

Intraware Investments Public Ltd

CONSOLIDATED FINANCIAL STATEMENTS

*prepared in accordance with
International Financial Reporting Standards (IFRS)
for the year ended 31 December, 2017*

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Myrianthi Petrou Andreas Christofi Andreas Konialis
Company Secretary:	Virna Secretarial Services Ltd
Independent Auditors:	Euroglobal S.E.E. Audit Ltd Certified Public Accountants and Registered Auditors 5 Chytron Str. Cypress Centre 1075 Nicosia Cyprus
Registered office:	Aphrodites 25 Floor 2, Flat 207 1060 Nicosia Cyprus
Banker:	Eurobank Cyprus Ltd
Registration number:	HE292020

DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 (N 190 (É)/2007) ("the Law") and with Article 140(1) of the Laws and Regulations of the Cyprus Stock Exchange we, the members of the Board of Directors and the other responsible persons are solely responsible for the consolidated financial statements of Intraware Investments Public Ltd (the "Company") for the year ended 31 December 2017 and on the basis of our knowledge, declare that:

(a) The annual consolidated financial statements which are presented on pages 13 to 58:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of Article 9, section (4) of the Law, and

(ii) provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Group and the entities included in the consolidated financial statements as a whole and

b) The Management report provides a fair view of the developments and the performance as well as the financial position of the Group as a whole, together with a description of the main risks and uncertainties which they face.

Members of the Board of Directors:


.....
Myrianthi Petrou


.....
Andreas Christofi


.....
Andreas Konialis

Nicosia, 30 April 2018

MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of the Group for the year ended 31 December 2017.

Principal activities

The principal activities of Intraware Investments Public Limited (the Company) are the holding of investments (the Group) and trademarks. The principal activities of the Group, which remain unchanged from last year, are those of wellness and fitness services.

Results

The Group's results for the year are set out in the consolidated financial statements. The net profit attributable to shareholders of the Group amount to EUR 830 thousand (2016: EUR 694 thousand).

During the year, the Group proceeded with the reorganization of LLC "XFIT Service" and the incorporation of a new company "Sport Center" LLC based on the shareholder's general meeting dated 5 April 2017. In addition, during the year, the Group has proceeded with the acquisition of a subsidiary and associate company as listed in note I "General information about the Group". The Board of Directors during its meeting held on 22 January 2018 decided to change the presentation currency from Russian Ruble to Euro for the preparation of its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Community as from the financial year ended 31 December 2017. The reason for the change is that the majority of the income of Intraware Investments Public Ltd, the main bank account and the majority of the expenses are in EUR.

Review of current position, future developments and significant risks

The Group's development to date, financial results and position as presented in the financial statements are considered satisfactory. The main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in note 30 of the consolidated financial statements.

The Group has made a decision to present financial statements in Euro starting from 2017 financial year. All relevant comparatives have been properly restated to present comparable information.

Commitments

The Group had no other commitments as at 31 December 2017.

Dividends

During 2017 the Board of Directors approved the payment of an interim dividend of EURO 1 477th out of the profits of 2017 (2016: EURO 1 915th).

Share capital

There were no changes in the share capital of the Company during the year under review.

Listing to the Emerging Companies Market of the Cyprus Stock Exchange

On 15 January 2016, the Cyprus Stock Exchange announced the listing on the CSE Emerging Companies Market of 40 000 ordinary nominal shares of the Company, of a nominal value of €1, at a listing price of €3 100, pursuant to Article 58(1) of the CSE Law.

The trading of the shares, started on Monday, 18 January 2016. The Cyprus Stock Exchange undertook to keep the registry of the Company at the CSE Central Depository / Registry.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2017 and at the date of this report are presented on page 4. All of them were members of the Board of Directors throughout the year ended 31 December 2017.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period

There were no material events after the reporting period other than those described in note 33 of the consolidated financial statements.

Independent Auditors

The Independent Auditors, Euroglobal S.E.E. Audit Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Responsibilities of Directors

The Directors are responsible for the accuracy and completeness of the consolidated financial statements prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of Cyprus Company Law, Cap. 113, that fairly present the financial position of the Group as at 31 December 2017, and the results of its operations, cash flows and changes in equity for the year then ended.

In the preparation of these consolidated financial statements, the Directors of the Group are responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- IFRS compliance and disclosure of all significant deviations from IFRS in the consolidated financial statements;
- preparing the financial statements based on the going concern assumption, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

The Directors of the Group are also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control throughout the Group;

- maintaining proper accounting records that disclose the financial position of the Group with reasonable accuracy and at any time, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with Russian legislation and accounting standards;
- taking steps that are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

On 27 April 2018 the Board of Directors of Intraware Investments Public Ltd authorized these consolidated financial statements for issue.

By order of the Board of Directors,



Myrianthi Petrou
Director

Nicosia, 30 April 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Intraware Investments Public Ltd

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Intraware Investments Public Ltd (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill and other intangible assets

Key audit matter

Goodwill is the excess of the purchase price over the fair value of the acquirer's share in the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries or associates at the acquisition date. Goodwill is initially recognized at cost less accumulated impairment losses, if any.

Goodwill is the most significant intangible assets of the Group. Goodwill was formed when the businesses were acquired in 2015 (see IV Relevant disclosures, note 9). The Group tests whether goodwill has suffered any impairment on an annual basis.

Other intangible assets consist of customer relationships representing future benefits from loyal customers in connection with expected purchases of cards, relating services and food (see IV Relevant disclosures, note 10). Intangible assets are initially recognized at fair value at the acquisition date and are subsequently carried at cost less accumulated amortization and impairment losses.

Audit procedures followed

Our audit procedures included, among others, evaluating the impairment testing of goodwill carried out by the Group as well as the assumptions and methodologies used, in particular those relating to the forecasted revenue growth and profit margins for the valuation of other intangible assets.

Independent Auditor's Report (continued)

To the Members of Intraware Investments Public Ltd

Revenue recognition

Key audit matter

The most important source of revenue of the Group is derived from clubs cards sales and sport services rendered. A club card is usually for a long term (half year or yearly) membership. It provides a pre-agreed range of services, which are included in the card value. Revenue from services rendered is recognized by the Group in the accounting period in which the services are rendered (see IV Relevant disclosures, note 1). Amounts received from customers as payments for future services (including cards for sport services) are initially recognized as deferred revenue (see IV Relevant disclosures, note 20) and are amortized with recognition of revenue in proportion to services rendered.

Audit procedures followed

Our audit procedures included, among others, evaluating the business model and methodology used by the Group to recognise revenue in the appropriate period to which it relates to as per the requirements of the applicable IFRS.

Borrowings

Key audit matter

Borrowings consist of 49% of the total liabilities of the Group. The main part of borrowings is represented by loans from RDTEX Information Technologies Ltd which were refinanced in 2018 (see IV Relevant disclosures, note 18). Due to the mutually beneficial business relations between the parties concerned, these liabilities are not subject to immediate repayment and do not have a significant impact on the financial position of the Group.

Audit procedures followed

Our audit procedures included, among others, assessment and evaluation of the existence, rights and obligations, as well as the valuation of the carrying value of borrowings included in these consolidated financial statements which are also consistent with the going concern basis of preparation (see page 23).

Change of presentation currency

Key audit matter

Based on a resolution dated 22 January 2018, the Group decided to change the presentation currency of the consolidated financial statements from the Russian Ruble to EURO (see page 23). The Group's functional currency remained unchanged which is the Russian Ruble.

Audit procedures followed

Our audit procedures included, among others, review of the translation from the Group's functional currency to its presentation currency as well as the restatement of all relevant comparatives to present comparable information.

Reorganisation of LLC "XFIT Service"

Key audit matter

During the year, the Group proceeded with the reorganization of LLC "XFIT Service" and the incorporation of a new company "Sport Center" LLC based on the shareholder's general meeting dated 5 April 2017. The reason for this reorganization is to separate from the Group's business, the non-core assets and liabilities not directly related to the current activity of fitness clubs, by transferring the core assets and liabilities from "XFIT Service" LLC to "Sport Center" LLC (see note I "General information about the Group"). In the 1st quarter of 2018 the Group retained control over "Sport Center" LLC and disposed of control over LLC "XFIT Service" which had a significant impact on the financial position of the Group (see IV Relevant disclosures, note 33).

Independent Auditor's Report (continued)

To the Members of IntraWare Investments Public Ltd

Audit procedures followed

The audit procedures followed among others, was to evaluate and review that both companies were under the Group's control as at 31 December 2017 and their reporting figures, including relevant disclosures, have been reflected in these consolidated financial statements.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (continued)

To the Members of Intraware Investments Public Ltd

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

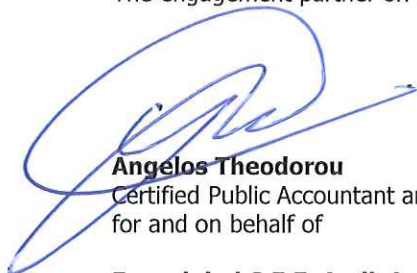
Independent Auditor's Report (continued)

To the Members of Intraware Investments Public Ltd

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Angelos Theodorou.



Angelos Theodorou

Certified Public Accountant and Registered Auditor
for and on behalf of

Euroglobal S.E.E. Audit Ltd

Certified Public Accountants and Registered Auditors

Nicosia, 30 April 2018

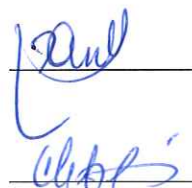
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
OF INTRAWARE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousand EURO)

	Note	2017	2016
Revenue	1	49 419	37 288
Cost of Sales	2	(36 359)	(28 279)
Gross profit		13 060	9 009
Selling and marketing expenses	3	(1 549)	(1 904)
Administrative expenses	4	(7 904)	(5 086)
Other income	5	655	482
Other losses	6	(825)	(1 257)
Operating income		3 437	1 244
Financial income	7	303	6
Financial expenses	7	(283)	(547)
Profit before tax		3 457	703
Income tax expense	22	(2 528)	(77)
Profit/(Loss) for the year from continuing operations		929	626
Net profit/(loss) for the year		929	626
Net profit/(loss) for the year attributable to:			
Owners of the Group	25	830	694
Non-controlling interests		99	(68)
Total profit/(loss) for the year		929	626
Other comprehensive income for the year			
Comprehensive income attributable to:			
Owners of the Group	25	830	694
Non-controlling interests		99	(68)
Total comprehensive income for the year		929	626

The notes on pages 20 to 60 are an integral part of these consolidated financial statements.

On 30 April 2018 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director



Myrianthi Petrou

Director



Andreas Christofi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF INTRAWARE GROUP AS AT 31 DECEMBER 2017
(in thousand EURO)

	Note	2017	2016
Non-current assets			
Property, plant and equipment	8	10 843	10 439
Goodwill	9	5 092	5 496
Other intangible assets	10	2 615	4 831
Other non-current assets		240	401
Deferred tax assets	22	215	1 766
Total non-current assets		19 005	22 933
Current assets			
Advances paid	11	18 530	17 667
Inventories	12	334	367
Other receivables	13	245	2 055
Other assets		50	64
Income tax overpayment		72	35
Trade receivables	14	2 494	2 360
Loans granted to shareholders	15	1 388	-
Loans granted to other parties		356	88
Cash	16	3 702	2 813
Total current assets		27 171	25 449
TOTAL ASSETS		46 176	48 382

The notes on pages 20 to 60 are an integral part of these consolidated financial statements.

On 30 April 2018 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director



Myrianthi Petrou

Director



Andreas Christofi

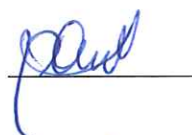
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
OF INTRAWARE GROUP AS AT 31 DECEMBER 2017
(in thousand EURO)

	Note	2017	2016
Owners' equity			
Share capital	17	40	40
Translation reserve	17	142	16
Additional paid-in capital		222	222
Accumulated profit (loss)		(1 849)	(1 065)
Current year profit (loss)		831	695
Equity attributable to owners of the Group		(614)	(92)
Non-controlling interest	28	29	(70)
TOTAL EQUITY		(585)	(162)
Non-current liabilities			
Long-term loans and borrowings	18	2 130	2 082
Deferred tax liabilities	22	548	247
Total non-current liabilities		2 678	2 329
Current liabilities			
Short-term loans and borrowings	18	20 730	22 957
Short-term payables	19	2 865	3 151
Other liabilities	21	908	701
Deferred revenue	20	19 580	19 406
Total current liabilities		44 083	46 215
TOTAL EQUITY AND LIABILITIES		46 176	48 382

The notes on pages 20 to 60 are an integral part of these consolidated financial statements.

On 30 April 2018 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director



Myrianthi Petrou

Director



Andreas Christofi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
OF INTRAWARE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousand EURO)

	Share capital	Additional capital	Translation difference s	Accumulated profit (loss)	Non-controlling interest	Total
As at 01.01.2016	40	222		851	(2)	1 111
Dividends	-	-	-	(1 915)	-	(1 915)
Current year profit	-	-	-	694	(68)	626
Translation differences	-	-	16	-	-	16
For the year ended 31.12.2016	40	222	16	(370)	(70)	(162)
Dividends	-	-	-	(1 477)	-	(1 477)
Current year profit	-	-	-	830	99	928
Translation differences	-	-	126	-	-	126
For the year ended 31.12.2017	40	222	142	(1 018)	29	(585)

The notes on pages 20 to 60 are an integral part of these consolidated financial statements.

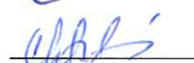
On 30 April 2018 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director



Myrianthi Petrou

Director



Andreas Christofi

CONSOLIDATED STATEMENT OF CASH FLOWS
OF INTRAWARE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousand EURO)

	Not e	2 017	2 016
Cash flows from operating activities			
Profit before tax		3 457	702
Amortisation and impairment of intangible assets	10	1 956	1 837
Depreciation and impairment of property, plant and equipment	8	1 682	1 399
Interest expense	7	135	489
(Interest income)	7	(13)	(1)
Foreign exchange differences (net)		57	(65)
(Impairment) reversal of impairment loss on trade and other receivables	5	195	- -
Other non-cash expenses/ (income) net		18	(42)
Operating cash flows before working capital changes		7 488	4 319
(Increase)/ decrease in trade and other receivables		618	(5 368)
(Increase)/ decrease in inventories	12	33	278
Decrease/ (increase) in trade and other payables		(79)	1 120
Increase/ (decrease) in deferred revenue	20	174	2 084
Increase/ (decrease) in vacation provisions		-	113
(Increase)/ decrease in other assets		175	-
Cash generated from operating activities		8 409	2 547
Income tax paid		(715)	(247)
Net cash from operating activities		7 694	2 299
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(3 410)	(1 824)
Proceeds from sale of noncurrent assets		528	
Loans issued		(1 643)	(157)
Net cash used in investing activities		(4 525)	(1 937)

The notes on pages 20 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
OF INTRAWARE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousand RUB)

	Note	2 017	2 016
Cash flows from financing activities			
Proceeds of loans and borrowings	18	149	1 149
Repayment of loans and borrowings	18	(134)	(5)
Dividends paid to company's shareholders		(1 477)	(1 653)
Net cash from financing activities		(1 463)	(509)
Effect of exchange rate changes		(817)	639
Cash and cash equivalents at the beginning of the year		2 813	2 322
Increase (decrease) of cash and cash equivalents		889	491
Cash and cash equivalents at the end of the year	16	3 702	2 813

The notes on pages 20 to 60 are an integral part of these consolidated financial statements.

On 30 April 2018 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director



Myrianthi Petrou

Director



Andreas Christofi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. GENERAL INFORMATION ABOUT THE GROUP

Intraware Investments Public Ltd (the "Company") and its subsidiaries (together with the Company, the "Group") is one of the largest chains of fitness clubs in Russian market of fitness services. Key activities of the Group are fitness clubs services to population, services of management of fitness clubs and additional activities (catering, retail of sport goods).

The subsidiaries are as follows:

Name of the subsidiary	Russian City
FOK "Monarh"	Moscow
FOK "Senator"	Moscow
FOK "Fusion"	Moscow
FOK "Planeta"	Moscow
FOK "Nagatinskaia"	Moscow
FOK "Marino"	Moscow
FOK "Rost Fitnes"	Rostov-on-Don
FOK "Chistye Prudy"	Moscow
FOK "Terra"	Kazan
FOK "AK-Bars"	Kazan
FOK "Volga-Fitnes"	Volgograd
FOK "Olimp"	Voronezh
FOK "Zchemchuzhina"	Perm
FOK "Sam-Fitnes"	Samara
FOK "Sun-City"	Novosibirsk
FOK "Platinum"	Voronezh
FOK "Park Pobedy"	Moscow
LLC "Altufevo-Sport"	Moscow
FOK "Mosfilmovski"	Moscow

The parent company holds 98% in each of the above subsidiaries.

In January 2016, the Group had obtained control over the activities of 2 additional fitness-clubs: FOK "Mosfilmovskaya" LLC and LLC "RTI-Finance". During the year, the Group had acquired 98% of the voting stock of FOK "Mosfilmovskaya" LLC and 49% of the voting stock of LLC "RTI-Finance".

In addition the Group has control over "XFIT Service" LLC and LLC "RTI-Finance" through the appointment of a director having unlimited and full rights as to the activities of the Company, its investments, its financing, any amendments to its corporate structure, any new business or activities introduced to the Company, approval of financial transactions and any other actions on which the decision are made by Company's Governing bodies.

During the year, the Group proceeded with the reorganization of LLC "XFIT Service" and the incorporation of a new company "Sport Center" LLC based on the shareholder's general meeting dated 5 April 2017. The reason for this reorganisation is to separate from the Group's business, the non-core assets and liabilities not directly related to the current activity of fitness clubs, by transferring the core assets and liabilities from "XFIT Service" LLC to "Sport Center" LLC. The legal procedure for the transfer of the core assets and liabilities from "XFIT Service" LLC to "Sport Center"

LLC was completed on 17 December 2017, when the information was registered in the Unified State Register of Legal Entities. Nevertheless, the financial reporting of the assets and liabilities transferred from "XFIT Service" LLC to "Sport Center" LLC was not reflected in their respective reporting financial statements as at 31 December 2017. The proper recognition of assets and liabilities to the financial statements of both companies was completed during the 1st quarter of 2018 (note 33). As at 31 December 2017 the Group had a controlling interest over both "XFIT Service" LLC and "Sport Center" LLC as per IFRS 10 "Consolidated Financial Statements". Only the reporting figures of "XFIT Service" LLC have been included in these Consolidated financial statements, which include the assets and liabilities transferred, as the reporting figures of "Sport Center" LLC have been considered immaterial for their inclusion. However, since the Group had control over both Companies, there has been no significant impact on the consolidated figures due to the transfer of assets and liabilities as these were taken into consideration and included in the preparation of the consolidated financial statements.

Since January 2016 the Group is listed on the Cyprus Stock Exchange.

II. ECONOMIC ENVIRONMENT IN WHICH THE GROUP OPERATES

The major part of the Group is based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian government.

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The Russian economy showed signs of recovery in 2017, after the economic downturn of 2015 and 2016. The Russian economy is negatively impacted by a fluctuation of oil prices, ongoing political developments in the region and international sanctions against certain Russian companies and individuals. The ongoing uncertainty and volatility of the financial markets and other risks could have significant negative effects on the Russian financial and corporate sectors. This environment may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict therefore management's current expectations and estimates could differ from actual results.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

III. BASIS OF PREPARATION

General provisions

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter - IFRS).

The companies of the Group maintain their accounting records in Russian Rubles in accordance with the Russian regulations on accounting and reporting. Russian accounting principles are significantly different from IFRS. In this regard, the financial statements that have been prepared in accordance

with the Russian accounting standards have been adjusted to ensure that the consolidated financial statements comply with IFRS.

The consolidated financial statements have been prepared on a historical cost basis except when IFRS require the application of other basis of valuation, in particular, financial instruments that have been measured initially at fair value and then at amortized cost, and identifiable assets and liabilities acquired in the course of a business combination.

Principles of consolidation

The consolidated financial statements comprise the financial statements of Intraware Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the acquirer's share of the fair value of the net assets of the acquiree at each exchange transaction is recorded as goodwill. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost is recognized immediately in profit or loss for the year.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

Inter-group transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless the cost of the corresponding asset cannot

be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Going concern

The Group has prepared these consolidated financial statements based on the going concern assumption.

As at 31 December 2017 the Group's current liabilities exceed the current assets for the amount of EUR 16 192 thousand (as at 31 December 2016 - EUR 20 766 thousand) and the equity is negative. This fact indicates a material uncertainty that may raise significant doubt on the ability of the Group to continue as a going concern, as well as on the ability to realize its assets and repay its liabilities in the normal course of business.

The main part of liabilities is represented by loans from RDTEX Information Technologies Ltd. (see note 18). Due to the steady mutually beneficial relations with the company these liabilities are not subject to immediate repayment and do not have significant impact on the financial standing of the Group. Additionally, part of these liabilities in the amount of EURO 10 826 thousand is subject to retirement as a result of reorganization of LLC "XFIT Service" in the form of separation of another entity from it (see note I "General information about the Group"). Moreover the Group has managed to refinance all these loans in March - April 2018 on a long term basis: in accordance with new agreements with RDTEX Information Technologies Ltd the funds are due in March - August 2020.

Furthermore the Group has paid 1 477 thousand EUR as dividends in 2017 (2016: 1 915 thousand EUR) which had a significant impact on equity and financial position of the Group. The Board of Directors controls this outflow of resources and is able to temporarily cease declaring dividends should the need for this action arise in order to meet statutory capital requirements and/or to maintain appropriate levels of liquidity.

The management makes active and successful efforts to improve the financial position of the Group, reduce costs and implement the budget plan, which will provide for the increase in revenues, and, accordingly, the profit.

Therefore management of the Group is confident that the Group will continue its activities in the foreseeable future and these financial statements have been properly prepared under going concern basis.

Currency

▪ Functional and presentation currency

The Board of Directors during its meeting held on 22 January 2018, has decided to change its presentation currency from Russian Ruble to Euro for the preparation of its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Community as from the financial year ended 31 December 2017. The reason for the change is that the majority of the income of Intraware Investments Public Ltd, the main bank account and the majority of the expenses are in EUR.

All relevant comparatives have been properly restated to present comparable information.

The financial statements are presented in thousands of Euros, unless otherwise stated, which is the Group's presentation currency. The functional currency is the currency of the primary economic environment in which a company operates. The Group's functional currency is the national currency of the Russian Federation, the Russian rubles.

The results and financial position of the Group are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- (ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity as a cumulative translation reserve.

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the official exchange rate of the Central Bank of Russia at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into RUB at the Central Bank's official year-end exchange rates are recognized in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments.

Exchange rate at the end of the year	2017	2016
RUB to 1 US dollar	57,6002	60,6569
RUB to 1 Euro	68,8668	63,8111
Exchange rate average	2017	2016
RUB to 1 Euro	65,9014	74,2310

Impact of effective changes in International Financial Reporting Standards

The following amended standards became effective for the Group from 1 January 2017, but did not have any material impact on the Group:

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative - The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group had disclosed additional information in its annual consolidated financial statements for the year ended 31 December 2017.
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses - The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).

Application of new and revised International Financial Reporting Standards

Below is a list of standards/interpretations that have been issued and are not effective for periods starting on 1 January 2017, but will be effective for later periods:

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

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value through other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15, Revenue from Contracts with Customers (effective for the periods beginning on or after 1 January 2018).

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

This standard may have a material impact on the financial performance and the financial position of the Group: the management is currently assessing the possible consequences of adopting this standard. Early adoption is not anticipated.

Amendments to IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).

The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019).

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

This standard may have a material impact on financial performance and financial position of the Group: the management is currently assessing the possible consequences of adopting this standard. Early adoption is not anticipated.

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018 for amendments to IFRS 1 and IAS 28).
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 – Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

- Annual Improvements to IFRSs 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
 - Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

Significant accounting estimates and professional judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial years. Estimates and judgments are continually evaluated and are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

- (1) ***Fair value of identifiable assets and liabilities acquired at business combination.*** As a result of the business combinations in 2015 (see note 27) the Group has acquired a pool of assets and liabilities. The measurement of fair value of identifiable assets and liabilities acquired, in particular in respect of Property, plant and equipment (see note 8) and Intangible assets (see note 10) required a significant use of judgment and assumptions, see relevant notes.
- (2) ***Amortization of intangible assets.*** The intangible assets of the Group are represented mainly by customer related assets acquired in a business combinations in 2015 (see notes 27 and 10) and recognized at fair value as at acquisition dates. These assets are amortized over the period when the Group expects to derive economic benefits from them - normally over the residual expected lease terms for respective fitness club premises. At the same time amortization is not calculated on a straight-line method as this would contradict the matching principle that requires that revenues and any related expenses be recognized in the same period. Instead the biggest part of the intangible assets amortization shall be recognized within the first 3-5 years after the acquisition. Such an accounting treatment aligns the amortization expenses with corresponding income that is expected from these intangible assets, i.e. an income from customers that prolong their subscriptions or purchase services of the Group based on loyalty gained before the acquisition date.
- (3) ***Impairment of intangible assets.*** Intangible assets with indefinite useful life (see note 10) and goodwill (note 9) are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset or cash generating unit.
- (4) ***Valuation of deferred income according to loyalty programs with clients.*** In the normal course of the Group's business constructive obligations arise in connection with granting cumulative discounts to the clients who purchased club cards earlier. The size of discounts depends on the term of membership in club and time of reacquisition of cards and may differ from time to time and in different clubs. To estimate the deferred income the Group management evaluates the probability of reacquisition of cards (on basis of statistics of renewed and ended cards ratio for the period) and the estimated discount for reacquired cards. The resulting liability is disclosed in note 20).
- (5) ***Transactions with related parties.*** In the normal course of business, the Group enters into transactions with related parties. Judgment is applied in determining whether the transactions are priced at market or non-market interest rates, where there is no active market for such transactions.

The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. The conditions and terms of such operations are disclosed in note 24.

(6) **Useful lives of property, plant and equipment.** Management assesses the remaining useful lives of property, plant and equipment (see note 8) at least once per year as at the financial year end. The useful lives are assessed in accordance with the assets' current technical conditions and the estimated period when these assets will bring economic benefit to the Group. Useful lives of the leasehold improvements are calculated based on residual lease terms according to the lease contracts (as at 31.12.2017 the average residual lease term was 6 years) increased by one lease prolongation that the management is certain of, and decreased by adverse possibilities: probability of the lessor to terminate the lease in case of the default of the Group (1% per year), probability that the renegotiation of the lease will not be successful (5-20%), probability that the Group will decide to discontinue the lease (2% per year) etc. As a result, the average effective prolongation term as at reporting date amounts to 5 years and the average residual useful lives used in calculation of the depreciation of leasehold improvements amount to 12 years. The changes from the previous year's assessments, if any, are accounted for prospectively without restating comparatives.

(7) **Contingent liabilities valuation.** The value of contingent liabilities is determined based on management's estimates, its interpretation of the relevant legislation and subsequent events. In particular, the Group recognizes provision for contingent liabilities if it is probable that its positions may be successfully challenged by tax authorities. As at 31.12.2017 the Group estimates that its tax position is stable and no provisions have to be recognized (see further note 32).

Accounting policies

(a) Subsidiaries

Subsidiaries are those entities, including special purpose entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(b) Property, plant and equipment

Property, plant and equipment are assets that comply with the requirements of IAS 16 "Property, Plant and Equipment". Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Historical cost of property, plant and equipment includes all expenditures that are directly attributable to its creation or acquisition including payments and payroll to sellers, contractors, other material and direct labor costs. Historical cost may also include purchase price, import duties and other taxes (except subsequently recoverable from the tax authorities) and also cost of transportation, handling and other costs directly attributable to the acquisition of the asset. Interests on borrowings are included in the cost of property, plant and equipment in cases when the requirements of IAS 23 "Borrowing Costs" are met.

The residual value of an asset corresponds to the expected value of the receipts, which the Group expects to receive from its disposal in the state and the age it will be at the end of its useful life, less the estimated costs of disposal of the asset. The residual value of the asset is nil if the Group expects to use the asset until the end of its useful life.

Depreciation is calculated using the straight-line method based on their estimated useful lives. Depreciation commences in the month following the month of the recognition of the property, plant and equipment in accounting.

The groups and the estimated useful lives of property, plant and equipment are as follows:

Property, Plant & Equipment group	Useful life
1 Leasehold improvements	Residual lease terms according to the lease contracts increased by one lease prolongation that the management is certain of and decreased by adverse possibilities. In practice average useful life approximates 12 years
2 Sport equipment	1-15 years, in practice 5 years on average
3 Office equipment	1-10 years, in practice 3 years on average
4 Other property, plant & equipment	2-25 years, in practice 6 years on average

If a major component of an item of property, plant and equipment consists of several components with significantly different useful lives, they are recognized as separate items of property, plant and equipment.

Depreciation of an asset ceases at the earlier of two dates: the date of classification of assets as held for sale (or its inclusion in a disposal group classified as held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", and the date of derecognition. Depreciation does not cease when the asset becomes idle or is retired from active use.

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period and if current expectations differ from previous estimates, these changes shall be applied prospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in the statement of comprehensive income. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Repair and maintenance costs of property, plant and equipment are recognized in profit or loss as incurred. Subsequent costs are capitalized, if the recognition criteria are satisfied (usually - if it can be clearly demonstrated that they extend the useful life of the asset, substantially increase the efficiency compared to their original capacity, or otherwise increase the economic benefits of the asset).

Assets under construction and other property, plant and equipment not yet available for use are assessed likewise the historical cost of property, plant and equipment.

(c) Investment property

Investment property is property held by the Group and used to earn rentals or for capital appreciation with the course of time and that is not occupied by the Group. Investment property comprises properties (buildings, premises and land) that are leased by the Group to third parties under an operating lease.

In the statement of financial position, investment property is recognized at initial cost less accumulated depreciation and impairment losses. Depreciation of the investment property is calculated using the same useful life as for property, plant and equipment.

(d) Finance lease

Lease that transfers substantially all the risks and rewards incidental to ownership of an asset is classified as a finance lease. Assets that are classified by the Group as the assets under finance leases usually satisfy one of the following requirements: a) the discounted minimum lease payments under the contract are not less than 80% of the fair value of the asset; b) the lease term is not less than 80% of the asset's useful life. Also other circumstances of transactions are considered in order to determine whether substantially all the risks and rewards incidental to ownership of the asset are transferred to the Group, and, respectively, for the correct classification of the lease contract.

Assets held by the Group under finance leases are capitalized in noncurrent assets at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations are recognized simultaneously. In the future, these assets are subject to the same rules as the property, plant and equipment, except if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term and then the property, plant and equipment acquired under finance leases is depreciated over the lease term or, if lower the asset's useful life.

Lease payments are apportioned between finance charges of the Group as a lessee so as to achieve a constant rate of interest on the remaining balance of the liability. This rate is determined by the initial recognition of finance lease obligations and remains unchanged throughout the term of the lease. Finance charges are recognized in finance costs in the statement of profit or loss and calculated as the effective interest rate multiplied by the balance of the finance lease liability at the beginning of the year.

(e) Operating lease

Leases are classified as operating leases when the terms of the lease do not transfer substantially all the risks and rewards of ownership to the Group. Property, plant and equipment received under operating lease agreements are not recognized in the Group's consolidated statement of financial position. Expenses for such leases when risks and rewards of ownership do not transfer to the Group are recognized in the statement of comprehensive income on a straight-line basis over the lease term.

Rent deposits (for example, advances for the last month) are initially recognized as an asset (in the non-current or current assets based on their lease term) at their present value and amortized so that in accordance with IAS 17 "Leases" costs rent are evenly recognized in the consolidated statement of profit or loss.

Rent deposits that are not included in the rental payments (security deposits that are repayable to the Group if they have not violated the contract) are initially recognized as an asset (in the non-current or current assets based on their lease term) at fair value of the future lease payments. The difference between carrying amount and the fair value of such deposits arising at the initial recognition is recognized as lease expenses in the consolidated statement of profit and loss. Further, these assets are amortized using the effective rate, so that accounts receivable are equal to the rental deposits by the time of the termination of the contract - these revenues are recognized as imputed interest income as part of the financial income in the consolidated statement of profit and loss.

(f) Goodwill

Goodwill is the excess of the purchase price over the fair value of the acquirer's share in the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the acquisition date. Goodwill is initially recognized at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least once a year or more frequently when there is an indication that the unit may be impaired. Goodwill is allocated to cash-generating units (groups of assets that generate cash flows) or groups of cash-generating units that are expected to benefit from

the business combination in which the goodwill arose. As a rule, cash-generating units are the corresponding Group's clubs.

(g) Joint arrangements

Under IFRS 11 "Joint Arrangements" investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has only joint operations and recognizes its direct interest in the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

(h) Intangible assets

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination except for goodwill are recognized at fair value at the acquisition date. Group's intangible assets, except for goodwill and trademarks have finite useful lives and are subsequently carried at cost less accumulated amortization and impairment losses.

Amortization of intangible assets is calculated based on the period during which the assets' future economic benefits are expected to be consumed by the Group.

The useful life of customer relationships is the residual expected lease term for respective fitness club premises. The amortization is non-linear and the principal part of these assets is amortized within the first 3-5 years.

Rights under franchise agreements have useful lives of 4 and 5 years which are relevant to residual terms of corresponding franchise agreements. The amortization is calculated on a straight-line basis.

Trademarks have indefinite useful life and are tested for impairment annually.

(i) Inventories

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on a weighted average cost basis.

The cost of inventories is written down below cost to net realisable value if those inventories are damaged, if they have become wholly or partially obsolete, if their selling prices have declined or if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. Net realisable value is the estimated selling price for inventories in the ordinary course of the business less selling costs. Write-down of inventories is recognized as a cost of sales in the current reporting period.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less.

Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in other non-current assets.

(k) Financial instruments – key measurement terms

Depending on their classification, financial instruments (financial assets and financial liabilities) are recognized at fair value or amortized cost, as described below.

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 is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of the financial data of investees are used to estimate the fair value of

certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount of cash and cash equivalents or fair value of other remunerations paid to acquire the assets at the moment of acquisition of assets, which includes transaction costs. Valuation of assets at cost of purchase is applicable only to investments in equity shares which are not quoted at the active market and to derivatives that are linked to and must be settled by delivery of such unquoted equity shares.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties charged on title transfer. Transaction costs do not include debt premiums or discounts, financing costs, internal administrative costs or storage expenses.

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets, less any write-down for incurred impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related balance sheet items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (in relation to principles of recognition of incomes and expenses).

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: (a) loans and receivables and (b) available-for-sale financial assets.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

All other financial assets are included in the available-for-sale category, which includes investment securities that the Group intends to hold for an indefinite period of time and which may be sold in response to liquidity needs or changes in interest rates, exchange rates or equity prices.

Classification of financial liabilities. The Group classifies all its financial liabilities as other financial liabilities. Other financial liabilities are carried at amortized cost.

Initial recognition of financial instruments. All financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value

and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

The loans are recognized initially at fair value of future payments, calculated using current market interest rates for the assets. The difference between the total amount of the loan by a lower than market, rates, and its fair value is recognized as a loss in the period of the loan. This difference reduces retained earnings/retained loss (in the case of the loan to the owner or his representative), increases the costs of personnel (in case of loan to employees) or financial costs (in case of granting a loan to third parties). The loans are measured at amortized cost using the effective interest method. Interest income is calculated by the effective interest rate is reflected on an accrual basis.

If the rate on financial liabilities is significantly below current market rates, the difference between actual income (net of transaction costs) and the fair value is reflected as imputed interest income in the period of loan. Imputed interest income increased additional paid in capital (in the case of a loan from the owner or his representatives), or is recorded in the consolidated statement of financial position as part of deferred income and then proportionately included in the consolidated statement of comprehensive income.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognized when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets are otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale financial assets. The Group classifies investments as available for sale at the time of purchase. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognized in consolidated statement of comprehensive income. Dividends on equity instruments are recognized in profit or loss when the Group's right to receive payment is established and it is probable that the dividends will be collected. Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of equity instrument. Impairment losses on equity instruments are not reversed.

(l) Impairment of financial assets

Impairment losses are recognized in the statement of comprehensive income when incurred as a result of one or more events that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset that can be reliably estimated. The primary factor that the Group considers in determining whether a financial asset is impaired is its overdue status. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or installment is overdue and the late payment cannot be attributed to a delay caused by settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;

- the counterparty is considering bankruptcy or a financial reorganization;
- there is an adverse change in the counterparty's payment status as a result of changes in the national or local economic conditions.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of the counterparty's financial difficulties, impairment is measured using the original effective interest rate before the terms were modified.

Impairment losses are always recognized through a provision account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

(m) Impairment of other assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(n) Revenue recognition

Revenue from services rendering is recognized by the Group in the accounting period in which the services are rendered. Revenue which is recognized in these financial statements does not include VAT (regarding companies which pay VAT) and reduced by the amount of discounts and rebates given to the customers according to all marketing promotions of the Group.

Amounts received from the customers of the services as payments for future services (including cards for sport services) are initially recognized in item "Deferred revenue" and are amortized with recognition of revenue in proportion to rendering of services.

(o) Borrowing costs

Costs on borrowings to finance acquisition, construction or production of qualifying assets (which are assets that take a substantial period of time to get ready for their intended use or sale), are

recognized according to IAS 23 "Borrowing costs" at initial cost till such assets are ready for their intended use or sale. All other borrowing costs are expensed.

(p) Transactions with owners

In all cases when the Group receives assets from the owners of the Group, the assets received are initially recognized in the statements prepared according to IFRS at fair value. The contributions are not recognized in the statement of comprehensive income but increase the Group's additional paid-in capital as benefits from the owner.

The companies of the Group may incur expenses that are not caused by economic necessity but are advised by the owners of the Group. Such expenses are not recognized in the statement of comprehensive income but increase the Group's additional paid-in capital as expenses on behalf of the owner.

In the same way, the differences between fair value of loans given to (received from) the owners of the Group and their notional value are recognized as retained earnings (additional capital).

(q) Provisions

According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

Provisions are revised once a year and are recognized in the financial statements at expected net present value, calculated using rates reflecting risks specific to the liability.

(r) Income tax

The income tax charge according IAS 12 "Income Tax" comprises current tax and deferred tax. Current tax is the amount expected to be paid to state budget in respect to taxable profits or losses for the current and prior periods, using tax rates enacted or substantially enacted at the reporting date.

Deferred income tax is provided using the statement of financial position liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction when initially recorded affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized.

Deferred tax liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized. Amount of deferred tax assets is revised at every balance sheet date and is deducted to the extent that the probability of making profit from the tax liability realization does not exist anymore.

(s) Earnings per share

Basic earnings per share. Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) Transactions eliminated on consolidation

Intra-group balances and any unrealized gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(u) Share capital and premium

Share capital represents the issued number of shares outstanding at their par value. Any excess amount of capital raised is included in share premium. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in share premium from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

(v) Finance income and costs

Finance income comprises interest income on loans and accounts receivable, and exchange differences arising on financial activities. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Interest expense is recognized in profit or loss using the effective interest method.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment results that are reported to the Group's chief operating decision-maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(x) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred, plus the recognized amount of any non-controlling interests in the acquiree, plus if the business combination is achieved in stages, the fair value of the existing equity interest in the

acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

(y) Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(z) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

IV. RELEVANT DISCLOSURES

1. Revenue

<i>in thousand EURO</i>	2017	2016
Revenue from club cards sales	30 617	23 189
Revenue from related sport services rendering	15 709	11 843
Revenue from retailing and food services	1 816	1 356
Other revenue	708	740
Revenue from operating leasing	423	159
Revenue from sports clubs management	145	-
Total	49 419	37 288

2. Cost of Sales

<i>in thousand EURO</i>	2017	2016
Outstaffing services	20 394	14 273
Leasing	7 240	6 877
Amortization	1 927	1 837
Royalties	1 857	1 658
Depreciation	1 552	1 375
Material costs	1 405	638
Utilities expenses	829	744
Salary and social tax	612	185
Repairs and maintenance	275	250
Cost of goods sold	223	262
Disinfection and cleansing	33	23
Other expenses	11	156
Total	36 359	28 279

3. Selling and marketing expenses

<i>in thousand EURO</i>	2017	2016
Advertising and marketing services	1 490	1 864
Holiday organization services	46	35
Material costs	12	4
Other expenses	-	1
Total	1 549	1 904

4. General administrative expenses		
<i>in thousand EURO</i>	2017	2016
Salary and social tax	3 514	1 531
Material costs	1 403	1 007
Leasing	773	583
Bank services	626	531
Utilities expenses	372	225
Other expenses	237	266
Travelling expenses	218	127
Communication services	185	129
Consulting services	159	402
Depreciation	130	24
Security services	121	104
Asset repairs and maintenance	110	90
Auditors' remuneration	25	41
Cleaning services	19	26
Transport expenses	13	15
Insurance	10	10
Taxes	-	1
Total	7 904	5 113

5. Other income		
<i>in thousand EURO</i>	2017	2016
Other income	317	124
Income from assets disposal	121	-
Exchange differences (profit)	96	176
Write-off of accounts payable	68	182
Sanctions, fines and penalties - income	53	-
Total	655	482

6. Other losses		
<i>in thousand EURO</i>	2017	2016
Other losses and expenses	264	212
Bad debt allowance	195	-
Exchange differences (losses)	152	470
Loss from non-current assets disposal	78	20
Loss from other disposal	68	1
Sanctions, fines and penalties - losses	48	4

Shortage discovery as a result of inventory count	19	7
Write-down of accounts receivable	-	297
Interest and penalties under contracts	-	247
Total	825	1 257

7. Financial income and financial expenses

Financial income in thousand EURO	2017	2016
Exchange differences (income) on financial activities	245	-
Imputed interest income on accounts receivable and payable	45	4
Loan interest receivable	13	1
Total	303	6

Financial expenses in thousand EURO	2017	2016
Exchange differences (expenses) on financial activities	148	8
Loan interest payable	135	103
Interest expenses on loans	-	386
Imputed interest expenses on accounts receivable and payable	-	51
Total	283	547

8. Property, plant and equipment

The major part of property, plant and equipment is acquired through business combination (see note 27) and recognized initially at fair value estimated by the Group based in reference to recent market transactions.

Improvements of leasehold property relate to initial reconstruction of the leased property to achieve fitness club standards of the Group. The fair value estimate was based on cost of recently performed improvements for determined analogues with further adjustment for property space and remained useful life as at the acquisition date.

Expenses for depreciation of property, plant and equipment are recorded in the consolidated statement of comprehensive income within the lines "Cost of sales" and "General administrative expenses" (see notes 2 and 4).

in thousand EURO	Improvements of leased property	Sport equipment	Office equipment	Other	TOTAL
Initial value					
Initial value as at 01.01.2016	6 424	1 706	136	54	8 321
Additions in 2016	21	434	415	1 243	2 113
Translation adjustment	1 603	496	102	216	2 417

<i>in thousand EURO</i>	Improvements of leased property	Sport equipment	Office equipment	Other	TOTAL
Initial value as at 31.12.2016	8 048	2 636	654	1 513	12 851
Additions in 2017	1 943	179	149	1 140	3 410
Transfers	1 185	-	-	(1 185)	-
Disposals in 2017	(456)	(71)	(1)	-	(528)
Translation adjustment	(706)	(198)	(54)	(109)	(1 068)
Initial value as at 31.12.2017	10 014	2 545	747	1 359	14 666
Accumulated depreciation as at 01.01.2016	(273)	(333)	(21)	-	(628)
Depreciation accrued in 2016	(552)	(689)	(158)	-	(1 399)
Translation adjustment	(158)	(195)	(31)	-	(385)
Accumulated depreciation as at 31.12.2016	(984)	(1 217)	(211)	-	(2 412)
Depreciation accrued in 2017	(845)	(668)	(169)	-	(1 682)
Disposals in 2017	13	10	0	-	23
Translation adjustment	108	118	23	-	249
Accumulated depreciation as at 31.12.2017	(1 708)	(1 758)	(357)	-	(3 823)
Carrying amount as at 31.12.2015	6 151	1 373	115	54	7 693
Carrying amount as at 31.12.2016	7 065	1 418	443	1 513	10 439
Carrying amount as at 31.12.2017	8 306	787	390	1 359	10 843

9. Goodwill

<i>In thousand EUR</i>	Net book value as at 31.12.2016	Translation differences	Net book value as at 31.12.2017
Goodwill	5 579	(410)	5 170
Total	5 579	(410)	5 170

Goodwill is monitored by management at the level of 18 operating cash generating units (CGU) which correspond to fitness clubs acquired in 2015. The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budget for the subsequent year approved by management. Cash flows beyond the subsequent years are extrapolated using the estimated growth rates stated below.

Year	2 018	2 019	2 020	2021 and further years
Growth rate	11,43%	10,77%	10,11%	0,66% decrease per year

Growth rates for 2017 test were assessed on the basis of planned increase in prices for 2018. Growth rates beyond 2017 are assessed as decreasing by 0,66% per year achieving a long-term growth rate of 3,5% by 2030 (in 2016 test similar growth rate assumptions were used).

The period of calculation is consistent with lease terms expected by the management for each fitness club. These terms correspond to useful lives of the main non-current assets of each club which are leasehold improvements and intangible assets. The terms range from 6 to 12 years (from 7 to 13 years for 2016 test) with an average of 10 years (10 years for 2016 test).

The cash flows are discounted at pre-tax rate of 19,5% (22,05% in 2016 test). The rate is derived from the Group's weighted average cost of capital (WACC).

10. Other intangible assets

<i>in thousand EURO</i>	Customer relationships (club cards)	Customer relationships (related services)	Rights under franchise agreements	Other assets	Total
Initial value					
Initial value 01.01.2016	3 649	2 612	406	59	536 032
Additions in 2016	-	-	-	-	-
Translation adjustment	908	650	101	15	1 674
Initial value as at 31.12.2016	4 557	3 262	507	74	8 400
Additions in 2017	-	-	-	-	-
Translation adjustment	(335)	(239)	(37)	5	(606)
Initial value as at 31.12.2017	4 223	3 022	470	79	7 794
Accumulated amortization					
Accumulated amortization as at 01.01.2016	(364)	(689)	(57)	(10)	(1 121)
Amortization accrued in 2016	(1 053)	(683)	(124)	(5)	(1 865)
Translation adjustment	(262)	(283)	(34)	(3)	(584)
Accumulated amortization as at 31.12.2016	(1 679)	(1 656)	(216)	(19)	(3 569)
Amortization accrued in 2017	(1 159)	(651)	(139)	(6)	(1 956)
Translation adjustment	173	150	22	2	346
Accumulated amortization as at 31.12.2017	(2 665)	(2 157)	(333)	(23)	(5 179)
Carrying amount as at 31.12.2015	3 285	1 922	349	49	5 605
Carrying amount as at 31.12.2016	2 878	1 606	292	55	4 831
Carrying amount as at 31.12.2017	1 557	865	137	56	2 615

The main intangible assets are acquired through business combination (see note 27) and recognized initially at fair value. The fair value was estimated by the discounted cash flow method.

Customer relationships represent future benefits from loyal customers in connection with expected purchases of cards, relating services and food. The expected prolongation of cards and purchases of relating services and food are projected on the basis of prolongation rates confirmed by business

practice of each club. The projection period was determined similar to useful lives of leasehold improvements in the corresponding club.

Rights under franchise agreements represent future benefits from concluded franchise agreements as at the acquisition date. The expected cash flows were projected in accordance with the terms of agreements and expected costs.

Amortization of customer relationships is non-linear and is calculated in accordance with the recognition of corresponding profits by the Group. Amortization of other assets with definite useful lives is carried out on a straight-line basis. Amortization expense is presented in the consolidated statement of comprehensive income within the line "Cost of sales" (see note 2).

11. Advances paid

<i>in thousand EURO</i>	2017	2016
Advances paid for the purchase of current assets and services	18 717	17 667
Allowance for advances paid	(187)	-
Total	18 350	17 667

12. Inventories

<i>in thousand EURO</i>	2017	2016
Other inventories	215	253
Goods for sale	119	115
Total	334	367

13. Other receivables

<i>in thousand EURO</i>	2017	2016
Financial assets		
Receivables on leasehold improvements reimbursement	-	1 877
Other receivables	212	161
Total financial assets	212	2 038
Non-financial assets		
Other taxes overpayments	33	17
Total non-financial assets	33	17
Total	245	2 055

14. Trade receivables

<i>in thousand EURO</i>	2017	2016
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Receivables from customers, the nominal amount	2 494	2 360
Allowance for receivables from customers	-	-
Total	2 494	2 360

15. Loans to shareholders

<i>in thousand EURO</i>	Terms	2017	2016
Trafalgar Capital SA	Loan, interest rate 0% p.a, maturity date 31/03/2018	376	-
Trafalgar Capital SA	Loan, interest rate 0% p.a, maturity date 31/01/2018	650	-
Trafalgar Capital SA	Loan, interest rate 0% p.a, maturity date 09/10/2018	362	-
Total		1 388	-

16. Cash and cash equivalents

<i>in thousand EURO</i>	2017	2016
Cash at bank	2 875	2 016
Transfers in transit	683	361
Cash in hand	142	435
Bank deposits	2	1
Total	3 702	2 813

17. Share capital and share premium

Authorized capital

Under its Memorandum the Company fixed its share capital at 40 000 ordinary shares of nominal value of €1 each.

Issued capital

Upon incorporation on 11 August 2011 the Company issued to the subscribers of its Memorandum of Association 10 000 ordinary shares of €1 each at par.

On 13 March 2015 the Board of Directors proposed and the shareholders approved the increase of the authorized share capital to 30 000 ordinary shares and the issue of additional 20 000 ordinary shares of €1 each at par. Furthermore, on 6 May 2015 the Board of Directors proposed and the shareholders approved the increase of authorized share capital to 40 000 ordinary shares and the issue of additional 10.000 ordinary shares of €1 each with a share premium of €22,20 per share. As at 31 December 2015 the Company had a total authorized and issued share capital of 40 000 ordinary shares.

During 2016 and 2017 there were no changes in the share capital.

Dividends

During 2017 the Board of Directors approved the payment of an interim dividend of EURO 1 477th

out of the profits of 2017 (2016: EURO 1 915th).

Defense contribution

Companies in Cyprus which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 17% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

18. Loans and borrowings

The overall structure of the Group loans is as follows:

<i>in thousand EURO</i>	2017	2016
Loans related to business combination <1>, <2>	20 588	22 838
Other short term loans	142	120
Total short-term loans	20 730	22 957
Loans from related companies <3>	2 130	2 082
Total long-term loans	2 130	2 082
Total loans	22 860	25 039

<1> Short-term loans of the Group from other entities are interest-free short term loans due in rubles, the carrying amount of these loans equals their nominal amount. In 2015 these loans have been acquired as a part of "XFIT Service" LLC acquisition. As at 31.12.2017 these liabilities are due to RDTEX Information Technologies Ltd according contracts of cession of rights and should be repaid in the second half of 2018.

<2> Liability to previous owners of fitness clubs in the amount of EURO 9 722 thousand is due in rubles. The loans are interest-free from acquisition date. As at 31.12.2017 the liabilities were owned by RDTEX Information Technologies Ltd according contracts of cession of rights. The loans in the amount of EURO 3 263 thousand are overdue (see note 30).

The Group has managed to refinance both groups of the loans above in March - April 2018 on a long term basis: in accordance with new agreements the funds are due in March - August 2020 and the loans remain interest-free.

<3> A loan from related company was granted by Worteck Global Corp. in 2015 year. The loan bears interest 5,00% per annum, is unsecured and is repayable by 31 December 2020.

Reconciliation of differences in liabilities related to financing activities, including both monetary and non-monetary movements, is presented below:

<i>in thousand EURO</i>	2017
Loans payable as at 01.01.2017	25 039
Proceeds of loans and borrowings	149
Repayment of loans and borrowings	(134)
Foreign exchange differences	(97)
Interest accrued	135
Translation differences	(2 231)

Loans payable as at 31.12.2017	22 860
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19. Short-term accounts payable

<i>in thousand EURO</i>	2017	2016
Financial liabilities		
Payables to suppliers (operating activity)	2 430	2 272
Other payables (operating activity)	143	89
Accounts payable for non-current assets	116	336
Payables interest and penalties for contracts	-	287
Total financial liabilities	2 690	2 985
Non-financial liabilities		
Advances received (operating activity)	175	166
Total non-financial liabilities	175	166
Total	2 865	3 151

20. Deferred revenue

<i>in thousand EURO</i>	2017	2016
Club cards deferred revenue	19 016	18 536
Deferred revenue on discounts (IFRIC13)	565	870
Total	19 580	19 406

21. Other liabilities

<i>in thousand EURO</i>	2017	2016
Vacation provision	296	164
Income tax	225	127
VAT	187	231
Salaries payable	101	82
Social chargers	64	52
Other taxes	34	27
Property tax	1	18
Total	908	701

22. Income tax

Income tax in the Statement of Comprehensive Income in profit and losses includes:

Components of income tax expense:

<i>In thousand EURO</i>	2 017	2 016
Current income tax	678	364

Deferred income tax expense (gain)	1 849	(287)
Total tax expense	2 528	77

Tax rate is 12,5% for parent company in Cyprus and 20% for its subsidiaries in Russia. The deferred tax in Russian subsidiaries as at 31 December 2017 was calculated at the 20% rate.

Reconciliation between the expected and the actual tax charge is provided below:

<i>In thousand EURO</i>	2 017		2 016	
Profit before tax	362	3 095	(619)	1 322
Tax rates	20,00%	12,50%	20,00%	12,50%
Tax income (expense) calculated at the applicable tax rates	(72)	(387)	124	(165)
Tax effect of expenses not deductible for tax purposes	(2 342)	(51)	(181)	(2 710)
Tax effect of allowances and income not subject to tax	-	388	-	2 978
Tax effect of tax losses brought forward	-	-	-	10
10% additional tax charge	-	-	-	(131)
Overseas tax in excess of credit claim used during the year	-	(64)	-	-
Tax income (expense)	(2 414)	(114)	(57)	(20)

The basis of temporary differences between the value of assets and liabilities in the Statement of financial position and their tax bases are the differences between IFRS and the legislation on taxes and duties of countries in which the Group companies are operating. The sources of temporary differences and the tax effect of the change in temporary differences are presented in the table below.

Deferred tax assets (liabilities) classified by types of assets and liabilities which formed differences (net):

<i>In thousand EURO</i>	As at 01 January 2017	Recognized in the Statement of Comprehensive Income in profit and losses	Translation differences	As at 31 December 2017
Property, plant and equipment	(526)	257	55	(214)
Intangible assets	1 029	(1 534)	(8)	(512)
Receivables	660	(396)	(31)	233
Deferred income	174	(51)	(11)	113
Deferred charges	-	0	1	1
Other	180	(127)	(9)	45
Net deferred tax asset (liability)	1 518	(1 850)	(2)	(334)
<i>Recognised in the Statement of Financial Position:</i>				
Deferred tax asset	1 766	-	-	215
Deferred tax liability	(247)	-	-	(548)

	As at 01 January 2016	Recognized in the Statement of Comprehensive Income in profit and losses	Translation differences	As at 31 December 2016
<i>In thousand EURO</i>				
Property, plant and equipment	(496)	81	(110)	(526)
Intangible assets	489	360	181	1029
Receivables	462	72	127	660
Deferred income (Sport offers prepaid)	487	(373)	60	174
Deferred tax losses for the future	42	(45)	3	-
Financial liabilities	(72)	77	(5)	-
Other	36	116	29	180
Net deferred tax asset (liability)	948	286	284	1 518
<i>Recognized in the Statement of Financial Position:</i>				
Deferred tax asset	1 346	-	-	1 766
Deferred tax liability	(398)	-	-	(247)

23. Operating lease payments

The Group has entered into lease agreements including non-cancellable operating lease agreements for premises, where the sports clubs are located. The cost of future minimum lease payments under such agreements is presented in the table below.

Minimum lease payments under non-cancellable operating leases payable in the following periods (nominal value, denominated in RUB or USD)

<i>in thousand EURO</i>	31.12.2017			31.12.2016		
	Total	Denominated in RUB	Denominated in USD	Total	Denominated in RUB	Denominated in USD
Short-term	6 076	6 054	21	6 439	6 416	23
1 -5 years	19 644	17 745	1 899	21 202	20 720	482
Over 5 years	11 585	5 406	6 180	18 234	9 974	8 260
Total	37 305	29 205	8 100	45 875	37 110	8 764

24. Related parties

Transaction balances and transactions with related parties

Term "related party" is defined in IAS 24 "Related Party Disclosures". Parties are usually considered related if they are under common control, one of them has control, significant influence or joint control over the other in financial or operating decision making. In relations of parties which can be related it is important to take into account substance of relations, but not their legal form.

Turnover and balance disclosures with related parties under transactions performed by the Group in the reporting period are presented in the following tables. Transactions refer to settlement of accounts with related parties in the category "Other related parties".

Settlement of accounts with related parties:

<i>in thousand EURO</i>	Other related parties	
	2017	2016
Interest accrued on loans payable	252	170

Settlement of account balances with related parties:

<i>in thousand EURO</i>	Other related parties	
	31.12.2017	31.12.2016
Loans receivable (Trafalgar Capital SA.)	1 388	-
Total assets	1 388	-
Loans payable (Worteck Global Corp)	2 130	2 082
Total liabilities	2 130	2 082

Key management personnel expenses (3 employees):

<i>in thousand EURO</i>	Benefits in 2017	Benefits in 2016
Short-term benefits paid to key management personnel	45	21
Social security contributions	13	6
Total	58	27

There are no settlements of account balances with key management personnel as at the reporting dates.

Ultimate controlling party

As at 31 December 2017, Intraware Investments Public Ltd does not have a single ultimate controlling party.

The major shareholders of Intraware Investments Public Ltd.:

Shareholders	The number of shares	Percentage of the total number of shares
Transpay Holdings Ltd.	16 000	40%
Brigidi Holdings Ltd.	7 100	17,75%
Farnon Management Ltd.	3 600	9%
TOTAL	26 700	66,75%

In addition, several members of the Board control some insignificant shares: Myrianthi Petrou is a Chairwoman of the Board who controls 0,0025% (1 share) and Andreas Christofi is a member of the Board who controls 0,0025% (1 share).

25. Earnings per share

<i>thousand EURO per share</i>	2017	2016
Basic earnings per share		
from continuing operations	21	17
Total basic earnings per share	21	17

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Group has no dilutive securities such as convertible securities, options and warrants on shares and other rights, as well as contractual obligations for shares issue in future.

The following table reflects the income and share data used in the basic EPS computations:

	2017	2016
Profit attributable to ordinary equity holders of the parent:		
Continuing operations	830	694
Profit attributable to ordinary equity holders of the parent for basic earnings	830	694

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

26. Operating segments

Management of the Group has chosen to operate each of the fitness clubs by separate legal entities that consolidate all the cash flows that are relevant for that component. Operating segments of the Group are the fitness clubs operated by the Group and correspond to 20 FOK entities in 2017 and 2016 (see note 27). All these entities and segments are engaged in similar activities and are all located in Russian Federation.

All the operating segments (fitness clubs) of the Group exhibit similar long-term financial performance as they have similar economic characteristics. Therefore for the purposes of segment information disclosure the Group has aggregated all the operating segments being similar in each of the following respects:

- (a) the nature of the products and services;
- (b) the nature of the production processes;
- (c) the type or class of customer for their products and services;
- (d) the methods used to distribute their products or provide their services;
- (e) and the nature of the regulatory environment.

The Group has designated the aggregated operating segments in Moscow (11 legal entities or 11 fitness clubs aggregated to a segment 'Fitness clubs in Moscow') and other regions of Russia (9 legal entities or 9 fitness clubs aggregated to a segment 'Fitness clubs in other regions') as separate reporting segments given that, according to perception of the management, these regions demonstrate different stages of economic development and therefore their economic performance may be different in the future.

Transactions between reportable segments and with other operating segments of the Group (primarily lease) are normally conducted under arm's length basis.

Financial information in respect of operating segments for 12 months ending 31.12.2017

<i>in thousand EURO</i>	Fitness clubs in Moscow	Fitness clubs in other regions	Other minor segments	Total according to financial statements of the Group
Revenues from external customers, including:	33 598	14 243	1 578	49 419
Revenue from club cards sales	20 493	9 676	448	30 617

Financial information in respect of operating segments for 12 months ending 31.12.2017

<i>in thousand EURO</i>	Fitness clubs in Moscow	Fitness clubs in other regions	Other minor segments	Total according to financial statements of the Group
Revenue from related services and retail	12 959	4 566	-	17 525
Other revenue (operating lease and franchising)	145	1	1 131	1 277
Revenues from transactions with other operating segments of the Group	203	2	6 830	7 036
Costs from transactions with other operating segments of the Group	(3 723)	(1 207)	(2 105)	(7 036)
Cost of goods sold, selling and marketing and other administrative expenses	(27 239)	(12 256)	(6 317)	(45 812)
Depreciation and amortisation	(2 144)	(912)	(553)	(3 610)
Financial income (expenses)	3	3	14	20
Income tax gains (expenses)	(1 719)	(849)	40	(2 528)
Profit or loss for the segment	836	(73)	167	929
Tangible fixed assets of the segment	5 828	3 655	1 360	10 843
Goodwill allocated to the segment	2 771	2 111	288	5 170
Other intangible assets recognized at fair value on acquisition of the entities	1 525	897	137	2 559
Cash of the segment	1 649	871	1 182	3 702
Total assets of the reportable segment	425 196	265 404	(644 424)	46 176
Total liabilities of the reportable segment	21 467	11 345	13 949	46 761

Financial information for operating segments for the period since acquisition till 31.12.2016

<i>in thousand EURO</i>	Fitness clubs in Moscow	Fitness clubs in other regions	Other minor segments	Total according to financial statements of the Group
Revenues from external customers, including:	23 770	12 373	1 145	37 288
Revenue from club cards sales	14 377	8 545	267	23 189
Revenue from related services and retail	9 372	3 827	-	13 199
Other revenue (operating lease and franchising)	21	1	878	899
Revenues from transactions with other operating segments of the Group	33	-	10 012	10 045
Costs from transactions with other operating segments of the Group	(5 506)	(2 811)	(1 728)	(10 045)
Cost of goods sold, selling and marketing and other administrative expenses	(18 134)	(8 687)	(8 448)	(35 269)
Depreciation and amortisation	(1 894)	(1 068)	(275)	(3 237)

Financial information for operating segments for the period since acquisition till 31.12.2016

<i>in thousand EURO</i>	Fitness clubs in Moscow	Fitness clubs in other regions	Other minor segments	Total according to financial statements of the Group
Financial income (expenses)	(253)	(141)	(148)	(542)
Income tax gains (expenses)	(25)	(210)	159	(77)
Profit or loss for the segment	(357)	484	499	626
Tangible fixed assets of the segment	5 271	3 555	1 614	10 439
Goodwill allocated to the segment	2 990	2 279	311	5 579
Other intangible assets recognized at fair value on acquisition of the entities	2 875	1 610	292	4 776
Cash of the segment	797	405	1 611	2 813
Total assets of the reportable segment	29 754	18 190	438	48 382
Total liabilities of the reportable segment	22 007	11 645	14 892	48 544

27. Business combinations

In January 2016, the Group obtained control over the activities of 2 additional fitness-clubs: FOK "Mosfilmovskaya" LLC (where the Group had undertaken to acquire 98% of the voting stock) and "RTI-Finance" LLC (where the Group had undertaken to acquire only 49% of the voting stock but all the economic decisions are going to be made by the Group). During the year, the Group acquired 98% of the voting stock of FOK "Mosfilmovskaya" LLC and 49% of the voting stock of LLC "RTI-Finance".

The assets and liabilities recognized as a result of the acquisition of the companies described above are as follows:

<i>in thousand EURO</i>	2017	2016
Deferred tax assets	-	4
Cash	-	13
Accounts payable	-	(13)
Deferred revenue	-	-
Net identifiable assets acquired	-	4
Less: non-controlling interests	-	(5)
Add: goodwill	-	6
Less: gain from acquisition	-	(5)
Purchase consideration	-	-

The goodwill is attributable to the high profitability of the acquired businesses. It will not be deductible for tax purposes. The gain from acquisition (in 2015) is attributable to obtaining control of LLC "XFIT Service".

The businesses acquired in 2016 contributed in 2016 revenues of RUB 57 798 thousand and net loss of RUB 14 474 thousand to the Group.

28. Non-controlling interest

Non-controlling interest relate to share in equity of subsidiaries that is being held by other parties. The Group recognizes non-controlling interests at their proportionate share of the entity's net identifiable assets.

29. Joint venture in the form of joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. In accordance with IFRS 11 certain activities of the subsidiary FOK "AK-Bars" in Kazan have been classified by the Group as a joint operation. The club operates in a building and uses in their work equipment owned by the partner of this joint operation. The Group has the full right to all assets and bears full responsibility for all liabilities presented in these financial statements. Under the agreement, the Group's share in the financial result of the club is 22%. Therefore, revenue and expenses are presented in the amount of 22% in the statement of comprehensive income.

The disclosures below summarize aggregated financial position and financial results of this joint operation:

Financial position of the joint operation

<i>in thousand EUR</i>	2017	2016
Non-current assets	665	871
Current assets	750	685
Total assets	1 415	1 555
Equity	31	206
Non-current liabilities	24	41
Current liabilities	1 360	1 308
Total equity and liabilities	1 415	1 555

Financial results of the joint operation

<i>in thousand EUR</i>	2017	2016
Revenue	202	587
Cost of Sales	(211)	(269)
Selling and marketing expenses	(8)	(7)
General administrative expenses	(42)	(12)
Other expense (income)	3	(26)
Income tax - P&L	(108)	(61)
Net profit	(164)	212

30. Financial risks management

The operations of the Group are exposed to a number of financial risks. Major risks inherent to the Group's operations are credit risk, liquidity risk, foreign exchange risk, fair value interest rate risk, market risk, compliance risk, operational risk and cash flow interest rate risk.

The Group's financial risk management program is focused on the unpredictability of financial markets and is aimed at minimizing potential adverse effects on the Group's financial results. The

Group's finance department is responsible for risk management; it develops general risk management principles and policies for solving specific risk-related issues.

Description of the Group's management of the above risks is presented below.

(i) Foreign currency risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will change as a result of a change in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates is presented in the table below.

The foreign currency risk is minimized by concluding contracts with customers and suppliers in the relevant functional currency of the Group.

Foreign currency financial assets and liabilities (carrying value):

	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
<i>in thousand EUR</i>	USD		EUR		RUB	
Cash	-	-	1 023	1 061	2 679	1 752
Accounts receivable	-	-	-	20	2 706	4 378
Loans granted	-	-	1 388	-	356	143
Total financial assets	-	-	2 411	1 082	5 741	6 272
Accounts payable	(278)	(386)	(6)	(36)	(2 804)	(2 809)
Loans received	-	-	(2 130)	(2 082)	(20 730)	(22 957)
Total financial liabilities	(278)	(386)	(2 136)	(2 118)	(23 534)	(25 766)
Total	(278)	(386)	275	(1 036)	(17 793)	(19 494)

Currency risk sensitivity analysis

The following table demonstrates the sensitivity of changes in profit or loss and retained earnings caused by rises of USD and Euro exchange rates. Currency depreciation will have the same effect, but with a negative sign. These possible changes in exchange rates reflect the reasonable management assumption on the exchange rate volatility as at the reporting date. Since the net position of the Group in regard to financial instruments denominated in foreign currency is positive, the increase of the exchange rate will increase profits, and the decrease of the exchange rate will cause losses.

Sensitivity to increase of the exchange rates:

<i>in thousand EURO</i>	31.12.2017	31.12.2016
US dollar exchange rate – increase 10%	(28)	(39)
RUB exchange rate – increase 10%	(1 779)	(1 949)
Euro exchange rate – increase 10%	27	(104)

(ii) Interest rate risk

Interest rate risk is related to the changes in fair value (financial instruments with floating interest rates) or future cash flows (financial instruments with fixed interest rates) because of changes in market interest rates. The structure of the Group's loans and borrowings by type of interest rate is presented in the table below.

Classification of loans and borrowings by type of interest rate:

<i>in thousand EURO</i>	31.12.2017	31.12.2016
Loans and borrowings (issued) with fixed interest rate	1 744	143
Loans and borrowings (received) with fixed interest rate	(22 860)	(25 039)
<i>Except for the loans received with a zero interest rate</i>	(20 730)	(22 838)
Total	(21 116)	(24 897)

(iii) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has significant concentration of credit risk relating to cash at bank and receivables from related and third parties. The Group has policies in place to ensure that it monitors on a continuous basis the ageing profile of its receivables.

The Group's maximum exposure to credit risk by class of assets equals to the carrying amounts of financial assets in the statement of financial position as follows:

Financial assets

<i>in thousand EURO</i>	31.12.2017	31.12.2016
Long-term loans issued	-	55
Short-term accounts receivable	2 706	4 398
Short-term loans issued	1 744	88
Cash	3 702	2 813
Total	8 152	7 354

The table below shows the balances of the Group's bank accounts as at the reporting date.

Cash

<i>in thousand EURO</i>	Moody's rate	31.12.2017	31.12.2016
OJSC "Sberbank of Russia"	Ba2/P	2 245	1 117
Eurobank Cyprus Ltd	Caa3	1 022	1 060
OJSC "AK Bars" Bank	B2/NP	2	83
OJSC "Alpha Bank", Rostov branch	Ba1/NP	84	36
JSCB "Energobank"	-	52	20
OJSC "Promsvyazbank"	B2/NP	0,32	-
Credit Europe Bank Ltd.	B1/NP	0,07	0,08
JSC VTB Bank	Ba2/NP	154	62
Total		3 559	2 378

Financial assets that are either past due or impaired

The management of the Group believes that there are no reasons to think that any of counterparties have indicators of failing to fulfill its obligations regarding financial instruments in the future. Analysis of the quality of financial assets is shown in the table below.

Analysis of short-term trade and other receivables by credit quality

<i>in thousand EURO</i>	2017		2016	
	Accounts receivable	Loans issued	Accounts receivable	Loans issued
Current, not past due and not impaired	2 662	1 744	4 398	88
Past due, but not impaired				
• past due more than 360 days	43	-	-	-
Total past due, but not impaired	43	-	-	-
Individually impaired (nominal amount)				
• past due more than 360 days	-	-	-	-
Total individually due	-	-	-	-
Provisions for impairment	-	-	-	-
Total	2 706	1 744	4 398	88

(iv) Defaults and violation of loans' repayment terms

As at 31.12.2016 the Group had overdue loans in the amount of in the amount of EURO 8 159 thousand.

Previously the Group had liabilities to fitness clubs owners which were assigned by the previous fitness clubs owners to RDTEX Information Technologies Ltd. In accordance with the agreements the loans are interest-free, but in case the debtor fails to pay off the full amount before a certain date, the creditor has the right to:

- unilaterally increase the annual interest rate up to 20.15%;
- claim the penalties at the daily rate of 0.06%.

The part of subsidiaries failed to pay the debts due as of 31.12.2016, and RDTEX Information Technologies Ltd. commenced a lawsuit against it claiming the debt, additional interest and penalties for payment delay. However, in March 2017 the Group received a Letter of Intent from RDTEX Information Technologies Ltd. management confirming their intentions not to claim its above-stated rights under the agreements in addition to the principal amounts of the loans.

As at 31 December 2017 the amount of overdue loans is equal to EUR 3 263 thousand.

On the ground of the Letter received and mutually beneficial business relations (as the parties also have other mutually beneficial relations), the management of the Group believes that RDTEX Information Technologies Ltd. will not demand interest and penalties payments. Therefore no provision for the interest and penalties has been recognized in these financial statements.

(v) Capital risk

Capital includes equity shares and share premium as well as short and long-term borrowings.

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

(vi) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments.

(vii) Liquidity risk

Liquidity risk is the risk that the Group will be unable to repay its liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and access to funding through open credit facilities and the possibility of operational management in the event of a misbalance. The Group management exercises careful control over liquidity status. The Group developed a budgeting system that includes planning cash flows and controls in order to ensure the necessary funds to meet financial needs.

Management of the Group also monitors the amounts of financing, current investment expenditures and debt financing on a daily basis, monitors revenue and analyses expenditure structure, and monitors meeting the planned results for timely debt repayment.

The table below breaks down the Group's financial liabilities by maturity (liquidity) categories determined by contractual terms of payments. The data in the table below is undiscounted cash flows. Cash flows arising within 12 months after the balance sheet date are approximately equal to their carrying balances as the impact of discounting is not significant.

The line "Accounts payable" includes all accounts payable of the Group except for those that do not correspond the definition of the financial instrument, therefore, with the exception of advances received and tax liabilities.

Financial liabilities as at 31.12.2017

<i>in thousand EURO</i>	Less than 1 month (and past due)	1-6 months	6 months to 1 year	1-5 years	Total
Accounts payable	428	787	1 874	-	3 088
Loans and borrowings received	3 263*	-	17 467*	2 130	22 860
Total financial liabilities	3 691	787	19 340	2 130	25 948

* In March - April 2018 the Group has managed to refinance these current loans on a long term basis (see note 18).

Financial liabilities as at 31.12.2016

<i>in thousand EURO</i>	Less than 1 month (and past due)	1-6 months	6 months to 1 year	1-5 years	Total
Accounts payable	246	1 168	1 817	-	3 230
Loans and borrowings received	17 871	4 967	120	2 542	25 499
Total financial liabilities	18 116	6 134	1 937	2 542	28 730

(viii) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Group.

(ix) Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

31. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes that the transaction to asset sell or liability transfer occurs:

- either on the main market for the asset or liability;
- or on the most advantageous market for the asset or liability in case of absence of the main market.

Financial assets and liabilities of the Group are not traded on active markets. Therefore the fair value of financial assets and liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices that are used in existing transactions on the current market.

Assets and liabilities whose fair value is estimated or disclosed in the financial statements are classified as described below under the fair value hierarchy based on the data of the lowest level input that is significant to the fair value measurement in general:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date (without any adjustment);
- Level 2 - measurement models, which are essential for data fair value assessment of the lowest level of the hierarchy, are directly or indirectly observable on the market;
- Level 3 - measurement models, which are essential for data fair value assessment of the lowest level of the hierarchy, are not observable on the market.

Classifying financial instrument to any of the category of the fair value hierarchy, Group use an appropriate judgment. If observable data that require significant adjustment is used in fair value measurement, the financial instrument needs to be classified to Level 3. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

The tables below shows the hierarchy of the data sources used for the recognition or disclosure of assets and liabilities fair value of the Group in 2017 year.

(i) Multiple and single estimates of fair value.

Multiple estimates of fair value are estimates required or permitted by IFRS in the statement of financial position at the end of each reporting period. Single estimates of fair value are estimates required or permitted by IFRS in the statement of financial position at the end of the period under certain conditions. As at the reporting date the Group had no financial assets and liabilities that require multiple and single estimates of fair value as at the reporting date.

(ii) Assets and liabilities that are not measured at fair value but disclosed at fair value.

At the Level 2 and Level 3 of the fair value hierarchy its estimation has been performed using method of discounted cash flows. Fair value of unquoted financial instruments with floating interest rate was assumed equal to the book value. The fair value of unquoted instruments with fixed interest rate is based on the method of discounted cash flows using current market interest rates for new instruments with similar credit risk and maturity.

Financial instruments carried at fair value. Cash and cash equivalents are carried at cost which approximates the current fair value.

Financial assets carried at amortized cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty.

Liabilities carried at amortized cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities was estimated based on expected cash flows discounted at current interest rates for instruments with similar credit risk and remaining maturity.

The Group has the following categories of financial instruments:

in thousand EURO	Carrying amount		Fair value		Level	Initial data	Valuation method
	31.12.2017	31.12.2016	31.12.2017 7	31.12.2016			
Financial assets, liabilities and accounts receivable							
Long-term loans granted	0	55	0	55	Level 3	Market loan rates	Discounted Cash Flows
Short-term accounts receivable	2 706	4 398	2 706	4 398	Level 3	Market loan rates	Discounted Cash Flows
Short-term loans granted	1 744	88	1 744	88	Level 3	Market loan rates	Discounted Cash Flows
Cash	3 702	2 813	3 702	2 813	Level 1	-	-
Total financial assets, liabilities and accounts receivable	8 152	7 354	8 152	7 354	-	-	-
Financial liabilities at amortized cost							
Long-term loans and borrowings received	(2 130)	(2 082)	(2 130)	(2 082)	Level 3	Market loan rates	Discounted Cash Flows
Short-term loans and borrowings received	(20 730)	(22 957)	(20 730)	(22 957)	Level 3	Market loan rates	Discounted Cash Flows
Short-term accounts payable	(3 088)	(3 230)	(3 088)	(3 230)	Level 3	Market loan rates	Discounted Cash Flows
Total financial liabilities at amortised cost	(25 948)	(28 270)	(25 948)	(28 270)	-	-	-

32. Contingencies and commitments

Guarantees. In 2017 the Group did not issue any guarantees.

Assets pledged as security. The Group does not have pledged assets.

Litigation. From time to time in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice, it is management's opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretation, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the regional and federal authorities. Recent events in Russia suggest that the tax authorities may be taking a more assertive position in their interpretation of legislation and their assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect to taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. Management believes that the Group has no possible unaccounted tax obligations in 2017 that have not been provided for in these consolidated financial statements.

The Group had no other commitments as at 31 December 2017 and as at 31 December 2016.

33. Subsequent events

In the 1st quarter of 2018 a reorganization of LLC "XFIT Service" in the form of a spin-off of another entity "Sport Center" LLC was completed based on a shareholders' general meeting decision made in 2017 (note I "General information about the Group"). Assets and liabilities related to fitness club were transferred to "Sport Center" LLC controlled by the Group and the Group disposed of control over LLC "XFIT Service" with residual assets of EUR 8 103 thousand (including property, plant and equipment in amount of EUR 4 196 thousand as well as trade receivables and advances paid in amount of EUR 2 198 thousand) and liabilities of EUR 8 293 thousand (including short-term loans and borrowings in amount of EUR 7 823 thousand and short-term payables in amount of EUR 382 thousand).

On 30 April 2018 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director



Myrianthi Petrou

Director



Andreas Christofi