240,702.49
180 to 365 days	299,756.49	42,108.29
> 1 year	785,243.98	527,061.13
Total	1,815,236.59	1,789,315.61

Trade Accounts Receivable broke down as follows:

(In euros)

Breakdown of gross and net amounts	2016			2015		
	Gross amounts	Accumulated impairment losses	Net amounts	Gross amounts	Accumulated impairment losses	Net amounts
Trade receivables						
Trade receivables - Parent	357,027.00		357,027.00	357,027.00		357,027.00
Trade receivables - Group Companies and Associates	178,585.13		178,585.13	268,919.82		268,919.82
Trade receivables - Related Parties	233,957.82		233,957.82	210,330.94		210,330.94
Trade receivables – General	1,402,693.64		1,402,693.64	953,037.85		953,037.85
Total	1,815,236.59		1,815,236.59	1,789,315.61		1,789,315.61
Trade receivables - doubtful accounts	149,757.11	(149,757.11)		140,794.22	(140,794.22)	
Total	1,964,993.70	(149,757.11)	1,815,236.59	1,930,109.83	(140,794.22)	1,789,315.61

Related-party transaction balances are detailed in Notes 6.3.

## 9. Other receivables

Other receivables break down as follows:

(In euros)

Other receivables	31/12/2015	31/12/2015
Debtors from accrued income	77,590.95	272,032.13
Other Debtors	38,040.73	59,623.37
Total	115,631.69	331,655.50



## 10. Subscribed Capital

The Company's subscribed capital consists of 70,000 shares with a par value of €5.00.

(In euros)

Share categories		Number of shares			Par value		
		Outstanding shares		Treasury shares	Outstanding shares		Treasury shares
		Fully paid in	Total		Fully paid in	Total	
31/12/2016	Common	70,000	70,000	3,500	350,000.00	350,000.00	17,500.00
31/12/2015	Common	70,000	70,000	3,500	350,000.00	350,000.00	17,500.00

The company holds treasury shares amounting to €17,500.00.

Issuance premiums of €17,500.00 were paid on the acquisition of these shares.

## 11. Funding obtained

Financing Obtained is detailed as follows:

(In euros)

Financing Obtained	2016	2015
Noncurrent Liabilities		
Financial Leases	15,328.86	20,998.14
Total	15,328.86	20,998.14
Current Liabilities		
Financial Leases	5,669.28	8,830.51
Total	5,669.28	8,830.51
Total	20,998.14	29,828.65

The Company's primary sources of financing, in addition to Financial Leases on property, plant and equipment, include bank loans in the form of annually negotiated overdraft facilities, which at year-end broke down as follows:

(In euros)

Bank Loans	31/12/2016		31/12/2015	
	Credit limit	Amount used	Credit limit	Amount used
CC MILLENNIUM BCP	75,000.00		75,000.00	
CCBES	100,000.00		100,000.00	
CC CGD	49,879.79		49,879.79	
CC BANCO POPULAR	100,000.00		100,000.00	
Total	324,879.79		324,879.79	

**Notes to the financial statements for the year ended 31 December 2016**

The negative bank lending conditions seen in the previous year have shown signs of improvement, and therefore no negative changes to the agreed credit limits or significant changes to the terms of facilities, including spreads, are expected at the facility renewal dates.

Financing amounts recognised as noncurrent liabilities are restricted to financing amounts under financial lease agreements the maturity of which exceeds one year.

The maturities of financing amounts under financial lease agreements break down as follows:

*(In euros)*

Breakdown of future minimum financial lease payments and their present value	31/12/2016			31/12/2016		
	Future minimum lease payments	Difference between future minimum payments	Present value of future minimum lease payments at reporting date	Future minimum lease payments	Difference between future minimum payments	Present value of future minimum lease payments at reporting date
		Financial expense			Financial expense	
Up to 1 year	6,083.51	414.23	5,669.28	9,400.87	570.36	8,830.51
1 to 5	15,835.48	506.62	15,328.86	21,878.75	880.61	20,998.14
Total	21,918.99	920.85	20,998.14	31,279.62	1,450.97	29,828.65

Breakdown of assets financed under financial lease arrangements:

*(In euros)*

Assets financed under financial lease arrangements	Financial leases in force				2016	2015
	Lessor	Contract identification	Lease term		Net carrying amount of leased assets at 31.12.2016	Net carrying amount of leased assets at 31.12.2015
			Opening	Closing		
Laboratory Equipment	Caixa Leasing	100047002	20/03/2011	20/03/2016		8,232.38
Laboratory Equipment	BIC	2130.05.2015	25/07/2015	25/07/2020	19,262.58	25,224.83
Total					19,262.58	33,457.21

## 12. Debt Servicing Costs

Debt service costs are recognised on an accrual basis in profit or loss for the period in which they are incurred.

**Notes to the financial statements for the year ended 31 December 2016**

Debt service costs incurred were as follows:

*(In euros)*

Debt service costs incurred during the period	2016	2015
Interest on Bank Loans	3,352.93	2,042.92
Interest on Financial Leases	563.75	708.17
Total	3,916.68	2,751.09

**13. Trade accounts payable**

Trade accounts payable break down as follows:

*(In euros)*

Trade accounts payable	31/12/2016	31/12/2015
Trade Payables - Parent	71,334.40	71,334.40
Trade Payables - Group Companies and Associates	65,844.10	140,844.10
Trade Payables - Other Related Parties	61,325.32	93,424.89
Current Trade Payables	246,146.62	358,383.88
Total	444,650.44	663,987.27

The Company's Trade Payables have the following maturities:

*(In euros)*

Trade Payables by Age/Maturity	31/12/2016	31.12.2015
Up to 90 days	47,061.29	249,924.51
90 to 180 days	3,528.50	19,778.36
180 to 365 days	69,135.55	207,766.53
> 1 year	324,925.10	186,517.87
Total	444,650.44	663,987.27

Related party transaction balances are detailed in Notes 6.3.

#### 14. Government and other state authorities

##### 14.1. Amounts receivable from the Government and other state authorities

(In euros)

Amounts receivable from the Government and other state authorities	31/12/2016	31/12/2015
Income Tax Withholding	1,519.02	1,519.02
On-behalf income tax	23,235.40	38,552.59
Withholding – Regularisation	1,772.15	5,412.57
VAT Recoverable – Mozambique	3,088.05	
Income Tax recoverable	78,322.64	92,362.94
FCT&FGCT	6.38	
Total	107,943.64	137,847.12

The Company has a balance of income tax recoverable related to withholding tax outside Portugal that is pending reimbursement.

##### 14.2. Amounts payable to the Government and other state authorities

(In euros)

Amounts payable to the Government and other state authorities	31/12/2016	31/12/2015
Income Tax/IRS Withholding	9,964.411	6,442.08
Value-Added Tax	45,922.99	35,546.40
Social Security	12,573.111	15,959.31
Income tax	47,361.64	27,767.24
Total	115,822.15	85,715.03

#### 15. Income tax for the year

(In euros)

Amounts of principal tax (expense)/revenue components		2016			2015		
		Statement of income	Other equity items	Total	Statement of income	Other equity items	Total
Adjustments to current tax for prior periods	1						
Income tax for the year	2	47,361.64		47,361.64		27,767.24	27,767.24
	3						
Income tax for the year	4=2+3	47,361.64		47,361.64	27,767.24		27,767.24
Total	5=1+4	47,361.64		47,361.64	27,767.24		27,767.24

**Notes to the financial statements for the year ended 31 December 2016**

Statement of relationship between income and tax expense/(revenue)				2016		
		Base	Tax	Base	Rate	Tax
Product of income (before taxes) multiplied by the applicable tax rate(s)	Net income for the year	1	-	132,799.66		
	Tax expense/(revenue)	2	-	47,361.64		
	Income before tax	3=1+2	3	180,161.30	21.00%	37,833.87
Adjustments to taxable income	To be added ...		4	23,119.59	21.00%	4,855.11
	Final differences To be deducted ...		5	(4,113.50)	21.00%	(863.84)
Net Income/(Tax Loss)		8=3+4-5+6-7		199,167.39	21.00%	41,825.15
Tax base		10 =8-9		199,167.39	21.00%	41,825.15
Other tax components	Local taxation	12			5% 10% 50%	3,148.98
	Surcharges	12		199,167.39	1.50%	2,987.51
	Rate Reduction	12		15,000.00	17.00%	(600.00)
Current tax		13	13=10-11+12	180,161.30	26.29%	47,361.64
Tax expense/(revenue) and average effective rate		16	16=13	180,161.30	26.29%	47,361.64

**16. Other payables**

Other payables break down as follows:

*(In euros)*

Other payables	31/12/2016	31/12/2015
Creditors from accrual of expenses	155,829.41	258,498.37
Other Creditors	3,648.08	5,502.38
Total	159,477.49	264,000.75

**17. Sales and Services**

The Company is an essentially a services business. The services provided by the company can be detailed as follows:

*(In euros)*

Services	2016	2015
Portugal	1,201,576.02	1,313,978.89
European Community	87,992.28	
Outside EC	476,600.68	796,967.65
Total	1,766,168.98	2,110,946.54

**18. Subsidies and other government aid**

The company recognised subsidies of €8,451.57 received through the Employment Internships scheme.

**19. Outsourced supplies and services**

The primary component of outsourced supplies and services relates to subcontracts.

Outsourced supplies and services break down as follows:

*(In euros)*

Supplies and Services	31/12/2016	31/12/2015
Subcontracts	236,666.70	635,787.98
Specialized Work	167,749.08	158,342.25
Fuels	30,211.31	40,947.70
Rent	78,056.50	89,258.80
Maintenance and Repairs	16,577.64	20,849.42
Travel and Accommodation	69,449.54	67,049.00
Compensation	26,208.24	29,232.76
Other FSEs	9,285.09	63,081.96
<b>Total</b>	<b>634,204.10</b>	<b>1,104,549.87</b>

The decrease in turnover compared with the previous year resulted equally in a decrease in outsourced services and especially subcontracts, which declined substantially compared with 2015.

**20. Personnel expenses**

Personnel expenses broke down as follows:

*(In euros)*

Personnel expenses	2016	2015
Corporate remuneration	59,085.48	59,081.08
Staff remuneration	663,273.88	654,825.67
Payroll charges	124,521.42	123,219.95
Occupational illness and injury insurance	4,199.07	3,863.60
Other personnel expenses	11,860.03	18,565.76
<b>Total</b>	<b>862,939.88</b>	<b>859,556.06</b>

**Notes to the financial statements for the year ended 31 December 2016**

The increase in business volume and projects in progress in 2015, particularly in the second half of the year, resulted in an increase in headcount and ultimately in personnel expenses. However, the Company's staffing levels were subsequently adjusted to reflect economic conditions and declined significantly throughout 2016, although the effects on personnel expenses will only be felt in 2017.

Average headcount throughout the period and total headcount at period end was as follows:

*(In euros)*

Breakdown of personnel	2016				2015			
	Average headcount		31/12/2016		Average headcount		31/12/2015	
	Men	Women	Men	Women	Men	Women	Men	Women
Senior management	3		3		3		3	
Middle management	10	4	8	4	11	2	11	3
Unskilled workers	10	1	5		13		14	
Administrative Personnel		3		4	1	2		2
Other								
Total	23	7	16	8	28	4	28	5

Remuneration of Key Management Staff is described in note 6.2.

## 21. Impairment

At the reporting date the Company's assets were reviewed for evidence of impairment, and no additional recognition of impairment was determined to be necessary other than the impairment recorded throughout the period:

Impairment losses and reversals recorded during the period			Trade receivables	Total
2016	Impairment losses recognised in profit or loss	Increase	8,962.89	8,962.89
		Reversals		
		Total	8,962.89	8,962.89
2015	Impairment losses recognised in profit or loss	Increase		
		Reversals	(3,967.65)	(3,967.65)
		Total	(3,967.65)	(3,967.65)

*(In euros)*

## 22. Statutory disclosures

### 22.1. Auditor fees

Auditors: RSM & ASSOCIADOS, SROC

NIPC 501612181

(In euros)

Auditors' fees	2016		2015	
	Fees	Total	Fees	Total
Audit	10,000.00	10,000.00	8,000.00	8,000.00
Total	10,000.00	10,000.00	8,000.00	8,000.00

## 23. Other Information

### 23.1. Guarantee obligations

The Company is subject to certain obligations under bid bonds and performance bonds obtained from financial institutions.

At the reporting date these guarantee obligations were as follows:

(In euros)

Contractual guarantee obligations		2016
Issuer Bank	Name of Beneficiary	Amount
MILLENNIUM BCP	PETROGAL	3,500.00
NOVO BANCO	ITN	605.00
NOVO BANCO	ITN	425.00
NOVO BANCO	ITN	494.50
NOVO BANCO	ITN	450.00
NOVO BANCO	ITN	559.37
NOVO BANCO	ITN	471.15
NOVO BANCO	ITN	375.00
NOVO BANCO	BCR	4,678.00
BANCO BIC	Alrisa	7,722.00
BANCO BIC	BCR	4,230.00
BANCO BIC	BCR	11,290.50
BANCO BIC	BRISAL	9,476.00
BANCO BIC	BCR	4,930.00
Total		49,206.52



**23.2. Events after the reporting period**

No material events occurred after the reporting period and the financial statements for the year ended 31 December 2016 were therefore approved by the appropriate management body for issuance on 13 February 2017.