CABLENET COMMUNICATION SYSTEMS PLC

Report and Financial statements

31 December 2021

CABLENET COMMUNICATION SYSTEMS PLC

Report and Financial statements
Year ended 31 December 2021

CONTENTS

GENERAL INFORMATION

Board of Directors:	**Executive** Iosif Iosifakis (Resigned on 24 June 2021) Yiannos Michaelides **Non-Executive** Nicolas Shiacolas (Resigned as Chairman and Director on 4 June 2021) Nikhil Prakash Patil (Appointed Chairman on 6 June 2021) Paul Testaferrata Moroni Viani Hnid Faker Neoclis Nicolaou Michael Warrington Samir Saied (Resigned on 11 October 2021) Menelaos Shiacolas (Appointed on 15 June 2021) Marios Kalochoritis (Appointed on 9 July 2021)
Company Secretary:	Francis Galea Salomone
Independent Auditors:	PricewaterhouseCoopers Limited Certified Public Accountants and Registered Auditors PwC Central 43 Demostheni Severi Avenue CY-1080 Nicosia, Cyprus
Legal Advisers:	Antoniou McCollum & Co. LLC 9 Nikitara Street 1080 Nicosia, Cyprus
Registered office:	41-49 Agiou Nicolaou Street Block A, Nimeli Court 2nd Floor 2408 Egkomi, Nicosia, Cyprus
Bankers:	Bank of Cyprus Public Company Ltd Alpha Bank Cyprus Ltd Hellenic Bank Public Company Ltd Eurobank Cyprus Ltd The Cyprus Development Bank
Registration number:	137520

Chief Executive Officer's review

2021 was, at a Global level, expected to be and ended up as, a year of gradual adjustment to and management of the after-effects of the unexpected turmoil at an economic, political and social level that was brought about in 2020 by the COVID-19 pandemic. This was also a year when Cablenet Communication Systems PLC ('Cablenet' or 'the Company') was tasked to deliver on its continued evolutionary path towards being a full scale quad-play telecom operator by capturing a higher share of Cyprus' mobile market. A path that requires and will require Cablenet to meet increasingly higher standards of performance and gradually transformed and reinvented, at both a Strategic and Operational level, to meet them. The desired outcome remains to become a solid producer of strong returns for its shareholders and a contributor of exceptional value to its employees and stakeholders. I am proud that in 2021, Cablenet delivered a strong performance on all three pillars of our strategy, notwithstanding the continued and ever-changing challenges to the Company and its employees by the COVID-19 pandemic.

2021 saw our full entry as an MNO (Mobile Network Operator) in the Cyprus market, under our newly introduced Purple Max product concept, which is centered on post-paid customers, with unlimited data allowances at prices affordable to the entire market and continues our traditional "value" proposition to the consumers. The Cypriot mobile market is a significantly bigger market chunk than the fixed one, where Cablenet was traditionally active, with 1.320 million users (OCECPR data, December 2021), of which 67% are post-paid and 33% pre-paid users. Our growing presence in this market section can have a transformative impact on Cablenet's financial performance and is the reason, beyond the strategic fit, we are pursuing it.

As a result of our full entry into the mobile division, Cablenet saw an increase of c.110% of our mobile subscriber base to slightly over 46,000 post-paid and pre-paid subscribers at the end of 2021 and an increase of 157% of our 2021 mobile service revenue to €4.4 million vs. 2020. This strong endorsement by the market encouraged us to continue our investments during 2021 in the mobile business, on the distribution end, as well as on network-related systems and planning to utilize our 4G and 5G frequency spectrum. At the end of 2021, Cablenet also undertook the first steps to offer mobile device financing options to its customers; options that are already on offer by our 3 other competitors in the mobile market section.

On the fixed services side, we continued the expansion of our network into new areas of Cyprus via a Fiber Optic Network in order to meet demand from both homes and businesses. We have also continued the densification of and plugging small coverage gaps in our DOCSIS network, resulting in an aggregate coverage of c.193,000 Homes Passed vs. c.184,000 at the end of 2020. More than 80,500 households and 4,800 businesses by the end of 2021 trusted Cablenet for their broadband and other services. We remain committed to expanding our network coverage areas further in order to be able to cover approximately 80% of the country's households.

The above expansion was also accompanied by our continued commitment to deliver faster speeds to our customers and add to the resilience and overall performance of our network and as a result, the customer experience. Such investments were and will remain a sizable part of our investment budget.

During 2021, we also embarked on the renewal of our TV offering, with the launch of additional Sports and other thematic channels as well as a new integrated TV/Internet/Telephony product. We will continue to strive to make our Sports and non-Sports TV content more accessible to our customers in simple, transparent and value-driven propositions. At the end of 2021, we have witnessed a 20% growth of our Sports TV customers vs. the end of 2020.

2021 was another year of strong revenue growth for Cablenet, which reached €53.5 million, a 14% growth compared to revenue of €47 million in 2020. This revenue growth reflects total subscriber growth of c. 30% with gains across all our customer sections (B2C and B2B) and services and products. Achieving such growth in a challenging, highly penetrated and mature market environment demonstrates the strengths of our human resources as well as our strategic and operational effectiveness.

Chief Executive Officer's review

Cablenet's gross profit increased to €18 million in 2021 (2020: €16.2 million), as a result of operating leverage – a substantial part of our cost base is fixed or growing at a fixed or variable rate that is lower than our revenue growth. Excluding Depreciation & Amortization (D&A) from Cost of sales, gross profit was €31.8 million in 2021 (2020: €30.3 million). Our gross profit improvement demonstrates that our investments of the past few years, especially those in Sports TV and the launch of our new mobile proposition, are starting to generate excess returns and deliver a positive contribution to our results. Despite this performance however, our operating loss grew in 2021 to €2.6 million (2020: loss of €1.2 million). Part of the operating loss performance is explained by investments in Selling, Distribution and Administration expenses and overheads that were needed to handle the growing volumes of revenue and customers. The remainder of the impact, a one-off charge of €0.5 million, concerns Cablenet's participation in EU-funded research projects, which was terminated effective November 30, 2021. We are working with the EU to finalize the closing of our accounts and the charge is a best estimate, based on the progress of this work.

With regards to COVID-19, although we have had short periods of lockdowns and continue to incur costs for extra cleaning and disinfection services, employee testing and acquisition of remote working and protective equipment, these costs have decreased significantly compared to 2020 and have had a less than €0.1 million impact in our operating profit.

In 2021, we also made our first interest payment on our €40 million ten-year bond that is listed on the Malta Stock Exchange ('MSE') and we look forward to a similar payment in 2022 and continuing to grow our business for our bondholders' benefit as well.

Cablenet's 2021 capital expenditure amounted to €16.3 million (2020: €18.2 million), the reduction being partly on account of prudence and longer project timelines, which we deemed necessary to ensure either better planning or optimal execution or reflect delays in deliveries of equipment. The case for our investments continuing, so as to exploit a market opportunity to generate higher growth and returns, remains intact. As we did in 2021, we will exercise discretion and prudence in the type, return profile and strategic fit of capital projects we undertake or, should conditions change again, not.

Our long-term strategic objective remains the same – to continue on a growth trajectory path, establishing sizeable market shares in all services which can be delivered on a national basis. To that end, we will need to remain focused on the tools that are crucial to us achieving that objective, our brand equity, our human talent and our customers, partners and suppliers. Our commitment to the market is also evidenced by the introduction of a new Brand tagline 'Cablenet For a Better Life'. This promise implies the translation of our commercial and technological innovation into practical and simple means that can make the lives of our customers better in any possible way. Doing things better, greener and thinking and acting in a socially mindful context, are directions we plan to explore to increase our value-added and contribution to the Cypriot consumers and businesses, beyond the benefits our services bring to their everyday lives. We are so far encouraged by the positive reception of our initiatives which, through market research in 2021, have established Cablenet in the leading position in Customer Satisfaction in both Fixed and Mobile Services.

I would like to close by saying that the ongoing transformation of Cablenet, at a time when it's growing at an industry-leading rate, is no easy feat. I am incredibly proud of how Cablenet's people have performed to make this feat a reality in 2021 and for their commitment and hard work. I remain thankful to Cablenet's Board for their support and direction and the esteemed shareholders for their trust.

Yiannos Michaelides

Chief Executive Officer

Nicosia, 29 March 2022

The Board of Directors presents its report and audited financial statements of Cablenet Communication Systems PLC (the Company) for the year ended 31 December 2021.

Incorporation

The Company was incorporated in Cyprus on 10 April 2003 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. On 15 June 2020 following special resolution, the Company went public in accordance with the Companies Law, Cap. 113.

Principal activities and nature of operations of the Company

The principal activity of the Company is the provision of television, internet and other connectivity services and fixed and mobile telecommunication services.

No operations of the Company are carried out through any branch.

During the year there were no changes in the structure of the Company, other than changes in its shareholding structure that have been disclosed in the Investor Centre segment of our website. The Company does not intend to proceed with any acquisitions or mergers.

Review of current position, and performance of the Company's business

A review of the business of the Company during the year under review, events which took place since the end of the accounting period and an indication of likely future developments are given in the Chief Executive Officer's Review on pages 2 to 3. The net loss for the year attributable to the shareholders of the Company amounted to €4,570,612 (2020: €2,863,688). On 31 December 2021 the total assets of the Company were €88,342,848 (2020: €91,794,445) and the net assets of the Company were €8,361,499 (2020: €12,932,111). The main non-current assets of the Company consist of property, plant and equipment of €41,858,393, right-of-use ('ROU') assets of €4,259,576, intangible assets primarily consisting of international capacity and football broadcasting rights of €22,208,939 and other non-financial assets (prepayments) of €6,955,086. Moreover, the main current assets of the Company consist of trade receivables of €2,743,358, other non-financial assets (prepayments) of €4,322,255 and cash and cash equivalents of €708,961 with current liabilities primarily consisting of trade and other payables of €14,669,257 and the football broadcasting rights liability of €4,760,508. The Company's non-current liabilities primarily consist of the €40,000,000 4% unsecured bonds maturing in August 2030, with a balance of €38,315,796 and the football broadcasting rights liability of €8,019,831, both as of 31 December 2021.

Review of financial performance and comparison to 2021 projections as included in the Financial Analysis Summary

The Company's financial results for the year ending 31 December 2021 are set out on page 23. This section compares the results achieved by the Company during the year ending 31 December 2021 ('FY2021') to the previous year ('FY2020') as well as the 2021 projections, as included in the Financial Analysis Summary dated 10 May 2021 ,('2021 FAS'). Compared to the latter, the Company performed in-line or better than envisaged.

The telecommunications sector in Cyprus remains a market with significant competition between the 4 largest operators. During the year under review, the Company continued to increase the broadband client base connected on its network by 6%, bringing the total customers base to more than 80,500 retail subscribers and 4,800 business ones, following the expansion of the Company's network in new areas. Furthermore, adding to broadband the Company's TV, Sports TV and mobile subscribers (pre paid and post paid), the customer base grew by 28% in 2021 to reach a total of slightly over 131,000 subscribers. The growth in broadband was fueled by the expansion of our network and the last two categories' growth (Sports TV and mobile) was primarily on account of our effort to up sell our customers with football packages and the commercial popularity of our newly launched Purple Max mobile package with both existing and new customers.

The Company is committed to keep investing in its network infrastructure so that its customers enjoy the latest technology and the best possible quality. Furthermore, during the year under review, the Company's FTTH network coverage was extended to cover another 10,000 households and reaching almost 30,000 households, representing approximately 10% of Cypriot households (2020: 6%). Apart from the DOCSIS network coverage, which has remained constant at around 54% of Cypriot households, Cablenet's reach, including FTTH, grew to 64% coverage of households. In 2022, we expect the release of the data from the 2021 Cyprus census (last one conducted in 2011), so our coverage statistics will be rebased upon the new information provided. Over the coming years, the Company will continue to invest in its FTTH network aim for a coverage of up to 80% of the island's households.

With regards to mobile, as previously disclosed, we successfully concluded a RAN Sharing agreement with CYTA that, from the end of May 2021 onwards, allows Cablenet equal, non-preferential access, as an MNO, to CYTA's mobile network for second, third and fourth generation ('2G, 3G and 4G') services. We are also in the technical implementation phase of utilizing Cablenet's own 4G spectrum in the provision of our services and expect to reach this milestone during 2022. Once reached, our mobile subscribers will have exclusive access to our 4G spectrum and given their current number and near-future estimates, will enjoy ample bandwidth availability with limited to no congestion.

During 2021, Cablenet exercised its contractual options to extend, by another 2 years, the term of the agreements we have with 5 of the 5 football clubs, the exclusive broadcasting rights of which we hold. The agreements are now expiring in May 2024. As a result of this extension, the corresponding assets and liabilities have been recognised in the Statement of financial position.

Cablenet generated total revenue of €53.5 million in FY2021 (FY2020: €47 million), an increase of 14% on FY2020 and 1% higher than the comparable figure in the 2021 FAS. This revenue growth reflects subscriber gains across all the Company's sections (B2C and B2B), existing and new areas and services and products, be it of a fixed or mobile distinction or of a telephony, broadband or TV one.

Cost of sales for FY2021 totalled €35.5 million and €21.7 million once D&A is excluded (FY2020: €30.8 and €16.7 million respectively), driven primarily and among others, by the accounting impact of the agreements with CYTA and Primetel to share sports content among the three, higher football production costs (higher number of own teams games being broadcasted), the CYTA MVNO costs (up to May 2021) and higher mobile traffic costs, as a result of our substantial subscriber growth. Both of our newest lines of business (Football/Sports TV and Mobile) performed better than expectations. The Sports TV product (excluding other services bought by the same customers) narrowed its gross loss contribution by more than €2 million in FY2021 and is expected to achieve break-even or better in FY2022. Our Mobile business, despite the switching costs from the MVNO contract to RAN Sharing, improved its gross profit contribution and is expected to do so again in FY2022. FY2021 Gross Profit (before D&A) was €31.8 million, in line with the 2021 FAS projections.

Selling, distribution, administrative and other costs totalled €19.6 million in FY2021 (FY2020: €16.6 million) reflecting a) the elevated investments, in terms of network, people and IT systems, for the further growth of the business, b) higher utilities and transportation costs as a result of allowing more staff to work from our locations, as COVID-19 subsided and c) one-off charges and expenses related to senior employee redundancies.

Cablenet generated an Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of €15.3 million in FY2021, equivalent to a decrease of 7.3% on FY2020 (FY2020: €16.5 million) and marginally higher than the 2021 FAS estimate of €15.2 million.

The Company registered an operating loss of €2.6 million in FY2021 in comparison to a loss of €1.2 million in FY2020, and a Loss before income tax of €5.1 million in FY2021 (FY2020: €3.1 million). The performance of both metrics vs. FY2020 and FY2021 guidance is the combined effect of variances in a number of Income Statement items that have already been disclosed above, plus a number of FY2021-specific items:

a) One-off charges and expenses of about €0.5 million, that relate to the EU projects and have no comparable expenditure in FY2020 (impact on both metrics)
b) €0.1 million of costs associated with the issuance of guarantees that did not exist as a requirement in FY2020 (impact on Loss Before Tax)
c) €0.2 million of one-off compensation to senior employees for leaving Cablenet or for successful completion of large, complex projects

In terms of performance vs. prior guidance, the Company's operating loss for FY2021 was 10% lower (so better) than the 2021 FAS projections, due primarily to costs associated with higher a) overdraft usage and interest, b) IFRS 16 interest and c) issuance of guarantees, that could not be accurately estimated at the time of the 2021 FAS drafting.

Review of financial position

The Company continues to have a positive total equity of €8.4 million as at 31 December 2021 (2020: €12.9 million) and 4% better than the 2021 FAS forecast of €8.1 million. The decrease is due to the loss after tax registered in FY2021 amounting to €4.6 million (2020: €2.9 million). It is expected that, given our continuing growth in revenue during FY2022, the level of our losses after tax will decrease significantly that year and a number of months will see a profit before tax.

The Company's total asset base stands at €88.3 million as at 31 December 2021 (2020: €91.8 million), representing a decrease of €3.5 million over the prior year. The decrease is due to our ongoing investment cycle - investing current assets into expenses and non-current assets that will naturally take some time to generated their intended returns. Hence the Statement of financial position decreases on both sides due to higher expenses and lower equity, before returns from these investments generate the expected profits and reverse the trend. Total assets are 8% (or 7.5 million) lower than the 2021 FAS and with a similar decrease in total liabilities. The variance from 2021 FAS is almost entirely due to the non-booking (within 2021) of mirror receivables and payables entries related to our football content sharing agreement with CYTA and Primetel. These will instead be booked in 2022. See notes 22 and 31 for additional information.

Cablenet retains a good liquidity position and has access to an undrawn €3.98 million overdraft facility provided by the Bank of Cyprus.

Bond

On 21 August 2020 the Company was admitted to listing and trading in the Malta Stock Exchange via its €40,000,000 4% Unsecured Bonds 2030 of a nominal value of €1,000 per Bond issued at par. The redemption date is 21 August 2030. The company has subsequently received this amount net of Bond issue expenses and the proceeds were partly used to repay the loan with Bank of Cyprus Public Company Ltd and the loan with the shareholder GO plc. The balance of the proceeds was used primarily for capital expenditure and for general corporate purposes.

Financial key performance indicators

	2021	**2020 (restated)**
Gross Margin (excluding D&A)		
Gross profit (excluding D&A) to Revenue	31,815,489 / 53,502,637 = 59.47%	30,240,503/ 46,979,211 = 64.37%
Net Margin		
Profit / (loss) before tax to Revenue	(5,103,338) / 53,502,637 = (9.54)%	(3,050,031)/ 46,979,211 = (6.49)%
Return on capital		
Profit / (loss) before tax to capital	(5,103,338) / 8,361,499 = (61.03)%	(3,050,031)/ 12,932,111 = (23.58)%
Return on equity		
Profit / (loss) before tax to Equity	(5,103,338) / 8,361,499 = (61.03)%	(3,050,031)/ 12,932,111 = (23.58)%

Gross Margin

The Gross Margin (excluding D&A) has decreased by around 5 percentage points in comparison to 2020, as result of the Company's changing revenue mix. As described previously, during FY2021 the Company's revenue growth was driven by the newest lines of business (Sports TV and mobile). These businesses are still in their growth phase and have not yet reached the contribution profitability levels they should be having under full economies of scale. As their growth continues, they are expected to contribute more and more to the Company's Gross Margin.

Net Margin

The Net Margin has decreased compared to FY2020 due to the loss before tax for the year. This is the result of the reasons noted above, the increase in staff costs and other administration expenses, the increase in Depreciation/Amortization charge as well as of the increase in the interest associated with Football Broadcasting Rights and the Bond. The metric is expected to show improvement in FY2022 as the Company's Net Loss improves.

Return on Capital

The percentage of Return on Capital has also significantly decreased compared to 2020. This is due to the resulting loss before tax as a result of the reasons noted above. Capital, as per Note 6.5 of the Financial Statements, is comprised of shareholders equity and subordinated debt, such as shareholder loans. This metric is expected to show improvement in FY2022 as the Company's Net Loss improves.

Return on Equity

There was a significant decrease in 2021 compared to 2020, due to the reasons noted above. This metric is expected to show improvement in FY2022 as the Company's Net Loss improves.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 6 and 7 of the financial statements.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings in terms of fair value, given that our bond has a fixed interest rate. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities - primarily trade receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Credit risk related to trade receivables: This is managed based on established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal policies. Credit quality of the customer is assessed and outstanding customer receivables are regularly monitored. The Company does not hold collateral as security. It should be noted that the majority of the Company's revenue is on a pre-paid basis and thus due before the invoiced month begins, which minimizes the Company's out-of-pocket risk.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the objective of minimising such losses such as regularly monitored collections and payments performance and forecasting, maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Future developments of the Company

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future, other than as already noted in other sections of this Management Report.

Impact of COVID-19 on the financial results and projections

Management assessed the impact of COVID-19 on the Company's FY2021 financial performance, with said impact including only costs and benefits directly and solely attributable to COVID-19 and being equivalent to an adverse impact of less than €0.1 million (2020: €0.8 million) on the Company's operating profit. Furthermore, as of the date of this report, two years into the COVID-19 pandemic, management has concluded and the Board concurs that the demand for the Company's services from customers has not been materially impacted.

Going forward, in view of the fact that a significant percentage of the population worldwide, including Cyprus, has been vaccinated, the Company does not foresee any major adverse effects from the pandemic which could significantly affect its financial results and forward-looking statements in a negative way.

The Company did not face any material supply chain issues with respect to its procurement of services and assets and its major projects have broadly progressed as planned. Where projects were delayed, these delays were either at the Company's own discretion in the face of COVID-19 uncertainty or short-term in nature, largely as a result of everyone's adjustment to the new remote or on-premise working conditions.

With regards to collections from customers and primarily during the earlier part of 2021, the Company granted credit extensions and waivers to business customers that were forced to shut down or otherwise materially impacted and, on some months, did not terminate retail or business customers for non-payment as it would have under normal circumstances. Consequently, bad debt provisions increased in 2021 but at a lower rate than in 2020. Overall collections performance for 2021 improved and was overall in line with our historical pre-pandemic performance (2019 and before).

The Company has not modified its reporting methodology and standards in response to COVID-19's impact on its business and operations. It has also determined that no impairment to assets (fixed assets, receivables, inventory) is necessary, over and above the increase in bad debt provisions booked in 2021.

On the basis of the evaluation performed, the Company's management has concluded that no provisions or impairment charges are necessary, other than the bad debt provisions mentioned above. The Company's management also believes that it is taking all the necessary measures to maintain the viability of the Company and the smooth conduct of its operations in the current business and economic environment.

Impact of Ukrainian crisis on the financial results and projections

The Company offers services to Cyprus-based entities only, of which some may have Russian or Ukrainian nationality or ownership, but they represent a very small part of the Company's annual revenue and no impact has as yet been noticed on the number of such customers or their payments. On the suppliers of material and services side, the Company has no reliance of size to providers from those countries. The Company's TV platform has also discontinued broadcasting 3 Russia-originating TV channels, one on 3 March 2022 and the other two on 10 March 2022, due to the relevant EU directives and commercial considerations.

At the moment and since the situation is still developing, it is not possible for management to predict with any degree of certainty the impact on the Company's financial results and, in fact, it is expected that if the situation does not deteriorate further, there will be little or no impact on the Company's activities and on its financial results.

Management is closely monitoring the situation and is ready to act depending on the developments.

Environmental Issues

The Company is extremely sensitive in issues concerning the climate change. Digitization is one way in which the Company can reduce its carbon footprint and, at the same time, to contribute towards the protection of the environment and the Company has taken and will take further actions to that respect.

Furthermore, the Company is ensuring that its fleet of cars is modern and that all vehicles are at least meeting the low emission standards. Our future plans also include exploring converting part of our vehicle fleet to hybrid or all-electric motors. In addition, the Company has a very strong recycling program which is implemented in all company's premises, recycling paper, plastic and electronic waste. Proper disposal facilities are available within the Company's main offices as well as in all other Company's premises.

The ongoing COVID-19 crisis, led to the need for many of the Company's employees to work remotely since March 2020. The Company is largely still implementing this scheme on a rotational basis and possibly will maintain it in the future. This will clearly reduce the Company's carbon footprint and electricity consumption.

The Company also invests in a number of initiatives that deliver social and environmental benefits. In 2021 there were a number of tree planting events in Nicosia, Limassol and Larnaca organized by the Company. The Company's management and employees in co-operation and co-ordination with various local authorities and municipalities took part in these events in an attempt to improve and enhance the quality of life of the local communities and, at the same time, to contribute towards the protection of the environment and reduce the impacts of climate change.

Anti-corruption and bribery matters

The Company is committed to comply with the local legislation and avoid corruption in any form, including bribery. All Company's procedures and policies are built to ensure that this is achieved and that high ethical standards are maintained.

The Company, realizing the adverse impact of any such incident could have on its reputation and its profitability, is constantly aiming to avoid such incidents not only within the organization but also within its collaborators. Thus, through the procedures set, the Company makes sure that its suppliers comply with the legislation and maintain high ethical standards.

Results and Dividends

The Company's results for the year are set out on page 22. The net loss for the year is carried forward.

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

Share capital

The authorised share capital of the Company is six million eight hundred and forty thousand euro (€6,840,000) divided into four million (4,000,000) shares of €1.71 each share.

The issued share capital of the Company is five million seven hundred and forty-nine thousand, nine hundred and ninety-five euro (€5,749,995) divided into three million three hundred and sixty-two thousand five hundred and seventy (3,362,570) ordinary shares of €1.71 each share, which have been subscribed for and allotted fully paid up. The issued shares of the Company consist of one class of ordinary shares with equal voting rights attached.

On 1 September 2021, 40,091 ordinary shares at €1.71 each were sold from Mr. Nicolas Shiacolas to GO plc with the new holdings to be as follows:

GO plc – 63.38%

Nicolas Shiacolas – 36.62%

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

Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements, apart from what is already disclosed in Note 41 of the financial statements.

Board of Directors

The Directors who served on the Board during the year under review or up to the date of this report are listed hereunder.

Nicolas Shiacolas (Resigned as Chairman and Director on 4 June 2021)
Nikhil Prakash Patil (Appointed Chairman on 6 June 2021)
Samir Saied (Resigned on 11 October 2021)
Faker Hnid
Paul Testaferrata Moroni Viani
Michael Warrington
Neoclis Nicolaou
Yiannos Michaelides
Iosif Iosifakis (Resigned on 24 June 2021)
Menelaos Shiacolas (Appointed on 15 June 2021)
Marios Kalochoritis (Appointed on 9 July 2021)

In accordance with the Company's Articles of Association, all Directors that are presently members of the Board continue in office. There were no significant changes in the assignment of responsibilities of the Board of Directors, apart from the change in the Chairman role.

The Board is composed of executive as well as of non-executive Directors. The determination of remuneration arrangements for Board members is a matter reserved for the Board as a whole. The total amount paid in 2021 was €739,312 (2020: €886,584).

Disclosure of information to the auditor

At the date of making this report the directors confirm the following:

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

Going concern statement pursuant to Listing Rule 5.62

The Directors, as required by the Capital Markets Rule 5.62, have considered the Company's operating performance, the statement of financial position at year end, as well as the business plan for the coming year, and they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis.

Independent auditors

The Independent auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Nikhil Prakash Patil	Yiannos Michaelides
Chairman of the Board	Director

Nicosia, 29 March 2022

CABLENET COMMUNICATION SYSTEMS PLC

STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS RESPONSIBILITIES

The Directors are required by the Cyprus Companies Law, Cap.113 to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit and loss for that period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying consistently suitable accounting policies;
- making accounting judgements and estimates that are reasonable; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining such internal control as they deem necessary for the preparation of financial statements that are free from financial misstatements, whether due to fraud or error, and that comply with the Cyprus Companies Law, Cap.113. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Cablenet Communication Systems PLC for the year ended 31 December 2021 are included in the Annual Report 2021, which is available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Cyprus.

By order of the Board of Directors,

Nikhil Prakash Patil
Chairman of the Board

Yiannos Michaelides
Director

Nicosia, 29 March 2022

CABLENET COMMUNICATION SYSTEMS PLC

STATEMENT BY DIRECTORS ON THE FINANCIAL STATEMENTS AND OTHER INFORMATION INCLUDED IN THE REPORT

Pursuant to Capital Markets Rule 5.68 of the Malta Stock Exchange, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the Annual Report, and prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company, and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board of Directors

Nikhil Prakash Patil	Yiannos Michaelides
Chairman of the Board	Director

Nicosia, 29 March 2022

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Introduction

The Capital Markets Rules issued by the Malta Financial Services Authority, require listed companies to observe The Code of Principles of Good Corporate Governance (the 'Code'). Although the adoption of the Code is not obligatory and Cablenet, as a debt securities issuer is granted an additional waiver, Listed Companies are required to include in their Annual Report, a Directors' Statement of compliance which deals with the extent to which the Company has adopted the Code of Principles of Good Corporate Governance and the effective measures that the Company has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

Compliance

The Board of Directors (the 'Board') of Cablenet Communication Systems PLC ('the Company') believes in the adoption of the Code except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. In this context it is relevant to note that: (a) the majority shareholder of the Company is GO plc, which is a company listed on the Malta Stock Exchange which has a strong corporate governance in place; (b) the Company issued its debt securities on 21 August 2020 and therefore this is the second Annual Report which includes such statement of compliance.

Principles 1 and 4: The Board

The Board of Directors is responsible for devising a strategy, setting policies and the management of the Company. Directors, individually and collectively, are of appropriate calibre, with the necessary skill and experience to assist them in providing leadership, integrity and judgement in directing the Company towards the maximisation of shareholder value. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the Company. The Board is also responsible for decisions relating to the redemption of the Bond, and for monitoring that its operations are in conformity with the Prospectus and all relevant rules and regulations.

Following the issue of debt securities on 21 August 2020, the Board has monitored the performance of the Company. The Company has a structure that ensures a mix of executive and non-executive directors and that enables the Board to have direct information about the Company's performance and business activities.

Complement of the Board

The Board is composed of eight Directors, one of which is an executive Director and seven are non-executive Directors, as listed below. The Board of Directors is currently chaired by Nikhil Prakash Patil and the Company Secretary (Dr. Francis Galea Salomone) attends all meetings as well.

Executive Directors

Yiannos Michaelides
Iosif Iosifakis (Resigned on 24 June 2021)

Non-executive Directors

Nicolas Shiacolas (Resigned as Chairman and Director on 4 June 2021)
Nikhil Prakash Patil (Appointed Chairman on 6 June 2021)
Samir Saied (Resigned on 11 October 2021)
Faker Hnid
Paul Testaferrata Moroni Viani
Menelaos Shiacolas (Appointed on 15 June 2021)

Independent, Non-executive Director

Michael Warrington
Neoclis Nicolaou
Marios Kalochoritis (Appointed on 9 July 2021)

For the purposes of the provisions of the Code, the Board considers Michael Warrington, Neoclis Nicolaou and Marios Kalochoritis as independent.

The Directors shall be appointed or elected in accordance with Regulations 95 and 96, subject always to Regulation 80 of the Articles of Association of the Company. All Directors shall retire from office at each General Meeting and shall be eligible for re-election or re-appointment.

Internal controls

The Board is responsible for the Company's system of internal controls and for reviewing their effectiveness, with clear allocation of responsibilities, framework of requisite approvals and delegation of powers between the Board and Management. Such a system is designed to achieve business objectives and to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud.

The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Company policies and employee procedures are in place for the reporting and resolution of fraudulent activities.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

The Company has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties and reviews by management, internal audit and the external auditors.

Management is responsible for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

Principle 2: Chairman and Chief Executive Officer

The functions of the Chairman and Chief Executive Officer are vested in separate individuals as recommended by the Code. The Chairman's main function is to lead the board, set the agenda and ensure that all board members partake in discussions of complex and contentious issues.

Principles 3, 5, 6, 7 and 8: Composition of the Board and Committees

The Board believes it has systems in place to fully comply with the principles of the Code. Directors meet regularly, mainly to review the financial performance of the Company and to review internal control processes. Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting Board papers, which are circulated well in advance of the meeting. All the directors have access to independent professional advice at the Company's expense should they so require.

The Directors are obliged to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of the Company. The Board member concerned shall not take part in the assessment by the Board as to whether a conflict of interest exists. A Director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has a material interest. Under the present circumstances the evaluation of the board's performance is undertaken at shareholder level.

The Board formally met ten (10) times during the period under review. The number of board meetings attended by directors for the period ended 31 December 2021 is as follows:

	Meetings
Yiannos Michaelides	10
Iosif Iosifakis	5
Nicolas Shiacolas	5
Nikhil Prakash Patil	9
Samir Saied	6
Faker Hnid	10
Paul Testaferrata Moroni Viani	10
Michael Warrington	7
Neoclis Nicolaou	10
Menelaos Shiacolas	5
Marios Kalochoritis	4

Committees

The Directors believe that, due to the Company's size and operation, the remuneration, evaluation and nominations committees that are suggested in the Code are not required, and that the function of these can efficiently be undertaken by the Board itself. However, going forward, the Board shall on an annual basis undertake a review of the remuneration paid to the Directors and shall carry out an evaluation of their performance and of the audit committee. The shareholders approve the remuneration paid to the Directors at the annual general meeting.

The Board also appoints ad hoc committees during the year to focus on particular issues for the proper conduct of the business.

Audit Committee

The Board has established an Audit Committee with the purpose of additional internal controls and audit oversight and protecting the interests of the Company's share and bond holders and assist the Directors in conducting their role effectively. The Audit Committee monitors the financial reporting process, the effectiveness of internal control and the external audit of the annual financial statements. Additionally, it is responsible for monitoring that the projections of the Company's business plan are achieved and if not, corrective actions are taken as necessary. It also scrutinises and supervises related party transactions for materiality and ensures that these are carried out at an arm's length basis.

The Members of the Audit Committee

Michael Warrington acts as Chairman and Faker Hnid and Neoclis Nicolaou act as members. The company secretary, Dr. Francis Galea Salomone acts as secretary to the committee.

Nikhil Prakash Patil resigned from member of the committee on 11 June 2021 and Faker Hnid was appointed as member of the committee on the same date.

During the year under review, the committee met eight (8) times between 4 February 2021 and 31 December 2021. The number of Audit Committee meetings attended by the members for the period ended 31 December 2021 is as follows:

	Meetings
Michael Warrington	8
Nikhil Prakash Patil	3
Faker Hnid	5
Neoclis Nicolaou	8

The Audit Committee members are independent and non-executive directors on the Board, with the exception of Faker Hnid who is a non-executive director but not independent. Furthermore, in terms of Capital Markets Rule 5.118, Michael Warrington is the independent non-executive director of the Company who the Board considers to be competent in accounting and/or auditing in terms of the Capital Markets Rules. The Chief Financial Officer and the external auditors of the Company attend the meetings of the Committee by invitation. Other executives are requested to attend when required.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Remuneration Statement

The directors received €739,312 (2020: €886,584) in aggregate for services rendered during the year 31 December 2021. Going forward, it is the shareholders of the Company in a General Meeting who shall determine the maximum annual aggregate remuneration of the directors.

Yiannos Michaelides is employed by the Company and has a service contract with the Company. Iosif Iosifakis was also employed by the Company and had a service contract with the Company up until his resignation, on 24 June 2021. All the other directors do not have a service contract with the Company.

Principle 9: Relations with bondholders and the market

Following the issuance and listing of a €40 million ten-year bond on the Malta Stock Exchange in August 2020, the Company publishes interim and annual financial statements, as well as current year forecasts via the publication of a FAS and, when required, company announcements. The Board feels these provide the market with adequate information about its activities.

Principle 10: Institutional shareholders

This principle is not applicable since the Company has no institutional shareholders.

Principle 11: Conflicts of interest

On joining the Board, the directors and officers of the Company were informed of their obligations on dealing in securities of the Company within the parameters of law and Capital Markets Rules. The Company has also set reporting procedures in line with the Capital Markets Rules, the Code and internal code of dealings.

Principle 12: Corporate social responsibility

The Board is aware of the importance of the continuing commitment to behave ethically and contribute to the economic development of society at large. This commitment is also recognised within the Company, with various initiatives actively taken up periodically aimed at developing the Company's human capital, health and safety issues and adopting environmentally responsible practices.

The Board considers that the Company has been in compliance with the Principles throughout the year.

Signed on behalf of the Board of Directors on 29 March 2022 by:

Michael Warrington
Chairman of the Audit Committee

Nikhil Prakash Patil
Chairman of the Board

Independent Auditor's Report

to the Members of Cablenet Communication Systems PLC

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of Cablenet Communication Systems PLC (the "Company") give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the financial statements, which are presented in pages 22 to 73 and comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

Key Audit Matter	How our audit addressed the Key audit matter
Recognition of the Company's revenue due to complex billing systems and large number of transactions The recognition of revenue is an inherent industry risk. This is because telecom billing systems are complex and process large volumes of data with a combination of different services and products sold during the year, through a number of different systems. The Company has multiple products sold at multiple rates. Products represent a combination of service-based products, such as fixed line telephony, tv services and internet. Due to the large number of transactions and complexity of the billing systems in respect of the retail and corporate subscription revenue, these revenue streams were considered to be the areas that have the greatest effect on our audit. Refer to Note 8 "Revenue" to the Financial Statements.	In respect of the retail and corporate subscription revenue streams, we performed the following procedures: We understood and evaluated the design of relevant systems and controls, and tested the operating effectiveness of specific controls related to revenue transactions comprising services supplied to customers through the different systems involved. We further performed tests of details by tracing a sample of revenue transactions to relevant invoices, contracts and pricing lists. We considered whether any critical judgements or assumptions impacted the revenue recognition, in line with the requirements of IFRS 15, 'Revenue from contracts with customers'. None were identified. As part of the risk of management override of controls, we tested any journal entries that related to unusual or unexpected entries impacting revenue. The results of our testing procedures above were satisfactory for the purposes of our audit.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Chief Executive Officer's review report, the Management Report, the Statement of the members of the Board of Directors responsibilities, the Statement by Directors on the Financial Statements and Other Information included in the report and the Statement by the Directors on compliance with the Code of Principles of Good Corporate Governance, but does not include the financial statements and our auditor's report 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 identified above 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 28 April 2021 by the Board of Directors for the audit of the financial statements for the year ended 31 December 2021.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 15 March 2022 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the Management Report.

European Single Electronic Format

We have examined the digital files of the European Single Electronic Format (ESEF) of Cablenet Communication Systems PLC for the year ended 31 December 2021 comprising the XHTML file which includes the annual financial statements for the year then ended (the “digital files”).

The Board of Directors of Cablenet Communication Systems PLC is responsible for preparing and submitting the financial statements for the year ended 31 December 2021 in accordance with the requirements set out in the EU Delegated Regulation 2019/815 of 17 December 2018 of the European Commission (the “ESEF Regulation”).

Our responsibility is to examine the digital files prepared by the Board of Directors of Cablenet Communication Systems PLC. According to the Audit Guidelines issued by the Institute of Certified Public Accountants of Cyprus (the “Audit Guidelines”), we are required to plan and perform our audit procedures in order to examine whether the content of the financial statements included in the digital files corresponds to the financial statements we have audited, and whether the digital files have been prepared in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined correspond to the financial statements, and the financial statements included in the digital files, are presented in all material respects, in accordance with the requirements of the ESEF Regulation.

Other Legal Requirements

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

- In our opinion, based on the work undertaken in the course of our audit, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Management Report, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Nicos A. Theodoulou.

N. A. Theodoulou.

Nicos A. Theodoulou
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central
43 Demostheni Severi Avenue
CY-1080 Nicosia, Cyprus

Nicosia, 29 March 2022

CABLENET COMMUNICATION SYSTEMS PLC

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2021

	Note	2021 €	2020 (restated) €
Revenue	8	53,502,637	46,979,211
Cost of sales	9	(35,526,575)	(30,800,801)
Gross profit		**17,976,062**	**16,178,410**
Other operating income	10	60,032	57,452
Selling and distribution expenses	11	(4,708,537)	(4,109,650)
Administration expenses	12	(14,890,582)	(12,475,556)
Net impairment losses on financial assets	6	(483,717)	(886,933)
Loss in respect of the EU-funded projects	14	(509,074)	-
Operating loss		**(2,555,816)**	**(1,236,277)**
Analysed as follows:			
EBITDA		**15,260,130**	**16,459,712**
Depreciation and amortisation		**(17,815,946)**	**(17,695,989)**
Operating loss		**(2,555,816)**	**(1,236,277)**
Finance income	15	-	7,572
Finance costs	15	(2,547,522)	(1,821,326)
Loss before income tax		**(5,103,338)**	**(3,050,031)**
Income tax expense	16	532,726	186,343
Loss for the year		**(4,570,612)**	**(2,863,688)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(4,570,612)**	**(2,863,688)**

The notes on pages 26 to 73 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
31 December 2021

	Note	12/31/2021 €	12/31/2020 (restated) €	1/1/2020 (restated) €
ASSETS				
Non-current assets				
Property, plant and equipment	17	41,858,393	39,108,611	35,720,331
Right-of-use assets	18	4,259,576	3,692,670	3,846,856
Intangible assets	19	22,208,939	20,615,851	25,734,732
Financial assets at amortised cost	23	350,487	263,301	254,056
Other non-financial assets	22	6,955,086	2,359,000	-
Deferred tax assets	30	713,830	184,862	-
		76,346,311	**66,224,295**	**65,555,975**
Current assets				
Inventories	20	294,556	78,747	15,902
Trade receivables	21	2,743,358	2,273,588	3,260,892
Other non-financial assets	22	4,322,255	8,784,590	3,345,965
Restricted cash	24	3,927,407	5,860,000	-
Cash and cash equivalents (excluding bank overdrafts)	25	708,961	8,573,225	287,107
		11,996,537	**25,570,150**	**6,909,866**
Total assets		**88,342,848**	**91,794,445**	**72,465,841**
EQUITY AND LIABILITIES				
Equity				
Share capital	26	5,749,995	5,749,995	5,749,995
Other reserves	27	26,393,078	26,393,078	26,393,078
Accumulated losses		(23,781,574)	(19,210,962)	(16,214,951)
Total equity		**8,361,499**	**12,932,111**	**15,928,122**
Non-current liabilities				
Borrowings	28	38,315,796	39,405,428	17,362,579
Lease liabilities	29	3,148,118	2,745,915	3,014,018
Trade and other payables	31	7,847,192	10,051,791	7,452,179
Football rights liability	32	8,019,831	2,419,278	6,110,443
		57,330,937	**54,622,412**	**33,939,219**
Current liabilities				
Trade and other payables	31	14,669,257	17,527,434	12,228,170
Borrowings	28	2,120,685	1,037,360	5,458,840
Lease liabilities	29	1,099,962	951,080	828,057
Football rights liability	32	4,760,508	4,724,048	4,053,243
Current tax liabilities		-	-	30,190
		22,650,412	**24,239,922**	**22,598,500**
Total liabilities		**79,981,349**	**78,862,334**	**56,537,719**
Total equity and liabilities		**88,342,848**	**91,794,445**	**72,465,841**

These financial statements were approved by the board of directors, authorised for issue on 29 March 2022 and signed on its behalf by:

....
Nikhil Prakash Patil
Chairman of the Board

....
Yiannos Michaelides
Director

The notes on pages 26 to 73 form an integral part of these financial statements.

CABLENET COMMUNICATION SYSTEMS PLC

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2021

	Note	Share capital (Note 26) €	Other reserves (Note 27) €	Accumula-ted losses €	Total €
Balance at 1 January 2020 as previously reported		5,749,995	26,393,078	(16,040,850)	16,102,223
Restatements	4	-	-	(174,101)	(174,101)
Balance at 1 January 2020 as restated		5,749,995	26,393,078	(16,214,951)	15,928,122
Comprehensive income					
Loss for the year as previously reported		-	-	(2,843,411)	(2,843,411)
Restatements	4	-	-	(20,278)	(20,278)
Total comprehensive income for the year as restated		-	-	(2,863,689)	(2,863,689)
Transactions with owners					
Defence and GHS contribution on deemed distribution	33	-	-	(132,322)	(132,322)
Total transactions with owners		-	-	(132,322)	(132,322)
Balance at 31 December 2020/1 January 2021 as restated		5,749,995	26,393,078	(19,210,962)	12,932,111
Comprehensive income					
Loss for the year		-	-	(4,570,612)	(4,570,612)
Total comprehensive income for the year		-	-	(4,570,612)	(4,570,612)
Balance at 31 December 2021		5,749,995	26,393,078	(23,781,574)	8,361,499

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of 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 the rate of 17% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents and domiciled. From 1 March 2019, the deemed dividend distribution is subject to a 1,70% contribution to the National Health System, increased to 2,65% from 1 March 2020, with the exception of April 2020 until June 2020 when the 1,70% rate was applicable. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 26 to 73 form an integral part of these financial statements.

CABLENET COMMUNICATION SYSTEMS PLC

STATEMENT OF CASH FLOWS
Year ended 31 December 2021

	Note	2021 €	2020 (restated) €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(5,103,338)	(3,050,031)
Adjustments for:			
Depreciation of property, plant and equipment	17	9,268,147	8,647,994
Amortisation of intangible assets	19	7,507,876	8,102,801
Depreciation of right-of-use assets	18	1,039,923	941,787
Profit from the sale of property, plant and equipment		(1,229)	(1,113)
Interest expense	15	2,547,522	1,534,689
		15,258,901	**16,176,127**
Changes in working capital:			
Increase in inventories		(215,809)	(62,845)
(Increase)/decrease in trade receivables		(469,770)	987,304
(Increase)/decrease in other non-financial assets	22	4,462,335	(5,438,625)
Increase in financial assets at amortised cost		(87,186)	(9,245)
(Decrease)/increase in trade and other payables		(4,992,515)	7,766,554
Cash generated from operations		**13,955,956**	**19,419,270**
Tax refunded/(paid)		3,758	(28,709)
Net cash generated from operating activities		**13,959,714**	**19,390,561**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	19	(315,188)	(2,234,017)
Payment for purchase of property, plant and equipment	17	(12,019,355)	(12,039,689)
Payment for football rights	32	(3,713,994)	(3,967,147)
Proceeds from disposal of property, plant and equipment	17	2,640	1,122
Net cash used in investing activities		**(16,045,897)**	**(18,239,731)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings	25	-	(14,501,539)
Repayment of loans from shareholders	25	-	(7,035,897)
Payments of leases liabilities	25	(1,046,430)	(938,054)
Proceeds from borrowings	25	-	42,450,605
Interest paid	25	(2,064,535)	(1,325,001)
Decrease/(increase) in restricted bank deposits	24	1,932,593	(5,860,000)
Increase in other non-financial assets	22	(4,596,086)	(2,359,000)
Net cash (used in)/generated from financing activities		**(5,774,458)**	**10,431,114**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(7,860,641)**	**11,581,944**
Cash, cash equivalents and bank overdrafts at beginning of the year		8,048,917	(3,533,026)
Cash, cash equivalents and bank overdrafts at end of the year	25	**188,276**	**8,048,917**

The notes on pages 26 to 73 form an integral part of these financial statements.

1. Incorporation and principal activities

Country of incorporation

Cablenet Communication Systems PLC (the "Company") was incorporated and domiciled in Cyprus on 10 April 2003 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 41-49 Agiou Nicolaou Street, Block A, Nimeli Court, 2nd Floor, 2408 Egkomi, Nicosia, Cyprus. On 25 June 2020, the Company converted into a public company under the provision of the Cyprus Companies Law, Cap. 113 and changed its name from Cablenet Communication Systems Ltd to Cablenet Communication Systems PLC. On 21 August 2020, the Company formally listed debt securities on the Malta Stock Exchange, marking the success of a bond offering.

Principal activities

The principal activity of the Company is the provision of television, internet connectivity and fixed and mobile telecommunication services.

Operating Environment of the Company

The year 2021 was marked by the continuous effects of the COVID-19 pandemic, the emergence of new variants and the associated measures implemented by various governments globally with a view to delay the spread of the disease, safeguard public health and ensure the economic survival of working people, businesses, vulnerable groups and the economy at large.

To this end, the government of the Republic of Cyprus extended certain of the measures in place since 2020 and, in some cases, introduced new, economically costly, measures with the aim of protecting the population from further spread of the disease.

Entry regulations continued to apply during 2021, which imposed limitations in the entry of individuals to the Republic of Cyprus. A considerable number of private businesses operating in various sectors of the economy closed for a period of time while a number of lockdown measures, such as prohibition of unnecessary movements and suspension of operations of non-essential businesses, including retail companies (subject to certain exemptions), were applied throughout the year. The measures were continuously revised (lifted or tightened) by the Republic of Cyprus during the year taking into consideration the epidemic status in the country.

These measures have further restricted the economic activity both in Cyprus and globally and have severely impacted and could continue to negatively impact, businesses, market participants as well as the Cyprus and global economies as they persist for an unknown period of time.

Management has taken and continues to take necessary measures to ensure minimum disruption to and sustainability of the Company’s operations and support the Company’s employees, customers and suppliers. The measures taken comprise of taking social distancing measures, such as replacement of face-to-face meetings with telecommunications, employing the work-from-home scheme for office staff and since summer 2021, with a small interval from January to February 2022 due to Omicron variant crisis during which the work from home scheme was employed, most of the office staff have been working from home on a rotational basis. Furthermore, strict rules of sitting arrangements, hygiene and regular tests (PCR when needed, rapid tests and self-tests) have been imposed to protect the health and safety of the Company's employees and customers.

The future effects of the COVID-19 pandemic and of the above measures on the Cyprus economy, and consequently on the future financial performance, cash flows and financial position of the Company, are difficult to predict and management’s current expectations and estimates could differ from actual results. The Company’s management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current economic environment.

The Company's management has assessed:

- The impact on the expected credit losses of the Company's financial instruments that are subject to impairment under IFRS 9. Refer to Note 6 for more information on impairment of financial assets.

The future effects of the COVID-19 pandemic and of the above measures on the Cyprus economy, and consequently on the future financial performance, cash flows and financial position of the Company, are difficult to predict and management's current expectations and estimates could differ from actual results. The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current economic environment. Please refer to Note 4, section Going concern for management's going concern assessment.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2021 and are relevant to the Company's operations have been adopted by the EU through the endorsement procedure established by the European Commission.

The principal accounting policies applied in the preparation of these financial statements are set out below in note 4. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 7.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2021. This adoption did not have a material effect on the accounting policies of the Company.

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Going concern basis

The Company incurred a loss of €4,570,612 (2020: loss of €2,863,688) for the year ended 31 December 2021. Additionally, the Company's accumulated losses as at 31 December 2021 amounted to €23,781,574 (2020: accumulated losses of €19,210,962). This is the result of the Company's growth development strategy. For instance, during 2021, €9,504,562 was invested in the expansion of and additions to Cablenet's fixed network and similarly additional resources were deployed towards enhancing and increasing the appeal and sales of mobile telecommunication and TV services and the production and sale of Sports TV content.

Financial position

As at 31 December 2021, the Company's current liabilities exceeded its current assets by €10,653,875 (2020: net current assets position of €1,330,228).

Relevant factors considered:

4. Summary of significant accounting policies (continued)

- The Company can obtain additional borrowings in order to meet or refinance its obligations as and when they fall due. The total approved limit of the overdraft facilities of the Company as at 31 December 2021 was €4,000,000 and an amount of €3,978,396 (2020: €4,000,000) was available (Note 28). As at 31 December 2021, the Company's cash equivalents were positive amounted to €188,276 (2020: €8,048,917) excluding restricted cash deposits. Both figures are c. €3 million better than the 2021 FAS forecasts, as the Company's growth and cash-flow generation accelerated in the 2nd half of 2021.

- The Company's cash equivalents exclude restricted deposits of €3,927,407 (2020: €5,860,000). These deposits act as collateral for issued short-term letters of guarantee and are expected to be partly released back to the Company's liquidity over time - the next release will amount to an estimated amount of €945,167 and is due for July 2022.

- The majority of the Company's borrowings is non-current and due in 2030 with a low servicing cost.

- Included in current liabilities are the amounts of Deferred Subscription Income of €5,422,645 (2020: €9,445,480) for which no cash outflow is expected.

- Future borrowings may be sourced from third parties or from the Company's shareholders, with the latter's availability having been concretely demonstrated in the past.

Cash flows

For the year ended 31 December 2021, the cash and cash equivalents decreased by €7,860,641. As at 31 December 2021, the Company's cash equivalents amounted to €188,276 (2020: €8,048,917).

Relevant factors considered:

- The conditions and dynamics that have allowed Cablenet to significantly grow its revenue and market share in the Cypriot market, as it has done in past years, remain in place.

- The €40m Maltese Stock Exchange bond issuance in August 2020 was the funding component of the Company's strategic decision to continue investing in the growth of its market share, scale and capabilities. However, the Company expects to retain a portion of the proceeds as cash on the balance sheet to allow us the flexibility needed to react to any changing circumstances in the market.

- As mentioned above, the Company has restricted cash deposits of €3,927,407 million which were sourced from the bond issuance proceeds (€ 40m) and which we are working with our bank to release for future usage.

- The total revenue of the Company is expected to continue increasing at rates comparable to those of the prior year (2021: increase by € 6.5m). The expected increase is a result of a) increasing the number of clients and services sold to them within existing network areas, b) the expansion of the network's coverage to other new areas allowing us as a result to increase the number of subscribers and services from those as well, c) further increase in the number of mobile subscribers and d) additional revenue streams from new B2B services, sports rights and advertising.

- The Board of Directors of the Company expects that the profitability potential of the Company will be improved through strategies applied in order to a) increase the number of customers and revenue at a faster rate than that of our fixed and variable costs, b) shift some capital away from investments with long pay-out profiles to those with shorter ones and c) expand its presence in the mobile telecommunication services section. The latter represents the majority of the Cypriot telecom market's revenue. The Company's share of the mobile market is rapidly increasing and is estimated at 3.5% as of December 31, 2021 (2.3% as of June 30, 2021 and 1.9% as of 31 December 2020; OCECPR data). Given the size of this market, the continued expansion of our presence in mobile telecommunication services can significantly improve our financial performance.

4. Summary of significant accounting policies (continued)

- The Company has prepared its cash flow forecasts using assumptions based on historical information and reasonable projections to meet its cash flow needs for the foreseeable future. According to the business plan and the matters mentioned above, the Company will have sufficient funds to finance its operations and cover its liabilities, as and when they fall due, to enable the Company to continue trading for a minimum of 12 months from the date on which the Company's financial statements for the year ended 31 December 2021 are approved by the Board of Directors. The Board of Directors has also identified discretionary expenditure across the Company's business and projects, which can be delayed, should the need arise for the conservation of liquidity.

- As mentioned above, within the current liabilities of the Company as at 31 December 2021, there is of Deferred Subscription Income of €5,422,645 (2020: €9,445,480) for which no cash outflow is expected.

- The Company has cash and cash equivalents, as at 31 December 2021, amounting to €188,276 (2020: €8,048,917) and restricted cash deposits of €3,927,407 part of which, amounting to €945,167, will be released back into unrestricted cash in July 2022.

- As explained in the Management Report, the Ukrainian crisis is not expected to have an impact on the projections of the Company for the going concern period.

- The Directors have also considered a letter of support obtained from GO plc, one of the Company's shareholders. In a scenario where the Company is experiencing liquidity issues, the shareholder will provide adequate financial support to enable the Company to cover any deficiency in equity and any liquidity that may arise to cover the Company's liabilities, as and when they fall due, to enable the Company to continue trading for a minimum of 12 months from the date on which the Company's financial statements for the year ended 31 December 2021 are approved by the Board of Directors. Additionally, the shareholder will not call for the repayment of any amounts due by the Company to themselves, until the Company has adequate funds to repay these amounts.

Conclusion

The Board of Directors after considering and evaluating all the above conditions and relevant factors has concluded that the Company has currently the available resources to enable it to continue its activities, and, despite the conditions described above there is no material uncertainty over the Company's ability to continue as a going concern for at least 12 months from the date that these financial statements are approved by the Board of Directors.

In accordance with IAS 1 "Presentation of Financial Statements" and the conclusion reached, these financial statements have been appropriately prepared on a going concern basis.

Segmental reporting

The Company determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group’s chief operating decision-maker in accordance with the requirements of IFRS 8, Operating Segments. The Board of Directors of the Company has not applied significant estimates and calculations regarding the definition of the Company's operating segments. The Board of Directors of the Company monitors internal reports to evaluate the performance of the Company and allocate its resources. Based on management's assessment, the Company has only one operating segment.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

4. Summary of significant accounting policies (continued)

Revenue (continued)

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of comprehensive income in the period in which the circumstances that give rise to the revision become known by Management.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognised as revenue on fulfillment of the obligation to the customer. This especially concerns the sale of a mobile handset or other telecommunications equipment combined with the conclusion of a mobile or fixed-network telecommunications contract. The total transaction price of the bundled contract is allocated among the individual performance obligations based on their relative – possibly estimated – stand-alone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated stand-alone selling prices of the contractual performance obligations. As a result, the revenue to be recognised for products (often delivered in advance) such as mobile handsets that are sold at a subsidised or nil price in combination with a long-term service contract is higher than the amount billed or collected. This leads to the recognition of a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position. The contract asset is reversed and reduced over the remaining minimum contract period, lowering revenue from the other performance obligations (in this case mobile service revenues) compared with the amounts billed. In contrast to the amounts billed, this results in higher revenue from the sale of goods and lower revenue from the provision of services. Customer activation fees and other advance one-time payments by the customer that do not constitute consideration for a separate performance obligation are classified as contract liabilities and are deferred and recognised as revenue over the minimum contract term or, in exceptional cases (e.g., in the case of contracts that can be terminated at any time) over the expected contract period. The same applies to fees for installation and set-up activities that do not have an independent value for the customer. In respect of the revenue of the Company recognised for 2021 and 2020, there have been no products with significant value sold at a subsidised or nil price and as such the revenue recognition did not involve the complexities as per above.

Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

- **Sale of separate equipment**

  Sales of separate equipment are recognised at the point in time when the Company satisfies its performance obligation by transferring control over the promised products to the customer, which is usually when the products are delivered to the customer, risk of obsolescence and loss have been transferred to the customer and the customer has accepted the products.

4. Summary of significant accounting policies (continued)

Revenue (continued)

- **Rendering of services**

  Revenue from telecommunications and other services rendered is recognised in profit or loss when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the associated costs can be measured reliably. Revenue from contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided that is accrued at the end of each period and unearned revenue from services to be provided in future periods that is deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the credit or credit expires. Revenue from calls and messaging is recognised at the time the call or message is effected over the Company’s network. Fees, consisting primarily of monthly charges for access to broadband, other Internet access and connected services, TV and voice services, are recognised as revenue as the service is provided. Revenue arising from the interconnection of voice and data traffic between other telecommunications operators is recognised at the time of transit across the Company’s network. Revenue related to football broadcasting rights is recognised over time as the service is provided.

- **Contract assets**

  The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

  By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. This is the case in a bundled offer combining the sale of a mobile phone and mobile communication services for a fixed-period, where the mobile phone is invoiced at a reduced or nil price leading to the reallocation of a portion of amounts invoiced for telephone communication services to the supply of the mobile phone. The excess of the amount allocated to the mobile phone over the price invoiced is recognised as a contract asset and transferred to trade receivables as the service is invoiced. Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Foreign currency translation

(1) Functional and presentation currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

4. Summary of significant accounting policies (continued)

Foreign currency translation (continued)

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are recognised in profit or loss, as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

Current and deferred income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. In accounting for the tax effects of on-balance sheet leases, the Company views the right-of-use asset and lease liability separately and considers that the temporary difference on each item does not give rise to deferred tax since the initial recognition exception applies.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

4. Summary of significant accounting policies (continued)

Uncertain tax positions

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains/(losses), net, respectively.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated using the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Leasehold buildings and improvements	3-10
Network and machinery	10-33.33
Motor vehicles	20
Furniture, fixtures, equipment and computer hardware	10-25
Tools	33.33

No depreciation is provided on land.

The depreciation charges of Leasehold buildings and improvements and Furniture, fixtures, equipment and computer hardware are included in administration expenses.

The depreciation charges of Network and machinery, Motor vehicles and Tools are included in cost of sales.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

4. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

European Projects

Grants are recognised when there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants relating to costs are deferred and recognised in profit or loss for the year as "other income" over the period necessary to match them with the costs that they are intended to compensate. Details about the final outcome of Cablenet's participation in these projects, which was terminated in 2021, are stated in Note 14.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite life are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The Company's intangible assets include computer software, international capacity, leasehold rights on buildings and football broadcasting rights.

The annual amortisation rates used are as follows:

	%
Football broadcasting rights	25-33.33
International capacity	7.14-20

4. Summary of significant accounting policies (continued)

Intangible assets (continued)

International Capacity (continued)	
Leasehold rights on buildings	1.33
Computer software	33.33

International Capacity

Expenditure representing the initial fees paid for the acquisition of the capacity line. Their amortization expense is included in cost of sales.

Football broadcasting rights

The Company has the contractual rights, through the signing of contracts, to broadcast all the home football matches of certain football clubs in Cyprus. The football broadcasting rights were effective from 1 July 2019 and have a duration of 35 months. In June and November 2021, as allowed by the original contract, it was communicated by the Company to these football clubs, of the Company's intention to renew the contracts for 24 additional months (expiry on 31 May 2024).

On initial recognition the asset is measured at cost. The cost represents the total of any prepayments paid plus the present value of the estimated future contractual payments, including the fair value of the future contingent payments at acquisition. A financial liability is recognised at the same fair value. Subsequent to initial measurement, the intangible asset is amortised to profit or loss over the contractual period of the term of the contract. If, on the balance sheet date, indications for impairment are identified, then the asset is assessed for impairment.

For the financial liability, interest expense is recognised using the effective interest rate. Any actual additional consideration paid or any relevant remeasurement of the corresponding financial liability recognise immediately in profit or loss (i.e. expense). Subsequently, the financial liability is measured at amortised cost, following the requirements of IFRS 9 "Financial instruments". The Company adjusts the carrying amount of the financial liability to reflect actual and updated estimated cash flows whenever the cash flow estimates are revised. The Company recalculates the carrying amount of the liability by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate or, where applicable, the revised effective interest rate. Subsequent changes in the measurement of the liability are unrelated to the cost of the asset. The adjustment is therefore recognised in profit or loss as income or expense.

Expenditure on advertising and promotional activities are recognised as expenses as they are incurred. The consideration allocated to the advertising and promotional rights separated from the consideration used for measuring the intangible and recognise as an expense on an accrual basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Their amortization expense is included in cost of sales.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

4. Summary of significant accounting policies (continued)

Intangible assets (continued)

Computer software (continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The amortisation expense of computer software is included in administration expenses.

Leasehold rights on buildings

Leasehold rights are initially recognised at their acquisition cost and then amortised over their estimated useful life, which does not exceed the expected lease period, on a straight line basis. Their amortization expense is included in administration expenses.

Spectrum licences

Spectrum licences are treated as right-of-use assets taking into account prevailing market accounting practice and guidance in this respect in the context of the interpretation of IFRS 16 principles. The Company's spectrum licences have not yet been classified as right-of-use assets since they were not made available for use by the Company due to specific conditions attached which are substantive and have not been met by 31 December 2021 and 31 December 2020. Please refer to Note 7 for further information.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company as lessee

The Company recognises a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Company, with limited exceptions as set out below. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

4. Summary of significant accounting policies (continued)

Leases (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The depreciation expenses of ROU assets are included in administration expenses. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. Right-of-use assets are reviewed for impairment in accordance with the Company's accounting policy for impairment of non-financial assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate is the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In determining the lease term, management of the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

Right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet.

Short-term leases and leases of low-value assets

The Company has elected not to recognise the right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets (i.e. IT equipment, office equipment etc.). The Company recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

4. Summary of significant accounting policies (continued)

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets - Classification

The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the assets. Management determines the classification of financial assets at initial recognition.

The Company classifies its financial assets at amortised cost. Financial assets at amortised cost are held for collection of contractual cash flows and their cash flows represent solely payments of principal and interest (SPPI). They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Company's financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, restricted cash, trade receivables and financial assets at amortised cost.

Financial assets - Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses)" together with foreign exchange gains and losses.

Financial assets - Measurement

At initial recognition, the Company measures financial assets classified at amortised cost at their fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Subsequently, these are measured at amortised cost.

Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets - impairment - credit loss allowance for ECL

The Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

4. Summary of significant accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within "net impairment losses on financial and contract assets". Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL.

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Refer to note 6.2, Credit risk section for a description of impairment methodology applied by the Company for calculating expected credit losses for debt instruments measured at AC.

Financial assets - Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

4. Summary of significant accounting policies (continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities. Cash and cash equivalents are carried at amortised cost (AC) because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. They are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 6.2, Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than certain days past due.

Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the income statement as "Other income". Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit – impaired financial assets – Stage 3 the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Financial guarantee contracts

Financial guarantee contracts are contracts that require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee in other income in profit or loss.

4. Summary of significant accounting policies (continued)

Financial guarantee contracts (continued)

At the end of each reporting period, the guarantee is subsequently at the higher of:

- the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as "other income" or "finance costs".

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

4. Summary of significant accounting policies (continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments and are recognised in the period in which the Company becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Company are not provided in advance.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company.

4. Summary of significant accounting policies (continued)

Comparatives

Comparative figures have been adjusted to conform with changes in the presentation for the current year. Details of the reclassifications and/or prior year adjustments are disclosed below.

Prior period errors

The effect was as follows on amounts as at 31 December 2019 / 1 January 2020:

	Note	As originally presented €	Effect of correction €	As restated €
Non-current assets				
Right-of-use assets	P1	3,600,095	246,761	3,846,856
Intangible assets	P2	25,906,181	(171,449)	25,734,732
Equity				
Accumulated losses	P3	16,040,850	174,101	16,214,951
Non-current liabilities				
Lease liabilities	P4	2,776,743	237,275	3,014,018
Current liabilities				
Lease liabilities	P5	815,919	12,138	828,057

The effect was as follows on amounts as at 31 December 2020 / 1 January 2021:

	Note	As originally presented €	Effect of correction €	As restated €
Non-current assets				
Right-of-use assets	P1	3,460,424	232,246	3,692,670
Intangible assets	P2	20,805,201	(189,351)	20,615,850
Equity				
Accumulated losses	P3	19,016,583	194,380	19,210,963
Non-current liabilities				
Lease liabilities	P4	2,521,060	224,855	2,745,915
Current liabilities				
Lease liabilities	P5	938,660	12,420	951,080

The effect was as follows on amounts in the Statement of comprehensive income for the year ended 31 December 2019:

	Note	As originally presented €	Effect of correction €	As restated €
Depreciation cost*	P6	8,528,161	14,515	8,542,676
Amortization cost*	P7	4,731,586	13,818	4,745,404
Interest on lease liabilities*	P8	89,489	5,648	95,137
Cost of Sales	P9	23,053,316	(3,693)	23,049,623
Profit for the period	P10	60,402	(16,470)	43,932

4. Summary of significant accounting policies (continued)

Prior period errors (continued)

* Interest on lease liabilities is included within Finance costs in the Statement of comprehensive income, whereas the Depreciation cost is mapped within Administration expenses in the Statement of comprehensive income. Amortisation cost presented above is mapped within Cost of sales.

The effect was as follows on amounts in the Statement of comprehensive income for the year ended 31 December 2020:

	Note	As originally presented €	Effect of correction €	As restated €
Depreciation cost*	P6	9,449,984	14,515	9,464,499
Amortization cost*	P7	8,084,900	17,901	8,102,801
Interest on lease liabilities*	P8	97,392	5,373	102,765
Cost of Sales	P9	30,800,411	390	30,800,801
Profit for the period	P10	2,843,411	20,278	2,863,689

* Interest on lease liabilities is included within Finance costs in the Statement of comprehensive income, whereas the Depreciation cost is mapped within Administration expenses in the Statement of comprehensive income. Amortisation cost presented above is mapped within Cost of sales.

In addition to the above, the following error has been corrected:

In the 2020 audited financial statements of the Company, cash and cash equivalents as at 31 December 2020 included restricted cash of €5,860,000. In the 2021 audited financial statements of the Company, restricted cash have been presented as a separate line on the statement of financial position of the Company. As such, in the restated statement of financial position as at 31 December 2020, cash and cash equivalents are €8,573,225 and restricted cash is €5,860,000.

Furthermore, financial assets at amortised cost of €263,301 and €254,056 as at 31 December 2020 and 31 December 2019 respectively, have been reclassified from current into non-current, as the receipt is due by more than a year.

Furthermore, other non-financial assets of €4,596,086 (2020: €2,359,000) have been reclassified from operating activities to financing activities in the statement of cash flows.

Based on the above adjustments, the statement of cash flows for the year ended 31 December 2020 has been amended as follows:

- Net cash generated from operating activities as at 31 December 2020 changed from €17,014,050 to €19,390,561.

- Net cash generated from financing activities as at 31 December 2020 changed from €12,807,625 to €10,431,114.

Nature of prior period corrections

Note P1
This represents a dark fibre lease from a third-party recognized as ROU asset as this meets the requirements of IFRS 16 "Leases". Previously, the costs associated with this lease were reflected in the profit or loss – Cost of Sales – as incurred. Similarly, a Lease Liability was also recognized as stated in Notes P4 & P5 below. The impact in the statement of comprehensive income within the "Cost of Sales" line item, is stated in Note P9 below. The impact in respect of depreciation of the ROU asset and interest on the lease liabilities is presented in Notes P6 and P8.

4. Summary of significant accounting policies (continued)

Prior period errors (continued)

Note P2
This adjustment represents an increase in the accumulated amortization charge resulting from the decrease in the useful economic life of certain international capacity circuits to match the duration stated in the IRU agreements.

Note P3
Resulting from the impact in the profit or loss, as well as prior years impact on accumulated losses, as stated in Notes P6-P10 below.

Notes P4 & P5
This is the Lease Liability resulting from the recognition of a ROU asset in respect of the dark fibre lease as stated in Note P1 above. Furthermore, the amount was split to reflect the short-term and the long-term portions of this Lease Liability, after deducting the various payments effected and adding the interest charged.

Note P6
Increase in the depreciation amount resulting from the recognition of the dark fibre leases as ROU asset, as stated in Note P1 above.

Note P7
Increase in the amortization amount of Intangible Assets – International Capacity resulting from the decrease in the useful economic life of certain international capacity circuits, as stated in Note P2 above.

Note P8
Increase in the interest on lease liabilities resulting from the recognition of the dark fibre lease as ROU asset, as stated in Note P1 above.

Note P9
Decrease in the Cost of Sales resulting from the recognition of the dark fibre lease as ROU asset, as stated in Note P1. The costs reflected as incurred in the profit or loss – Cost of Sales – were reversed with the ROU asset recognition, thus reducing the Cost of Sales amount.

Note P10
Impact on the profit or loss for the period resulting from the points stated in Notes P6-P9 above.

5. New accounting pronouncements

Standards issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

(i) Issued by the IASB but not yet adopted by the European Union

New standards
- *IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).*

Amendments
- *Amendments to IAS 16 Property, Plant and Equipment*
- *Amendments to IFRS 3 Business Combinations*
- *Amendments to IAS 37 Onerous Contracts - Cost of fulfilling a Contract*
- *Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (Annual Improvements)*
- *Amendments to IAS 1 Classification of Liabilities as Current or Non-current*

5. New accounting pronouncements (continued)

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company.

6. Financial risk management

Financial risk factors
The Company is exposed to interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

6.1 Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings in terms of fair value, given that the Company's bond has a fixed interest rate. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2021 €	2020 (restated) €
Fixed rate instruments		
Financial liabilities	39,915,796	39,918,480
Variable rate instruments		
Financial liabilities	520,685	524,308
	40,436,481	**40,442,788**

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2021 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Profit or loss	
	2021 €	2020 (restated) €
Variable rate instruments	5,207	5,243
Fixed rate instruments	399,158	399,185
	404,365	**404,428**

6.2 Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and regions.

6. Financial risk management (continued)

6.2 Credit risk (continued)

(i) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:
- trade receivables
- financial assets at amortised cost
- cash and cash equivalents

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:
- For trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the financial assets.
- For all other financial assets that are subject to impairment under IFRS 9, the Company applies general approach – three stage model for impairment. The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Impairment losses are presented as net impairment losses on financial assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Significant increase in credit risk. The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:
- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower/counterparty.

Macroeconomic information is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period. The Company has identified the unemployment rate of the countries in which it sells its goods and services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments after 90 days of when they fall due.

6. Financial risk management (continued)

6.2 Credit risk (continued)

(i) Impairment of financial assets (continued)

The Company's exposure to credit risk for each class of asset subject to the expected credit loss model is set out below:

Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company defines default as a situation when the debtor is more than 90 days past due on its contractual payments. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period.

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables:

31 December 2021	**Type**	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
		€	€	€	€	**€**
Expected loss rate	Retail	1.4%	17.9%	78.6%	78.6%	
	Business	5.3%	19.1%	33.9%	63.3%	
Gross carrying amount - trade receivables	Retail	1,120,315	71,140	-	-	1,191,455
	Business	477,909	312,202	174,806	1,110,391	2,075,308
Loss allowance	Retail	15,818	12,699	-	-	28,517
	Business	25,117	59,612	59,262	350,897	494,888
Total Loss allowance		**40,935**	**72,311**	**59,262**	**350,897**	**523,405**

31 December 2020	**Type**	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
		€	€	€	€	**€**
Expected loss rate	Retail	1.4%	22.8%	84.4%	84.4%	
	Business	3.1%	12.2%	24.2%	24.7%	
Gross carrying amount - trade receivables	Retail	917,600	57,376	-	-	974,976
	Business	401,191	291,897	92,766	809,771	1,595,625
Loss allowance	Retail	13,192	13,098	-	-	26,290
	Business	12,616	35,539	22,412	200,156	270,723
Total Loss allowance		**25,808**	**48,637**	**22,412**	**200,156**	**297,013**

6. Financial risk management (continued)

6.2 Credit risk (continued)

(i) Impairment of financial assets (continued)

The closing loss allowances for financial assets as at 31 December 2021 reconcile to the opening loss allowances as follows:

	Trade receivables
	€
Opening loss allowance as at 1 January 2021	297,013
Increase in loss allowance recognised in the statement of comprehensive income	226,392
Balance at 31 December 2021	**523,405**

The company does not hold any collateral as security for its trade receivables.

In respect of the Company's terminated customers within the trade receivables population, these are assessed on an individual basis. This assessment is based on the credit history of the customers with the Company, the period the trade receivable is past due and other indicators in order to conclude whether the customer falls within the "terminated category". On that basis, the specific loss allowance as at 31 December 2021 and 31 December 2020 was determined as €1,213,407 and €998,900, based on an 100% ECL (Note 21). As such the loss allowance is the same as per the gross carrying amount. In respect of the €1,213,407, €4,254 is current, €7,226 is more than 30 days past due, €10,700 is more than 60 days past due and €1,191,227 is more than 90 days past due. The increase in specific provision during the year recognised in the statement of comprehensive income was €214,507.

Cash and cash equivalents

The Company assesses, on a group basis, its exposure to credit risk arising from cash at bank. This assessment takes into account, ratings from external credit rating institutions and internal ratings, if external are not available.

Bank deposits held with banks with investment grade rating are considered as low credit risk.

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2021 and 31 December 2020:

Company internal credit rating	External credit rating	2021	2020 (restated)
		€	€
Performing	Unrated	229,854	822,024
Performing	Ba3 (2021)/B3 (2020)	8,298	7,751,201
Performing	B1	470,809	-
Total		**708,961**	**8,573,225**

All cash and bank balances were performing (Stage 1) as at 31 December 2021 and 31 December 2020. No expected credit loss has been recognised.

Restricted cash

The Company's restricted cash was performing (Stage 1) as at 31 December 2021 and 31 December 2020. No expected credit loss has been recognised. Specifically, based on external credit ratings, restricted cash of €3,927,407 was included in the rating category Ba3 as at 31 December 2021. Restricted cash of €5,860,000 was included in the rating category B3 as at 31 December 2020.

6. Financial risk management (continued)

6.2 Credit risk (continued)

Financial assets at amortised cost

The Company is also exposed to credit risk in relation to financial assets at amortised cost. The maximum exposure at the end of the reporting period is the carrying amount of these assets €350,487 (2020: €263,301). The basis for recognition of expected credit loss provision for these financial assets at amortised cost is Stage 1. The specific provision for bad debts is €246,965 as at 31 December 2021 (31 December 2020: €212,768). The increase in specific provision during the year recognised in the statement of comprehensive income was €34,197.

The Company does not hold any collateral as security for its financial assets at amortised cost.

(ii) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Company will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Company is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. The Company monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

6.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2021	**Carrying amounts**	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
	€	€	€	€	€	€	€
Lease liabilities	4,248,080	4,658,182	308,217	909,640	1,148,713	1,394,024	897,588
Bond	39,915,796	54,400,000	-	1,600,000	1,600,000	4,800,000	46,400,000
Bank overdrafts	520,685	520,685	520,685	-	-	-	-
Trade and other payables	15,239,799	15,239,799	7,392,607	-	7,847,192	-	-
Football broadcasting rights liability	12,780,339	13,384,244	1,374,170	4,281,943	5,795,000	1,933,131	-
Bank guarantees	1,206,606	1,206,606	1,206,606	-	-	-	-
	73,911,305	**89,409,516**	**10,802,285**	**6,791,583**	**16,390,905**	**8,127,155**	**47,297,588**

6. Financial risk management (continued)

6.3 Liquidity risk (continued)

31 December 2020	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€	€
Lease liabilities	3,696,995	3,942,783	268,589	764,771	980,965	1,489,639	438,819
Bond	39,918,480	56,000,000	-	1,600,000	1,600,000	4,800,000	48,000,000
Bank overdrafts	524,308	524,308	524,308	-	-	-	-
Trade and other payables	16,722,899	16,722,899	6,671,108	-	10,051,791	-	-
Football broadcasting rights liability	7,143,326	7,249,826	1,348,667	3,475,665	2,425,494	-	-
Bank guarantees	1,166,773	1,166,773	1,166,773	-	-	-	-
	69,172,781	**85,606,589**	**9,979,445**	**5,840,436**	**15,058,250**	**6,289,639**	**48,438,819**

6.4 Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The Company's Board of Directors monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

6.5 Capital risk management
Capital includes equity shares and share premium and loan from parent company.

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

The Company's capital is analysed as follows:

	2021	2020 (restated)
	€	€
Total borrowings (Note 28)	40,436,481	40,442,788
Less: Cash and cash equivalents (Note 25)	(708,961)	(8,573,225)
Net debt	39,727,520	31,869,563
Total equity	8,361,499	12,932,111
Total capital	**8,361,499**	**12,932,111**
Gearing ratio	**82.61%**	**71.13%**

The increase in the gearing ratio during the year ended 31 December 2021 resulted from the Company accelerating its operating and capital investments, funded to a large degree by its Malta Stock Exchange bond issue. This acceleration is expected to further enhance the Company's future growth but for the fiscal year 2021 also had the effect of increasing the net debt and decreasing (via the €4.6m net loss) the shareholders' equity of the Company.
The Company's continuing growth is expected to reduce losses and return to profitability in the coming years.

7. Critical accounting estimates, judgments and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

No critical estimates and assumptions have been made by managment in the preparation of these financial statements. No estimates and assumptions have been identified for which there is a significant risk of a material misstatement within the next financial year.

Critical judgements in applying the Company's accounting policies

The following critical judgments have been made by management in applying the Company's policies:

Football rights and contingent payments:

The payment terms of the football broadcasting rights arrangements include contingent payments on future events. There is no IFRS that applies specifically to this transaction. There is diversity in practice in accounting for contingent consideration to acquire an asset and there are three possible approaches (the financial liability model, the cost accumulation model and the IFRIC 1 approach). Management has exercised judgment and is applying the financial liability model, as per which an intangible asset is initially recognised including the fair value of the future contingent payments at acquisition, and a financial liability is recognised at the same fair value. Subsequently, the financial liability is measured at amortised cost, following the requirements of IFRS 9. The entity should adjust the carrying amount of the financial liability to reflect actual and updated estimated cash flows whenever the cash flow estimates are revised. The entity recalculates the carrying amount of the liability by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate or, where applicable, the revised effective interest rate. Subsequent changes in the measurement of the liability are unrelated to the cost of the asset. The adjustment is therefore recognised in profit or loss as income or expense.

Accounting treatment of 4G and 5G spectrums:

Management has assessed that due to various pre-conditions not having yet been met as at 31 December 2021, the 4G and 5G spectrum licences have not been recognised as a right-of-use asset as of this date. Consequently, all payments in respect of the spectrum licences as at 31 December 2021 have been recognised as a prepayment (Note 22) and any contractually due amounts have been disclosed within commitments (Note 40).

8. Revenue

The Company derives its revenue from contracts with Customers for the transfer of goods and services over time and at a point in time in the following major product lines.

	2021	2020 (restated)
	€	€
Telecommunication services	46,202,555	40,394,095
Sales of goods	277,934	181,911
Football broadcasting rights related revenue	6,608,860	6,291,581
Sales of mobile devices	413,288	111,624
	53,502,637	**46,979,211**

8. Revenue (continued)

(continued)

The Football broadcasting rights related revenue relates mainly to the revenue charged to the other two football broadcasting rights holders based on the agreement signed on 11 July 2020 to allow each party the broadcasting of the combined pool of football matches. The agreement expires on 31 July 2024. It also relates to the public viewing revenue, i.e. places for public watching such as cafeterias, pubs, restaurants, etc., charged to one of the other football broadcasting rights holders also based on the above stated agreement, as well as to advertising and live streaming.

	2021	2020 (restated)
	€	€
Timing of revenue recognition		
At a point in time	4,071,607	3,043,284
Over time	49,431,030	43,935,926
	53,502,637	**46,979,210**

Sales of goods and Sales of mobile devices as well as part of the Telecommunication services are recognised at a point in time, whereas part of the Telecommunication services and the Football broadcasting rights related revenue are recognised over time.

9. Cost of sales

	2021	2020 (restated)
	€	€
Services	18,562,900	13,827,949
Electricity for nodes	374,939	332,789
Operational and maintenance fee for international capacity	1,274,675	1,094,414
Sales Commission	327,391	190,581
Fees payable to Electricity of Authority of Cyprus	968,348	1,074,623
Amortisation of broadcasting football rights	5,066,614	5,812,386
Depreciation and amortisation	8,772,813	8,249,707
Sundry expenses	178,895	218,352
	35,526,575	**30,800,801**

10. Other operating income

	2021	2020 (restated)
	€	€
Gain from sale of property, plant and equipment	1,229	1,113
Income from European Projects	-	3,499
HRDA Subsidy	20,564	20,360
Deposit refund on terminated customers	38,239	32,480
	60,032	**57,452**

11. Selling and distribution expenses

	2021	2020 (restated)
	€	€
Staff costs	1,656,266	1,602,941
Advertising	2,205,051	1,844,410
Stamp duties	172,957	139,358
Sundry expenses	249,814	111,966
Depreciation of right-of-use asset motor vehicles	367,064	326,637
Sundry expenses	57,385	84,338
	4,708,537	**4,109,650**

12. Administration expenses

	2021	2020 (restated)
	€	€
Staff costs	6,583,190	5,231,309
Directors and secretary fees	265,192	201,750
Licenses and taxes	320,593	266,204
Electricity	602,592	475,865
Water supply and cleaning	136,049	128,251
Insurance	121,605	119,818
Stationery and printing	113,056	157,769
Computer software maintenance costs	1,717,673	1,410,189
Auditor's remuneration - current year for the statutory audit of annual accounts	41,252	26,000
Auditor's remuneration - current year for other assurance services	4,000	6,900
Tax and VAT services for current year	12,303	10,998
Auditors' remuneration - prior years	-	6,300
Legal fees	206,428	45,542
Other professional fees	236,224	396,255
Motor fuels	114,299	91,251
Depreciation Right-of-use assets	672,859	615,150
Depreciation property, plant, equipment and amortisation of software	2,936,596	2,692,109
Sundry expenses	806,671	593,896
	14,890,582	**12,475,556**

The statutory auditor for these financial statements is PricewaterhouseCoopers Limited. The non-audit fees of €4,000 relate to the review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' in respect of the half-yearly 2021 financial statements of the Company.

The statutory auditor for the 2020 audited financial statements of the Company was Grant Thornton (Cyprus) Limited.

13. Staff costs

	2021	2020 (restated)
	€	€
Directors' Remuneration	535,251	663,988
Salaries	6,611,457	5,274,073
Social insurance costs	812,540	656,217
Social cohesion fund	142,920	118,567
Pensions cost	137,288	121,405
	8,239,456	**6,834,250**
Average number of employees (including Directors in their executive capacity)	**369**	**360**

The above figures exclude network expansion-related staff costs which are capitalized under Property, plant and equipment – Network and machinery (Note 17) and include all payroll-related benefits such as overtimes, standby allowances, bonuses and commissions.

14. Loss in respect of the EU-funded projects

	2021	2020 (restated)
	€	€
Loss in respect of the EU-funded projects	509,074	-
	509,074	**-**

In June 2021, the Directors of the Company were made aware of potential irregularities in relation to the Company's participation in certain EU-funded projects.

After an investigation with the assistance of external independent legal advisors, as well as correspondence with the EU Research Executive Agency ("EU REA"), it is estimated that the Company will be required to return back to the EU REA or other recipients designated by it, a part (€460,330) of the total funds (€607,680) disbursed to the Company between 2017 to 2020. A relevant provision has been set up in the books of the Company. The €460,330 figure represents management's best estimate, based on discussions with the EU REA and reporting systems employed by it, but is not yet final and remains subject to future adjustments. In addition, an amount of €48,744 previously recognized as receivable under these EU-funded projects has been written off during the year.

Under the applicable framework regulating these grants, the EU retains the right to impose monetary liabilities in addition to the amounts mentioned above. Taking all facts available to management at the time of authorization of these financial statements, the likelihood of such occurrence is assessed as possible, rather than probable. Therefore, these financial statements do not include any provisions for such amounts. In the case of a financial penalty, this may be imposed in respect of each project and will not exceed 10% of the aggregate grant amount the Company was entitled to under the grant agreement in each project.

15. Finance income/(costs)

	2021	2020 (restated)
	€	€
Exchange profit	-	7,572
Finance income	**-**	**7,572**
Net foreign exchange losses	(27,248)	(1,354)
Interest expense	(2,066,401)	(1,449,144)
Sundry finance expenses	(453,873)	(370,828)
Finance costs	**(2,547,522)**	**(1,821,326)**
Net finance costs	**(2,547,522)**	**(1,813,754)**

16. Tax

	2021	2020 (restated)
	€	€
Corporation tax - prior years	-	(1,481)
Defence contribution - prior years	(3,758)	-
Deferred tax - credit (Note 30)	(528,968)	(184,862)
Credit for the year	**(532,726)**	**(186,343)**

The total charge for the year can be reconciled to the accounting results as follows:

	2021	2020 (restated)
	€	€
Loss before income tax	(5,103,338)	(3,050,031)
Tax calculated at the applicable tax rates	(637,917)	(381,254)
Tax effect of expenses not deductible for tax purposes	2,438,124	2,400,355
Tax effect of allowances and income not subject to tax	(2,665,793)	(2,388,825)
Tax effect of tax loss for the year	336,618	184,862
Prior year tax	(3,758)	(1,481)
Tax charge	**(532,726)**	**(186,343)**

The Company is subject to corporation tax on taxable profits at the rate of 12.5%.

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

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

17. Property, plant and equipment

	Leasehold buildings and improvements	Asset under development	Network and machinery	Motor vehicles	Furniture, fixtures, equipment and computer hardware	Tools	Total
	€	€	€	€	€	€	€
Cost							
Balance at 1 January 2020	2,162,203	777,381	70,241,871	1,217,149	14,430,544	172,726	89,001,874
Additions	332,594	-	8,744,452	-	2,822,962	139,681	12,039,689
Disposals	-	-	-	(126,253)	(2,444)	-	(128,697)
Transfer from Asset under development to Network and machinery	-	(777,381)	777,381	-	-	-	-
Balance at 31 December 2020/ 1 January 2021	2,494,797	-	79,763,704	1,090,896	17,251,062	312,407	100,912,866
Additions	456,560	-	9,504,562	175,821	1,776,964	105,448	12,019,355
Disposals	-	-	-	(67,107)	(4,400)	-	(71,507)
Balance at 31 December 2021	**2,951,357**	**-**	**89,268,266**	**1,199,610**	**19,023,626**	**417,855**	**112,860,714**
Depreciation							
Balance at 1 January 2020	718,428	-	40,545,021	611,402	11,277,142	129,550	53,281,543
Charge for the year	177,340	-	6,456,344	149,709	1,817,724	46,877	8,647,994
On disposals	-	-	-	(123,558)	(1,724)	-	(125,282)
Balance at 31 December 2020/ 1 January 2021	895,768	-	47,001,365	637,553	13,093,142	176,427	61,804,255
Charge for the year	209,427	-	6,942,209	166,273	1,870,708	79,530	9,268,147
On disposals	-	-	-	(67,107)	(2,974)	-	(70,081)
Balance at 31 December 2021	**1,105,195**	**-**	**53,943,574**	**736,719**	**14,960,876**	**255,957**	**71,002,321**
Net book amount							
Balance at 31 December 2021	**1,846,162**	**-**	**35,324,692**	**462,891**	**4,062,750**	**161,898**	**41,858,393**
Balance at 31 December 2020	**1,599,029**	**-**	**32,762,339**	**453,343**	**4,157,920**	**135,980**	**39,108,611**

The Asset under development figure, for the year ended 31 December 2020, relates to amounts paid for the mobilisation phase of Cablenet's Next Generation TV (NGTV) project. NGTV has become available to Cablenet customers since December 2020 and as a result its capitalisation under Network and machinery has taken place.

17. Property, plant and equipment (continued)

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2021	2020 (restated)
	€	€
Net book amount	-	-
Profit from the sale of property, plant and equipment (Note 10)	1,229	1,113
	1,229	**1,113**

No impairment indicators have been identified by management as at 31 December 2021 and 31 December 2020 in respect of the Company's property, plant and equipment.

18. Right-of-use assets

	Land and buildings	Motor vehicles	EAC Ducts Leases	Total
	€	€	€	€
Cost				
Balance at 1 January 2020 as restated	2,922,463	1,459,810	261,276	4,643,549
Additions	326,297	461,304	-	787,601
Balance at 31 December 2020/ 1 January 2021 as restated	3,248,760	1,921,114	261,276	5,431,150
Additions	1,514,102	216,942	-	1,731,044
Terminations	(278,518)	-	-	(278,518)
Balance at 31 December 2021	**4,484,344**	**2,138,056**	**261,276**	**6,883,676**
Depreciation				
Balance at 1 January 2020 as restated	528,298	253,880	14,515	796,693
Charge for the year	600,635	326,637	14,515	941,787
Balance at 31 December 2020/ 1 January 2021 as restated	1,128,933	580,517	29,030	1,738,480
Charge for the year	658,344	367,064	14,515	1,039,923
Terminations	(154,303)	-	-	(154,303)
Balance at 31 December 2021	**1,632,974**	**947,581**	**43,545**	**2,624,100**
Net book amount				
Balance at 31 December 2021	**2,851,370**	**1,190,475**	**217,731**	**4,259,576**
Balance at 31 December 2020 as restated	**2,119,827**	**1,340,597**	**232,246**	**3,692,670**

18. Right-of-use assets (continued)

The table below describes the nature of the Company's leasing activities by type of ROU asset recognised on balance sheet:

ROU asset	**No of ROU assets leased**	**Range of remaining term**	**Average remaining lease term**	**No of leases with extension options**	**No of leases with option to purchase**	**No of leases with termination options**
Office/Shops	21	1 - 10 years	5 years	9	-	7
Warehouses	2	25 years	25 years	1	-	-
Motor vehicles	104	1 - 5 years	3 years	-	-	-
EAC Ducts Leases	1	15 years	15 years	-	-	-

During the year under review, there were two terminations of operating leases. The Company negotiated the terminations with the Landlords and reached to a mutual agreement and, therefore, the Company did not pay any penalties.

No impairment indicators have been identified by management as at 31 December 2021 and 31 December 2020 in respect of the Company's right-of-use assets.

i. Amounts recognised in profit or loss

The income statement shows the following amounts relating to leases:

	2021	**2020 (restated)**
	€	€
Land and buildings	658,344	600,635
Motor vehicles	367,064	326,637
EAC ducts leases	14,515	14,515
Total	**1,039,923**	**941,787**
Interest expense (included in finance cost)	113,646	102,765
Total	**113,646**	**102,765**

Expenses relating to leases of €367,064 (2020: €326,637)" have been charged in "selling and distribution expenses" and" €672,859 (2020: €615,150) in "administration expenses".

The total cash outflow for leases in 2021 was €1,046,430 (2020: €938,054).

19. Intangible assets

	Computer software €	International capacity €	Leasehold rights on buildings €	Football broadcasting rights €	Total €
Cost					
Balance at 1 January 2020 as restated	3,198,649	22,075,367	423,690	16,356,186	42,053,892
Additions	2,234,017	-	-	749,903	2,983,920
Balance at 31 December 2020/ 1 January 2021 as restated	5,432,666	22,075,367	423,690	17,106,089	45,037,812
Additions	315,188	-	-	8,910,587	9,225,775
Disposals	-	(260,000)	-	-	(260,000)
Balance at 31 December 2021	**5,747,854**	**21,815,367**	**423,690**	**26,016,676**	**54,003,587**
Amortisation					
Balance at 1 January 2020	2,611,291	10,846,631	57,320	2,803,918	16,319,160
Amortisation for the year	691,218	1,594,082	5,115	5,812,386	8,102,801
Balance at 31 December 2020/ 1 January 2021 as restated	3,302,509	12,440,713	62,435	8,616,304	24,421,961
On disposals	-	(135,189)	-	-	(135,189)
Amortisation for the year	851,346	1,584,801	5,115	5,066,614	7,507,876
Balance at 31 December 2021	**4,153,855**	**13,890,325**	**67,550**	**13,682,918**	**31,794,648**
Net book amount					
Balance at 31 December 2021	**1,593,999**	**7,925,042**	**356,140**	**12,333,758**	**22,208,939**
Balance at 31 December 2020 as restated	**2,130,157**	**9,634,654**	**361,255**	**8,489,785**	**20,615,851**

No impairment indicators have been identified by management as at 31 December 2021 and 31 December 2020 in respect of the Company's intangible assets.

Despite the fact that no impairment indicators have been identified, the Company, as an extra layer of validity of this conclusion, compared the carrying amount of the football broadcasting rights asset with the recoverable amount (higher of value in use (VIU) & fair value less costs of disposal). Value in use represents the present value of the future cash flows expected to be deliverd from the continuing use of the asset and from its disposal at the end of its useful life. The recoverable amount as at 31 December 2021 of the football broadcasting rights asset is well above the carrying amount of the equivalent assets as at 31 December 2021, supporting management's conclusion that there are no impairment indicators as at 31 December 2021.

The average remaining useful economic life for Computer Software is 2 years, International capacity is 5 years, Leasehold rights on buildings is 25 years and Football broadcasting rights is two and a half years.

19. Intangible assets (continued)

Impairment assessment

The Company allocates its football broadcasting rights as follows:

	Carrying amount		Recoverable amount	
	2021	**2020 (restated)**	**2021**	**2020 (restated)**
	€	€	€	€
Football broacasting rights	12,333,758	8,489,785	14,053,120	9,622,366
Total	**12,333,758**	**8,489,785**	**14,053,120**	**9,622,366**

These calculations use cash flow projections based on financial budgets approved by the Board of Directors covering a period up until 31 May 2024. Management prepares the financial budgets based on past performance experience and its expectations for business and market developments.

The key assumptions used for the value-in-use calculations (reflected in the Recoverable amounts) are as follows:

	Football broadcasting rights
Average annual increase in cash inflows	6.00%
Discount rate	10.00%

	Football broadcasting rights
Average annual increase in cash inflows	6.00%
Discount rate	10.00%

Average annual increase in cash inflows represents the average annual growth rate over the period of the football broadcasting rights contracts (up until May 2024). It is based on past performance and management's expectations of market development.

The two components of the discount rate are the cost of equity and the cost of debt. The cost of equity has been calculated by management by applying the CAPM formula (Ke=Rf+beta(Rm-Rf) where Rf is the risk-free rate of return and Rm is the market return). The cost of debt is the cost of raising debt finance through a financial intermediary.

Sensitivity analysis

An increase in the discount rate by 1% would not have resulted to an impairment charge.

A decrease in the number of subscribers by 20% would not have resulted to an impairment charge.

Please note that no critical estimates have been identified as part of the above calculation and no significant risk of a material misstatement within the next financial year has been identified for any of the inputs in the calculation.

20. Inventories

	2021	**2020 (restated)**
	€	€
Telecommunication prepaid cards and mobile devices	294,556	78,747

20. Inventories (continued)

	294,556	**78,747**

Inventories are stated at cost.

The cost of inventories recognised as expense and included in the cost of sales amounted to €264,867 (2020: €100,655).

21. Trade receivables

	2021	**2020 (restated)**
	€	€
Trade receivables	4,480,170	3,569,501
Less: Specific provision for bad debts	(1,213,407)	(998,900)
Less: Allowance for expected credit losses	(523,405)	(297,013)
Trade receivables - net	2,743,358	2,273,588
	2,743,358	**2,273,588**

Movement in allowance for expected credit losses of receivables:

	2021	**2020 (restated)**
	€	€
Balance at 1 January	297,013	363,876
Impairment losses recognised on receivables	226,392	319,722
Transfer to specific provision for bad debts	-	(386,585)
Balance at 31 December	**523,405**	**297,013**

Movement in specific provision of receivables:

	2021	**2020 (restated)**
	€	€
Balance at 1 January	998,900	189,722
Additional charge of specific provision	214,507	422,593
Transfer from expected credit allowance	-	386,585
Balance at 31 December	**1,213,407**	**998,900**

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The exposure of the Company to credit risk and impairment losses in relation to trade receivables is reported in note 6 of the financial statements.

The carrying amounts of the Company's trade receivables are denominated in Euro.

22. Other non-financial assets

	2021	2020 (restated)
	€	€
Non-current assets:		
Prepayments and deposits	6,955,086	2,359,000
Current Assets:		
Prepayments and deposits	4,322,255	8,784,590
	11,277,341	**11,143,590**

An amount of €1,800,000 (2020: €800,000), included in non-current prepayments, relates to the IRU prepayments to date in connection with the Arsinoe sub-sea cable, prior to its being activated.

An amount of €2,966,250 (2020: €1,933,750) and an amount of €1,305,000 (2020: €0), included in prepayments, represent prepayments for the Company's 4G and 5G mobile spectrums respectively. The mobile spectrums have been acquired as part of the Company's expansion of its mobile telecommunication services (Note 40).

An amount of €2,793,000 (2020: €6,573,800), included in current prepayments, is the result of the agreement signed between the Company and two other football broadcasting rights holders on 11 July 2020 to allow each party the broadcasting of the combined pool of content.

An amount of €2,413,091 (2020: €1,836,040) relates to other prepayments and deposits.

23. Financial assets at amortised cost

	2021	2020 (restated)
	€	€
Financial assets at amortised cost	597,452	476,069
Specific provision for bad debts	(246,965)	(212,768)
Balance at 31 December	**350,487**	**263,301**

The carrying amounts of the Company's financial assets at amortised cost are denominated in Euro. Note 6 sets out information about the impairment of financial assets and the Company's exposure to credit risk.

The above items relate to other receivables.

The difference between the carrying amount and the fair value of the above financial assets at amortised cost is not considered to be significant.

The effective interest rate as at 31 December 2021 was 1.43%.

24. Restricted Cash

	2021	2020 (restated)
	€	€
Balance at 1 January	5,860,000	-
(Deductions)/Additions	(1,932,593)	5,860,000
Balance at 31 December	**3,927,407**	**5,860,000**

24. Restricted Cash (continued)

The total restricted bank deposits amount, as at 31 December 2021, was €3,927,407. This amount includes a) an amount of €1,669,063 representing the cash collateral of a Good Payment Letter of Guarantee in favour of the Director of the Department of Electronic Communications, relating to 4G radio spectrum frequencies, b) an amount of €683,450 representing the cash collateral of a Good Payment Letter of Guarantee in favour of the Director of the Department of Electronic Communications, relating to 5G radio spectrum frequencies both with an expiry date of 21 July 2022 and c) an amount of €1,575,000 representing the cash collateral of a Letter of Guarantee in favour of CYTA, expiring on 15 June 2022 and relating to the RAN Sharing agreement signed with CYTA in May 2021, less €106 bank charges. Further reductions in the restricted deposits amounts of €945,167 are expected in July 2022.

25. Cash and cash equivalents

Cash balances are analysed as follows:

	2021 €	2020 (restated) €
Cash in hand	42,783	25,471
Cash at bank	666,178	8,547,754
	708,961	**8,573,225**

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

	2021 €	2020 (restated) €
Cash at bank and in hand	708,961	8,573,225
Bank overdrafts (Note 28)	(520,685)	(524,308)
	188,276	**8,048,917**

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

Reconciliation of liabilities arising from financing activities:

	Bond and Borrowings €	Leases €	Total liabilities from financing activities €
Opening Balance			
1 January 2021 (as restated)	39,918,480	3,696,995	43,615,475
Cash flows:			
Repayment of principal	-	(1,046,430)	(1,046,430)
Repayment of interest	(1,594,746)	(113,646)	(1,708,392)
Interest expense	1,592,062	113,646	1,705,708
Other non-cash changes:			
Acquisitions/Additions	-	1,597,515	1,597,515
Closing Balance – 31 December 2021	**39,915,796**	**4,248,080**	**44,163,876**

25. Cash and cash equivalents (continued)

	Bond and Borrowings €	Leases €	Total liabilities from financing activities €
Opening Balance			
1 January 2020 (as restated)	19,001,286	3,842,075	22,843,361
Cash flows:			
Proceeds from borrowings	42,450,605	-	42,450,605
Repayment of principal	(21,451,891)	(938,054)	(22,389,945)
Repayment of interest	(541,279)	(102,765)	(644,044)
Interest expense	1,124,293	102,765	1,227,058
Other non-cash changes:			
Acquisitions/Additions	-	792,974	792,974
Bond charges	(664,534)	-	(664,534)
Closing Balance – 31 December 2020 (as restated)	**39,918,480**	**3,696,995**	**43,615,475**

Please refer to Note 32 for the football broadcasting rights liability.

26. Share capital

	2021 Number of shares	2021 €	2020 Number of shares	2020 €
Authorised				
Ordinary shares of €1.71 each	4,000,000	6,840,000	4,000,000	6,840,000
Issued and fully paid				
Balance as at 1 January and 31 December	**3,362,570**	**5,749,995**	**3,362,570**	**5,749,995**

All issued shares are fully paid.

27. Other reserves

	Share premium €	Merger reserve €	Capital reserve €	Total €
Balance at 31 December 2020/1 January 2021/31 December 2021	**25,198,409**	**(538,393)**	**1,733,062**	**26,393,078**

The General revenue reserve of €538,393 relates to the merge with Lemontel Ltd which took place on 1st August 2016.

The Capital reserve of €1,733,062 relates to the fair value of the benefit received by the Company as a result of the interest waiver of the loan from GO PLC during March 2014.

28. Borrowings

Changes in loans:

	2021 €	2020 (restated) €
Balance at 1 January	-	17,362,579
Additions	-	4,089,312
Repayments of principal	-	(21,451,891)
Repayment of interest	-	(541,279)
Interest charged for the year	-	541,279
Balance at 31 December	**-**	**-**

The Company on 21 August 2020 issued a bond which was listed on the Malta Stock Exchange. The amount of the bond is €40m 4% unsecured bonds. Its nominal value is €1,000 per bond. The duration of the bond is 10 years starting from 21 August 2020 and the maturity date of the bond is 21 August 2030.

On 27 August 2020 the Company repaid fully its bank loan and related party loan using part of the €40,000,000 proceeds received from its bond issuance.

	2021 €	2020 (restated) €
Current borrowings		
Bank overdrafts (Note 25)	520,685	524,308
Bond interest	1,600,000	513,052
	2,120,685	**1,037,360**
Non-current borrowings		
Bond	38,315,796	39,405,428
Total	**40,436,481**	**40,442,788**

The balance of the bond as at 31 December 2021 is €39,915,796. The bond liability is comprised of the balance of the bond as at 31 December 2020 of €39,918,480, the accrued interest and bond charges for the year amounting to €1,592,062 and the interest paid during the year of €1,594,746.

Maturity of non-current borrowings:

	2021 €	2020 (restated) €
Over five years	38,315,796	39,405,428

The bank overdrafts are secured as follows:
- Mortgage for €750,000 on Leasehold property of Cablenet Communication Systems PLC.
- Floating charge of €37,071,504 on the property of Cablenet Communication Systems PLC.

Approved but unused limits:

In addition to the above borrowings, the Company at 31 December 2021 had available approved but undrawn facilities which amounted to €3,978,396 (2020: €4,000,000).

The fair values of the borrowings approximate to their carrying amounts as presented above.

28. Borrowings (continued)

The weighted average effective interest rates at the balance sheet date were as follows:

	2021	2020 (restated)
	€	€
Bank overdrafts	1.19%	1.51%
Bond interest	4.17%	4.00%

The carrying amounts of the Company's borrowings are denominated in Euro.

29. Lease liabilities

This note provides information for leases where the Company is a lessee.

	2021	2020 (restated)
	€	€
Balance at 1 January	3,696,995	3,842,075
Additions	1,709,638	792,976
Repayments	(1,158,553)	(938,056)
Balance at 31 December	**4,248,080**	**3,696,995**

Lease liabilities of €3,148,118 (2020 restated: €2,745,915) are non-current whereas lease liabilities of €1,099,962 (2020 restated: €951,080) are current.

	Minimum lease payments		The present value of minimum lease payments	
	2021	2020 (restated)	2021	2020 (restated)
	€	€	€	€
Not later than 1 year	1,217,857	1,033,360	1,099,962	951,080
Later than 1 year and not later than 5 years	2,542,737	2,470,604	2,331,500	2,348,490
Later than 5 years	897,588	438,819	816,618	397,425
	4,658,182	**3,942,783**	**4,248,080**	**3,696,995**
Future finance charges	(410,102)	(245,788)	-	-
Present value of lease liabilities	**4,248,080**	**3,696,995**	**4,248,080**	**3,696,995**

All lease obligations are denominated in Euro.

The fair values of lease obligations approximate to their carrying amounts as presented above.

30. Deferred tax

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

30. Deferred tax (continued)

Deferred tax assets

	ECL	Difference between depreciation/ amortisation and wear and tear allowance	Tax losses	Total
	€	€	€	€
Balance at 1 January 2020	-	-	-	-
Charged/(credited) to:				
Statement of comprehensive income (Note 16)	-	-	184,862	184,862
Balance at 31 December 2020/ 1 January 2021	-	-	184,862	184,862
Charged/(credited) to:				
Statement of comprehensive income (Note 16)	65,426	112,496	351,046	528,968
Balance at 31 December 2021	**65,426**	**112,496**	**535,908**	**713,830**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

31. Trade and other payables

	2021	2020 (restated)
	€	€
Trade payables	4,836,942	7,248,803
Deferred subscription income	5,422,645	9,445,480
Social insurance and other taxes	320,807	292,997
VAT	1,533,198	985,527
Shareholders' current accounts - credit balances (Note 34.3)	5,036,685	5,038,152
Accruals	1,565,151	1,105,800
Other creditors	32,057	32,057
Refundable security deposits on subscription	3,147,243	2,983,175
European Projects (Note 14)	460,330	146,706
Defence tax on payable dividends	-	132,322
Payables to related parties (Note 34.3)	161,391	168,206
	22,516,449	**27,579,225**
Less non-current payables	(7,847,192)	(10,051,791)
Current portion	**14,669,257**	**17,527,434**

Non-current payables relate to: 1) an amount due to shareholders, mainly from dividends amounting to €5,025,152 (2020: €5,038,152), 2) an amount due to related parties amounting to €134,797 (2020: €131,464), 3) a refundable security deposits on subscriptions amounting to €2,687,243 (2020: €2,523,175) and 4) an amount relating to the agreement between the three football providers which included under Deferred Subscription revenue amounting to €0 (2020: €2,359,000).

An amount of €3,496,850 (2020: €7,540,850) included in deferred subscription income, comes from the agreement between three football providers on 11 July 2020 for the provision of all football matches through one platform. This amount covers the remaining income due to the Company from the end of 2021 and up to 31 July 2022. Income for the period following 31 July 2022 and up until the agreement's expiration on 31 July 2024 will be booked at the start of that period.

The Company's trade payables are denominated in Euro.

31. Trade and other payables (continued)

The carrying amounts of trade and other payables approximate their fair value.

In the above table, the following items fall within the definition of financial liabilities at amortised cost: Trade payables, Shareholders' current accounts, Accruals, Other creditors, Refundable security deposits on subscription, European projects and Payables to related parties.

32. Football broadcasting rights liability

Football broadcasting rights liability analysis

	2021	2020 (restated)
	€	€
Liabilities		
Current portion	4,760,508	4,724,048
Non-current portion	8,019,831	2,419,278
	12,780,339	**7,143,326**

Football broadcasting rights liablility represents the present value of the estimated future contractual payments to football clubs in Cyprus for the provision of their home football matches recognised as a financial liability at amortised cost. On initial recognition the weighted average incremental borrowing rate applied to football broadcasting rights liability was 2.32%. The additions have been recognised using a weighted average incremental borrowing rate of 4.00% (Note 19).

The carrying amount of the football broadcasting rights liability approximates its fair value.

Change in football broadcasting rights liability:

	2021	2020 (restated)
	€	€
Balance at 1 January	7,143,326	10,163,686
Additions	10,906,458	749,903
Interest charge	356,143	196,884
Repayments (net of discounts)	(5,625,588)	(3,967,147)
	12,780,339	**7,143,326**

In June and November 2021, as allowed by the original contract, it was communicated by the Company to these football clubs, of the Company's intention to renew the contracts for 24 additional months (expiry on 31 May 2024). As such additions have been recognised of €10,906,458 during 2021.

33. Dividends

	2021	2020 (restated)
	€	€
Defence and GHS contribution on deemed distribution	-	132,322
	-	**132,322**

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

Dividends declared out of dividends received, which suffered withholding tax at the rate of 20%, are exempt from the special contribution for defence. The exemption applies if the dividends are declared within a six-year period from the date of their receipt.

34. Related party transactions

The Company is directly controlled by GO plc, incorporated in Malta, which owns the 63.38% (2020: 62.19%) of the Company's shares. The remaining shares are held by Nicolas Shiacolas.

GO plc is a publicly listed entity with shares traded on the Malta Stock Exchange. The majority shareholder is TT Malta Ltd, a wholly owned subsidiary of Tunisie Telecom. The ultimate controlling party of the Company is Tunisie Telecom.

The following transactions were carried out with related parties:

34.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2021	2020 (restated)
	€	€
Directors' remuneration	536,037	663,988
Directors and audit committee fees	85,557	10,000
Directors' social insurance and other contributions	29,505	57,846
Chairman fees and bonus	88,213	64,750
	739,312	**796,584**

A director of the Company who resigned in June 2021 was using a saloon car registered in the Company's name. The expense paid by the Company for the specific car amounted to €1,924 for the year ended 31 December 2021 (2020: €2,232). The amount of the benefit of the director is included in Directors' remuneration.

34.2 Purchases and other expenses

	Nature of transactions	2021 €	2020 (restated) €
GO plc	Interest on loan	-	367,116
C.N. Shiacolas (Investments) Ltd (common controlling parties related to minority shareholder)	Payments made for ROU assets & related lease liabilities	373,888	411,424
C.N. Shiacolas (Investments) Ltd (common controlling parties related to minority shareholder)	Consultancy fees	25,000	30,000
GO plc	Management services	160,153	127,000
		559,041	**935,540**

34. Related party transactions (continued)

34.3 Payables to related parties (Note 31)

Name	Nature of transactions	2021 €	2020 (restated) €
GO plc	Dividends	2,848,546	2,848,546
Nicolas Shiacolas	Finance	129,969	129,969
Nicolas Shiacolas	Dividends	2,046,637	2,046,637
C.N. Shiacolas (Investments) Ltd	Trade	26,595	36,742
Menelaos Shiacolas (Director and close family member with Nicolas Shiacolas)	Finance	134,797	131,464
GO plc	Trade	11,532	13,000
		5,198,076	**5,206,358**

Related parties current balances are interest free, and have no specified repayment date.

The Company's shareholders will not collect any amount due to them, from dividends, but will leave them for future periods, when the Company's financial position will be in a position to allow it.

35. Guarantees given to investees

	In relation to	2021 €	2020 (restated) €
Velister Ltd	Bank loans and overdraft	1,206,606	809,361
Velister Ltd	Corporate guarantee	-	357,412
		1,206,606	**1,166,773**

The Board of Directors do not expect any material losses to occur for the Company from the above guarantees.

The maximum exposure from the guarantees, as shown above, represents the lower amount between the actual guarantee amount given by the Company and the Velister Ltd obligation balance.

The Company holds 15% of the ordinary shares of Velister Ltd and as at 31 December 2021 had no participation in the Board of Diretors of Velister Ltd. As a result, the Company has not defined Velister Ltd as a related party.

36. Participation of Directors in the company's share capital

The percentage of share capital of the Company held directly or indirectly by each member of the Board of Directors (in accordance with Article (4) (b) of the Directive DI 190-2007-04), as at 31 December 2021 and 24 March 2022 (5 days before the date of approval of the financial statements by the Board of Directors) were as follows:

	31 December 2020 %	31 December 2021 %	24 March 2022 %
Nicolas Shiacolas	37.81	-	-

The shareholding interest of Mr. Nicolas Shiacolas includes his direct participation with a percentage of 36.62% (2020: 37.81%), the participation of the company GO PLC with a percentage of 63.38%, of which they are the primary shareholders of the Company.

No figures are shown as at 31 December 2021 and as at 24 March 2022, since Mr. Nicolas Shiacolas is no longer a member of the Company's Board of Directors (resigned on 4 June 2021).

37. Shareholders holding more than 5% of share capital

The persons holding more than 5% of the share capital as at 31 December 2021 and 24 March 2022 (5 days before the date of approval of the financial statements by the Board of Directors) were as follows:

	31 December 2020 %	31 December 2021 %	24 March 2022 %
Nicolas Shiacolas	37.81	36.62	36.62

38. Significant agreements with management

At the end of the year, the following agreements existed between the Company and its Management:

- On 4 August 2021 the shareholders approved the payment of annual fees to the new Chairman amounting to €35,000.

39. Contingent liabilities

As at 31 December 2021 the Company had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which the Board of Directors is not anticipating that material liability will arise. These guarantees amounted to €11,810,473 (2020: €6,802,445).

The total amounts of contingent liabilities of the Company are as follows:

	2021 €	2020 (restated) €
Within one year	11,780,443	6,778,410
Between one and five years	24,576	22,835
After five years	5,454	1,200
	11,810,473	**6,802,445**

The bank guarantees are secured as follows:

- Mortgage for €750,000 on Leasehold property of Cablenet Communication Systems PLC.
- Floating charge of €37,071,504 on the property of Cablenet Communication Systems PLC.
- Restricted bank deposits securing three of the granted bank guarantees, specifically the two guarantees in favour of the Department of Electronic Communications relating to 4G and 5G radio spectrum frequencies and the one to CYTA relating to the RAN Sharing agreement. Please refer to Note 24 for more details.

The Company had no other contingent liabilities as at 31 December 2021, other than what is disclosed in Notes 14 and 35.

40. Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	2021	2020 (restated)
	€	€
Property, plant and equipment	**1,788,950**	4,374,947
Intangible - Mobile Spectrum Licenses	**13,226,781**	15,564,281
	15,015,731	**19,939,228**

Other operating commitments

Additionally, as at 31 December 2021 the Company had commitments in relation to the payment of:

- Operating and maintenance fees from 2022 to 2047 amounting to €13,883,633
- Software Maintenance fees and annual support cost from 2022 to 2026 amounting to €1,953,117
- TV-content fees from 2022 to 2024 of €7,134,177
- Cost of Sports & Production Expenses from 2022 to 2024 of €1,912,000
- Sponshorship to football and volleyball clubs from 2022 to 2023 of €220,000
- Consumables, maintenance, support and other expenses for 2022 €354,560

41. Events after the reporting period

Although the Company was not materially affected from the Coronavirus disease (COVID-19) pandemic, since the pandemic is still in progress and the negative impact on economic activity still continues, the Company might experience negative results, and liquidity constraints and incur impairments on its assets in 2022. The exact impact on the Company’s activities in 2022 and thereafter cannot be predicted. In the period since 31 December 2021 the Company has incurred losses amounting to less than €0.1m due to COVID-19.

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Verification

Transaction 09222115557466090448

Document

Cablenet Communication Systems PLC Dec 2021 - Final Audited Financial statements[59]
Main document
75 pages
Initiated on 2022-03-29 14:19:24 CEST (+0200) by Mandy Calleja (MC)
Finalised on 2022-03-29 14:51:39 CEST (+0200)

Initiator

Mandy Calleja (MC)
GO plc
mandy.calleja@go.com.mt
79573368

Signing parties

Nikhil Patil (NP)
GO plc
nikhil.patil@go.com.mt
+35679022330

Signed 2022-03-29 14:49:54 CEST (+0200)