EMMA ALPHA HOLDING LTD

Auditors' report
and consolidated financial statements
31 December 2017

Contents

Officers and Professional Advisors

Board of Directors	Radka Blažková (prev. Fišerová) Demetrios Aletraris Andri Pangalou
Secretary	Cyproman Services Limited 5 Esperidon Street 4th floor 2001 Nicosia Cyprus
Independent Auditors	KPMG Limited Certified Public Accountants and Registered Auditors 14 Esperidon Street 1087 Nicosia Cyprus
Bankers	PPF Banka a.s. Hellenic Bank Public Company Ltd BRD Groupe Société Générale Piraeus Bank România Banca Comercială Română (BCR) Air Bank a.s. J&T Banka a.s.
Registered Office	5 Esperidon Street 4th Floor 2001 Nicosia Cyprus
Registration number	HE313347

Management report

The Board of Directors of EMMA ALPHA HOLDING LTD (the "Company") present to the members its Annual Report together with the audited consolidated financial statements of the Company and its subsidiary companies (together referred to as the "Group") for the year ended 31 December 2017.

INCORPORATION

The Company was incorporated in Cyprus on 12 October 2012 as a private limited liability company under the Cyprus Companies Law, Cap. 113.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the holding of investments, trading of securities and distribution of gas.

FINANCIAL RESULTS

The Group's financial results for the year ended 31 December 2017 are set out on page 11 in the consolidated financial statements. The net profit for the year 2017 amounted to TEUR 47,125 (2016 – TEUR 38,320).

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The results for this year are considered satisfactory as the Group achieved a net profit attributable to equity holders of the Group totalling TEUR 46,689 (2016 – TEUR 37,844).

REVENUE

The Group's revenue (including finance income and excluding dividend income and share of profit from associates) for the year ended 31 December 2017 amounted to TEUR 40,635 (2016 – TEUR 50,224).

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in Note 4 of the consolidated financial statements.

FUTURE DEVELOPMENTS

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

SHARE CAPITAL

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

BRANCHES

During the year ended 31 December 2017 and 31 December 2016, the Group did not operate any branches.

Management report (continued)

BOARD OF DIRECTORS

The members of the Group's Board of Directors as at 31 December 2017 and at the date of this report are presented on page 3. All of them were members of the Board of Directors during the year ended 31 December 2017.

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

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

ACCOUNTING RECORDS

The books of the Group for the year 2017 were maintained internally.

RECENT VOLATILITY IN GLOBAL FINANCIAL MARKETS

Any significant events that relate to the operating environment of the Group are described in Note 5 of the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Any significant events that occurred after the end of the reporting period are described in Note 31 of the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 30 of the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Demetrios Aletraris

Director

Nicosia, 29 June 2018

KPMG

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
T: +357 22 209000, F: +357 22 678200

Independent Auditors' report

to the Members of

Emma Alpha Holding Ltd

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Emma Alpha Holding Ltd (the "Company") and its subsidiaries (the "Group"), which are presented on pages 10 to 52 and comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) 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 "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, 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 audit opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management report, but does not include the consolidated financial statements and our auditors' 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, except as required by the Companies Law, Cap. 113.

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. Our report in this regard is presented in the *"Report on other legal requirements"* section.

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 IFRS-EU and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' 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 auditors' 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.

Auditors' responsibilities for the audit of the financial statements *(continued)*

- 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 auditors' 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 auditors' 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.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors Law of 2017, L.53(I)/2017, we report the following:

- In our opinion, the consolidated management report on pages 4 and 5, the preparation of which is the responsibility of the Board of Directors, 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 the light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we have not identified material misstatements in the consolidated management report.

KPMG

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 Law L.53(I)/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.

Haris A. Kakoullis, CPA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

29 June 2018

	Note	2017 TEUR	2016 TEUR
ASSETS			
Non-current assets			
Goodwill	7	1,361	--
Intangible assets	7	794	117
Property, plant and equipment	8	44,750	48,951
Investments in associates	14	653,756	567,263
Loans receivable	11	95,080	117,296
Financial assets at fair value through profit or loss	10	--	3,085
Deferred tax assets	20	4	--
Total non-current assets		**795,745**	**736,712**
Current assets			
Loans receivable	11	52,094	29,964
Trade and other receivables	12	18,503	14,977
Inventories		2,845	2,705
Other assets	13	4,148	3,652
Cash and cash equivalents	9	33,218	3,567
Total current assets		**110,808**	**54,865**
Total assets		**906,553**	**791,577**
EQUITY			
Share capital	21	10	10
Redeemable preference shares	21	437,605	437,605
Revaluation reserves	21	16,818	19,484
Translation reserve	21	(55,067)	(37,368)
Other reserves	21	(16,338)	(12,761)
Accumulated losses		(14,245)	(51,558)
Profit for the period		46,689	37,844
Equity attributable to owners of the Company		**415,472**	**393,256**
Non-controlling interests		**19**	**2,906**
Total equity		**415,491**	**396,162**
LIABILITIES			
Non-current liabilities			
Due to non-banks	15	333,203	289,698
Due to banks and other financial institutions	16	--	67
Bonds and notes issued	17	106,518	--
Other liabilities	19	4,970	4,598
Deferred tax liabilities	20	4,041	4,511
Total non-current liabilities		**448,732**	**298,874**
Current liabilities			
Current provisions		589	234
Due to non-banks	15	12,475	59,623
Due to banks and other financial institutions	16	9,651	6,177
Bonds and notes issued	17	1,225	--
Current income tax liabilities		108	15
Trade and other payables	18	5,385	7,595
Other liabilities	19	12,897	22,897
Total current liabilities		**42,330**	**96,541**
Total liabilities		**491,062**	**395,415**
Total liabilities and equity		**906,553**	**791,577**

On 29 June 2018, the Board of Directors of EMMA ALPHA HOLDING LTD authorised these consolidated financial statements for issue.

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Radka Blažková (prev. Fišerová)
Director

Demetrios Aletraris
Director

The notes on pages 14 to 52 are an integral part of these consolidated financial statements.

	Note	2017 TEUR	2016 TEUR
Trading profit	22	781	3,598
Net retail income	25	4,195	4,449
Administrative expenses	24	(18,339)	(16,205)
Impairment of investments	14, 23	(639)	(9)
Other operating income	26	27,371	34,628
Other operating expenses	27	(4,719)	(3,784)
Profit/(loss) from operations		**8,650**	**22,677**
Finance income	28	8,288	7,549
Finance expense	28	(22,341)	(22,125)
Net finance expense		**(14,053)**	**(14,576)**
Associates – share of profit	14	52,262	29,484
Profit/(loss) before tax		**46,859**	**37,585**
Income tax credit	29	266	735
Profit after tax from continuing operations		**47,125**	**38,320**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(227)	471
Associates – share of OCI	14	(15,661)	11,624
Items that will not be reclassified to profit or loss:			
Gain on property revaluation		--	10,928
Associates – share of OCI (re-measurement of the defined benefit liability)		5	(5)
Other comprehensive (expense)/income for the year		**(15,883)**	**23,018**
Total comprehensive income for the year		**31,242**	**61,338**
Total profit attributable to:			
Owners of the Company		46,689	37,844
Non-controlling interests		436	476
		47,125	**38,320**
Total comprehensive income attributable to:			
Owners of the Company		30,806	60,875
Non-controlling interests		436	463
		31,242	**61,338**

The notes on pages 14 to 52 are an integral part of these consolidated financial statements.

	Share capital TEUR	Redeemable shares TEUR	Revaluation reserves TEUR	Translation reserve TEUR	Other reserves TEUR	Retained earnings TEUR	Total – Owners of the Company TEUR	Non-controlling interest TEUR	Total TEUR
Balance as at 1 January 2016	**10**	**414,941**	**9,025**	**(49,789)**	**(10,796)**	**(50,617)**	**312,774**	**3,204**	**315,978**
Comprehensive income									
Profit for the period	--	--	--	--	--	36 840	36,840	476	37,316
Items reclassified from OCI to profit/(loss)	--	--	--	--	--	1,004	1,004	--	1,004
Revaluation gains/(losses) on property, plant and equipment	--	--	11,537	--	(553)	--	10,984	(56)	10,928
Translation reserve changes	--	--	--	429	--	--	429	43	472
Associates – share of OCI	--	--	(74)	11,992	(299)	--	11,619	--	11,619
Total comprehensive income for the year	**--**	**--**	**11,463**	**12,421**	**(852)**	**37,844**	**60,876**	**463**	**61,339**
Transactions with owners recognised directly in equity									
Contributions by and distributions to owners									
New issue of capital	--	22,664	--	--	--	--	22,664	--	22,664
Transfers	--	--	--	--	193	(193)	--	--	--
Items reclassified from OCI to profit/(loss)	--	--	(1,004)	--	--	--	(1,004)	--	(1,004)
Disposal of NCI without a change in control	--	--	--	--	--	486	486	(687)	(201)
Total transactions with owners	**--**	**22,664**	**(1,004)**	**--**	**193**	**293**	**22,146**	**(687)**	**21,459**
Other movements	**--**	**--**	**--**	**--**	**(1,306)**	**(1,234)**	**(2,540)**	**(74)**	**(2,614)**
Balance as at 31 December 2016	**10**	**437,605**	**19,484**	**(37,368)**	**(12,761)**	**(13,714)**	**393,256**	**2,906**	**396,162**
Balance as at 1 January 2017	**10**	**437,605**	**19,484**	**(37,368)**	**(12,761)**	**(13,714)**	**393,256**	**2,906**	**396,162**
Comprehensive income									
Profit for the period	--	--	--	--	--	46,689	**46,689**	436	**47,125**
Items reclassified from OCI to profit/(loss)	--	--	--	--	--	--	--	--	--
Revaluation gains/(losses) on property, plant and equipment	--	--	--	--	--	--	--	--	--
Translation reserve changes	--	--	--	(202)	--	--	(202)	(25)	(227)
Associates – share of OCI	--	--	(2,666)	(17,497)	4,507	--	(15,656)	--	(15,656)
Total comprehensive income for the year	**--**	**--**	**(2,666)**	**(17,699)**	**4,507**	**46,689**	**30,831**	**411**	**31,242**
Transactions with owners recognised directly in equity									
Contributions by and distributions to owners									
NCI acquired through business combinations	--	--	--	--	--	--	--	18	**18**
Transfers	--	--	--	--	341	(341)	--	--	--
Items reclassified from OCI to profit/(loss)	--	--	--	--	--	--	--	--	--
Transactions with NCI without a change in control	--	--	--	--	--	2,013	2,013	(3,316)	(1,303)
Total transactions with owners	**--**	**--**	**--**	**--**	**341**	**1,672**	**2,013**	**(3,298)**	**(1,285)**
Other movements	**--**	**--**	**--**	**--**	**(8,425)**	**(2,203)**	**(10,628)**	**--**	**(10,628)**
Balance as at 31 December 2017	**10**	**437,605**	**16,818**	**(55,067)**	**(16,338)**	**32,444**	**415,472**	**19**	**415,491**

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the owners.

The notes on pages 14 to 52 are an integral part of these consolidated financial statements.

	Note	2017 TEUR	2016 TEUR
Cash flows from operating activities			
Profit/ (loss) for the period after tax		**47,125**	**38,320**
Adjustment for:			
Depreciation and Amortisation	7, 8	3,731	2,239
(Reversal of) Impairment losses	23, 27	1,627	1,544
Revaluation of assets at fair value through profit and loss	22	(932)	(732)
Share of (profit)/loss of associates, net of tax	14	(52,262)	(29,484)
Loss on the disposal of subsidiaries	1	129	--
Gain on the sale of investments	14	--	(9)
Gain on the sale of financial assets available-for-sale		--	(15,625)
Gain on bargain purchase	1	(713)	--
Net interest expense	28	13,999	14,576
Unrealised foreign exchange gains		(1,609)	(6,962)
Tax expense	29	(266)	(735)
Operating profit before changes in working capital and provisions		**10,829**	**3,132**
Decrease / (Increase) in inventories		181	(2,316)
(Increase) / Decrease in trade and other receivables		(2,133)	(6,740)
(Decrease) / Increase in trade and other payables		(14,510)	4,885
Decrease / (Increase) in provisions and employee benefits		328	(4)
Cash used in operating activities		**(5,305)**	**(1,043)**
Interest paid		(14,191)	(15,935)
Interest received		10,907	15,787
Income tax paid		(14)	(87)
Net cash used in operating activities		**(8,603)**	**(1,278)**
Cash flows from investing activities			
Proceeds from settlement of assets at fair value through profit or loss		4,017	--
Proceeds from sale of assets available-for-sale		--	124,340
Proceeds from sale property, plant and equipment		2,180	--
Proceeds from sale of associates	14	--	1,379
Net cash outflow from disposal of subsidiaries, net of cash disposed of		(133)	--
Net cash outflow from acquisition of subsidiaries, net of cash acquired		(953)	--
Acquisitions of investments in associates	14	(750)	(142,373)
Loans provided		(2,816)	(19,484)
Acquisitions of intangible assets	7	(622)	(6)
Acquisitions of property, plant and equipment	8	(2,013)	(1,267)
Payment for capital contribution to investment in associates	14	(58,201)	(1,000)
Net cash used in investing activities		**(59,291)**	**(38,411)**
Cash flows from financing activities			
(Repayment of) / Proceeds from interest-bearing loans and borrowings		(7,968)	18,350
Proceeds from bonds issued		106,518	--
Proceeds from redeemable shares issued	21	--	22,664
Cash effect from transactions with non-controlling interest		(1,005)	(687)
Net cash from financing activities		**97,545**	**40,327**
Net movement in cash and cash equivalents		**29,651**	**638**
At the beginning of the year	9	**3,567**	**2,949**
Effect of movements in exchange rates on cash held		--	*(20)*
At the end of the year	9	**33,218**	**3,567**

The notes on pages 14 to 52 are an integral part of these consolidated financial statements

1. Description of the Group

EMMA ALPHA HOLDING LTD (the "Company") was incorporated in Cyprus on 12 October 2012 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at 5 Esperidon Street, 4th Floor, 2001 Nicosia, Cyprus.

The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise of the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

Shareholders

The owners of the Company are as follows:

Shareholders	Country of incorporation	Type of shares	Ownership interest (%) 2017	2016
MEF HOLDINGS LIMITED	Cyprus	Redeemable preference shares	99.17	99.47
TOMÁŠ KOČKA	--	Redeemable preference shares	0.27	0.23
PAVEL HORÁK	--	Redeemable preference shares	0.28	0.19
MICHAL HOUŠŤ	--	Redeemable preference shares	0.14	0.06
ONDŘEJ FRYDRYCH	--	Redeemable preference shares	0.09	0.03
PETR STÖHR	--	Redeemable preference shares	0.04	0.02
DAVID HAVLÍN	--	Redeemable preference shares	0.01	--
EMMA CAPITAL LIMITED	Cyprus	Ordinary shares	100.00	100.00

Principal activities

The principal activities of the Group are the holding of investments and trading of securities and distribution of gas.

Description of the Ownership Structure

The Company controls, directly or indirectly, other companies in Cyprus, The British Virgin Islands, The Czech Republic, Slovakia and Romania. Subsidiary companies are controlled by the Company and they are fully consolidated, whereas the results of the associated companies are included in the consolidated financial statements using the equity method.

Consolidated subsidiaries	Country of incorporation	Effective ownership interest (%) 2017	2016
BELLVILLE SERVICES LIMITED	The British Virgin Islands	100.00	100.00
TONALA LIMITED	Cyprus	100.00	100.00
MARJOLENDO LIMITED	Cyprus	100.00	100.00
SPRINGROCK LIMITED	Cyprus	--	100.00
PARESTA LIMITED[4]	Cyprus	100.00	100.00
QUIVERDA LIMITED[4]	Cyprus	100.00	100.00
CHAPALACO LIMITED	Cyprus	100.00	100.00
EMMA OMEGA LTD	Cyprus	100.00	100.00
SERENITY RESOURCES LIMITED[1]	The British Virgin Islands	100.00	90.85
• LIGATNE LIMITED[1]	Cyprus	100.00	90.85
• GRUP DEZVOLTARE RETELE S.A [1][2]	Romania	--	90.85
• GAZ SUD S.A.[1][3]	Romania	--	90.85
• PREMIER ENERGY SRL[1]	Romania	100.00	90.85
• FORTE GAZ GN S.R.L.[1]	Romania	100.00	--
• TIMGAZ S.A.[1]	Romania	97.86	--
EMMA GAMMA LIMITED	Cyprus	100.00	100.00
EMMA GAMMA FINANCE a.s.	Slovakia	100.00	--

[1] forms part of SERENITY RESOURCES LIMITED GROUP
[2] GRUP DEZVOLTARE RETELE S.A. merged with GAZ SUD S.A. as at 12 June 2016.
[3] GAZ SUD S.A. merged with PREMIER ENERGY SRL as at 31 December 2017, with the latter absorbing the former.
[4] Entities under dissolution process.

1. Description of the Group (continued)

Equity-accounted investees (associates)	Country of incorporation	Ownership interest (%) 2017	2016
MESTROLIO INVESTMENTS LTD	Cyprus	25.00	25.00
HOME CREDIT B.V	Netherlands	11.38	11.38
AMESELO LIMITED [3]	Cyprus	33.34	33.34
SAZKA Group a.s.[1]	Czech republic	25.00	25.00
HOME CREDIT GROUP B.V. [2]	Netherlands	11.38	--

[1]participation acquired in 2016
[2]participation acquired in 2017
[3] Entity under dissolution process.

Acquisitions and disposals in 2017

On September 2017, PREMIER ENERGY S.R.L. acquired 100% shares in FORTE GAZ GN S.R.L. Prior to the transaction, the acquiree was owned and controlled by TRADE INVEST CAPITAL S.R.L. and VILT MIHAI IONUT. The nominal purchase price amounted to TEUR 1,000 and fair value of net identifiable liabilities acquired amounted to TEUR (361). As a result of the transaction the Group recognised goodwill in total amount of TEUR 1,361.

On March 2017, PREMIER ENERGY S.R.L. acquired 97.8553% share in TIMGAZ S.A. for total consideration of TRON 600. Fair value of net identifiable assets amounted to TEUR 863 and non-controlling interest to TEUR 18 as at the date of acquisition. The transaction resulted in recognition of gain on bargain purchase in amount of TEUR 713.

During 2017 new subsidiary EMMA GAMMA FINANCE a.s. and new associate HOME CREDIT GROUP B.V. were founded.

On November 2017, the Group sold its shareholding in SPRINGROCK LIMITED. The parties have agreed that the selling price is TUSD 164.5, resulting in a loss on disposal for the amount of TEUR 129.

1. Description of the Group (continued)

Acquisitions and disposals in 2016

On 22 February 2016, the Group acquired 25% in Italian Gaming Holding a.s. incorporated in the Czech Republic, for the total consideration of TEUR 18 (TCZK 500). On 2 May 2016, the Company disposed its entire shareholding by way of capital contribution in kind to IGH Financing a.s. for the amount of TEUR 7 (TCZK 195). The transaction resulted to a loss on disposal of TEUR 11.

On 17 March 2016, the Group entered into a sale and purchase agreement with Progas Invest Limited and Catobase Trading Limited, to acquire 17.528 shares, representing 5,000571% of the share capital of Grup Dezvoltare Retele S.A for an agreed price of TEUR 35.

On the same date, the Group entered into another agreement with Progas Invest Limited and Catobase Trading Limited, to purchase 621 shares, representing 5,002913% of the share capital of GAZ SUD for an agreed price of TEUR 165.

On 26 April 2016, the Group acquired 25% in IGH Financing a.s. incorporated in the Czech Republic, for the total consideration of TEUR 19 (TCZK 500). On 2 May 2016, the Company made a capital contribution in kind to IGH Financing a.s. by contributing its shares in Italian Gaming Holding a.s. for the value of TEUR 7 (TCZK 195). On 6 May 2016 an additional capital contribution of TEUR 1,000 was made. On 17 August 2016 the investment was fully sold to SAZKA Group a.s. for TEUR 1,027 consideration. The transaction resulted in a gain on disposal of TEUR 1.

On 27 June 2016, the Company sold its shareholding in KKCG Turkey B.V. to KKCG Entertainment & Technology B.V. The parties have agreed that the selling price is EUR 1 per share.

On 17 August 2016, the Group acquired 25% in SAZKA Group a.s. for the total consideration of TEUR 157,553 consisting of TEUR 141,753 due payable immediately and a deferred consideration in the form of a promissory note for the amount of TEUR 15,180 due payable on 31 October 2017 (note 19). As at the year end the holding in SAZKA Group a.s. remained unchanged. The investment in SAZKA Group a.s. was classified as an investment in associates, in 2016, and has been accounted for using the equity method.

On 17 August 2016 the Group provided a 'Contribution' in Austrian Gaming Holding a.s. of TEUR 16,739. On the same date the Group sold its entire shareholding in Austrian Gaming Holding a.s. to SAZKA Group a.s. for a total sale-purchase price of TEUR 17,111, thereby realising a profit on sale of investment of TEUR 18. The investment was classified as an investment in associates and has been accounted for using the equity method since the significant influence in the associate was acquired as at 31 December 2015.

On 28 December 2016, the Company sold its shareholding in Facipero Investments Limited (classified as short term financial assets available for sale) to PPF Group N.V. The parties have agreed that the selling price is TUSD 123,739 (TEUR 118,968), resulting in a gain on disposal for the amount of TEUR 12,752. Part of the consideration is still outstanding since it is subject to agreed terms. This was shown as a receivable (note 12).

2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2017 comprise of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), including International Accounting Standards (IASs), promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of IASB as endorsed by the European Union and the requirements of the Cyprus Companies Law, Cap.113 as amended from time to time.

(b) Basis of measurement

These consolidated financial statements have been prepared under the historic cost convention basis, except in the case of financial instruments at fair value through profit or loss, financial assets available-for-sale, property, plant and equipment which are measured at fair value ahhnd investments in associates which are accounted for using the equity method. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortised cost or historic cost, as appropriate, net of any relevant impairment.

(c) Presentation and functional currency

The consolidated financial statements are presented in Euro (EUR), which is the Company's functional currency and Group's presentation currency. Financial information presented in EUR has been rounded to the nearest thousand (TEUR).

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements made by management in preparing these consolidated financial statements in respect of impairment recognition is described in Note 1(c) and Notes 23 and 27.

(e) Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the parent company EMMA ALPHA HOLDING LTD and the financial statements of its subsidiaries as stated in Note 1. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

2. Basis of preparation (continued)

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists 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. The financial statements of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date on which control effectively commences until the date on which control effectively ceases.

Legal restructuring and mergers involving companies under common control are accounted for using consolidated net book values, consequently no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

(ii) Associates

Associates are enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date on which significant influence effectively commences until the date on which significant influence effectively ceases. Under equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2. Basis of preparation (continued)

(v) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in stating the financial position of the Company. The accounting policies have been consistently applied by all Group entities.

(a) Foreign currency

(i) Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the foreign currency exchange rate ruling at the date of the transaction. The exchange rate as published by the European Central Bank is used.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate ruling at the date on which the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are retranslated using the exchange rate ruling at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of available-for-sale equity investments which are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(ii) Financial information of foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at exchange rates ruling at the reporting date. Income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to EUR at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Income and expenses of foreign operations in hyperinflationary economies are translated to EUR at exchange rates ruling at the reporting date. Prior to translation, their financial statements for the current year are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences arising on translation are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of so that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(b) Cash and cash equivalents

The Group considers cash in hand, unrestricted balances with banks and other financial institutions due within one month to be cash and cash equivalents.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities

(i) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, those that the Group upon initial recognition designates as at fair value through profit or loss, or those where its initial investment may not be substantially recovered, other than because of credit deterioration.

When the Group is a lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and receivables.

Financial assets and liabilities at fair value through profit or loss are financial assets or liabilities that are classified as held for trading or those which are upon initial recognition designated by the entity as at fair value through profit or loss. Trading instruments include those that the Group principally holds for the purpose of short-term profit taking and derivative contracts that are not designated as effective hedging instruments. The Group designates financial assets and liabilities at fair value through profit or loss where either the assets or liabilities are managed, evaluated and reported internally on a fair value basis or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract. Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Financial assets held-to-maturity are those non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than loans and receivables and instruments designated as at fair value through profit or loss or as available-for-sale.

Financial assets available-for-sale are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, financial instruments at fair value through profit or loss or held-to-maturity investments.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Group's policy is to recognise them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Group used trade date accounting.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for loans and receivables and held-to-maturity investments, which are measured at amortised cost less impairment losses, and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(iv) Fair value measurement

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (such as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The fair value of debt and equity securities available-for-sale is based on their quoted market price.

(v) Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount in which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, net of any relevant impairment.

(vi) Gains and losses on subsequent measurement

Gains and losses on financial instruments classified as at fair value through profit or loss are recognised in profit or loss.

Gains and losses on available-for-sale financial assets are recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment

The Group has developed a provisioning policy, which describes in detail the procedures and methodology of the impairment measurement, and a write-off policy. The impairment measurement is dealt with as follows:

The Group assesses on a regular basis whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the assets in a group of financial assets with similar risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the financial asset's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows. Financial assets with a short duration are not discounted.

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of financial assets are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of amortisation, if no impairment loss had been recognised.

The write-off policy of the Group requires that the outstanding amount of a loan shall be written off if there is any installment overdue for 361 or more days. However, the loan shall remain in the Company's statement of financial position even after 361 days of non-payment if it is probable that the loan will be sold in a near future, or significant recoveries are expected. In such case, the loan outstanding amount shall be derecognised at the moment of the sale or later as soon as no significant recoveries are expected.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or the Group has assumed an obligation to pay cash flows from the financial asset in full to a third party under a "pass through" arrangement. Any interest in transferred financial assets that is created or retained by the Group is recognised separately as asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(ix) Offsetting

Financial assets and liabilities are off set and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(d) Intangible assets

Goodwill and gain on bargain purchase

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities of the acquiree. When the excess is negative (gain on a bargain purchase), it is recognised immediately in profit and loss. Goodwill is stated at cost less accumulated impairment losses (refer to Note 27).

In respect of associates, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

Software and other intangible assets

Software and other intangible assets that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss (as a part of "Other operating expenses") on a straight line basis over their estimated useful lives (1 - 3 years), from the date that they are available for use. Amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(e)Property, plant and equipment

The property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

The cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

The assets relating to the gas distribution network are stated at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

The gas distribution network is operated based on the service concession arrangements. The service concession arrangements generally follows IFRIC 12 (if meeting the relevant conditions) which is a very complex pronouncement and the interpretation of its scope requirements is a matter of judgement in a gas distribution industry. In 2015, the management carried out an extensive analysis regarding the applicability of IFRIC 12 following the specific context of the relevant market and legal conditions. As a result of this analysis, the management's view was that IFRIC 12 is not applicable as the relevant conditions have not been met.

The gas distribution network is depreciated on a straight-line basis for a 35-year period.

3. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss.

Depreciation on assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated economic useful lives, as follows:

	Years
Other tangible assets	1 – 16
Vehicles	3 – 8
Land and buildings	5 – 50

The items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The depreciation and impairment losses are charged to profit or loss (as a part of "Other operating expenses").

(f) Impairment for non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g)Trade and other receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are stated after deducting the appropriate allowances for any impairment.

3. Significant accounting policies (continued)

(g) Trade and other receivables (continued)

Adjustments are made for impairment when there is evidence that the Group will not be able to collect receivables originally agreed maturity. Special financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, failure to pay on time or delays in payments (more than 60 days maturity) are considered indicators of impairment claims. Also, it is a provision for doubtful debts total values older than 180 days. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in profit or loss.

Uncollectible accounts receivable are recorded as expenses when they are identified.

The impairment loss related to a receivable is reversed if the subsequent increase in recoverable amount can be related to an event occurring after the impairment loss was recognised.

(h) Equity

Share capital represents the nominal value of shares issued by the Company. To the extent such shares remain unpaid as of the end of the reporting period a corresponding receivable is presented in other assets.

Dividends on share capital are recognised as a liability provided they are declared before the end of the reporting period. Dividends declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

Non-controlling interests consist of the minority shareholders' proportion of the fair values of a subsidiary's net assets, at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

(i) Translation reserve

The translation reserve includes exchange differences relating to the translation of the results and net assets of the Group's foreign operations from functional to the Group's presentation currency. Exchange differences previously accumulated in the translation reserves are reclassified to profit or loss on the disposal of the foreign assets and operations.

(ii) Redeemable preference shares

The redeemable shares are classified as equity. Any dividends are discretionary only at the Company's option.

(i) Other payables

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which is normally equal to their nominal or repayment value.

(j) Revenues

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

(k) Net retail income

Revenues comprise the value of the gas distributed and supplied to customers and revenues from workings executed by the Company (gas supply installations, connection workings, grid extensions and other similar workings) net of value-added tax, rebates and discounts.

Revenues from gas sales/distribution are recognised based on the monthly consumption (estimated/measured) and are valued using the tariffs published by ANRE for the gas sold/distributed on the regulated market.

3. Significant accounting policies (continued)

(l) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(m) Fee and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income and expense relate mainly to transaction and service fees, which are recognised as the services are rendered or received.

The Group acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Group from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Group's contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Group does not participate on the insurance risk, which is entirely borne by the partner. Commission income from insurance is recognised in profit or loss when the Group provides the agency service to the insurance company.

(n) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

As from 1 January 2017, the Group adopted all changes to International Financial Reporting Standards (IFRSs) as adopted by the EU, which are relevant to its operations. This adoption did not have a material effect on the consolidated financial statements of the Group.

The following Standards, Amendments to Standards and Interpretations have been issued by the International Accounting Standards Board (IASB) but are not yet effective for annual periods beginning on 1 January 2017. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

3. Significant accounting policies (continued)

(i) Standards and Interpretations adopted by the EU

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 January 2019).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 (Clarifications) "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).

Estimated impact of the adoption of IFRS 9 and IFRS 15

The Group is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 (see (A)) and IFRS 15 (see (B)) will have on its consolidated financial statements. The estimated impact of the adoption of these standards on the Group's equity as at 1 January 2018 is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standards at 1 January 2018 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

Estimated impact of the adoption of IFRS 9

The Group is currently in the process of assessing the potential impact of IFRS 9 on its financial statements. Estimate of the impact is TEUR500-800.

The Group has estimated that, on the adoption of IFRS 9 at 1 January 2018, the impact on the Group´s share in its most significant associates of the increase in loss allowances (before tax) will be in the range of MEUR 28 - 34 for Home Credit B.V. The Group´s share in related deferred tax impact is estimated to result in an increase of retained earnings by approximately MEUR 6 - 8. There is no significant impact from the adoption of IFRS 9 on the Group´s share in SAZKA Group a.s.

Estimated impact of the adoption of IFRS 15
Based on the assessment of individual contracts completed as at 31 December 2017 the Group assumes that adoption of IFRS 15 impacts only the revenues from gas connection services and gas network extension which are presented as other income, on line "Other operating income" in the statement of comprehensive income. The expected impact of the initial application of IFRS 15 on its retained earnings as at 1 January 2018 is increase the retained earnings by 5.500 TEUR (a transfer from "Deferred income").

The Group does not expect the application to have a significant impact on the Group´s share in its most significant associates Home Credit B.V. and SAZKA Group a.s.

3. Significant accounting policies (continued)

A. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

i. Classification – Financial assets

FRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the ´incurred loss´ model in IAS 39 with a forward/looking ´expected credit loss´ (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if the has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

For the purposes of preparing the ECL model, the portfolio of financial assets is divided into segments. Within each segment, financial assets are classified into three stages (Stage I - III) or into a group of financial assets that are impaired as at the date of initial recognition – purchased or originated credit impaired assets (POCI). As at the date of initial recognition, financial assets are classified either into Stage I or POCI. Subsequent reclassification into further stages is carried out according to the definition of an increase in credit risk (Stage II) or impairment of the relevant asset (Stage III) since its initial recognition as at the reporting date.

The Group may assume that the credit risk associated with the financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

3. Significant accounting policies (continued)

A significant increase in credit risk (SICR) represents a significant increase in the risk of default in respect of a financial assets as at the reporting date compared with the risk as at the date of initial recognition.

When determining SICR on a financial assets since its initial recognition, the Group uses reasonable and supportable information that is relevant and available without undue cost or effort.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 1 January 2018.

iv. Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

v. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

B. IFRS 15 Revenue from contracts with customers and Clarifications to IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

3. Significant accounting policies (continued)

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Clarifications to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard.

The amendments clarify how to:

- identify a performance obligation - the promise to transfer a good or a service to a customer- in a contract;
- 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
- determine whether the revenue from granting a license should be recognised at a point in time or over time.

The amendments also provide entities with two additional practical expedients:

- An entity need not restate contracts that are completed contracts at the beginning of the earliest period presented (for entities that using the full retrospective method only);
- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract but shall instead reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented (also for entities recognising the cumulative effect of initially applying the standard at the date of initial application).

i. Sale of goods/ rendering services

The Group is evaluating the impact of adoption of IFRS 15 on the consolidated financial statements by way of a thorough analysis of the contracts with customers and evaluating the current form with respect to IFRS 15 guidelines. The Group evaluated the following revenues:

- sale of goods (gas)
- gas distribution income
- gas connection services
- gas network extension
- installation facilities executions
- other revenues

ii. Transition

The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019). Effective for annual periods beginning on or after 1 January 2019. Based on assessments undertaken to date, the adoption of the standard is not expected to have a material impact on the Group's financial statements.

3. Significant accounting policies (continued)

- Annual Improvements to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 (IFRS 1 and IAS 28)).
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018). Based on assessments undertaken to date, the adoption of the standard is not expected to have a material impact on the Group's financial statements.

(ii) Standards and Interpretations not adopted by the EU

- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019). The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Group uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.
- Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019). The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements for the Group.
- "Amendments to References to the Conceptual Framework in IFRS Standards" (effective for annual periods beginning on or after 1 January 2020). The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements for the Group.
- IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective date postponed indefinitely). The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements for the Group.
- IAS 28 (Amendments) "Long-term Interest in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019). The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements for the Group.

4. Financial risk management

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

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk
- legal risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and are responsible for developing and monitoring risk management policies in their specified areas.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The majority of the Group's exposure to credit risk arises in connection with the provided loans and financial assets which is the Group's principal business. The remaining part of the Group's exposures to credit risk is related to due from banks and other financial institutions, financial assets available-for-sale and other assets.

Credit risk results from business transactions (receivables from counterparties) and from the transactions in financial markets (money market, currency exchange, derivatives transactions, etc.). Several criteria are applied when assessing the level of credit risk.

Credit terms for individual transactions are assessed by the Group's specialists, including middle and top management of the Group. Experts from both law firms and financial institutions were also consulted on the risks related to the transactions. Publicly available information and information from external agencies were used for ongoing monitoring of the credit quality of the counterparties.

The receivables are divided by counterparties and are allocated to the responsible person overseeing each case. The counterparties are allocated to category classes based on allocation criteria such that the first class included low risk counterparties and the third class included higher risk counterparties.

The Group has a credit limit policy including new credit terms and credit limits. The Group has continued in a process of monitoring counterparties and their payment morale on regular basis.

The Group also continuously monitors the performance of individual credit exposures using a number of criteria. The Group has an active fraud prevention and detection program. Credit risk developments are reported by the Group Credit Risk Department to the Board of Directors on a regular basis.

As a result of recent negative development on financial markets, the credit environment in certain countries in which the Group operates has deteriorated. The Group has taken strict measures in its underwriting and collection policies in order to limit the negative impact of such market changes.

4. Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk

The group has provided loans in amount of TEUR 147,174. The tables below provide a detailed analysis of the Group's exposure to credit risk.

	Loans - Due from non-banks		Loans - Due from banks and other financial institutions	
	2017	2016	2017	2016
	TEUR	TEUR	TEUR	TEUR
Neither past due nor impaired	145,860	145,939	1,314	1,321
Total carrying amount	**145,860**	**145,939**	**1,314**	**1,321**

Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings of Moody's (if applicable):

	2017	2016
	TEUR	TEUR
Cash at bank and short term bank deposits		
A2	--	14
A3	15	--
Ba1	--	86
Baa1	--	728
Baa3	1,012	--
Caa1	5	6
Caa2	4,784	--
Caa3	--	1,289
Non-rated	27,397	1,402
Total	**33,213**	**3,525**

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk is managed by ensuring that there are sufficient financial resources to meet the obligations associated with financial liabilities. Cautious liquidity risk management assumes maintenance of a sufficient amount of cash and the availability of required external financing in terms of loans and borrowings.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's Treasury collects information regarding the liquidity profile of the financial assets and liabilities and details of other projected cash flows arising from projected future business. Portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

In order to monitor the current trends in liquidity and to manage other associated risks (exchange rate risk, interest rate risk, foreign exchange risk, payment conditions, tax legislation, etc.), a meeting is held on a monthly basis in attendance with representatives of the Finance Department and with specialists and managers from other departments, if needed. In regular meetings, the Finance Director then reports to the Group management on the liquidity status and its developments. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing as at the reporting date. Foreign currency payments are translated using the spot exchange rate as at the balance sheet date.

4. Financial risk management (continued)

Contractual maturity analysis
The following table shows financial assets and liabilities by remaining maturity dates.

2017

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	No maturity	Total
Cash and cash equivalents	33,218	--	--	--	33,218
Loans - Due from non-banks	9,385	41,395	95,080	--	145,860
Loans - Due from banks and other financial institutions	--	1,314	--	--	1,314
Trade and other receivables	14,513	3,990	--	--	18,503
Other assets	4,598	--	--	--	4,598
Total financial assets	**61,714**	**46,699**	**95,080**	**--**	**203,493**
Due to non-banks	--	12,475	333,203	--	345,678
Due to banks and other financial institutions	9,651	--	--	--	9,651
Bonds issued	--	1,225	106,518	--	107,743
Trade and other payables	4,460	925	--	--	5,385
Other liabilities	13,347	--	4,970	--	18,317
Total financial liabilities	**27,458**	**14,625**	**444,691**	**--**	**486,774**
Net position	**34,256**	**32,074**	**(349,611)**	**--**	**(283,281)**

2016

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	No maturity	Total
Cash and cash equivalents	3,567	--	--	--	3,567
Financial assets at fair value through profit or loss	--	--	--	3,085	3,085
Loans - Due from non-banks	3,445	24,739	117,755	--	145,939
Loans - Due from banks and other financial institutions	1,321	--	--	--	1,321
Trade and other receivables	11,942	3,035	--	--	14,977
Other assets	3,652	--	--	--	3,652
Total financial assets	**23,927**	**27,774**	**117,755**	**3,085**	**172,541**
Due to non-banks	--	59,623	289,698	--	349,321
Due to banks and other financial institutions	6,177	--	67	--	6,244
Trade and other payables	4,734	2,861	--	--	7,595
Other liabilities	22,897	--	4,598	--	27,495
Total financial liabilities	**33,808**	**62,484**	**294,363**	**--**	**390,655**
Net position	**(9,881)**	**(34,710)**	**(176,608)**	**3,085**	**(218,114)**

4. Financial risk management (continued)

Contractual cash flows of financial liabilities (gross undiscounted cash flows)
The following table shows gross undiscounted cash flows including estimated interest payments and therefore may not agree with the carrying amounts in the statement of financial position.

2017

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	Total
Due to non-banks	--	29,638	342,044	371,682
Due to banks and other financial institutions	9,561	--	--	9,561
Bonds issued	--	6,817	126,091	132,908
Trade and other payables	4,460	925	--	5,385
Total	**14,021**	**37,380**	**468,135**	**519,536**

2016

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	Total
Due to non-banks	--	88,901	331,908	420,809
Due to banks and other financial institutions	5,423	1,800	--	7,223
Trade and other payables	7,595	--	--	7,595
Total	**13,018**	**90,701**	**331,908**	**435,627**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The majority of the Group's exposure to market risk arises in connection with the funding of the Group's operations with liabilities denominated in foreign currencies and to the extent the term structure of interest bearing assets differs from that of liabilities.

Market risk includes currency risk and interest rate risk. Management's objectives are to use natural hedging only. The borrowings are secured by the majority of the Group's receivables.

Interest rate risk
The principal risk to which the Group is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. As part of its management of this position, the Group may use interest rate derivatives.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios.

Foreign currency risk
The Group has assets and liabilities denominated in several foreign currencies. It invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in USD, CZK and RON.

Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency. Foreign currency risk is managed principally through monitoring foreign currency mismatches in the structure of assets and liabilities in the individual Group's country operations.

Net investments in foreign operations are not hedged. As a result, the Group's financial position is adequately sensitive on movements of the relevant foreign exchange rates. Impact of such exchange rate changes on the Group's net investment in foreign operations is presented as currency translation in the consolidated statement of changes in equity.

4. Financial risk management (continued)

Interest rate gap position based on re-pricing dates

2017

TEUR	Effective interest rate	Floating interest rate: Less than 3 months	Floating interest rate: 3 months to 1 year	Floating interest rate: 1 to 5 years	Fixed interest rate or Non specified	Total
Interest bearing financial assets						
Cash and cash equivalents	0.00%	33,218	--	--	--	33,218
Loans - Due from banks and other financial institutions	0.00%	--	--	--	1,314	1,314
Loans - Due from non-banks	2.51%	--	83,727	--	62,133	145,860
Total interest bearing financial assets	**--**	**33,218**	**83,727**	**--**	**63,447**	**180,392**
Interest bearing financial liabilities						
Due to non-banks	7.33%	--	85,313	--	260,365	345,678
Due to banks and other financial institutions	5.91%	--	9,651	--	--	9,651
Bonds issued	5.25%	--	--	--	107,743	107,743
Total interest bearing financial liabilities	**--**	**--**	**94,964**	**--**	**368,108**	**463,072**

2016

TEUR	Effective interest rate	Floating interest rate: Less than 3 months	Floating interest rate: 3 months to 1 year	Floating interest rate: 1 to 5 years	Fixed interest rate or Non specified	Total
Interest bearing financial assets						
Cash and cash equivalents	0.00%	3,567	--	--	--	**3,567**
Loans - Due from banks and other financial institutions	0.00%	--	--	--	--	**--**
Loans - Due from non-banks	5.97%	--	--	--	145,939	**145,939**
Total interest bearing financial assets	--	3,567	--	--	145,939	149,506
Interest bearing financial liabilities						
Due to non-banks	7.20%	--	98,190	--	251,131	349,321
Due to banks and other financial institutions	4.95%	--	6,244	--	--	6,244
Total interest bearing financial liabilities	**--**	**--**	**104,434**	**--**	**251,131**	**355,565**

Interest rate sensitivity analysis

An analysis of sensitivity of the Group's equity to changes in interest rates based on positions existing as at 31 December 2017 and 31 December 2016 and a simplified scenario of a 100bp change in interest rates is shown below:

	Total effect on equity 2017 TEUR	**Total effect on equity 2016 TEUR**
Effect of 100bp decrease in interest rate	947	2,050
Effect of 100bp increase in interest rate	(947)	(2,050)

4. Financial risk management (continued)

Foreign currency position

2017

TEUR	EUR	USD	CZK	RON	Other currencies	Total
Cash and cash equivalents	12,860	6	14,492	5,802	58	33,218
Loans - Due from banks and other financial institutions	1,051	--	--	263	--	1,314
Loans - Due from non-banks	103,185	9,307	23,983	8,917	468	145,860
Trade and other receivables	--	--	--	18,503	--	18,503
Other assets	3,048	--	--	1,550	--	4,598
Total financial assets	**120,144**	**9,313**	**38,475**	**35,035**	**526**	**203,493**
Due to non-banks	300,990	38,391	5,762	535	--	345,678
Due to banks and other financial institutions	--	--	--	9,651	--	9,651
Bonds issued	107,743	--	--	--	--	107,743
Trade and other payables	772	--	--	4,613	--	5,385
Other liabilities	--	--	--	18,317	--	18,317
Current tax liability	108	--	--	--	--	108
Total financial liabilities	**409,613**	**38,391**	**5,762**	**33,116**	**--**	**486,882**
Net position	**(289,469)**	**(29,078)**	**32,713**	**1,919**	**526**	**(283,389)**

2016

TEUR	EUR	USD	CZK	RON	Other currencies	Total
Cash and cash equivalents	370	631	--	2,266	300	3,567
Financial assets at fair value through profit or loss	3,085	--	--	--	--	3,085
Loans - Due from banks and other financial institutions	1,051	--	--	270	--	1,321
Loans - Due from non-banks	97,841	30,139	14,032	2,821	1,106	145,939
Trade and other receivables	--	--	--	14,977	--	14,977
Other assets	2,776	--	--	876	--	3,652
Total financial assets	**105,123**	**30,770**	**14,032**	**21,210**	**1,406**	**172,541**
Due to non-banks	204,245	138,735	6,341	--	--	349,321
Due to banks and other financial institutions	486	--	--	5,758	--	6,244
Deferred tax liabilities	--	--	--	3,200	--	3,200
Trade and other payables	868	--	--	6,727	--	7,595
Other liabilities	15,180	--	--	12,315	--	27,495
Current tax liability	--	--	--	15	--	15
Total financial liabilities	**220,779**	**138,735**	**6,341**	**28,015**	**--**	**393,870**
Net position	**(115,656)**	**(107,965)**	**7,691**	**(6,805)**	**1,406**	**(221,329)**

4. Financial risk management (continued)

Foreign currency risk sensitivity analysis

An analysis of sensitivity of the Group's equity to changes in currency exchange rates based on positions existing as at 31 December 2017 and 31 December 2016 and a simplified scenario of a 5% change in USD, CZK and RON to EUR exchange rates is shown below:

	Total effect on equity 2017	**Total effect on equity 2016**
	TEUR	**TEUR**
Effect of 5% USD depreciation against EUR	1,454	5,398
Effect of 5% USD appreciation against EUR	(1,454)	(5,398)
Effect of 5% CZK depreciation against EUR	(1,636)	(385)
Effect of 5% CZK appreciation against EUR	1,636	385
Effect of 5% RON depreciation against EUR	134	481
Effect of 5% RON appreciation against EUR	(134)	(481)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure supporting the activities with financial instruments, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the limiting of financial losses and damage to the Group's reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk is assigned to senior management of the Group. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective;

(e) Legal risk

Legal risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations.

Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through strive for improving the debt to equity ratio.

5. Operating environment

Volatility in global financial markets

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Operating environment of the Group

Even though the financial services sector showed negative growth, there has been an increase in the Gross Domestic Product which is mainly attributed to the hotels, construction, manufacturing and the wholesale and retail trade sectors. The economic growth was mainly driven by the increase in private consumption, which benefited from the reduction in unemployment and the consequent increase in disposable income. The growth was also supported by the slower pace of reductions in public spending and the increase in investments. The credit rating of the country is currently BB +.

Despite the significant steps towards economic recovery, a degree of uncertainty still exists, as certain issues remain to be resolved, such as the high index of non-performing loans, the high unemployment and the implementation of privatisation and reforms of the public services sector.

The above could affect, among others, the Group's ability to obtain new loans on favourable terms and conditions or/and its ability to achieve satisfactory turnover.

The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

6. Critical accounting estimates and judgements

Fair values of financial instruments

The Group has performed an assessment of fair values of its financial instruments to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The fair value of financial instruments traded in active markets, such as publicly traded trading and available-for-sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices (Level 1) or calculated using valuation techniques where all the model inputs are observable in the market, typically interest rates and foreign exchange rates, (Level 2) or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3):

	Note	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
2017					
Financial assets available-for-sale	10	--	--	--	--
Financial assets at fair value through profit or loss	10	--	--	--	--
2016					
Financial assets available-for-sale	10	--	--	--	--
Financial assets at fair value through profit or loss	10	--	3,085	--	3,085

Reconciliation of movements in Level 3:	**2017** **TEUR**	**2016** **TEUR**
Financial assets		
Balance as at 1 January	--	97,947
Acquisition of financial assets available-for-sale (Level 3)	--	--
Disposals of financial assets available-for-sale (Level 3)	--	(97,947)
Balance as at 31 December	--	--

7. Intangible assets

2016	Goodwill TEUR	Software TEUR	Land lease rights TEUR	Other intangible assets TEUR	Total TEUR
Acquisition cost					
Balance as at 1 January 2016	--	276	102	--	378
Additions	--	2	--	4	6
Disposals	--	--	--	--	--
Transfers	--	(51)	--	51	--
Translation difference	--	(2)	--	--	(2)
Balance as at 31 December 2016	**--**	**225**	**102**	**55**	**382**
2017					
Balance as at 1 January 2017	--	225	102	55	382
Acquisitions through business combinations	1,361	--	--	106	1,467
Additions	--	618	--	4	622
Disposals	--	--	--	--	--
Transfers	--	56	--	(56)	--
Translation difference	--	(17)	(3)	(4)	(24)
Balance as at 31 December 2017	**1,361**	**882**	**99**	**105**	**2,447**
2016					
Accumulated amortization					
Balance as at 1 January 2016	--	(175)	(5)	--	(180)
Charge for the year	--	(78)	(3)	(4)	(85)
Transfer	--	49	--	(49)	--
Translation difference	--	--	--	--	--
Balance as at 31 December 2016	**--**	**(204)**	**(8)**	**(53)**	**(265)**
2017					
Balance as at 1 January 2017	--	(204)	(8)	(53)	(265)
Charge for the year	--	(25)	(3)	(4)	(32)
Transfer	--	(54)	--	54	--
Translation difference	--	6	1	(2)	5
Balance as at 31 December 2017	**--**	**(277)**	**(10)**	**(5)**	**(292)**
Carrying amount					
As at 31 December 2016	**--**	**21**	**94**	**2**	**117**
As at 31 December 2017	**1,361**	**605**	**89**	**100**	**2,155**

8. Property, plant and equipment

2016	Land and buildings	Vehicles	Other tangible assets and equipment	Tangible assets not in use	Advance payments	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Acquisition cost						
Balance as at 1 January 2016	36,934	570	2,941	516	--	40,961
Additions	858	165	237	--	7	1,267
Disposals	(4)	(2)	(2)	(33)	--	(41)
Revaluation	12,169	--	10	--	--	12,179
Translation differences	(128)	(3)	(1)	--	--	(132)
Balance as at 31 December 2016	**49,829**	**730**	**3,185**	**483**	**7**	**54,234**
2017						
Balance as at 1 January 2017	49,829	730	3,185	483	7	54,234
Acquisitions through business combinations	733	--	198	72	--	1,003
Additions	720	33	762	498	--	2,013
Disposals	(4,241)	--	(501)	(433)	(7)	(5,182)
Transfers	--	--	531	(531)	--	--
Translation differences	(1,223)	(20)	(99)	(19)	--	(1,361)
Balance as at 31 December 2017	**45,818**	**743**	**4,076**	**70**	**--**	**50,707**
2016						
Accumulated depreciation						
Balance as at 1 January 2016	(2,734)	(258)	(1,433)	--	--	(4,425)
Charge for the year	(1,692)	(179)	(283)	--	--	(2,154)
Impairment loss	--	--	--	(232)	--	(232)
Disposals	--	--	--	--	--	--
Revaluation	1,509	--	(8)	--	--	1,501
Translation difference	22	3	2	--	--	27
Balance as at 31 December 2016	**(2,895)**	**(434)**	**(1,722)**	**(232)**	**--**	**(5,283)**
2017						
Balance as at 1 January 2017	(2,895)	(434)	(1,722)	(232)	--	(5,283)
Charge for the year	(3,280)	(142)	(277)	--	--	(3,699)
Impairment loss	--	--	--	(137)	--	(137)
Disposals	2,872	--	130	--	--	3,002
Transfers	--	--	(357)	357	--	--
Translation difference	81	12	55	12	--	160
Balance as at 31 December 2017	**(3,222)**	**(564)**	**(2,171)**	**--**	**--**	**(5,957)**

	Land and buildings	Vehicles	Other tangible assets and equipment	Tangible assets not in use	Advance payments	Total
Carrying amount	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**
As at 31 December 2016	**46,934**	**296**	**1,463**	**251**	**7**	**48,951**
As at 31 December 2017	**42,596**	**179**	**1,905**	**70**	**--**	**44,750**

8. Property, plant and equipment (continued)

During 2016, the Group revalued its gas distribution network located in Romania, based on a valuation carried out by the independent valuators Accento Management Consultants Srl as at 31 December 2016. As a result a revaluation gain of TEUR 13,680 was recognised in the revaluation reserve for the year 2016 (note 21). No revaluation gain or loss was recognised in revaluation reserve for the year 2017.

9. Cash and cash equivalents

	2017 TEUR	2016 TEUR
Current accounts	33,213	3,525
Cash on hand	5	42
	33,218	**3,567**

The exposure of the Group to credit risk in relation to cash and cash equivalents is reported in note 4 of the consolidated financial statements.

10. Financial assets

Financial assets at fair value through profit or loss

In 2016, financial assets at fair value through profit or loss of the Group were represented by financial derivatives from BELLVILLE SERVICES LIMITED - total return swaps in carrying amount of TEUR 3,085. Total return swaps agreements were terminated during 2017.

The financial derivatives were marketable securities and were valued at market value as at 31 December 2016 by reference to Stock Exchange quoted bid prices. The financial derivatives are classified as current assets because they were expected to be realised within twelve months from the reporting date.

In the statement of cash-flows, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of profit or loss and other comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

	2017	2016
At 1st January	3,085	2,353
Additions	--	--
Change in fair value (Note 22)	932	732
Disposal	(4,017)	--
Balance at 31st December	--	**3,085**

11. Loans receivable

The Group has provided loans to its related parties of TEUR 134,880 (2016 - TEUR 144,439) and third parties of TEUR 12,294 (2016 – TEUR 2,821) which are repayable as follows:

2017	**Average interest rate**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total TEUR**
Loans receivable	4.40%	9,385	42,709	95,080	**147,174**

2016	**Average interest rate**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total TEUR**
Loans receivable	5.18%	1,321	28,643	117,296	**147,260**

The exposure of the Group to credit risk in relation to loan receivables is reported in note 4 of the consolidated financial statements. The fair value of loan receivables approximates to their carrying amounts as presented above.

12. Trade and other receivables

The trade receivables and other receivables amounted to TEUR 18,503 as at 31 December 2017 (2016 - TEUR 14,977).

The trade receivables refer mainly to distribution and sales of gas and workings performed (connections, utility installations and network extension partially financed by customers) by the Romanian companies.

In 2016, other receivables included an amount of TEUR 2,393 consideration due from the disposal of the investment in Facipero Investments Limited (note 10). As at the year end, a write off was recorded for the amount of TEUR 1,214, decreasing the receivable from TEUR 3,607 to TEUR 2,393.

The fair value of trade and other receivables approximates to their carrying amounts as presented above.

13. Other assets

Other assets include other tax receivables of TEUR 66 (2016 – TEUR 876) and prepaid expenses, sundry debtors, down-payments to suppliers, investment grants and other current assets in the aggregate amount of TEUR 4,148 (2016 - TEUR 2,776).

14. Investments in associates

The Group has the following investments which were accounted for using the equity method:

	Type of equity method investment	**Country of incorporation**	**Ownership interest**		**Carrying amount**	
			(%)		**TEUR**	
			2017	**2016**	**2017**	**2016**
MESTROLIO INVESTMENTS LTD	associate	Cyprus	25.00	25.00	2,700	3,339
HOME CREDIT B.V.	associate	Netherlands	11.38	11.38	459,900	400,987
AMESELO LIMITED [1]	associate	Cyprus	33.34	33.34	188	261
SAZKA Group a.s.	associate	Czech republic	25.00	25.00	190,218	162,676
HOME CREDIT GROUP B.V. [2]	associate	Netherlands	11.38	--	750	--
					653,756	**567,263**

1) AMESELO LIMITED is under liquidation process
2) Founded in 2017

14. Investments in associates (continued)

In 2016 the Group sold its share in Austrian Gaming Holding a.s. and KKCG Turkey B.V. and acquired share in SAZKA Group a.s.

The Group's share of profit of the above equity-accounted investees recognised in 2017 amounts to TEUR 52,262 (2016 – TEUR 29,484), the Group's share of other comprehensive income in 2017 amounts to TEUR negative 15,656 (2016 – TEUR 11,624). The Group's share of other comprehensive income in 2017 and in 2016 was influenced notably by the change in HOME CREDIT B.V.'s translation reserve. This translation reserve represents foreign exchange differences arising from translation of the financial statements of the companies forming a group in which the associate (HOME CREDIT B.V.) is the parent company.

The Company's shares in Home Credit B.V. are pledged for the underlying loan payable to PPF Group N.V. The shares in SAZKA Group a.s. are fully pledged under the facility agreement dated 17 August 2016, to the extent they arise up to the aggregate amount of TEUR 400,000 until 31 December 2030.

	2017	2016
At 1st January	567,263	370,451
Additions (acquisitions and capital contributions)	58,951	157,550
Disposal	--	(494)
Impairment loss on associates	(639)	--
Group's share of profit / (loss)	52,262	29,484
Group's share of Other comprehensive income – translation reserve	(17,497)	12,002
Group's share of Other comprehensive income – other components of OCI	1,841	(378)
Group's share of other net assets changes (other)	(8,425)	(1,352)
At 31st December	**653,756**	**567,263**

The financial information relating to investments in associates is summarised below:

TEUR	MESTROLIO INVESTMENTS LTD associate (25.00%) 2017	MESTROLIO INVESTMENTS LTD associate (25.00%) 2016	HOME CREDIT B.V. associate (11.38%) 2017	HOME CREDIT B.V. associate (11.38%) 2016	SAZKA Group a.s. [2] associate (25.00%) 2017	SAZKA Group a.s. [2] associate (25.00%) 2016	Other associates [1] 2017	Other associates [1] 2016
Summarised balance sheet								
Non-current assets	7,669	13,516	8,041,336	5,117,991	3,265,161	3,083,970	--	--
Current assets	5,943	1	13,484,851	9,585,834	642,011	558,390	7,369	784
Non-current liabilities	--	--	(4,997,862)	(2,437,702)	(1,612,799)	(1,255,571)	--	--
Current liabilities	(220)	(157)	(14,499,917)	(10,764,760)	(643,534)	(634,421)	--	(2)
Net assets (100%)	**13,392**	**13,360**	**2,028,408**	**1,501,363**	**1,650,839**	**1,752,368**	**7,369**	**782**
Summarised income statement								
Revenues	96	191	4,362,662	2,773,508	1,800,430	637,193	--	--
Operating profit/(loss)	82	180	3,123,124	2,000,387	258,231	116,265	(4)	(9)
Profit/(loss) before tax	83	180	372,729	324,912	259,110	111,237	--	(9)
Income tax	(20)	--	(128,903)	(114,679)	(69,561)	(18,962)	--	--
Profit/(loss) for the year	**63**	**180**	**243,826**	**210,233**	**189,549**	**92,275**	**(4)**	**(9)**
- *out of which profit/ (loss) attributable to equity holders*	**63**	**180**	**255,701**	**212,797**	**92,980**	**56,604**	**(4)**	**(9)**
Other comprehensive income	**--**	**--**	**(166,000)**	**94,505**	**11,687**	**(3,347)**	**--**	**--**
Total comprehensive income	***63***	***180***	***77,826***	***304,738***	***201,236***	***88,928***	**(4)**	***(9)***

1) Other participations include also AMESELO LIMITED and HOME CREDIT GROUP B.V. Group structure is described **in Note 1**.
2) Share in SAZKA Group a.s. acquired on 17 August 2016. For details refer to Note 1. Group structure is described in Note 1.

15. Liabilities due to non-banks

The contractual terms of the Group's non-bank loans are summarised below. For more information about the Group's exposure to interest rate and foreign currency risk, please refer to Note 4.

	2017 TEUR	2016 TEUR
Loans from related parties	345,043	300,596
Loans from third parties	635	48,725
	345,678	**349,321**

Non-bank loans are payable as follows:

TEUR	Amount as at 31 December 2017	Payable in 1 year	Payable in 1 to 5 years
Loans from related and third parties	345,678	12,475	333,203
Total	**345,678**	**12,475**	**333,203**

TEUR	Amount as at 31 December 2016	Payable in 1 year	Payable in 1 to 5 years
Loans from related and third parties	349,321	59,623	289,698
Total	**349,321**	**59,623**	**289,698**

Loans originally granted from PPF Group N.V. (later assigned to PPF Financial Holdings B.V.) of TEUR 161,382 (2016 – TEUR 108,436) are secured by investments in associates (refer to Note 14).

The fair value of liabilities due to non-banks approximates to their carrying amounts as presented above.

16. Liabilities due to banks and other financial institutions

As at 31 December 2017, the Group's current liabilities due to banks and other financial institutions amounting TEUR 9,651 are represented mostly by bank loans consisting of two loan facilities received by PREMIER ENERGY SRL with maturity in 2018.

As at 31 December 2016, the Group's current liabilities due to banks and other financial institutions amounting TEUR 6,244 were represented mostly by bank loans consisting of three loan facilities received by GAZ SUD S.A. with maturity in 2017.

The fair value of liabilities due to banks and other financial institutions approximates to their carrying amounts as presented above.

17. Bonds issued

As at 21 July 2017, the Group issued bonds EMG 5.25/2022 (ISIN SK4120013012) in total nominal value of TEUR 120,000. The bonds will mature as at 21 July 2022. The nominal value of each bond is EUR 1,000. Bonds bear the fixed interest rate of 5.25% p.a. Interest is due quarterly on 22 January, 22 April, 22 July and 22 October. Bonds were accepted for trading on the Bratislava Stock Exchange.

	TEUR
Bonds issued as at 21 July 2017	120,000
Expenses related to the issue of bonds - amortized	(3,280)
Accrued interest	1,225
Bonds bought by the Group on the market as the short-term liquidity placement (sold during 2018)	(10,202)
Total amount as at 31 December 2017	**107,743**

Therefore as at 31 December 2017, value of bonds (including interest liability) held by the investors outside the Group amounts to TEUR 107,743. Bonds are secured by pledge of shares in SAZKA Group a.s. held by the Group. All covenants related to the bonds were met as at 31 December 2017.

The fair value of bonds issued approximates to their carrying amounts as presented above.

18. Trade and other payables

The Group's trade payables as of 31 December 2017 amounting TEUR 5,385 (2016 - TEUR 7,595) consist mainly of payables of gas supply of Romanian companies.

The fair value of trade and other payables approximates to their carrying amounts as presented above.

19. Other liabilities

	2017 TEUR	2016 TEUR
Promissory notes outstanding	-	15,180
Deferred income and prepayments	7,065	6,334
Accrued expenses	6,253	1,935
Other tax payable	1,049	865
Finance lease liabilities	5	92
Advances received	2,460	1,784
Wages and salaries	224	224
Social security and health insurance	45	38
Other liabilities	766	1,043
	17,867	**27,495**

As at 31st December 2016, the balance consisted of a promissory note for the amount of TEUR 15,180 representing the deferred consideration connected to acquisition of SAZKA Group a.s. The promissory note was settled in 2017.

As at 31 December 2017 and 2016, the balance of other liabilities is notably represented by other liabilities borne by the Romanian companies described in Note 1.

The fair value of other liabilities approximates to their carrying amounts as presented above.

20. Deferred tax liability and asset

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2017 TEUR	2016 TEUR
Deferred tax assets	4	--
Deferred tax liabilities	(4,041)	(4,511)
Net deferred tax liabilities	**(4,037)**	**(4,511)**

The recognised deferred tax assets and liabilities are attributable mainly to property, plant and equipment.

Movements in temporary differences during the period were as follows:

TEUR	Balance at 1 January	Recognized in profit or loss (Note 29)	Recognized in other comprehensive income (Note 21)	Effect of movements in foreign exchange rate	Balance at 31 December
Movements in 2017	(4,511)	373	--	101	(4,037)
Movements in 2016	(2,537)	833	(2,143)	(664)	(4,511)

21. Equity

Share capital

At 31st December 2017, the share capital of the Group comprised 10,000 ordinary shares with nominal value of EUR 1, shares were issued and fully paid.

The Ordinary Shares shall confer on their holders the following rights:

a) The right to receive notice, attend and vote at any proposed General Meeting and/or proposed resolution of the General Meeting and/or any proposed unanimous written resolution of the General Meeting.

b) The right to receive dividends in accordance with Regulations 112-114A.c) On a return of assets on liquidation of the Company, reduction of capital or otherwise, the right to receive assets corresponding to (i) the nominal value of the Ordinary Shares and (ii) to the amount remaining payable as provided for in Regulation 114A (c).

Upon incorporation on 12th October 2012, the Company issued to the subscribers of its Memorandum of Association 10,000 ordinary shares of EUR 1 each at par and 9,900 redeemable preference shares of EUR 1 each at par.

Redeemable shares

	2017 Number of shares	2017 EUR	2016 Number of shares	2016 EUR
Authorised				
Redeemable shares of EUR 1 each	10,055	10,055	10,055	10,055
Issued and fully paid (Total)				
Opening balance	10,055	437,605,467	10,054	414,940,747
Issue of shares (including premium)	--	--	1	22,664,720
Balance as at 31 December	**10,055**	**437,605,467**	**10,055**	**437,605,467**

On 17 August 2016, the Company issued and allotted 1 redeemable preference share of €1 at a premium of EUR 22.664.719 for a total subscription of EUR 22.664.720.

The Redeemable Preference Shares shall confer on their holders the following rights:

a. The right to redeem such shares in accordance with the procedure set out in the present Regulations.
b. The right to receive dividends in accordance with Regulations 112- 114A.
c. On a return of assets on liquidation of the Company, reduction of capital or otherwise, the right to receive any surplus assets remaining after the distribution to the holders of Ordinary Shares as provided for in Regulation 5A (c).

Translation reserve

The translation reserve balance as at 31 December 2017 of negative TEUR 55,067 (2016 – negative TEUR 37,368) represents notably foreign exchange differences arising from translation of the financial statements of the companies forming a group in which the associate (HOME CREDIT B.V.) is the parent company. The negative change of TEUR 17,699 in 2017 (2016 – positive change TEUR 12,002) in the translation reserve is primarily caused by movements in equity of equity accounted investees (see Note 14).

21. Equity (continued)

Revaluation reserves

The revaluation reserve represents effects of revaluation gains/(losses) of the Group's share on revaluation gains/(losses) from associates.

	Note	TEUR
On 1st January 2016		9,025
Current year revaluation loss from reclassified from OCI to profit or loss		(1,004)
Share on accumulated revaluation gains from associates reclassified from OCI to profit or loss (HOME CREDIT B.V.)		(74)
Current year revaluation of PPE		13,680
Deferred tax on current year revaluation of PPE		(2,143)
On 31st December 2016		**19,484**
On 1st January 2017		19,484
Share on accumulated revaluation gains from associates reclassified from OCI to profit or loss (HOME CREDIT B.V.)	14	(2,666)
On 31st December 2017		**16,818**

Other reserves

The balance of other reserves as at 31st December 2017 of TEUR negative 16,338 (2016 – TEUR negative 12,761) represents notably the Group's share on associate's SAZKA Group a.s. changes in net assets other than associates' profit or loss or associates' other comprehensive income (see Note 14).

22. Trading Profit

Net gain ("trading profit") on financial assets amounting to TEUR 781 (2016 – TEUR 3,598) consists of gain on other financial assets at fair value through profit or loss at amount of TEUR 932 (2016 – gain TEUR 732), of a loss on FX Trading amounting to TEUR 151 (2016 – TEUR loss of 7) and a gain on equity securities TEUR 0 (2016 – TEUR 2,873).

23. Impairment losses on investments

In 2017, the Group has recognised an impairment loss of TEUR 639 for AMESELO LIMITED – associates (2016 – impairment loss of TEUR 9 for AMESELO LIMITED – associates). As the entity was planned to be liquidated, indication of impairment on the associate´s goodwill was identified. Impairment loss related to associates is presented in separately in the statement of profit or loss. Dissolution of the Company AMESELO LIMITED has been completed as at 29 April 2018. For more details on the Group's cumulative impairment losses recognised in the previous periods refer to Note 14 above.

24. Administrative expenses

	2017 TEUR	2016 TEUR
Professional services	(2,791)	(2,434)
Independent auditor's remuneration for statutory audit	(301)	(171)
Payroll related taxes	(2,690)	(2,740)
Employee compensation	(1,839)	(1,554)
Taxes other than income tax	(282)	(674)
Rental, maintenance and repair expenses	(570)	(603)
Other	(9,866)	(8,029)
	(18,339)	**(16,205)**

Professional services expense represents administration expense, accounting services expense, advisory expense, professional and management fees and incorporation expense.

Amount paid for Audit services totals TEUR 301 (2016 - TEUR 171) and other services provided by auditors TEUR 29 (2016 – TEUR 38).

The average number of employees in the Group for the year 2017 was 333 employees (2016 – 318 employees).

25. Net retail income

	2017 TEUR	2016 TEUR
Sales of goods	47,549	32,964
Cost of goods sold	(43,354)	(28,515)
	4,195	**4,449**

In 2017 and 2016, the net retail income is generated by the Romanian companies within the SERENITY RESOURCES LIMITED subgroup as described in Note 1. The sales of goods represent the revenues from the sale of gas. The selling price of gas sold on the regulated market as well as the distribution tariff are controlled by ANRE (Romanian Energy Regulatory Authority). The costs of gas sold comprise the acquisition price of the gas sold and the transportation tariffs charged by Transgaz.

26. Other operating income

	2017 TEUR	2016 TEUR
Net foreign currency gains	4,620	3,300
Other income	22,167	18,477
Net (loss) / gain from sale of investments in subsidiaries and associates	(129)	12,851
Gain on bargain purchase	713	--
	27,371	**34,628**

Net loss from sale of investments in subsidiary in the amount of TEUR (129) relates to the sale of 100% stake in SPRINGROCK LIMITED in 2017 (2016 – amount of TEUR 47,960 comprised of gain on sale of 25% share in Italian Gaming Holding a.s. and IGH Financing a.s. in the amount of TEUR 12,851 and of gain on sale of entire holding of investor shares in Emma Delta Variable Capital Investment Company Ltd to Rubidium Holdings Ltd in the amount of TEUR 35,109). Refer also to Note 1.

Gain on bargain purchase is attributable to acquisition of TIMGAZ S.A. in 2017 (refer to Note 1).

Other income in the amount of TEUR 22,167 (2016 – TEUR 18,477) comprises other distribution revenues for non-regulated clients and is attributable to acquisition of new clients and higher sales in 2017.

27. Other operating expenses

	2017 TEUR	2016 TEUR
Depreciation on property, plant and equipment	3,699	2,154
Amortisation of intangible assets	32	85
Net impairment losses on property, plant and equipment recognised	137	232
Net impairment losses on loans and other financial assets	283	--
Net impairment losses on other assets	568	1,307
Other	--	6
	4,719	**3,784**

For the period ended 31st December 2017, net foreign currency gains are disclosed under Other operating income. Net impairment losses on other assets charged to profit or loss in 2017 represent the impairment losses connected to trade and other receivables and other assets.

28. Net finance income/expense

	2017 TEUR	2016 TEUR
Finance income		
Interest income	8,288	7,545
Other	--	4
Total finance income	**8,288**	**7,549**
Finance costs		
Interests expense	(22,287)	(22,112)
Fee and commission expense	(54)	(13)
Total finance expense	**(22,341)**	**(22,125)**
Net finance expense	**(14,053)**	**(14,576)**

	2017 TEUR	2016 TEUR
Interest income		
Loans receivable	8,286	7,494
Financial assets available-for-sale	--	51
Due from banks, other financial institutions and holding companies	2	--
	8,288	**7,545**
Interest expense		
Due to non-banks	(18,961)	(21,830)
Due to banks and other financial institutions	(205)	(266)
Debt securities issued	(3,084)	--
Other	(37)	(16)
	(22,287)	**(22,112)**

29. Income tax expense

	2017 TEUR	2016 TEUR
Current tax expense	(107)	(98)
Deferred tax credit (Note 20)	373	833
Total income tax credit recognised in profit or loss	**266**	**735**

Reconciliation of effective tax rate	**2017 %**	**2017 TEUR**	**2016 %**	**2016 TEUR**
Profit/(loss) before tax		**46,859**		**37,585**
Income tax using the domestic tax rate (see below)	12,50	5,857	12,50	4,698
Non-deductible costs	5,46	2,560	4,94	1,857
Non-taxable income	(17,62)	(8,255)	(16,58)	(6,232)
Tax loss carried forward not recognised	0,15	69	(0,50)	(189)
Utilised tax loss not previously recognised	(0,45)	(215)	(0,41)	(153)
Other	0,53	250	2,01	754
Total income tax credit	**0,57**	**266**	**1,96**	**735**

The corporation tax rate is 12.5%

30. Related party transactions

The Group's parent company is MEF Holdings Limited and the ultimate controlling party is Mr. Šmejc.

(a) Transactions with the parent company and the ultimate owner

	2017 TEUR	2016 TEUR
Loans received (principal payables)	89,946	85,487
Accrued interest (interest payable)	3,101	2,141
Loans provided (principal receivables)	120,189	104,265
Accrued interest (interest receivable)	1,025	3,553

(b) Transactions with associates

	2017 TEUR	2016 TEUR
Loans received (principal payables)	38,150	80,638
Accrued interest (interest payable)	114	2,821
Loans provided (principal receivables)	15	12,968
Accrued interest (interest receivable)	9	1,087

(c) Transactions with other related parties

	2017 TEUR	2016 TEUR
Loans received (principal payables)	204,155	120,605
Accrued interest (interest payable)	9,687	8,904
Loans provided (principal receivables)	11,143	19,452
Accrued interest (interest receivable)	791	1,793

(d) Transactions with key management personnel

Amounts included in the statement of comprehensive income in relation to transactions with members of key management are benefits of TEUR 7 comprising directors' fees (2016 - TEUR 7). The members of the Board of Directors of the Company and key management of its subsidiaries are considered as the key management of the Group.

31. Events after the reporting period

On 15 January 2018, Sazka Group, a.s. increased its indirect shareholding in Casinos Austria AG. After the acquisition, the Group holds an effective interest in Casinos Austria AG of 34.04 %.

On 15 February 2018, LIGATNE LIMITED's share capital was increased by issuance of 1,000 new shares of nominal value EUR 1.71 each. 617 of the new shares were allotted to SERENITY RESOURCES LIMITED (holding in total 80.85% of the share capital) and 383 to Mr. Jose Martin Garza (holding in total 19.15% of the share capital).

On 23 February 2018, merger between GAZ SUD SA (the company ceasing to exist) and PREMIER ENERGY SRL (as the successor company) was registered with the trade registry with the effect from 31 December 2017.

On 11 April 2018, EMMA OMEGA LIMITED acquired 11.38% shareholding in ABDE Holding s.r.o. and subsequently contributed TCZK 5,679 in the company's share capital.

On 8 May 2018, Emma Omega Ltd contributed its whole shareholding in Home Credit B.V. (corresponding to 11,376%) and its whole shareholding in ABDE Holdings s.r.o (corresponding to 11,38%) as a contribution in kind in the share capital of Home Credit Group B.V.

On 30 May 2018 Chapalaco Limited sold its stake 25% in Mestrolio Investments Ltd for an agreed price TEUR 2,534. The transaction resulted to a loss on disposal of TEUR 166.