Intraware Investments Public Ltd

CONSOLIDATED FINANCIAL STATEMENTS

prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

for the year ended 31 December 2018

and Independent auditor's report

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Myrianthi Petrou Andreas Christofi Andreas Konialis
Company Secretary:	Virna Secretarial Services Ltd
Independent Auditors:	Eurofast Ltd Certified Public Accountants and Registered Auditors 5 Chytron Str. Cypress Centre 1075 Nicosia Cyprus
Registered office:	12A, Arsinois Strovolos 2006, Nicosia Cyprus
Bankers:	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 2018 and on the basis of our knowledge, declare that:

(a) The annual consolidated financial statements which are presented on pages 14 to 61:

(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 á description of the main risks and uncertainties which they face.

Members of the Board of Directors:

....
Myrianthi Petrou

....
Andreas Christofi

....
Andreas Konialis

Nicosia, 12 July 2019

MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of the Group for the year ended 31 December 2018.

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 wellness and fitness services.

Results

The Group's results for the year are set out in the consolidated financial statements. The net profit for 2018 year attributable to shareholders of the Company amount to EUR 3 871 thousand (2017: EUR 830 thousand).

During the year, the Group proceeded with the reorganization of «XFIT Service» LLC' 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 obtained control over 3 fitness clubs 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 Union as from the financial year ended 31 December 2018.

Review of current position, future developments and significant risks

The Company'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 29 of the consolidated financial statements.

Commitments

The Company had no capital or other commitments as at 31 December 2018 and as at 31 December 2017.

Dividends

In 2019 year the Board of Directors approved the payment of dividend for EURO 1 500 thousand out of the profits of 2018 year (2017: EUR 1 477 thousand).

Share capital

There were no changes in the share capital of the Company during 2018 year.

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 €3 104,00, 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 2018 and at the date of this report are presented on page 5. All of them were members of the Board of Directors throughout the year ended 31 December 2018.

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 32 of the consolidated financial statements.

Independent Auditors

The Independent Auditors, Eurofast 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 2018, 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 12 July 2019 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, 12 July 2019

Eurofast

info@eurofast.eu | www.eurofast.eu
Your Regional Business Advisory Organisation

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 "Company"), which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 Company 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.

Material Uncertainty Related to Going Concern

We draw attention to note III to the financial statements which indicates that even though the Group incurred a profit of EUR 4 360 thousand, during the year ended 31 December 2018, as of that date the Group's current liabilities exceed its current assets for the amount of EUR 4 292 thousand (as at 31st December 2017 - EUR 16 912 thousand). As stated in note III, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Independent Auditor's Report (continued)
To the Members of Intraware Investments Public Ltd

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 are subsequently carried at cost less accumulated amortization and impairment losses.

Audit procedure 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.

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 clubs 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 rendering 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 rendering of services.

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 steady mutually beneficial 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 procedure 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 consistent with the going concern basis of preparation.

Independent Auditor's Report (continued)
To the Members of Intraware Investments Public Ltd

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 financial statements from the Russian Ruble to EURO (see page 23). The Group's functional currency remained unchanged which is the Russian Ruble.

Audit procedure 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.

Reorganizations of "XFIT Service" LLC

Key audit matter

During the year, the Group proceeded with the reorganization of "XFIT Service' LLC' 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 (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 "XFIT Service' LLC' which had a significant impact on the financial position of the Group (see IV Relevant disclosures, note 1).

Audit procedure 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 and the additional information to the consolidated statement of profit or loss and other comprehensive income in pages 34 to 38, 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.

Independent Auditor's Report (continued)
To the Members of Intraware Investments Public Ltd

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.

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.

Independent Auditor's Report (continued)
To the Members of Intraware Investments Public Ltd

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.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and 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 corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

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. Christodoulos Damianou.

....

Christodoulos Damianou

Certified Public Accountant and Registered Auditor
for and on behalf of

Eurofast Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 12 July 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

OF INTRAWARE GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousand EURO)

	Note	2018	2017
Revenue	1	46 200	49 419
Cost of Sales	2	(33 115)	(36 359)
Gross profit		**13 085**	**13 060**
Selling and marketing expenses	3	(1 402)	(1 549)
Administrative expenses	4	(8 160)	(7 904)
Other income	5	1 154	655
Other losses	6	(1 154)	(825)
Operating income		**3 523**	**3 437**
Financial income	7	698	303
Financial expenses	7	(235)	(283)
Profit before tax		**3 986**	**3 457**
Income tax expense	22	(119)	(2 528)
Profit for the year from continuing operations		**3 867**	**929**
Net profit for the year		**3 867**	**929**
Net profit/(loss) for the year attributable to:			
Owners of the Group	25	3 871	830
Non-controlling interests		(4)	99
Total profit for the year		**3 867**	**929**
Earnings per share from continuing operations (basic and diluted), EUR	25	96.78	20.75
Other comprehensive income for the year			
Items that may not be reclassified subsequently to profit or loss:			
Foreign currency translation differences		493	*126*
Comprehensive income attributable to:			
Owners of the Group	25	4 365	943
Non-controlling interests		(5)	112
Total comprehensive income for the year		**4 360**	**1 055**

The notes on pages 20 to 61 are an integral part of these consolidated financial statements. On 12 July 2019 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 2018

(in thousand EURO)

	Note	2018	2017
Non-current assets			
Property, plant and equipment	8	2 809	10 843
Goodwill	9	4 349	5 092
Other intangible assets	10	1 289	2 615
Other non-current assets		108	240
Deferred tax assets	22	282	215
Total non-current assets		**8 837**	**19 005**
Current assets			
Advances paid	11	6 965	18 530
Inventories	12	431	334
Other receivables	13	410	245
Other assets		38	*50*
Income tax overpayment		54	72
Trade receivables	14	1 124	2 494
Loans granted to shareholders	15/24	2 217	1 388
Loans granted to other parties		2 244	356
Cash	16	6 092	3 702
Total current assets		**19 575**	**27 171**
TOTAL ASSETS		**28 412**	**46 176**

The notes on pages 20 to 61 are an integral part of these consolidated financial statements.

On 12 July 2019 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 2018
(in thousand EURO)

	Note	2018	2017
Owners' equity			
Share capital	17	40	40
Translation reserve	17	635	142
Additional paid-in capital	17	222	222
Accumulated profit (loss)		(1 018)	(370)
Current year profit		3 871	831
Equity attributable to owners of the Group		*2 250*	**(614)**
Non-controlling interest		25	29
TOTAL EQUITY		2 275	**(585)**
Non-current liabilities			
Long-term loans and borrowings	18	2 161	2 130
Deferred tax liabilities	22	109	548
Total non-current liabilities		**2 270**	**2 678**
Current liabilities			
Short-term loans and borrowings	18	1 349	20 730
Short-term payables	19	4 373	2 864
Other liabilities	21	501	908
Liabilities to owners	24	1 500	-
Deferred revenue	20	16 144	19 581
Total current liabilities		**23 867**	**44 083**
TOTAL EQUITY AND LIABILITIES		**28 412**	**46 176**

The notes on pages 20 to 61 are an integral part of these consolidated financial statements.

On 12 July 2019 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 2018

(in thousand EURO)

	Share capital	Additional paid-in capital	Translation reserve	Accumulated profit (loss)	Non-controlling interest	Total
As at 01.01.2017	**40**	**222**	**16**	**(370)**	**(70)**	**(162)**
Dividends	-	-	-	(1 477)	-	**(1 477)**
Current year profit	-	-	-	830	99	**929**
Foreign currency translation differences	-	-	126	-	-	**126**
For the year ended 31.12.2017	**40**	**222**	**142**	**(1 018)**	**29**	**(585)**
Dividends	-	-	-	(1 500)	-	**(1 500)**
Current year profit / (loss)	-	-	-	3 871	(4)	**3 867**
Foreign currency translation differences	-	-	493	-	-	**493**
For the year ended 31.12.2018	**40**	**222**	**635**	**1 353**	**25**	**2 275**

The notes on pages 20 to 61 are an integral part of these consolidated financial statements.

On 12 July 2019 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 2018
(in thousand EURO)

	Note	2018	2017
Cash flows from operating activities			
Profit before tax		**3 986**	**3 457**
Amortisation of intangible assets	10	1 011	1 956
Depreciation of property, plant and equipment	8	596	1 683
Interest expense	7	235	283
Interest income	7	(698)	(303)
Foreign exchange differences (net)	5, 6,7	85	56
Impairment / (reversal) of impairment loss on trade and other receivables	5	(174)	195
Impairment of property, plant and equipment and intangible assets	8, 10	467	-
Impairment of goodwill	6, 9	69	-
Income from disposal of LLC "XFIT Service" in 2018	I	(319)	-
Other non-cash expenses/(income) net		(162)	43
Operating cash flows before working capital changes		**5 096**	**7 370**
(Increase)/decrease in trade and other receivables		13 101	747
(Increase)/decrease in inventories	12	(87)	24
Increase/(decrease) in trade and other payables		1 443	(90)
Increase/(decrease) in deferred revenue	20	(3 436)	174
Increase/(decrease) in provisions		(110)	133
Cash generated from operating activities		**16 007**	**8 358**
Income tax paid		(739)	(614)
Interest paid		(193)	(283)
Net cash from operating activities		**15 075**	**7 461**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(1 886)	(3 410)
Proceeds from sale of noncurrent assets	5	5	71
Loans issued	44	(2 717)	(1 602)
Interest received		698	303
Cash outflow due to disposal of LLC "XFIT Service"	I	(72)	-
Net cash used in investing activities		**(3 972)**	**(4 858)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
OF INTRAWARE GROUP FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousand EURO)

	Note	2018	2017
Cash flows from financing activities			
Proceeds of loans and borrowings		-	149
Repayment of loans and borrowings		(8 396)	(134)
Dividends paid to company's shareholders		-	(1 477)
Net cash from financing activities		**(8 396)**	**(1 462)**
Cash and cash equivalents at the beginning of the year	16	**3 702**	**2 813**
Increase of cash and cash equivalents		2 708	1 140
Translation differences		(317)	(252)
Cash and cash equivalents at the end of the year	16	**6 092**	**3 702**

The notes on pages 20 to 61 are an integral part of these consolidated financial statements.

On 12 July 2019 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director .... Myrianthi Petrou

Director .... Andreas Christofi

in thousand EURO, unless otherwise stated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. GENERAL INFORMATION ON 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	Ownership interest 2018	Ownership interest 2017
FOK "Altufevo Sport" LLC	Moscow	98%	98%
FOK "AK-Bars" LLC	Kazan	98%	98%
FOK "Volga-Fitnes" LLC	Volgograd	98%	98%
FOK "Zchemchuzhina" LLC	Perm	98%	98%
FOK "Marino" LLC	Moscow	98%	98%
FOK "Monarh" LLC	Moscow	98%	98%
FOK "Nagatinskaia" LLC	Moscow	98%	98%
FOK "Olimp" LLC	Voronezh	98%	98%
FOK "Park Pobedy" LLC	Moscow	98%	98%
FOK "Planeta" LLC	Moscow	98%	98%
FOK "Platinum" LLC	Voronezh	98%	98%
FOK "Rost Fitnes" LLC	Rostov-on-Don	98%	98%
FOK "Sam-Fitnes" LLC	Samara	98%	98%
FOK "Sun-City" LLC	Novosibirsk	98%	98%
FOK "Senator" LLC	Moscow	98%	98%
FOK "Arena" LLC	Kazan	98%	98%
FOK "Fusion" LLC	Moscow	98%	98%
FOK "Chistye Prudy" LLC	Moscow	98%	98%
FOK "Mosfilmovskiy" LLC	Moscow	98%	98%
"RTI-Finance" LLC	Moscow	49%	49%
"Sport Center" LLC ("XFIT Service" LLC)	Moscow	98%	98%
FOK "Pozitiv" LLC	Moscow	0%	-
FOK "Trud" LLC	Moscow	0%	-
FOK "Chernavskiy" LLC	Voronezh	0%	-

All above listed subsidiaries are fitness clubs except «Sport Center» LLC which is a management company.

Although the Group has 49% of charter capital of «RTI-Finance» LLC the Group has control over "RTI-Finance" LLC 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. In 2017 the Group started the process of reorganization of "XFIT Service" LLC by separation of a new company "Sport Center" LLC based on the shareholder's general meeting dated 5 April 2017. The reason for reorganisation is to separate non-core assets and liabilities not directly related to the current activity of fitness clubs from the Group's business by transferring the core assets and liabilities from "XFIT Service" LLC to "Sport Center" LLC. Separation balance sheets of both companies have been prepared on February 28, 2018. Starting from March 1, 2018 the Group ceased to control over "XFIT Service" LLC and continued to control over «Sport Center» LLC. Until that date the Group had control over "XFIT Service" LLC according to IFRS 10 "Consolidated Financial Statements". Financial result for the period from January 01, 2018 to February 28, 2018 of "XFIT Service" LLC has been included in these consolidated financial statements.

As at February 28, 2018 the disposed legal entity "XFIT Service" LLC had total assets of EUR 11 374 thousand (including property, plant and equipment in the amount of EUR 6 407 thousand, trade and other accounts receivable - EUR 4 162 thousand, inventory – EUR 487 thousand, financial investments and cash – EUR 203 thousand, deferred tax asset – EUR 114 thousand) and total liabilities of EUR 11 692 thousand (including short-term loans and borrowings in the amount of EUR 11 003 thousand, trade and other accounts payable - EUR 437 thousand, deferred tax liability – EUR 253 thousand). The financial result of the disposal of "XFIT Service' LLC is insignificant EUR 319 thousand (see note 5).

At January 1, 2018 the Group obtained control over 2 fitness clubs: FOK "Pozitiv" LLC and FOK "Chernavskiy" LLC. At May 18, 2018 the Group obtained control over the third fitness club - FOK "Trud" LLC. Nevertheless the Group had 0% of charter capital of 3 mentioned fitness clubs, control was obtained through the appointment of a General Directors to those companies as a fully authorized representative of the Group. Those General directors have 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. The Group expressed its intention to acquire 98% of the share capital of the mentioned companies to become the majority shareholder. The shareholders of new companies accepted the letter of intent by resolution and notified the Group by a letter of acceptance.

Since January 2016 the Company is listed on the Cyprus Stock Exchange (Emerging Companies Market).

II. ECONOMIC ENVIRONMENT IN WHICH THE GROUP OPERATES

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. 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.

After a prolonged recession Russia's economy has continued to grow since 2017, supported by stronger global growth, higher oil prices, and solid macro fundamentals. GDP growth in 2018 year was modest at 2.3%. Russia's growth prospects for 2019-2020 years remain modest, forecast is about 1.5%. Higher-than-expected oil prices could favorably affect the growth forecast.

The May 2018 President Decrees "On National Goals and Strategic Development Objectives of the Russian Federation for the Period until 2024" set out ambitious goals to address many of these constraints.

With an overall goal of boosting growth and improving the well-being of all Russian citizens, the May Decrees aim to increase life expectancy to 80 years by 2030; halving poverty from 13.2% to 6.6% by 2024; and growing the Russian economy so that it is one of the five largest economies in the world.

The Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries including USA and European Union. The ruble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

The direction of economic development of the Russian Federation to a large extent depends on efficiency of actions taken by the Government in the sphere of economics, finance and monetary policy, and also improvement of the taxation system, legal framework and development of political processes.

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 at fair value.

Principles of consolidation

The consolidated financial statements comprise the financial statements of Intraware Investments Public Ltd and its subsidiaries for the year ended 31 December 2018. 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 acquire 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 2018 the Group's current liabilities exceed the current assets for the amount of EUR 4 292 thousand (as at 31 December 2017 - EUR 16 912 thousand). Although the trend is positive, 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.

Furthermore the Group has paid EUR 1 500 thousand as dividends in 2018 year (2017: EUR 1 477 thousand) 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 in order 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.

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 Union starting from the financial year ended 31 December 2017.

The financial statements are presented in thousands of Euros, unless otherwise stated, which is the Company'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 Company 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 translation 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 denominated in foreign currency and from the revaluation of monetary assets and liabilities denominated in foreign currency into RUB at the Central Bank's official year-end exchange rates are recognized in profit or loss. Revaluation at year-end rates does not apply to non-monetary items, including property, plant and equipment, equity components.

Exchange rate at the end of the year	2018	2017
RUB to 1 US dollar	69,4706	57,6002
RUB to 1 Euro	79,4605	68,8668
Exchange rate average	**2018**	**2017**
RUB to 1 Euro	73,9546	65,9014

Impact of effective changes in International Financial Reporting Standards

The Group has adopted all new standards, interpretations and amendments, effective from 1 January 2018 and are relevant to the operations of the Group, including IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The application of these changes did not materially impact on the Group's consolidated financial statements. Below is a list of new standards/interpretations that became effective for the Group from 1 January 2018:

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

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at 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.

The Group performed detailed analysis and has not determined significant effects from moving from an incurred loss model under IAS 39 to an expected loss model as required by IFRS 9. As a result of this analysis, the Group concluded that IFRS 9 did not have an impact on the Group's consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).

The new standard introduces the core principle that revenue must be 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 didn't materially impact consolidated financial statements of the Group.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).

The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be 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.

In accordance with the transition provisions in IFRS 15, the Group chose the possibility of applying the new rules retrospectively with recognition of combined effect of initial adoption in the opening retained earnings as at 1 January 2018. The application of the standard had no material impact on the Group's consolidated financial statements and, therefore, the retained earnings as at 1 January 2018 were not restated.

A number of interpretations and amendments to current IFRSs became effective for the periods beginning on or after 1 January 2018 which did not materially impact the Group's consolidated financial statements:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016) provides requirements for recognising a non-monetary asset or a non-monetary obligation arising from a result of committing or receiving prepayment until the recognition of the related asset, income or expense.

- The amendments to IFRS 2 Share-based Payment (issued in June 2016). These amendments clarify accounting for a modification to the terms and conditions of a share-based payment and for withholding tax obligations on share-based payment transactions.

- The amendments to IAS 40 Investment Property (issued in December 2016). These amendments clarify the criteria for the transfer of objects in the category or from the category of investment property.

The above interpretations and amendments to standards had no material impact on the Group's consolidated financial statements.

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 2018, but will be effective for later periods, the Group didn't choose to apply them earlier:

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to 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. The Group does not intend to adopt the standard before its effective date.

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

- 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 2020).
- 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).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (issues on October 2018 and effective for annual periods beginning on or after January 1, 2020; earlier application is permitted). The amendments to IAS 1 and IAS 8 introduce new definition of material.
- Amendments to IFRS 3, Definition of a Business (issued on 22 October 2018 and effective for annual periods beginning on or after 1 January 2020).

Unless otherwise described above, the new standards, amendments to standards and interpretations are expected to have no impact or to have a non-material impact on the Group's consolidated financial statements.

Significant accounting estimates and professional judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. 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 current (see note 27) and previous periods 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 business combinations (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 renewal 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 renewal 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 31.12.2018 the average residual lease term was 6 years) increased by 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, probability that the renegotiation of the lease will not be successful, probability that the Group will decide to discontinue the lease. As a result, the average effective term as at reporting date amounts to 9 years and the average residual useful lives used in calculation of the depreciation of leasehold improvements amount to 9 years, maximum – 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 31.12.2018 the Group estimates that its tax position is stable and no provisions have to be recognized (see further note 31).

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 9 years, maximum – 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) 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.

(l) 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.

(m) 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.

(n) Transactions with owners

In all cases when the Group receives assets from the owners of the Group, the assets received are initially recognized at fair value in correspondence with additional paid-in capital.

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 recognized in correspondence with additional paid-in capital.

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 additional paid-in capital.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Share capital and Additional paid-in capital

Share capital represents the issued number of shares outstanding at their par value. Any excess amount of capital raised is included in Additional paid-in capital. 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 Additional paid-in capital. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

(t) 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.

(u) 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.

(v) 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 obtained 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, for more details see par. «Principles of consolidation» in the section III. «Basis of preparation».

When the control obtained without owning interest in share capital of an acquired company the Group uses the following accounting method. The Group combines the acquired company's financial data into consolidated financial statements by item-by-item summing up of similar assets, liabilities, income and expenses. All transactions within the Group's companies and unrealized gains and losses as well as the mutual balances within the Group's companies are eliminated. Equity and current financial results of the acquired companies are recognized as Non-controlling interest.

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.

(w) Comparatives

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

IV. RELEVANT DISCLOSURES

1. Revenue

in thousand EURO	2018	2017
Revenue from club cards sales	28 154	30 617
Revenue from related sport services rendering	15 029	15 709
Revenue from retailing and food services	1 691	1 816
Revenue from operating leasing	257	423
Revenue from sports clubs management	587	145
Other revenue	482	708
Total	**46 200**	**49 419**

2. Cost of Sales

in thousand EURO	2018	2017
Outstaffing services	21 722	20 394
Leasing	6 546	7 240
Amortization	1 097	1 405
Royalties	84	1 857
Depreciation	991	1 927
Material costs	1 019	829
Utilities expenses	661	612
Salary and social tax	553	1 552
Repairs and maintenance	222	275
Cost of goods sold	182	223
Disinfection and cleansing	32	33
Cleaning services	3	-
Other expenses	3	11
Total	**33 115**	**36 359**

3. Selling and marketing expenses

in thousand EURO	2018	2017
Advertising and marketing services	1 347	1 490
Holiday organization services	26	12
Material costs	27	46
Other expenses	2	0
Total	**1 402**	**1 549**

4. General administrative expenses

in thousand EURO	2018	2017
Salary and social tax	2 665	3 514
Material costs	2 103	1 403
Consulting services	918	147
Leasing	605	773
Bank services	603	626
Utilities expenses	556	372
Communication services	132	185
Security services	107	121
Asset repairs and maintenance	103	110
Travel expenses	67	218
Depreciation	43	130
Auditors' remuneration	18	25
Transport expenses	14	13
Insurance	6	10
Cleaning services	4	20
Other expenses	216	237
Total	**8 160**	**7 904**

5. Other income

in thousand EURO	2018	2017
Other individually immaterial income	452	317
Income from disposal of "XFIT Service" LLC	319	-
Reversal of bad debt allowance	174	-
Exchange differences (income)	60	96
Write-off of accounts payable	81	68
Income from assets disposal	68	121
Sanctions, fines and penalties - income	-	53
Total	**1 154**	**655**

6. Other losses

in thousand EURO	2018	2017
Exchange differences (losses)	145	152
Other individually immaterial expenses	243	264
Impairment loss of non-current assets	467	-
Sanctions, fines and penalties - losses	120	48
Loss from assets disposal	110	146
Loss from goodwill impairment	69	-
Shortage discovery as a result of inventory count	-	19
Bad debt provision (accrual)	-	195
Total	**1 154**	**825**

7. Financial income and financial expenses

Financial income

in thousand EURO	2018	2017
Exchange differences (income) on financial activities	321	245
Imputed loan interest income	249	-
Loan interest receivable	120	13
Imputed interest income on accounts receivable and payable	5	45
Other interest receivable	3	-
Total	**698**	**303**

Financial expenses

in thousand EURO	2018	2017
Loan interest payable	201	135
Other interest payable	28	-
Exchange differences (expenses) on financial activities	6	148
Total	**235**	**283**

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 profit or loss and other 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 01.01.2017	**8 048**	**2 636**	**1 513**	**654**	**12 851**
Additions in 2017	1 943	179	1 140	149	3 410
Disposals in 2017	(456)	(71)	-	(1)	(528)
Transfers	1 185	-	(1 185)	-	-
Translation reserve	(706)	(198)	(109)	(54)	(1 068)
Initial value as at 31.12.2017	**10 014**	**2 545**	**1 359**	**747**	**14 666**
Additions in 2018	1 060	482	173	102	1 818
Disposals in 2018	(2 069)	(4)	-	(365)	(2 438)
Disposals due to disposal of LLC "XFIT Service" in 2018	(6 671)	(158)	(324)	(115)	(7 268)
Transfers	731	252	(941)	(41)	(0)
Translation reserve	(854)	(379)	(106)	(71)	(1 409)
Initial value as at 31.12.2018	**2 212**	**2 738**	**161**	**258**	**5 369**
Accumulated depreciation and impairment as at 01.01.2017	**(984)**	**(1 217)**	**-**	**(211)**	**(2 412)**
Depreciation accrued in 2017	(845)	(668)	-	(169)	(1 682)
Disposals in 2017	13	10	-	0	23
Translation reserve	108	118	-	23	249
Accumulated depreciation and impairment as at 31.12.2017	**(1 708)**	**(1 758)**	**-**	**(357)**	**(3 823)**
Depreciation accrued in 2018	(198)	(356)	-	(42)	(596)
Disposals in 2018	358	2	-	144	504
Disposals due to disposal of LLC "XFIT Service" in 2018	1 153	88	-	79	1 320
Impairment in 2018	(419)	-	-	-	(419)
Transfers	120	(99)	-	(20)	(0)
Translation reserve	157	260	-	37	454
Accumulated depreciation and impairment as at 31.12.2018	**(537)**	**(1 863)**	**-**	**(161)**	**(2 561)**
Carrying amount as at 01.01.2017	**7 065**	**1 418**	**1 513**	**443**	**10 439**
Carrying amount as at 31.12.2017	**8 306**	**787**	**1 359**	**390**	**10 843**
Carrying amount as at 31.12.2018	**1 675**	**875**	**161**	**97**	**2 809**

9. Goodwill

In thousand EUR	Net book value as at 31.12.2017	Impairment	Translation differences	Net book value as at 31.12.2018
Goodwill	5 092	(69)	(674)	4 349
Total	**5 092**	**(69)**	**(674)**	**4 349**

Management uses 23 operating cash generating units (CGU) for impairment test. 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	2020	2021	2022	2023	2024	2025 and subsequent years
Growth rate for fitness clubs acquired before 2018 year	2%	2%	2%	2%	2%	2%
Growth rate for fitness club acquired in 2018 year	30%	24%	19%	13%	8%	2%

Growth rates for new fitness clubs before 2025 year are assessed based on planned price and volume increase, for 2025 year and beyond - based on long-term inflation rate.

The period of calculation is consistent with lease terms expected by the management for each fitness club. The terms range from 6 to 15 years (from 7 to 13 years for 2017 year impairment test) with an average of 9 years (10 years for 2017 year impairment test).

The cash flows are discounted at post-tax rate of 17,5% (21,19% for 2017 year impairment test). The rate is derived from the Group's weighted average cost of capital (WACC) calculated by management.

10. Other intangible assets

in thousand EURO	Customer relationship (club cards)	Customer relationship (related services)	Rights under franchise agreements	Other non-material assets	Total
Initial value					
Initial value 01.01.2017	**4 557**	**3 262**	**507**	**74**	**8 400**
Additions in 2017	-	-	-	-	-
Exchange difference arising on the translation of foreign currency	(335)	(239)	(37)	5	(606)
Initial value as at 31.12.2017	**4 223**	**3 022**	**470**	**79**	**7 794**
Additions in 2018	-	-	-	-	-
Exchange difference arising on the translation of foreign currency	(563)	(403)	(63)	(4)	(1 032)
Initial value as at 31.12.2018	**3 660**	**2 619**	**407**	**75**	**6 762**
Accumulated amortization and impairment					
Accumulated amortization and impairment as at 01.01.2017	**(1 679)**	**(1 656)**	**(216)**	**(19)**	**(3 569)**
Amortization accrued in 2017	(1 159)	(651)	(139)	(6)	(1 956)
Exchange difference arising on the translation of foreign currency	173	150	22	2	346
Accumulated amortization and impairment as at 31.12.2017	**(2 665)**	**(2 157)**	**(333)**	**(23)**	**(5 179)**
Amortization accrued in 2018	(577)	(316)	(115)	(2)	(1 011)
Impairment in 2018	-	(47)	-	-	(47)
Exchange difference arising on the translation of foreign currency	395	313	52	3	764
Accumulated amortization and impairment as at 31.12.2018	**(2 847)**	**(2 208)**	**(396)**	**(22)**	**(5 473)**
Carrying amount					
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**
Carrying amount as at 31.12.2018	**813**	**412**	**11**	**53**	**1 289**

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

in thousand EURO	2018	2017
Advances paid for the purchase of current assets and services	6 965	18 717
Allowance for advances paid	-	(187)
Total	**6 965**	**18 530**

12. Inventories

in thousand EURO	2018	2017
Other inventory	329	215
Goods	102	119
Total	**431**	**334**

13. Other receivables

in thousand EURO	2018	2017
Financial assets		
Other receivables	315	212
Total financial assets	**315**	**212**
Non-financial assets		
Other taxes overpayments	95	33
Total non-financial assets	**95**	**33**
Total	**410**	**245**

14. Trade receivables

in thousand EURO	2018	2017
Receivables from customers, the nominal amount	1 124	2 494
Allowance for receivables from customers	-	-
Total	**1 124**	**2 494**

15. Loans to shareholders

in thousand EURO	Terms	2018	2017
Trafalgar Capital SA	Loan, interest rate 0% p.a	376	376
Trafalgar Capital SA	Loan, interest rate 0% p.a	650	650
Trafalgar Capital SA	Loan, interest rate 0% p.a	362	362
Trafalgar Capital SA	Loan, interest rate 0% p.a	180	0
IDEA Assets S.A	Loan, interest rate 0% p.a	520	0
Branwick Limited	Loan, interest rate 0% p.a	61	0
Branwick Practice Consulting	Loan, interest rate 0% p.a	68	0
Total		**2 217**	**1 388**

16. Cash and cash equivalents

in thousand EURO	2018	2017
Cash at bank	5 529	2 875
Transfers in transit	394	683
Cash in hand	167	142
Bank deposits	1	2
Total	**6 092**	**3 702**

17. Share capital and additional paid-in capital

Authorized capital

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

Issued capital and additional paid-in 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 recognized as Additional paid-in capital in amount of 222 thousand EUR.

As at 31 December 2015 the Company had a total authorized and issued share capital of 40 000 ordinary shares.

During 2016, 2017 and 2018 years there were no changes in the share capital.

Translation reserve

Translation reserve is derived as the difference of translation of the Group's financial position and financial result into presentation currency - EURO.

Dividends

In 2019 year the Board of Directors approved the payment of dividend for EURO 1 500 thousand out of the profits of 2018 year (2017: EUR 1 477 thousand).

Dividends are subject to a deduction of special contribution for defence at 17% for individual shareholders that are both Cyprus tax resident and Cyprus domiciled.

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 defense 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:

in thousand EURO	2018	2017
Short term loans <2>	1 349	142
Loans related to business combination <1>	-	20 588
Total short-term loans	**1 349**	**20 730**
Loans from related companies <3>	1 935	2 130
Long-term loans <4>	226	-
Total long-term loans	**2 161**	**2 130**
Total loans	3 510	22 860

<1> Short-term loans from previous owners of fitness clubs were interest-free and denominated in Rubles. In 2015 year these loans acquired as a part of "XFIT Service" LLC acquisition. As at 31.12.2018 these short-term loans were partly settled under cession agreements and partly disposed through reorganization of «XFIT Service» LLC.

<2> Short-terms loans are presented in the table below:

Lender	Currency	The interest rate	The term of repayment	Carrying amount as at 31.12.18	Nominal value as at 31.12.18
Eurocomplekt LLC	RUB	10,00%	16.12.2019	524	606
FOK Octyabrskiy (related party)	RUB	12,00%	31.12.2019	142	142
FOK Octyabrskiy (related party)	RUB	12,00%	30.03.2019	133	133
SportStyle LLC	RUB	0,00%	31.12.2019	68	83
FOK Octyabrskiy (related party)	RUB	12,00%	05.04.2019	62	62
FOK Octyabrskiy (related party)	RUB	12,00%	05.10.2019	52	52
FOK Octyabrskiy (related party)	RUB	12,00%	11.03.2019	48	48
FOK Octyabrskiy (related party)	RUB	12,00%	07.03.2019	38	38
FOK 64 (related party)	RUB	12,00%	18.08.2019	36	36
FOK Octyabrskiy (related party)	RUB	12,00%	30.03.2019	31	31
FOK Octyabrskiy (related party)	RUB	12,00%	08.09.2019	21	21
Other loans	RUB			193	193
Total short-term loans				**1 349**	**1 446**

<3> Long-term loans from related companies were granted by Worteck Global Corp. and Amikon LLC in 2015 year. The loans bear interest 5,00% per annum, are unsecured and are repayable by 31 December 2020. Carrying amount equals nominal amount.

Loans received from other related parties *in thousand EURO*	**2018**	**2017**
Worteck Global Corp	1 829	2 014
Amikon LLC	106	116
Total loans received from Other related parties	**1 935**	**2 130**

<4> Long-terms loans are presented in the table below:

Lender	Currency	The interest rate of the contract	The term of repayment by the contract	Carrying amount as at 31.12.18	Nominal value as at 31.12.18
FOK «Oktyabrkiy» LLC (other related party)	RUB	0,00%	31.12.2020	210	267
RTK DUSCH Moscow Bank LLC	RUB	0,00%	31.12.2020	16	22
Total long-term loans				**226**	**289**

The following rates were used to determine the fair value of interest-free loans upon origination:

Average market interest rates on the current year loans:

	Currency
Year	**RUB**
2017	Was not used
2018	15,89%

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

in thousand EURO	**2018**
Loans payable as at 01.01.2018	**22 860**
Proceeds of loans and borrowings	-
Repayment of loans and borrowings	(8 396)
Foreign exchange differences	(316)
Interest accrued	(42)
Disposal of LLC "XFIT Service" in 2018	(10 240)
Translation differences	(356)
Loans payable as at 31.12.2018	**3 510**

in thousand EURO	**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**

19. Short-term accounts payable

in thousand EURO	**2018**	**2017**
Financial liabilities		
Payables to suppliers (operating activity)	4 198	2 430
Other payables (operating activity)	116	143
Accounts payable for non-current assets	48	116
Total financial liabilities	**4 362**	**2 690**
Non-financial liabilities		
Advances received (operating activity)	11	175
Total non-financial liabilities	**11**	**175**
Total	**4 373**	**2 865**

20. Deferred revenue

in thousand EURO	2018	2017
Club cards (short-term)	15 792	19 016
Deferred income on discounts	352	565
Total	**16 144**	**19 580**

21. Other liabilities

in thousand EURO	2018	2017
Vacation provision	187	296
Income tax	60	225
VAT	93	187
Salaries payable	77	101
Social chargers	53	64
Other taxes	25	34
Property tax	6	1
Total	**501**	**908**

22. Income tax

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

Components of income tax expense:

In thousand EUR	2 018	2 017
Current income tax (12,5%)	101	114
Current income tax (20%)	486	564
Deferred income tax (20%)	(469)	1 850
Total tax expense	**119**	**2 528**

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 2018 and 31 December 2017 was calculated at the 20% rate.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

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

In thousand EUR	2 018		2 017	
Profit before tax	(1 576)	5 562	362	3 095
Tax rates	***20,00%***	***12,50%***	***20,00%***	***12,50%***
Theoretical tax (expense) / income	315	(695)	(72)	(387)
Tax effect of expenses not deductible for tax purposes	(398)	-	(2 342)	(51)
Tax effect of allowances and income not subject to tax	66	594	-	388
Total tax expense	(18)	(101)	(2 414)	(114)

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):

In thousand EUR	As at 31 December 2017	Addition as a result of acquisition	Disposals due to disposal of LLC "XFIT Service"	Recognized in the Statement of profit or loss	Translation differences	As at 31 December 2018
Property, plant and equipment and construction in progress	(214)	-	234	27	10	58
Intangible assets	(512)	-	-	219	53	(240)
Receivables	233	-	(99)	124	(36)	222
Deferred income	113	(1)	-	(28)	(14)	70
Deferred tax losses for the future	-	31	-	25	29	85
Financial liabilities	-	-	-	(18)	1	(16)
Other	45	-	(7)	(40)	(3)	(6)
Net deferred tax asset (liability)	**(334)**	**30**	**128**	**308**	**41**	**173**
Recognised in the Statement of Financial Position:						
Deferred tax asset	215					282
Deferred tax liability	(548)					(109)

In thousand EURO	As at 01 January 2017	Recognized in the Statement of profit or loss	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	-	-	1	1
Other	180	(127)	(9)	45
Net deferred tax asset (liability)	**1 518**	**(1 850)**	**(2)**	**(334)**
Recognised in the Statement of Financial Position:				
Deferred tax asset	1 766			215
Deferred tax liability	(247)			(548)

23. Operating lease payments

In the reporting period expenses under lease agreements amounted to EUR 7 151 thousand (2017: EUR 8 007 thousand). Group has agreements, including non-cancellable operating lease agreements for premises, where the sports clubs are located. The cost of future minimum lease payments for the period from 1 to 3 months and penalties under such agreements are 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)

	31.12.2018			31.12.2017 (restated)		
EURO thousand	*Total*	*RUB*	*USD*	*Total*	*RUB*	*USD*
Short-term	996	692	305	1 238	889	349
1 -5 years	-	-	-	-		
Over 5 years	-	-	-	-		
Total	**996**	**692**	**305**	**1 238**	**889**	**349**

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. Substance of relations, but not their legal form is considered.

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

Loans issued to shareholders:

The loan was provided interest free, and there was no specified repayment date.

in thousand EURO	Terms	Loans issued to shareholders 31.12.2018	31.12.2017
Loans issued to shareholders			
Trafalgar Capital SA	Loan, interest rate 0% p.a	1 568	1 388
IDEA Assets S.A	Loan, interest rate 0% p.a	520	-
Branwick Limited	Loan, interest rate 0% p.a	61	-
Branwick Practice Consulting	Loan, interest rate 0% p.a	68	-
Total loans issued to shareholders		**2 217**	**1 388**

Loans received from other related parties

Lender	Currency	The interest rate	The term of repayment	Carrying amount at 31.12.18	Nominal value at 31.12.18
Worteck Global Corp	EUR	5,00%	31.12.2020	1 829	1 829
Amikon LLC	EUR	5,00%	31.12.2020	106	106
FOK Octyabrskiy LLC	RUB	12,00%	31.12.2019	142	142
FOK Octyabrskiy LLC	RUB	12,00%	30.03.2019	133	133
FOK Octyabrskiy LLC	RUB	12,00%	05.04.2019	62	62
FOK Octyabrskiy LLC	RUB	12,00%	05.10.2019	52	52
FOK Octyabrskiy LLC	RUB	12,00%	11.03.2019	48	48
FOK Octyabrskiy LLC	RUB	12,00%	07.03.2019	38	38
FOK Octyabrskiy LLC	RUB	12,00%	30.03.2019	31	31
FOK Octyabrskiy LLC	RUB	12,00%	08.09.2019	21	21
FOK 64 LLC	RUB	12,00%	18.08.2019	36	36
Total loans from other related parties				**2 498**	**2 498**

License fee income from other related parties

in thousand EURO	Nature of transaction	2018	2017
"New Line Fitness" LLC	License fee	-	45
FOK "Oktyabrkiy" LLC	License fee	186	23
Total license fee income		**186**	**68**

Loan interest expense from other related parties

in thousand EURO	Nature of transaction	2018	2017
Worteck Global Corp.	Loan interest	77	93
Amikon LLC	Loan interest	5	5
Total interest expense		**82**	**98**

Prepayments for license fees from other related parties

in thousand EURO	Nature of transaction	2018	2017
FOK "Oktyabrkiy" LLC	License fee	-	23
Total prepayment for license fees		**-**	**23**

Key management personnel expenses (3 employees):

in thousand EURO	Benefits in 2018	Benefits in 2017
Short-term benefits paid to key management personnel	44	45
Social security contributions	13	13
Total	**57**	**58**

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

Ultimate controlling party

As at 31 December 2018, Intraware Investments Public Ltd does not have a single ultimate controlling party (as at 31 December 2018 – same).

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

	2018	2017
Basic earnings per share from continuing operations, EURO	96.78	20,75
Total basic earnings per share, EURO	**96,78**	**20,75**

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:

	2018	2017
Profit attributable to ordinary equity holders of the parent:		
Continuing operations	3 871	830
Profit attributable to ordinary equity holders of the parent for basic earnings	3 871	830
Weighted average number of ordinary shares for basic EPS	40 000	40 000

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 through 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 23 FOK legal entities in 2018 (20 in 2017). 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 (13 legal entities or 13 fitness clubs aggregated to a segment 'Fitness clubs in Moscow') and other regions of Russia (10 legal entities or 10 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 the year ending December 31, 2018:

in thousand EURO	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:	31 535	13 353	1 312	46 200
Revenue from club cards sales	18 761	9 278	115	28 154
Revenue from related services and retail	12 660	4 060	-	16 720
Other revenue (operating lease and franchising)	114	15	1 197	1 326

Financial information in respect of operating segments for the year ending December 31, 2018:

in thousand EURO	Fitness clubs in Moscow	Fitness clubs in other regions	Other minor segments	Total according to financial statements of the Group
Eliminated revenues between operating segments of the Group	584	42	6 113	6 739
Eliminated cost of goods sold, selling and marketing and other administrative expenses between operating segments of the Group	(2 363)	(418)	(3 958)	(6 739)
Cost of goods sold, selling and marketing and other administrative expenses	(28 961)	(13 224)	(492)	(42 677)
Depreciation and amortisation	(858)	(390)	(340)	(1 587)
Financial income (expenses)	186	4	273	463
Income tax gains (expenses)	(233)	10	104	(119)
Profit or loss for the segment	**819**	**(169)**	**3 217**	**3 867**
Tangible fixed assets of the segment	1 350	439	1 020	2 809
Goodwill allocated to the segment	2 738	1 611	132	4 481
Other intangible assets recognized at fair value on acquisition of the entities	792	476	(33)	1 236
Cash of the segment	1 384	381	4 326	6 092
Total assets of the reportable segment	**18 114**	**7 979**	**2 319**	**28 412**
Total liabilities of the reportable segment	**16 518**	**7 186**	**2 435**	**26 140**

Financial information for operating segments for the year ended December 31, 2017:

in thousand EURO	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
Revenue from related services and retail	12 959	4 566	-	17 525
Other revenue (operating lease and franchising)	145	1	1 131	1 277
Eliminated revenues between operating segments of the Group	203	2	6 830	7 036
Eliminated cost of goods sold, selling and marketing and other administrative expenses between operating segments of the Group	(3 723)	(1 207)	(2 105)	(7 036)
	(27 239)	(12 256)	(6 317)	(45 812)

Financial information in respect of operating segments for the year ending December 31, 2018:

in thousand EURO	Fitness clubs in Moscow	Fitness clubs in other regions	Other minor segments	Total according to financial statements of the Group
Cost of goods sold, selling and marketing and other administrative expenses				
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	29 664	13 547	2 966	46 177
Total liabilities of the reportable segment	21 467	11 345	13 949	46 761

27. Business combinations

At January 1, 2018 the Group obtained control over 2 fitness clubs: FOK "Pozitiv" LLC and FOK "Chernavskiy" LLC. At May 18, 2018 the Group obtained control over the third fitness club - FOK "Trud" LLC. Nevertheless the Group had 0% of charter capital of 3 mentioned fitness clubs, control was obtained through the appointment of a General directors to those companies as a fully authorized representative of the Group. Those General directors have 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. The Group expressed its intention to acquire 98% of the share capital of the mentioned companies to become the majority shareholder. The shareholders of new companies accepted the letter of intent by resolution and notified the Group by a letter of acceptance.

The assets and liabilities recognized as a result of the obtained control over 3 mentioned fitness clubs are as follows:

in thousand EURO	2018
Property, plant and equipment	72
Deferred tax assets	31
Accounts receivable	18
Cash	28
Deferred tax liabilities	(1)
Accounts payable	(10)
Deferred revenue	(16)
Net identifiable assets	**122**
Add: liabilities to the Group existing prior to the acquisition	224
Less: non-controlling interests	(346)
Net identifiable assets acquired	**-**
Consideration paid	**-**
Goodwill	**-**

The businesses acquired in 2018 contributed in 2018 revenues of EUR 256 thousand and financial result of EUR 0 thousand to the Group because NCI have 100% share of financial result.

28. 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 100% financial position and 100% financial results of this joint operation:

Financial position of the joint operation

in thousand EUR	2018	2017
Non-current assets	553	665
Current assets	83	750
Total assets	**636**	**1 415**
Equity	30	31
Non-current liabilities	40	24
Current liabilities	565	1 360
Total equity and liabilities	**636**	**1 415**

Financial results of the joint operation

in thousand EUR	2018	2017
Revenue	344	202
Cost of Sales	(229)	(211)
Selling and marketing expenses	(7)	(8)
General administrative expenses	(55)	(42)
Other income (expense)	6	3
Income tax expense	(24)	(108)
Net profit	**35**	**(164)**

29. 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 functional currency of the Group – Russian rubles.

Foreign currency financial assets and liabilities (carrying value):

	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
in thousand EUR	USD		EUR		RUB	
Cash	-	-	4 239	1 023	1 852	2 679
Accounts receivable	-	-	744	-	695	2 706
Loans granted	-	-	2 217	1 388	2 244	356
Total financial assets	**-**	**-**	**7 201**	**2 411**	**4 791**	**5 741**
Accounts payable	(42)	(278)	(711)	(6)	(3 686)	(2 804)
Loans received	-	-	-	(2 130)	(3 510)	(20 730)
Total financial liabilities	**(42)**	**(278)**	**(711)**	**(2 136)**	**(7 383)**	**(23 534)**
Total	**(42)**	**(278)**	6 490	275	(2 405)	(17 793)

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 or insignificantly negative, 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:

in thousand EURO	31.12.2018	31.12.2017
US dollar exchange rate – increase 10%	(4)	(28)
Euro exchange rate – increase 10%	649	27

(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:

in thousand EURO	31.12.2018	31.12.2017
Loans and borrowings (issued) with fixed interest rate	4 461	1 744
Loans and borrowings (received) with fixed interest rate	(3 510)	(22 860)
Including loans received with a zero interest rate	(2 217)	(22 838)
Total	**951**	**(21 116)**

(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 Company has significant concentration of credit risk relating to cash at bank and receivables from related and third parties. The Company 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

in thousand EURO	31.12.2018	31.12.2017
Short-term accounts receivable	1 439	2 706
Short-term loans issued	4 461	1 744
Cash	6 092	3 702
Total	**11 992**	**8 152**

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

Cash

in thousand EURO	Moody's rate	31.12.2018	31.12.2017
OJSC "Sberbank of Russia"	Ba2/P-3	1 512	2 245
Eurobank Cyprus Ltd	Caa3	4 236	1 022
OJSC "AK Bars" Bank	B2/NP	12	2
OJSC "Alpha Bank", Rostov branch	Ba1/NP	32	84
JSCB "Energobank"	-	7	52
OJSC "Promsvyazbank"	Ba3/NP	-	-
Credit Europe Bank Ltd.	Ba2/NP	-	1
JSC VTB Bank	Baa3/NP	126	154
Total		**5 924**	**3 560**

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

in thousand EUR	2018		2017	
	Accounts receivable	Loans issued	Accounts receivable	Loans issued
Current, not past due and not impaired	**1 294**	**4 461**	**2 706**	**1 744**
Past due, but not impaired:				
• past due less than 30 days	-	-	-	-
• past due 30-90 days	32	-	-	-
• past due 90-180 days	-	-	-	-
• past due 180-360 days	112	-	-	-
• past due more than 360 days	-	-	43	-
Total past due, but not impaired	**145**	**-**	**43**	**-**
Individually impaired (nominal amount):				
Total individually impaired	-	-	-	-
Allowance for impairment	-	-		-
Total	**1 439**	**4 461**	**2 706**	**1 744**

(iv) Defaults and violation of loans' repayment terms

The Group does not have overdue loans and borrowings received at the reporting date.

(v) Capital risk

Capital includes equity shares and Additional paid-in capital as well as other capital components.

Share capital of Intraware Investments Public Ltd meets all regulatory Cypriot requirements.

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.

As at 31 December 2018 the Group's current liabilities exceed the current assets for the amount of EUR 4 292 thousand (as at 31 December 2017 - EUR 16 911 thousand). 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 (see also par. «Going concern» in the section «III. Basis of preparation»).

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 31.12.2018

in thousand EURO	Less than 1 month (and past due)	1-6 months	6 months to 1 year	1-5 years	Total
Accounts payable	420	1 168	2 851	-	4 439
Loans and borrowings received	-	352	997	2 161	3 510
Total financial liabilities	**420**	**1 520**	**3 848**	**2 161**	**7 949**

Financial liabilities as at 31.12.2017

in thousand EURO	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**

(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.

30. 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 2018 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.

Financial liabilities carried at amortized cost. Fair values of liabilities are 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:

	Carrying amount		Fair value		Level	Initial data	Valuation method
in thousand EURO	31.12.2018	31.12.2017	31.12.2018	31.12.2017			
Financial assets							
Short-term accounts receivable	1 439	2 706	1 439	2 706	Level 3	Market loan rates	Discounted Cash Flows
Short-term loans issued	4 461	1 744	4 461	1 744	Level 3	Market loan rates	Discounted Cash Flows
Cash	6 092	3 702	6 092	3 702	Level 1	-	-
Total financial assets	**11 992**	**8 152**	**11 992**	**8 152**	**-**	**-**	**-**

in thousand EURO, unless otherwise stated

Financial liabilities at amortized cost							
Long-term loans and borrowings received	(2 161)	(2 130)	(2 161)	(2 130)	Level 3	Market loan rates	Discounted Cash Flows
Short-term loans and borrowings received	(1 349)	(20 730)	(1 349)	(20 730)	Level 3	Market loan rates	Discounted Cash Flows
Short-term accounts payable	(4 439)	(3 088)	(4 439)	(3 088)	Level 3	Market loan rates	Discounted Cash Flows
Total financial liabilities at amortised cost	**(7 949)**	**(25 948)**	**(7 848)**	**(25 948)**	-	-	-

31. Contingencies and commitments

Contingent liabilities on litigations. From time to time in the normal course of business, the Group gets claims. Based on its own estimates and both internal and external professional advice, the management believes that no material losses will arise in respect of claims therefore there were no provisions as well as contingent liabilities on litigations.

Contingent liabilities on tax risks. 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 2018 that have not been provided for in these consolidated financial statements.

Guarantees. During 2017-2018 years the Group did not issue or received any guarantees.

Assets pledged as security. The Group had no pledged assets as at 31 December 2018 and 2017 years.

Other commitments. The Group had no capital or other commitments as at 31 December 2018 and as at 31 December 2017.

32. Subsequent events

There were no significant subsequent events that can influence the Group's financial position, cash flows or operating results which took place during the period between reporting date and date of singing of the Company's financial statements for the year ended December 31, 2018.

On 12 July 2019 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director .... Myrianthi Petrou

Director .... Andreas Christofi