

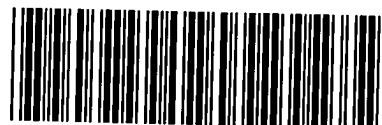
BLUECASTLE ENTERPRISES LIMITED

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2017

Company registration number: 04128720

TUESDAY



LD2 *L7BDHX8P* 31/07/2018 #2
COMPANIES HOUSE

CONTENTS

	PAGE
STRATEGIC REPORT	2
REPORT OF THE DIRECTOR	3
INDEPENDENT AUDITOR'S REPORT	4
CONSOLIDATED FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	6-7
STATEMENT OF COMPREHENSIVE INCOME	8
STATEMENT OF CHANGES IN EQUITY	9-10
STATEMENT OF CASH FLOWS	11
NOTES TO THE FINANCIAL STATEMENTS	12 -36

BLUECASTLE ENTERPRISES LIMITED

STRATEGIC REPORT

The director presents her strategic report with the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

The principal activity of the group is that of the operation of the professional football club, PFC CSCA. The club's activities are related to the development of youth football and the operations of the professional football team participating in competitions organized by the Football Union of Russia ("FUR") and Russian Football Premier League ("RFPL") as well as in international football tournaments.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The results for the year and the financial position at the year end for the Group were considered satisfactory by the directors.

Turnover for the Group's main trading subsidiary, CJSC Professional Football Club CSCA was \$76,345,000 for the year.

The Group made gain on disposal of players' registrations totalling to \$2,308,000.

The Group acquired various new players during the year and the value of the players' registration rights is \$2,242,000 at the year end.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the Group's business and the execution of its strategy are subject to a number of risks. The key operating risks affecting the Group are described in note 26 to the financial statements. The key financial risks affecting the Group are described in note 25 to the financial statements.

KEY PERFORMANCE INDICATORS


The following is a summary of key performance indicators:

	2017	2016
	\$'000	\$'000
Revenue	76,345	57,694
Operating loss	(13,124)	(33,317)
Gain on disposal of players' registrations	2,308	26,017
Players' registration rights	2,242	9,840
Equity	(35,132)	(2,983)

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income for the period is set out on page 8.

No dividends were distributed for the year ended 31 December 2017.


.....
J. Westmoreland - Director

Date: 26/07/2018

BLUECASTLE ENTERPRISES LIMITED
REPORT OF THE DIRECTOR

The director presents her report with the audited financial statements of the Group for the year ended 31 December 2017.

DIRECTOR

J Westmoreland has held office during the period from 1 January 2017 to the date of this report.

REGISTERED OFFICE

Suite No 2, First Floor, Kenwood House 77a Shenley Road Borehamwood WD6 1AG

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:


- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. She is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:


.....
J. Westmoreland - Director

Date: 26/07/2018

**Report of the Independent Auditors to the Members of
Bluecastle Enterprises Limited**

Opinion

We have audited the financial statements of Bluecastle Enterprises Limited (the parent company) and its subsidiaries (the group) for the year ended 31 December 2017 which comprise the Group and Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Company Statements of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's and parent company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that as at 31 December 2017, the Group's total liabilities exceeded its total assets by \$35,132,000. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The director is responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

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

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Director have been prepared in accordance with applicable legal requirements.

**Report of the Independent Auditors to the Members of
Bluecastle Enterprises Limited**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Director.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the Statement of Director's Responsibilities set out on page three, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the group's and the parent company'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 director either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors 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 (UK) 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 financial statements.

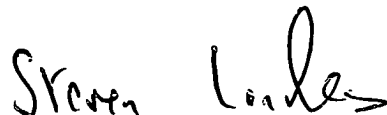
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Steven Landes (Senior Statutory Auditor)
for and on behalf of S H Landes LLP
Statutory Auditors
3rd Floor Fairgate House
78 New Oxford Street
London
WC1A 1HB

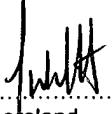
Date: 30/12/18



BLUECASTLE ENTERPRISES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Group 31 December 2017	Group 31 December 2016
<i>In thousands of US dollars</i>			
ASSETS			
Non-current assets			
Property and equipment	6	120,437	159,345
Investment Property	7	205,550	162,505
Players registration rights	8	2,242	9,840
Land rights	9	7,419	7,241
Other non-current assets	12	1,248	1,072
Total non-current assets		336,896	340,003
Current assets			
Accounts receivable	11	11,512	18,736
Taxes receivable		117	120
Prepayment and other current assets	12	428	592
Cash and cash equivalents	13	2,079	2,777
Total current assets		14,136	22,225
TOTAL ASSETS		351,032	362,228
EQUITY			
Ordinary shares	22	202,502	202,502
Additional capital		76,816	76,057
Retained earnings		(275,980)	(248,036)
Foreign exchange translation reserve		(42,007)	(36,850)
		(38,669)	(6,327)
Non – controlling interests		3,537	3,344
TOTAL EQUITY		(35,132)	(2,983)
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	17	1,847	1,814
Loans from related parties	24	82,533	82,208
Loans and borrowings	27	272,060	245,551
Total non-current liabilities		356,440	329,279
Current liabilities			
Loans from related parties	27	282	193
Loans and borrowings	27	1,851	1,495
Accounts payable and accruals	14	18,057	25,048
Payroll and related obligations	15	6,871	6,736
Taxes payable	16	2,663	2,460
Total current liabilities		29,724	35,932
TOTAL LIABILITIES		386,164	365,211
TOTAL EQUITY AND LIABILITIES		351,032	362,228

The financial statements on pages 6 to 36 were authorised for issue by the director on 26/07/2018 and were signed on behalf of the board.


 J. Westmoreland
 Company registration number: 04128720

BLUECASTLE ENTERPRISES LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION

Note

<i>In thousands of US dollars</i>		31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Investments	10	60,788	81,010
Total non-current assets		60,788	81,010
Current assets			
Cash and cash equivalents	13	121	1
Total current assets		121	1
TOTAL ASSETS		60,909	81,011
EQUITY			
Ordinary shares	22	202,502	202,502
Additional capital		70,272	69,513
Retained earnings		(307,683)	(274,963)
TOTAL EQUITY		(34,909)	(2,948)
LIABILITIES			
Non-current liabilities			
Loans from related parties	24	84,290	83,563
Loans from other parties	27	11,071	-
Total non-current liabilities		95,361	83,563
Current liabilities			
Loans from related parties	27	282	193
Loans and borrowings	27	121	121
Accounts payable and accruals		54	82
Total current liabilities		457	396
TOTAL LIABILITIES		95,818	83,959
TOTAL EQUITY AND LIABILITIES		60,909	81,011

BLUECASTLE ENTERPRISES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of US dollars</i>	Note	Year ended 31 December 2017	Year ended 31 December 2016
Revenue	18	76,345	57,694
Operating expenses	19	(89,469)	(91,011)
Operating loss		(13,124)	(33,317)
Net foreign exchange gain / (loss)		(3,495)	942
Net finance costs	20	(14,466)	(9,016)
Gain on disposal of player registrations	21	2,308	26,017
Gain on players' loans		779	585
Gain / (Loss) on disposal of property and equipment		10	13
Impairment gain / (loss)	6, 7	-	28,966
Gain / (loss) before income tax		(27,988)	14,190
Income tax	17	59	157
Income / (loss) for the year		(27,929)	14,347
Other comprehensive loss			
Foreign exchange translation		(4,979)	(10,332)
Other comprehensive (loss) for the year		(4,979)	(10,332)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		(32,908)	4,015
Loss for the year			
Attributable to:			
Equity holders of the parent		(27,944)	14,354
Non-controlling interest		15	(7)
Total		(27,929)	14,347
Total comprehensive loss for the year			
Attributable to:			
Equity holders of the parent		(32,082)	4,863
Non-controlling interest		(826)	(848)
Total		(32,908)	4,015

BLUECASTLE ENTERPRISES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of US Dollars

Attributable to owners of the parent

GROUP	Share capital	Additional paid in capital	Foreign exchange translation reserve	Retained earnings	Total	Non controlling interest	Total equity
Balance as at 1 January 2016	202,502	57,124	(25,941)	(262,390)	(28,705)	2,774	(25,931)
Loss for the year	-	-	-	14,354	14,354	(7)	14,347
Other comprehensive loss	-	-	(10,909)	-	(10,909)	577	(10,332)
Loan re-recognition	-	18,933	-	-	18,933	-	18,933
Balance as at 1 January 2017	202,502	76,057	(36,850)	(248,036)	(6,327)	3,344	(2,983)
Profit for the year	-	-	-	(27,944)	(27,944)	15	(27,929)
Other comprehensive loss	-	-	(5,157)	-	(5,157)	178	(4,979)
Loan re-recognition	-	759	-	-	759	-	759
Balance as at 31 December 2017	202,502	76,816	(42,007)	(275,980)	(38,669)	3,537	(35,132)

BLUECASTLE ENTERPRISES LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY

In thousands of US Dollars

COMPANY	Share capital	Additional capital	Retained earnings	Total equity
Balance as at 1 January 2016	202,502	50,580	(278,763)	(25,681)
Total comprehensive loss	-	-	3,800	3,800
Loan re-recognition	-	18,933	-	18,933
Balance as at 1 January 2017	202,502	69,513	(274,963)	(2,948)
Total comprehensive loss	-	-	(32,720)	(32,720)
Loan re-recognition	-	759	-	759
Balance as at 31 December 2017	202,502	70,272	(307,683)	(34,909)

BLUECASTLE ENTERPRISES LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

<i>In thousands of US Dollars</i>	Group 2017	Group 2016	Company 2017	Company 2016
Operating activities				
Gate receipts and programme sales	10,844	5,009	-	-
Proceeds from general sponsor	1,061	1,369	-	-
Proceeds from advertising and other sponsors	24,951	21,478	-	-
Broadcasting proceeds	29,242	28,668	-	-
Proceeds from other current activities	2,020	15,789	-	-
Proceeds from other commercial activities	2,563	4,505	-	-
Gratuitous proceeds for youth football development	1,075	785	-	-
Payment for participation in official competitions organised by FUR	(2,360)	(1,394)	-	-
Payments for participation in UEFA Club competitions	(1,069)	(444)	-	-
Advertising and marketing expenses	(173)	(97)	-	-
Purchases of other goods, work and services	(4,256)	(3,483)	-	-
Personnel expenses	(45,124)	(44,375)	-	-
Payments of taxes and levies	(12,817)	(7,293)	-	-
Payments of insurance premiums and work accident and occupational life insurance premiums	(6,362)	(6,125)	-	-
Other expenses	(6,618)	(3,577)	-	(3)
Interest payments to bank and credit institutions, except for related parties	-	(14,045)	-	-
Net cash received used in operating activities	(7,023)	(3,230)	-	(3)
Cash flow from investing activities				
Purchases of property and equipment	(1,732)	(38,673)	-	-
Proceeds from disposal of property and equipment	12	18	-	-
Proceeds from transfer of players' registration rights	14,432	24,601	-	-
Proceeds from loans repayment	-	3	-	-
Purchases of players' registration rights	(6,434)	(10,456)	-	-
Purchase of other intangible assets	(26)	(6)	-	-
Net cash used in investing activities	6,252	(24,513)	-	-
Cash flow from financing activities				
Loans from banks and credit institutions (except for related parties)	-	35,691	-	-
Other proceeds from financing activities	1,212	336	1,211	-
Repayment of related party borrowings	(1,145)	(2,756)	(1,098)	-
Repayment of loans from banks and credit institutions	(144)	(5,359)	-	-
Repayment of borrowings from other organisations	-	(1,193)	-	-
Other repayments under financing activities	(29)	(2,534)	-	-
Net cash received from financing activities	(106)	24,185	113	-
Net decrease in cash and cash equivalents	(877)	(3,558)	113	(3)
Cash and cash equivalents at the beginning of the year	2,777	5,717	1	4
Exchange gains on cash and cash equivalents	179	618	7	-
Cash and cash equivalents at the end of the year	2,079	2,777	121	1

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

1. The Group and its Operations

Bluecastle Enterprises Limited ('the Company') is a company incorporated in the UK. The address of the Company's registered office is Suite No 2, First Floor, Kenwood House, 77a Shenley Road, Borehamwood, United Kingdom, WD6 1AG. The consolidated financial statements of the Company as at 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the operation of a professional football team through its principal subsidiary CJSC Professional Football Club CSKA ("the Club"). The principal activity of the Club is the development of youth football and operations of the professional football team participating in the competitions organized by the Football Union of Russia ("FUR") and Russian Football Premier League ("RFPL") as well as in the international football tournaments.

During the reporting period the Club continued improving its position, developing the infrastructure and transfer policies as well as achieving a high level of sport results.

According to the results of the Russian Football Championship of 2016/2017 season, the PFC CSKA team won silver medals and got an opportunity to take part in the qualifying rounds of the UEFA Champions League. PFC CSKA was among the 32 strongest teams in Europe. CSKA performed successfully in the group, having won three games.

Unfortunately, even the wins of 3 games at this stage did not help PFC CSKA to achieve the main target - to go to the stage of the 1/8 finals. The continuation of the European Cup epic in the second most ranked UEFA tournament - the European League, was "consolation prize" for CSKA, where the team passed the stage of 1/16 finals.

As at December 31, 2017, the Club had 241 employees, including 61 football players.

2. Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. In publishing the parent company financial statements here together with the group financial statements, the company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by fair value measurement of certain items as disclosed in the accounting policies below. The consolidated financial statements are presented in US dollar ("USD") and all values are rounded to the nearest thousand except as otherwise indicated. The rationale for the selection of the US dollar as the group's functional currency is discussed in the foreign currency section of note 3.

Going concern

The financial statements have been prepared on a going concern basis even though at the year end the group had net current liabilities amounting to \$35,132,000. Whilst the group anticipates generating funds from operations, from corporate sponsors and from long and short-term borrowings, it is reliant on the continued financial support of its controlling party and related companies. The director has concluded that these circumstances represent a material uncertainty that cast significant doubt upon the group's ability to continue as a going concern and that, therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the controlling party and related companies have continued to provide financing to the group since the year end and have expressed their willingness to continue providing financial support for at least 12 months from the date of approval of the financial statements in order for the group to meet its current liabilities as they fall due. For these reasons the director continues to adopt the going concern basis of accounting in preparing the financial statements.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

3. Significant accounting policies

Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group.

The cost of an acquisition is measured as the fair value of the assets plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as Goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest is the interest in subsidiaries not held by the Group. Non-controlling interest at the balance sheet date represents the non-controlling interest members' portion of the identifiable asset and liabilities of the subsidiary at the acquisition date, and the non-controlling interest members' portion of movements in equity since the date of the combination. Non-controlling interest is presented within the members' equity.

Foreign currency

(i) Functional and presentation currency

The individual financial statements of each Group company are recorded in the currency of the primary economic environment in which it operates (its 'functional currency'). The consolidated financial statements and the financial statements of the Company are presented in US Dollars ('USD'), which is the Group's presentation and functional currency. The results and financial position of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities are translated to the presentation currency at the exchange rate prevailing at the balance sheet date. The income statement and cash flow statement are translated at the average exchange rate for the period. The resulting exchange differences are recognised in the translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the balance sheet date.

(ii) Transactions and balances

Monetary assets and liabilities, which are held by the Group and denominated in foreign currencies at 31 December 2016, are translated into functional currency at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

The Russian rouble is not a fully convertible currency outside the Russian Federation. In the Russian Federation, official exchange rates are set daily by the Central Bank of the Russian Federation ("CBR"). As at December 31, 2017 and December 31, 2016, the official CBR exchange rates used for translating RUB-denominated transactions and balances were equal to RUB 57.60 and RUB 60.66 per USD 1, respectively. The average exchange rates were RUB 58.46 and RUB 67.13 respectively.

Financial instruments

(i) Financial assets: loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired as well as through the amortization process.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

3. Significant accounting policies (continued)

Financial instruments (continued)

(ii) Financial liabilities: interest bearing loans and borrowings

All loans and borrowings are valued initially at fair value of the proceeds received (which is determined using the prevailing market rate of interest for a similar instrument, if significantly differs from the transaction price), net of transaction costs incurred. In subsequent periods, interest bearing loans and borrowings are stated at amortised cost using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the loans and borrowings.

Interest expense is recognised on a time-proportion basis using the effective interest method.

Interest-free long term debt granted to and by the related parties is initially recognized in accordance with the recognition of the financial instruments policy. The difference between nominal amount of consideration given and the fair value of loans granted and borrowed at other than market terms is recognized in the period the loan is granted and borrowed as initial recognition of loans from related parties at fair value. Loans with fixed maturities are subsequently measured at amortised cost using the effective interest rate method. Those that do not have fixed maturities are carried at cost. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and borrowings are derecognized or impaired as well as through the amortization process.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

Value added tax

Russian tax legislation permits settlement of value added tax ("VAT") on a net basis.

VAT is payable upon invoicing and delivery of goods, performing work or rendering services, as well as upon collection of prepayments from customers. VAT on purchases, even if they have not been settled at the balance sheet date, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Property and equipment

Property, plant and equipment is recorded at historical cost determined as purchase or construction cost. An asset's carrying amount is written down immediately to its recoverable amount when it is determined to be impaired.

Depreciation is calculated on a straight-line basis over the estimated useful economic lives of the assets which are:

Freehold Land	Not depreciated
Buildings	25-40 years
Football fields and other sports facilities	5-10 years
Vehicles and equipment	3-10 years
Furniture and office equipment	2-7 years
Other	2-7 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each year end.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Land lease rights

Land rights are recognized as intangible assets and represent the value of premiums which would have been paid for the right to lease land in accordance with the regulations issued by Moscow City Government. They are amortised over a period of 49 years which is the term of the underlying land lease agreement.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

3. Significant accounting policies (continued)

Investment property

Investment property is recognised at cost including transaction costs net of accumulated depreciation and impairment. The Group has recognised the portion attributable to investment property within construction in progress (construction of a stadium in Moscow) in the consolidated financial statements based on the approved construction plan.

Players' Registration Costs

The costs associated with the acquisition of players' registrations are capitalized as intangible assets. These costs are amortised in equal annual instalments over the football seasons covered by the player's initial contract.

Cost includes expenses directly attributable to the acquisition of rights, including transfer payments, agency fees, solidarity payments and contingent payments provided that management assesses the occurrence of such contingency at the acquisition date as highly probable. Where management assesses the occurrence of such contingency as remote, contingent payments are not included in the cost of the registration, however, upon occurrence of such contingency in the future or a change in the probability assessment, they are recorded in the current period results and recognized in solidarity payments and other expenses related to registrations within other operating expenses

At each year end, the Group's management assesses whether there is any indication of impairment, e.g. because of serious health problems of professional football players or significant decline in market value of their registrations. If any such indication exists, the recoverable amount is estimated.

Investments in subsidiaries

Investments in subsidiaries are valued at cost less provision for impairment.

Gain on Disposal of Players' Registrations

Profits or losses on the disposal of players' registrations are credited or charged to the profit and loss account in the year in which the player's registration is sold. They are calculated as the difference arising between the transfer fees received and the net book value of the contracts at the time of the disposal. Any excess of net book value of a player's registration over its net realizable value is taken to the profit and loss account as and when it arises.

Should potential recipients of associated compensations be unknown and the respective debt remain unclaimed over the period of limitation, the Group reverses accrued liabilities and recognizes income within gain on disposal of players' registrations in the current period.

Solidarity payments related to registration rights attributable to the Group are recognized in the reporting period in which a player's transfer to a third club took place, and then recorded within gain on disposal of players' registrations.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

3. Significant accounting policies (continued)

Leases (continued)

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in the Consolidated Statement of Income on a straight line basis over the lease term.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to be prepared for intended use or sale are capitalized as part of cost of respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of accrued interest and other costs that the Group incurs in connection with borrowing of funds.

Revenue and Expense Recognition

Revenue and expense are recognized in the period when revenue is earned and expense is incurred. Revenue is recognized, net of VAT and sales tax, when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Revenue comprises broadcasting proceeds which represent amounts due to the Club from the Russian Football Premier League and UEFA for the transfer of broadcasting rights related to the Club's participation in the Russian Premier League and European football competitions. The Club is entitled to certain percentage of actual funds received from broadcasting proceeds and advertising through the Russian Football Premier League from the Club's home games during the next football season. This percentage is determined partly based on actual result in prior football season.

Pension expenses

The Group contributes to the Russian Federation state pension, social insurance, and medical insurance funds on behalf of its employees. These contributions are expensed as incurred.

Income taxes

Taxation on profits or losses for the year comprises current and deferred tax. Taxation is recognised in the income statement 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 rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Finance income and costs

Finance income and costs comprise interest expense on borrowings and loans payable, deposits, interest income/expense from unwinding of discount on provision for asset retirement obligations and on other financial assets and liabilities, net foreign currency gains/(loss) related with borrowings.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

4. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Information about critical judgements, key assumptions and estimates in applying accounting policies that have the most significant effect on the amounts recognised in these consolidated financial statements is detailed in below:

Useful life of property and equipment

Management assesses the remaining useful lives of items of property and equipment at least at each financial year-end. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognized in profit or loss.

Allowance for impairment of receivables

Management maintains an allowance for impairment of receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for impairment of receivables, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Related party transactions

In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties.

Impairment of property and equipment and construction in progress

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are 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. The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared for Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment of players' registration rights

Management conducts an impairment test of each player registration rights, as required by IAS 36, Impairment of Assets, at least at each financial year end. The impairment of a player registration rights may occur due to deterioration of a player's physical condition, such as if a player is seriously injured, and consequently, the player registration right loses in fair value, or due to excess of the carrying value of a player registration rights over the related future cash flows. The assessment of recoverable amount of player registration rights involves the exercise of significant judgement.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

5. Adoption of New or Revised Standards and Interpretations

The accounting principles adopted in the preparation of the consolidated financial statements for the year ended December 31, 2017, are consistent with the principles applied in preparation of the consolidated financial statements of the Group for the year ended on December 31, 2016, with the exception of the new standards and explanations that came into force on January 1, 2017. There was no early adoption of any other standards, clarifications or amendments that have been issued but have not yet become mandatory.

In the year ended December 31, 2017 the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("IASB"), which are mandatory for use in 2017. Although the Club applied these new standards and amendments for the first time, they did not have a significant impact on the consolidated financial statements of the Group. The nature and impact of each new standard or amendment is described below.

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows entitled Disclosure Initiative. The amendments require companies to provide a reconciliation of financing cash flows in the statement of cash flows to the opening and closing balances of liabilities arising from financing activities (except for equity balances) in the statement of financial position. The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Income Taxes

In January 2016, the IASB issued amendments to IAS 12 Income Taxes entitled Recognition of Deferred Tax Assets for Unrealised Losses. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The application of these amendments has had no impact on the Group's consolidated financial statements.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

5. Adoption of New or Revised Standards and Interpretations - continued

Standards issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (both mandatorily effective for periods beginning on or after 1 January 2018); and
- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019)
- IFRIC 22 Foreign Currency Translations and Advance Consideration (effective 1 January 2018)
- Amendments to IFRS 2 classification and Measurement of Share-based payment Transactions effective 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Property (effective 1 January 2018)
- Annual Improvements to IFRS Standards 2014-2016 cycle dealing with matters in IFRS 1 First-time Adoption and IAS 28 Investments in Associates and Joint Ventures (effective January 2018)
- IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)
- IFRS 17 Insurance Contracts (effective 1 January 2021).

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

6. Property and equipment

GROUP

The analysis of movements in property and equipment is as follows:

<i>In thousands of US dollars</i>	Land	Buildings	Football fields and other sports facilities	Vehicles and equipment	Furniture and office equipment	Other	Construction in progress	Total
Cost								
At December 31, 2016	33,729	1,619	140,092	1,134	869	849	-	178,292
Additions	-	-	521	41	83	94	-	739
Transfers	-	-	(33,272)	-	-	-	-	(33,272)
Disposals	-	-	-	(63)	(5)	-	-	(68)
Foreign currency translation	1	1	(2,673)	-	85	198	-	(2,388)
At December 31, 2017	33,730	1,620	104,668	1,112	1,032	1,141	-	143,303
Accumulated depreciation								
At December 31, 2016	(10,773)	(1,467)	(4,744)	(889)	(643)	(431)	-	(18,947)
Depreciation charge for the year	-	(1)	(3,456)	(74)	(57)	(123)	-	(3,711)
Depreciation on disposals	-	-	-	63	5	-	-	68
Foreign currency translation	(1)	-	(274)	-	-	(1)	-	(276)
At December 31, 2017	(10,774)	(1,468)	(8,474)	(900)	(695)	(555)	-	(22,866)
Carrying amount								
At December 31, 2016	22,956	152	135,348	245	226	418	-	159,345
At December 31, 2017	22,956	152	96,194	212	337	586	-	120,437

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

6. Property and equipment (continued)

GROUP

The analysis of movements in property and equipment is as follows:

<i>In thousands of US dollars</i> Cost	Land	Buildings	Football fields and other sports facilities	Vehicles and equipment	Furniture and office equipment	Other	Construction in progress	Total
At December 31, 2015	33,542	1,610	3,873	1,205	694	729	115,971	157,624
Additions	-	-	2,933	11	172	110	26,441	29,667
Transfers	-	-	153,058	-	-	-	(153,058)	-
Disposals	-	-	-	(82)	(11)	-	-	(93)
Foreign currency translation	187	9	(19,772)	-	14	10	10,646	(8,906)
At December 31, 2016	33,729	1,619	140,092	1,134	869	849	-	178,292
Accumulated depreciation								
At December 31, 2015	(10,714)	(1,458)	(3,201)	(895)	(629)	(328)	(17,657)	(34,882)
Depreciation charge for the year	-	(1)	(1,429)	(73)	(20)	(91)	-	(1,614)
Impairment	-	-	-	-	-	-	12,150	12,150
Depreciation on disposals	-	-	-	83	10	-	-	93
Foreign currency translation	(59)	(8)	(114)	(4)	(4)	(12)	5,507	5,306
At December 31, 2016	(10,773)	(1,467)	(4,744)	(889)	(643)	(431)	-	(18,947)
Carrying amount								
At December 31, 2015	22,828	152	672	310	65	401	98,314	122,742
At December 31, 2016	22,956	152	135,348	245	226	418	-	159,345

On August 31, 2016 the football stadium CSCA has been put into operation. The works on the construction of the football field, improvement of the territory, and construction of the high-speed lanes have been completed in full. The commissioning works on heat supply systems, general exchange and smoke ventilation, heat and cold supply are at the final stage.

As at December 31, 2017 and as at December 31, 2016, bank loans were secured by the land owned by the club with a carrying value of \$22,957,000 and \$22,955,000 respectively (Note 27).

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

7. Investment property

The analysis of movements in investment property in 2017 and 2016 is presented below

<i>In thousands of US dollars</i>	Group	
	2017	2016
Cost		
At beginning of year	162,505	136,073
Additions	10,809	24,737
Transfer from fixed assets	33,272	-
Impairment reversed for the year	-	16,816
Foreign currency translation	(1,036)	(15,121)
At end of year	205,550	162,505

In 2016, the Club assessed the fair value of measurement of investment property under construction within the office complex. The fair value determined by an independent appraiser amounted to \$169,930,000. The fair value of construction in progress was not determined based on transactions observable on the market due to the nature of construction and absence of comparative data. A valuation model was used instead in accordance with the recommendations of the International Valuation Standards Committee.

In early 2017, the Club decided to transfer other sports facilities to the category of investment properties due to a change in the nature of their use.

During 2017 borrowing costs in the amount of \$10,179,000 were capitalized as part of the investment property. Capitalization rate of 64.3% was used, which was calculated in accordance with the technical customer's certificate of the area of the stadium under construction (35.7% of the area is occupied by the sport part of the buildings, 64.3% by the investment part of the buildings).

As at December 31, 2017 and 2016, the group had no investment property with limited ownership rights or pledged as collateral.

8. Players' registration rights

The analysis of movements in players' registration rights is as follows:

<i>In thousands of US dollars</i>	Group	
	2017	2016
At beginning of year	52,387	56,849
Additions	16	3,285
Disposals	(17,134)	(7,800)
Foreign currency translation	215	53
At end of year	35,484	52,387
Accumulated amortization		
At beginning of year	(42,547)	(36,761)
Amortization charge for the year	(7,435)	(12,679)
Accumulated amortization on disposed assets	17,034	6,992
Foreign currency translation	(294)	(99)
At end of year	(33,242)	(42,547)
Carrying amount		
At beginning of year	9,840	20,088
At end of year	2,242	9,840

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

8. Players' registration rights (continued)

In 2017 PFC CSKA was focused on implementation of the effective transfer policy and minimization of costs. In summer 2017 the registration rights on Kirill Panchenko have been sold to the Moscow club «Dynamo», which not only made it possible to facilitate the payment of the club's payroll, but also brought substantial profit. In addition, the registration rights on Akhmed Musa have been sold at profit to the English club «Leicester».

In 2017, being in need of players capable to substitute the leaders which left the team, the Club did not have budget to purchase new high class players. The Club rent forward players from the French "Monaco" (Lacina Traore) and the Moscow "Dynamo" (Alexey Ionov).

As at December 31, 2017 and 2016, the Club had no players' registrations with limited ownership rights or pledged as collateral.

9. Land lease rights

The analysis of movements in the value land rights is as follows:

<i>In thousands of US dollars</i>	Group 2017	2016
Cost		
At beginning of year	9,591	7,937
Additions	-	-
Foreign currency translation	510	1,654
At year end	10,101	9,591
Accumulated amortisation		
At beginning of year	(2,350)	(1,783)
Amortization charge for the year	(203)	(177)
Foreign currency translation	(129)	(390)
At end of year	(2,682)	(2,350)
Carrying amount		
At beginning of year	7,241	6,155
At end of year	7,419	7,241

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

10. Company Investments

<i>In thousands of US dollars</i>	Shares in group undertakings	Additional capital	Total
Cost			
Balance at 1 January 2016	128	72,220	72,348
Provision for impairment	-	(8,662)	(8,662)
Balance at 31 December 2016	128	80,882	81,010
Impairment	-	20,222	20,222
Balance at 31 December 2017	128	60,660	60,788

Details of the group undertakings are as follows:

Name and nature of business	Country of incorporation and registration	Type of share	Group effective shareholding
CJSC Professional Football Club CSCA	Russia	Ordinary	100%
OJSC AVO- Capital	Russia	Ordinary	100%
OJSC Sport Training Base Oktyabr ("The Training base")	Russia	Ordinary	60.1%
Youth Sports School of Professional Football Club CSCA ("The Sports School")	Russia	Ordinary	50.0%

76.44% of the Company's investment in CJSC Professional Football Club CSCA has been pledged as security for the group's obligations and liabilities under the loan facility agreement provided by the bank.

11. Accounts Receivable

Accounts receivable consisted of the following:

<i>In thousands of US dollars</i>	Group		Company	
	2017	2016	2017	2016
Accounts receivable from transfer of players' registrations	1,079	11,941	-	-
Broadcasting proceeds receivables	905	587	-	-
Accounts receivable for advertising and sponsorship	4,424	3,348	-	-
Accounts receivable from related parties	184	174	-	-
Other	4,954	2,719	-	-
	11,546	18,769	-	-
Allowance for impairment of receivables	(34)	(33)	-	-
	11,512	18,736	-	-

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

12. Other non-current and current assets

Other non-current and current assets comprised the following:

Other non-current assets

In thousands of US dollars

Non-current accounts receivable from related parties
Other non-current assets

	Group	
	2017	2016
Non-current accounts receivable from related parties	1,212	1,029
Other non-current assets	36	43
	1,248	1,072

Other current assets

In thousands of US dollars

Inventories
Prepayments

	Group	
	2017	2016
Inventories	401	565
Prepayments	27	27
	428	592

13. Cash and Cash Equivalents

Cash consisted of the following:

	Group		Company	
<i>In thousands of US dollars</i>	2017	2016	2017	2016
Cash held in Russian Roubles	1,803	1,539	-	-
Cash held in Euros	262	1,224	121	-
Cash held in US Dollars	14	14	-	1
	2,079	2,777	121	1

The Club holds its cash mostly in Vnesheconombank and OJSC AKB Novibank which provide most of the banking services to the Club.

14. Accounts Payable and Accruals

Accounts payable and accruals consisted of the following:

	Group		Company	
<i>In thousands of US dollars</i>	2017	2016	2017	2016
Players' registrations payable	72	2,841	-	-
Amounts payable for property and equipment	9,993	9,931	-	-
Rentals payable	807	1,789	-	-
Advances from general sponsor	2,001	373	-	-
Other payables and accruals	5,184	10,114	457	396
	18,057	25,048	457	396

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

15. Payroll and Related Obligations

Payroll and related obligations consisted of the following:

<i>In thousands of US dollars</i>	Group	
	2017	2016
Players' remuneration	2,545	2,350
Coaches staff remuneration	217	203
Administrative staff remuneration	531	473
Unused vacation liabilities accrued	3,578	3,710
	6,871	6,736

16. Taxes Payable

<i>In thousands of US dollars</i>	Group	
	2017	2016
Personal income tax	490	482
Insurance	432	455
VAT	1,588	1,324
Other	153	199
	2,663	2,460

17. Income Tax

The income tax expense consisted of the following:

<i>In thousands of US dollars</i>	Group		Company	
	2017	2016	2017	2016
Current tax expense/(benefit)	4	13	-	-
Deferred tax expense/(benefit)	(63)	(170)	-	-
	(59)	(157)	-	-

The applicable tax rate used is 20%, which is the corporation tax rate in Russia. As almost all the group's activities take place in Russia this is considered to be the rate most applicable to the group.

Reconciliation between the income tax expense computed by applying the Russian corporation tax rate to the loss before taxes from ordinary activities presented in the accompanying consolidated financial statements to the income tax expense reported in the consolidated financial statements is as follows:

<i>In thousands of US dollars</i>	2017	2016
Profit / (Loss) before income taxes	(27,988)	14,190
Statutory income tax rate	20.00%	20.00%
Income tax benefit/(expense) at statutory rate	(5,598)	2,838
Net effect of foreign exchange	28	37
Non-deductible items	3,013	(4,003)
Losses carried forward	2,498	971
Income tax benefit reported in the consolidated financial statements	(59)	(157)

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

17. Income Tax (continued)

Movements in deferred tax balances were as follows:

<i>In thousands of US dollars</i>	Recognized in statement of financial position		Recognised in statement of comprehensive income	
	31 December 2017	31 December 2016	2017	2016
Tax effects of deductible temporary differences:				
Tax loss utilised	182	619	437	1,243
Accounts receivable	-	-	-	-
Property and equipment	-	-	-	-
Accounts payable & accruals	-	-	-	-
Tax effects of taxable temporary differences:				
Property and Equipment	(303)	(293)	9	45
Accounts payable	(182)	(619)	(437)	(1,243)
Short term financial investments	-	-	-	-
Land lease rights	(1,484)	(1,448)	37	218
Loans from related parties	(60)	(73)	(13)	(106)
Net tax effect of temporary differences	(1,847)	(1,814)	33	157
Total change in net deferred tax liability			33	157
Total net deferred tax liability	(1,847)	(1,814)		

Change in net deferred tax liability recognized in:

	Group	
	2017	2016
Income:		
Deferred tax expense / (benefit)	63	(170)
Foreign exchange loss	(30)	314
Total change in net deferred tax liability	33	157

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

18. Revenue

Revenue consisted of the following:

	Group	
<i>In thousands of US dollars</i>	2017	2016
Broadcasting proceeds	6,129	3,659
Prizes	26,832	19,153
Advertising and sponsorship	26,824	24,013
Gate receipts and programme sales	11,527	5,923
Gratuitous proceeds for youth football development	1,085	785
Other income	3,948	4,161
	76,345	57,694

All revenue arises in the Russian Federation.

19. Operating Expenses

Operating expenses consisted of the following:

	Group	
<i>In thousands of US dollars</i>	2017	2016
Expenses from sport activities	5,258	3,671
Advertising	2,021	1,923
Youth football development	2,253	2,037
Cost of materials	476	468
Rent of sport facilities	23	269
Rent of property for administrative purposes	75	80
Insurance and medical services of players	274	260
Solidarity payments and other expenses on players' registrations	233	6,899
Provision for impairment of accounts receivable	(2)	4
Selling expenses	53	58
Professional fees	123	168
Agents fees	265	2,876
Sports objects maintenance	4,482	1,655
Taxes (other than income tax)	972	488
Other	4,007	212
Amortisation of players' registrations	7,435	12,679
Depreciation of property and equipment	3,711	1,614
Amortisation of land rights	203	177
Players' remuneration and related social charges	44,899	41,690
Coaches and administrative staff remuneration and related social charges	12,651	13,711
Auditor's remuneration for audit work	10	11
Auditor's remuneration for non audit work	47	61
	89,469	91,011

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

20. Finance Income / expense

<i>In thousands of US dollars</i>	Group	
	2017	2016
Discount of long-term borrowing from related parties	(81)	(479)
Discount of long-term borrowing from related parties	-	-
Discount of long-term accounts receivable from related parties	126	132
Interests on borrowings from related parties	(8,778)	(5,519)
Interests on borrowings from other parties	(5,734)	(3,150)
	(14,466)	(9,016)

21. Gain on Disposal of Players' Registrations

In 2017 and 2016, gain on disposal of players' registrations consisted of the following:

<i>In thousands of US dollars</i>	Revenue	NBV	Related fees	Discount	Gain
Panchenko Kirill	1,959	(98)	-	-	1,860
Musa Ahmed	273	-	-	-	273
Tsuber Stiven	171	-	-	-	171
Other players	5	(2)	-	-	3
Total for the year ended December 31, 2017	2,408	(100)	-	-	2,308
Seydou Doumbia	1,162	-	-	-	1,162
Musa Ahmed	23,748	-	-	-	23,748
Karavaev	576	(514)	-	-	62
Stranberg	1,014	(291)	-	-	723
Other players	324	(2)	-	-	322
Total for the year ended December 31, 2016	26,824	(807)	-	-	26,017

The work on providing game practice for the players, which are not yet capable of playing in the basic team on a constant base, has been continued in 2017. In summer 2017 the Club waived the right to Kirill Panchenko to Moscow club «Dynamo».

22. Share Capital

Company

Allotted, issued and fully paid:
Number

	Class	Nominal value	31.12.17	31.12.16
130,699,550	Ordinary Shares	£1	<u>\$202,502,000</u>	<u>\$202,502,000</u>

23. Ultimate controlling party

Alidanos B.V, a company incorporated in the Netherlands and Lasseti SA, a company registered in Marshal Islands were both immediate parent companies of Bluecastle Enterprises Limited holding 50% interest in the issued share capital of the company. In the opinion of the director the ultimate controlling party is Mr Vadim Giner.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

24. Balances and transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures".

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2017 and 31 December 2016 are detailed below. In accordance with IAS 24 disclosure is not required of transactions and balances between Group companies where such transactions are eliminated upon consolidation.

Balances with related parties:

Statement of financial position	Relationship	Group		Company	
		2017	2016	2017	2016
<i>In thousands of US dollars</i>					
Related party loans:					
Nordnet Holdings Limited	Under common control	-	2,882	-	2,882
Sensei International S.A.	Under common management	63,848	54,933	63,848	54,933
Meraldic Limited	Under common control	16,193	21,840	15,243	21,018
CSKA	Subsidiary	-	-	2,707	2,177
Orgmarket Limited	Under common control	2,492	2,553	2,492	2,553
		82,533	82,208	84,290	83,563
Other current liabilities:					
Meraldic Limited	Under common control	282	193	282	193
		282	193	282	193

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

24. Balances and transactions with related parties (continued)

Loans receivable

	Relationship	Group		Company	
		2017	2016	2017	2016
Long term accounts receivable from related parties	Under common control	1,212	1,029	-	-
		1,212	1,029	-	-

Transactions with related parties:

		Group		Company	
<i>In thousands of US dollars</i>					
Finance costs:					
(Accruals) / Recovery of loss of long term accounts receivable	Under common control	126	132	-	-
		126	132	-	-

In 2013 the Club also entered into agreement with E.L. Giner concerning assignment of receivables under co-investment construction contract. The amount of assigned receivables totals \$1,975,000 (2015: \$1,876,000) due in June 2021.

In 2017 and 2016, current compensation of key management personnel of the group amounted to \$2,920,000 and \$3,143,000, respectively. In 2017 and 2016, related social charges amounted to \$457,000 and \$491,000, respectively. Other compensation (non-current, post-retirement benefits) was not paid during the reporting period.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

25. Financial risk management

The Group's principal financial instruments comprise of cash and cash equivalents, accounts receivable, borrowings, trade accounts payable and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. During the year the Group did not undertake trading in financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk, and credit risk.

Foreign Currency Risk

Currency risk is the risk of increase or decrease in liabilities and assets and the risk of loss resulting from changes in exchange rates applied to open foreign currencies positions.

The Group is exposed to currency risk on receivables from transfer of players' registrations, broadcasting proceeds, receivables for advertising and sponsorship and borrowings in a currency other than the functional currency of the Club. The currencies in which these transactions primarily are denominated are Euros and Russian Roubles. The Group does not have formal arrangements to mitigate currency risks of its operations.

Effect of principal exchange rate fluctuations on the Group's consolidated statement of comprehensive income for the year ended 31 December 2017 is as follows:

<i>In thousands of US dollars</i>	Exchange rate fluctuations %	Estimation of gain/(loss)
	+10%	419
RUB/USD	-10%	(419)
	+10%	(2,792)
EUR/USD	-10%	2,792

Credit Risk

Credit risk is the risk of financial losses arising from counterparty's failure to discharge its contractual obligations. Financial assets, which potentially subject the Group to credit risk, consist principally of accounts receivables resulting from the transfer of players' registrations. The Group has no significant concentration of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

The exposure of such accounts receivable to credit risk is mitigated by the regulations of the Russian Football Premier League, Professional Football League and Russian Football Union, which might impose severe financial and sport-related penalties to the clubs that failed to pay for players' registrations. The carrying amount of accounts receivable, net of allowance for impairment of receivables, represents the maximum amount exposed to credit risk.

Aging analysis of financial assets is as follows:

<i>In thousands of US dollars</i>		Including overdue				
	Total	Up to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
December 31, 2017						
Current accounts receivable	11,512	9,251	-	-	2,261	11,512
Non-current receivables	1,248	-	-	-	1,248	1,248
Total	12,760	9,251	-	-	3,509	12,760
		Including overdue				
	Total	Up to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
December 31, 2016						
Current accounts receivable	19,448	16,120	-	-	3,328	19,448
Non-current receivables	1,072	-	-	-	1,072	1,702
Total	20,520	16,120	-	-	4,400	20,520

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

25 Financial risk management (continued)

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its obligations. Liquidity (cash) management is the ability to settle current payment liabilities and eliminate risk of early repayment.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and loans from related parties

The maturity of the Group's financial liabilities is as follows:

In thousands of US dollars

	On demand	Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total
December 31, 2017						
Long-term loan payable to a related party	-	-	-	82,403	-	82,403
Long-term loan payable	-	-	-	272,190	-	272,190
Players' registrations and other short term payable	-	9,534	18,057	-	-	27,591
Short term loans payable	-	-	1,851	-	-	1,851
Short term loans payable to related parties	-	-	282	-	-	282
	-	9,534	20,190	354,593	-	384,317
December 31, 2016						
Long-term loan payable to a related party	-	-	-	81,496	-	81,496
Long-term loan payable	-	-	-	245,969	-	245,969
Players' registrations and other short term payable	159	10,211	23,874	-	-	34,244
Short term loans payable	-	-	1,442	-	-	1,442
Short term loans payable to related parties	-	-	246	-	-	246
	159	10,211	25,562	327,465	-	363,397

Fair Values

Fair values of Group's financial instruments at 31 December 2017 and 2016 approximate their carrying values due to their short maturities and discounting of long-term financial instruments.

Interest rate risk

The Group's interest rate risk principally arises from long-term bank borrowings at a fixed interest rate (Note 27). The Group's policy is to obtain the most favourable interest rates available for its borrowings. Trade receivables and payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities. The Group does not use any derivative instruments to reduce its economic exposure to changes in interest rates. At 31 December 2017 it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group loss after tax and retained earnings by approximately USD 2,611 thousand (31 December 2016: USD 2,455 thousand from bank borrowings).

Capital Management

Capital comprises equity and borrowed funds available to the Group as of the balance sheet date. The Group's capital management policy is primarily focused on obtaining requisite sources of funding that would be sufficient to finance the Group's business operations.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, by means of additional finance from the members.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

26. Commitments and contingencies and operating risks

Players' Insurance Coverage

At 31 December 2017 and 2016, the Group maintained medical insurance coverage for its players, which covers any direct medical costs.

Commitments under Player Transfer Agreements

Certain contracts for the purchase of players' registrations contain commitments to the clubs from which the Group purchased such registration rights to share a portion of proceedings from further transfer of the underlying players' registrations to a third club. Such fees might range from 10% to 50% of the subsequent resale price, and sometimes lapse after a certain period of time.

Certain contracts for the purchase of players' registrations contain payment commitments to clubs from which the Group purchased such registration rights, which are determined based on the subsequent performance of the player or the Club. Such fees are recognised in other expenses during the contractual term.

Because of the volatility of the market values of players' registrations and lack of market information no reliable estimate of the amount of such future obligation can be made.

Litigation, claims and assessments

During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

Pension insurance

In 2017 and 2016, the Group's contributions to state pension, social insurance and medical insurance funds approximated 11% and 11% of payroll and were expensed as incurred. The Group incurred \$5,904,000 and \$6,034,000 of pension, social and medical insurance costs in 2017 and 2016, respectively. The Group has no other program for payment of post retirement benefits to its employees and thus no future liability for such payments.

Operating Environment of the Group

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and effectiveness of economic, financial and monetary measures undertaken by the Government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

In addition the Group is vulnerable to international sanctions on Russian entities as it is involved in European Football competitions.

Taxation

Legislation and regulations regarding taxation in Russia continue to evolve. Various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities. Instances of inconsistent opinions are not unusual. The current regime of penalties and interest related to reported and discovered violations of Russia's laws, decrees and related regulations is severe. Interest and penalties are levied when an understatement of a tax liability is discovered. As a result, the amounts of penalties and interest can be significant in relation to the amounts of unreported taxes.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

26 Commitments and contingencies and operating risks (continued)

In Russia tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during three-year period. Management believes that the Group has complied with all regulations, and paid or accrued all taxes that are applicable. However, it is possible that the relevant local or national governmental authorities may attempt to revise their previous approach to such transactions and assess additional VAT and other taxes against the Group.

Contingencies

On 30 June 2011, the Group terminated the Simple Partnership. Due to deficiencies in the legislation and absence of clear legal and court practice of termination of such agreements, it is impossible to evaluate potential liabilities arising from terminating the Joint Activity Agreement with Bluecastle and, therefore, a provision for contingencies is not recorded in the consolidated financial statements.

27. Loans and borrowings

Loans and borrowings comprised the following:

<i>In thousands of US dollars</i>		
Group	2017	2016
Long - term		
USD - denominated borrowings from related parties	47,371	53,654
RUB - denominated borrowings from related parties	2,982	2,957
GBP - denominated borrowings from related parties	571	478
EUR - denominated borrowings from related parties	31,480	25,119
EUR - denominated borrowings from other parties	130	-
USD - denominated borrowings from other parties	10,941	-
USD – denominated bank loans	261,118	245,551
	354,593	327,759
Short – term		
GBP - denominated borrowings from related parties	282	193
GBP – denominated borrowings from other parties	121	121
EUR - denominated loans from banks	1,730	1,374
	2,133	1,688

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017

27 Loans and borrowings (continued)

In thousands of US dollars

Company	2017	2016
Long - term		
USD - denominated borrowings from related parties	47,371	53,654
RUB - denominated borrowings from related parties	2,492	2,553
GBP - denominated borrowings from related parties	571	478
EUR - denominated borrowings from related parties	33,856	26,878
EUR - denominated borrowings from other parties	130	-
USD - denominated borrowings from other parties	10,941	-
	95,361	83,563
Short – term		
GBP – denominated borrowings from other parties	121	121
GBP – denominated borrowings from related parties	282	193
	403	314

In March 2013, the Club and Vnesheconombank entered into agreement on opening a credit line with a drawdown limit of \$280,000,000 bearing an interest rate of 6.5% and maturing in 2023 for financing costs related to stadium construction. The Club pledged property and equipment (Note 6), Bluecastle and OJSC AVO-Capital pledged 100% shares of PFC CSCA as collateral under the agreement.

In 2013 the Club also entered into agreement with E.L. Giner concerning assignment of receivables under co-investment construction contract. The amount of assigned receivables totals \$1,975,000 (2016: \$1,876,000) due in June 2021.

In August 2013, the Club signed loan agreement with Spencerdale Limited for the total amount of \$12,500,000 to compensate the cost of acquiring a player bearing an interest rate of 0.1% and maturing on 1 August 2014. In December 2013, the parties signed supplementary agreement on translating USD-denominated loans to Euro without changes in other conditions, which was recognized as the settlement of initial financial liabilities of \$12,316,000 and recognition of new financial liabilities. During 2014 - 2016 payments were made on the loan. As of 31 December 2017 the amount of debt outstanding is \$540,000 (2016: \$515,578).

28. Events after the reporting date

There were no significant events after the reporting date.