

Cablenet Communication Systems Ltd

Report and Financial statements
31 December 2019

Cablenet Communication Systems Ltd

Report and Financial statements

31 December 2019

CONTENTS

PAGE

Board of Directors and other officers	1
Management Report	2 - 5
Independent auditor's report	6 - 8
Statement of financial position	9
Statement of comprehensive income	10
Statement of changes in equity	11
Cash flow statement	12
Notes to the financial statements	13 - 48

Cablenet Communication Systems Ltd

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Nicolas Shiacolas
Iosif Iosifakis
Periklis Theodoridis
Hnid Faker
Nikhil Prakash Patil
Mohamed Fadhel Kraiem
Paul Testaferrata Moroni Viani

Company Secretary:

Francis Galea Salomone

Independent Auditors:

Grant Thornton (Cyprus) Ltd
Certified Public Accountants and Registered Auditors
41-49 Agiou Nicolaou Street
Nimeli Court, Block C
P.O. Box 23907
1687 Nicosia, Cyprus

Legal Advisers:

Markos Spanos & Co
1, Corner of Evagorou and Menandrou
Frosia House, 3rd Floor,
1066 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
Hellenic Bank Public Company Ltd
Alpha Bank Cyprus Ltd
Eurobank Cyprus Ltd
Societe Generale Cyprus Ltd

Registration number:

137520

Cablenet Communication Systems Ltd

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of Cablenet Communication Systems Ltd (the Company) for the year ended 31 December 2019.

Incorporation

The Company Cablenet Communication Systems Ltd was incorporated in Cyprus on 10th April 2003 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

Principal activity and nature of operations of the Company

The principal activity of the Company, which is unchanged from last year, is the provision of television, internet connectivity, telephony and mobile services.

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

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

The net profit for the year attributable to the shareholders of the Company amounted to €60.402 (2018: €2.940.893). On 31 December 2019 the total assets of the Company were €72.390.529 (2018: €48.922.475) and the net assets of the Company were €16.102.223 (2018: €813.798). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Financial Performance

The Company's results for the year are set out on page 10. The Company's financial results as presented in the financial statements are considered satisfactory.

Financial key performance indicators

	2019	2018
<u>Gross Margin</u>		
Gross profit to Revenue	16.791.285 / 39.844.601 = 42,14%	17.901.356 / 33.448.288 = 53,52%
<u>Net Margin</u>		
Profit before tax to Revenue	139.111 / 39.844.601 = 0,35%	3.390.659 / 33.448.288 = 10,14%
<u>Return on capital</u>		
Profit before tax to capital	139.111 / 20.687.515 = 0,67%	3.390.659 / 16.520.440 = 20,52%
<u>Return on equity</u>		
Profit before tax to Equity	139.111 / 16.102.223 = 0,86%	3.390.659 / 813.798 = 416,65%

Cablenet Communication Systems Ltd

MANAGEMENT REPORT

General comments:

Compared to 2018 the Company's revenue has grown at around 19%. This is a result of an increase in the customer base of the Company mainly due to the expansion of the Company's network in new areas and to the introduction of new football related packages from mid 2019 onwards.

The Cost of Sales has increased by around 48% compared to 2018. The increase comes from one off costs, from the increase of the general operations of the Company related to customers, from the introduction of football production costs but mainly from the increase in depreciation which is the result of the continuous investment in network, motor vehicles (platforms) and international capacity.

The Administration expenses have increased by around 20% mainly due to an increase in the staff cost, which is a result of the increase in the general operations of the Company, number of subscribers and new projects. Furthermore, there is an increase in the depreciation which is the result of the continuous investment in capital expenditure and of the implementation of IFRS 16 and the introduction of the amortization of Football Rights and of the depreciation on ROU Assets. There is also an increase in professional fees and in Software Annual Maintenance costs mainly due to NGTV and Mobile Projects. Selling and Distribution expenses have increased by around 2% mainly due to an increase in the staff cost.

Gross Margin

The Gross Margin has decreased by around 21% compared to 2018. This is because the Company's revenue has increased by around 19% whereas the cost of sales by around 48%. As a result, the negative impact on the Company's Gross Margin.

Net Margin

The Net Margin has decreased by around 97% compared to 2018. This is the result of the reasons noted above as well as of the increase in the Finance Costs due to the implementation of IFRS 16 and the introduction of interest on Football Rights and on ROU Assets.

Return on Capital

The percentage of Return on Capital has decreased by around 97% compared to 2018. This is due to the decrease in Profit before tax at around 96% compared to 2018 as a result of the reasons noted above. Furthermore, the Capital has increased by around 25% compared to 2018.

Return on Equity

There was a significant decrease in 2019 compared to 2018, due to the reasons noted above.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 7 and 33 of the financial statements.

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.

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. 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.

MANAGEMENT REPORT

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 ratings. Credit quality of the customer is assessed and outstanding customer receivables are regularly monitored. The Company does not hold collateral as security.

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.

Results and Dividends

The Company's results for the year are set out on page 10.

Final Dividend

On 27 December 2019 the Company in General Meeting declared the payment of a final dividend of €1.492.985 (2018: €2.581.602).

Share capital

On 25 November 2019 the Company has proceeded with the issue of 635.297 new ordinary shares at €1,71 each, issued at a premium of €24,61 each. All those shares have been issued to GO Plc pursuant to the agreement for the capitalization of the loan payable to GO Plc.

On the same date, the Company, GO Plc and Mr. Nicolas Shiacolas entered into an option agreement under which Mr. Nicolas Shiacolas has been given an option to subscribe to additional shares in the Company. The option shall be exercisable up to and including 31 March 2020. The new ordinary shares will be at €1,71 each, issued at a premium of €24,61 each.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2019 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2019.

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

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

Events after the reporting period

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

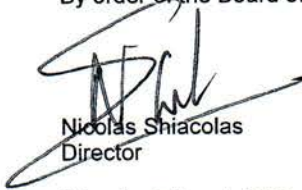
Cablenet Communication Systems Ltd

MANAGEMENT REPORT

Independent Auditors

The Independent Auditors, Grant Thornton (Cyprus) Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Nicolas Shiacolas
Director

Nicosia, 6 March 2020

Independent Auditor's Report to the Members of Cablenet Communication Systems Ltd

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(Cyprus) Limited**

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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cablenet Communication Systems Ltd (the "Company"), which are presented in pages 9 to 48 and comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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.

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the 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 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.



Independent Auditor's Report to the Members of Cablenet Communication Systems Ltd (continued)

Responsibilities of the Board of Directors 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.

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



**Independent Auditor's Report to the Members of Cablenet
Communication Systems Ltd (continued)**

Report on Other Legal Requirements

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

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

Other Matter

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

Froso Yiangoulli
Certified Public Accountant and Registered Auditor
for and on behalf of
Grant Thornton (Cyprus) Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 6 March 2020

Cablenet Communication Systems Ltd

STATEMENT OF FINANCIAL POSITION

31 December 2019

	Note	2019 €	2018 €
ASSETS			
Non-current assets			
Property, plant and equipment	8	35.720.331	30.492.639
Right-of-use assets	9	3.600.095	-
Intangible assets	10	25.906.181	12.937.512
		<u>65.226.607</u>	<u>43.430.151</u>
Current assets			
Inventories	12	15.902	18.924
Trade and other receivables	13	6.860.913	5.040.300
Cash and cash equivalents	14	287.107	433.100
		<u>7.163.922</u>	<u>5.492.324</u>
Total assets		<u>72.390.529</u>	<u>48.922.475</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	15	5.749.995	4.663.637
Other reserves	16	26.393.078	10.758.428
Accumulated losses		(16.040.850)	(14.608.267)
Total equity		<u>16.102.223</u>	<u>813.798</u>
Non-current liabilities			
Borrowings	17	17.362.579	29.494.455
Lease liabilities	18	2.776.743	-
Trade and other payables	19	7.452.179	3.503.067
Football rights liability	11	6.110.443	-
		<u>33.701.944</u>	<u>32.997.522</u>
Current liabilities			
Trade and other payables	19	12.228.170	11.604.645
Borrowings	17	5.458.840	3.497.309
Lease liabilities	18	815.919	-
Football rights liability	11	4.053.243	-
Current tax liabilities	20	30.190	9.201
		<u>22.586.362</u>	<u>15.111.155</u>
Total liabilities		<u>56.288.306</u>	<u>48.108.677</u>
Total equity and liabilities		<u>72.390.529</u>	<u>48.922.475</u>

On 6 March 2020 the Board of Directors of Cablenet Communication Systems Ltd authorised these financial statements for issue.


Nicolas Shiacolas
Director


Nikhil Prakash Patil
Director


Iosif Iosifakis
Director

The notes on pages 13 to 48 form an integral part of these financial statements.

Cablenet Communication Systems Ltd

STATEMENT OF COMPREHENSIVE INCOME

31 December 2019

	Note	2019 €	2018 €
Revenue			
Cost of sales	21	39,844,601	33,448,288
Gross profit	22	<u>(23,053,316)</u>	<u>(15,546,932)</u>
		16,791,285	17,901,356
Other operating income	23	196,076	353,059
Selling and distribution expenses	24	(4,747,079)	(4,648,364)
Administration expenses	25	<u>(10,807,247)</u>	<u>(9,034,264)</u>
Operating profit		1,433,035	4,571,787
Finance income	27	1	19,201
Finance costs	27	<u>(1,293,925)</u>	<u>(1,200,329)</u>
Profit before tax		139,111	3,390,659
Tax	28	<u>(78,709)</u>	<u>(449,766)</u>
Net profit for the year		60,402	2,940,893
Other comprehensive income		-	-
Total comprehensive income for the year		<u>60,402</u>	<u>2,940,893</u>

The notes on pages 13 to 48 form an integral part of these financial statements.

Cablenet Communication Systems Ltd

STATEMENT OF CHANGES IN EQUITY

31 December 2019

	Note	Share capital €	Other reserves (Note 16) €	Accumulated losses €	Total €
Balance at 1 January 2018 as previously reported		4.663.637	10.758.428	(14.884.033)	538.032
Adjustment from the adoption of IFRS 9 and IFRS 15		-	-	(83.525)	(83.525)
Balance at 1 January 2018 as restated		4.663.637	10.758.428	(14.967.558)	454.507
Comprehensive income					
Net profit for the year		-	-	2.940.893	2.940.893
Total comprehensive income for the year		-	-	2.940.893	2.940.893
Transactions with owners					
Dividends	29	-	-	(2.581.602)	(2.581.602)
Total transactions with owners		-	-	(2.581.602)	(2.581.602)
Balance at 31 December 2018		4.663.637	10.758.428	(14.608.267)	813.798
Comprehensive income					
Net profit for the year		-	-	60.402	60.402
Total comprehensive income for the year		-	-	60.402	60.402
Transactions with owners					
Issue of share capital	15	1.086.358	15.634.650	-	16.721.008
Dividends	29	-	-	(1.492.985)	(1.492.985)
Total transactions with owners		1.086.358	15.634.650	(1.492.985)	15.228.023
Balance at 31 December 2019		5.749.995	26.393.078	(16.040.850)	16.102.223

The initial application of IFRS 9 and IFRS 15, on 1 January 2018, has led to an adjustment in retained earnings of €50.585 and €32.940 respectively.

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

The notes on pages 13 to 48 form an integral part of these financial statements.

Cablenet Communication Systems Ltd

CASH FLOW STATEMENT

31 December 2019

	Note	2019 €	2018 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		139.111	3.390.659
Adjustments for:			
Depreciation of property, plant and equipment	8	7.845.082	6.992.476
Amortisation of intangible assets	10	4.731.586	1.818.489
Depreciation Right-of-use assets	9	782.178	-
Profit from the sale of property, plant and equipment		(978)	(6.981)
Interest income	27	(1)	(4)
Interest expense	27	1.046.235	941.939
Bank loan transaction costs		12.832	12.832
		<u>14.556.045</u>	<u>13.149.410</u>
Changes in working capital:			
Decrease/(increase) in inventories		3.022	(9.713)
Increase in trade and other receivables		(1.820.613)	(1.485.585)
Increase in trade and other payables		3.079.652	252.594
Cash generated from operations		<u>15.818.106</u>	<u>11.906.706</u>
Tax paid		(57.720)	(400.000)
Net cash generated from operating activities		<u>15.760.386</u>	<u>11.506.706</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	10	(1.344.069)	(2.157.095)
Payment for purchase of property, plant and equipment	8	(13.071.424)	(8.901.984)
Payment for football rights		(6.192.500)	-
Proceeds from disposal of property, plant and equipment	8	1.000	8.000
Interest received		1	4
Net cash used in investing activities		<u>(20.606.992)</u>	<u>(11.051.075)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		16.721.008	-
Repayments of borrowings		(500.000)	-
Repayment of loans from shareholders		(16.721.008)	-
Payments of leases liabilities		(789.608)	-
Proceeds from borrowings		5.375.000	-
Interest paid		(823.503)	(876.728)
Net cash generated from/(used in) financing activities		<u>3.261.889</u>	<u>(876.728)</u>
Net decrease in cash and cash equivalents		<u>(1.584.717)</u>	<u>(421.097)</u>
Cash and cash equivalents at beginning of the year		(1.948.309)	(1.527.212)
Cash and cash equivalents at end of the year	14	<u>(3.533.026)</u>	<u>(1.948.309)</u>

The notes on pages 13 to 48 form an integral part of these financial statements.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

1. Incorporation and principal activities

Country of incorporation

The Company Cablenet Communication Systems Ltd (the "Company") was incorporated in Cyprus on 10th 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.

Principal activity

The principal activity of the Company, which is unchanged from last year, is the provision of television, internet connectivity, telephony and mobile services.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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.

3. Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Company.

4. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRSs) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption had a material effect on the accounting policies of the Company as follows:

- IFRS 16 "Leases"

As explained below, in accordance with the transition provisions of IFRS 16, the Company has elected the modified retrospective approach for adoption of the standard. Accordingly, IFRS 16 was adopted without restating the comparative information. The comparative information is prepared in accordance with IAS 17. The Company has adopted IFRS 16 prospectively from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2019. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities was 2,32%.

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease that existed at the date of transition. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The following table summarizes the impact of adoption of the new standard on each individual line item of statement of financial position. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

4. Adoption of new or revised standards and interpretations (continued)

(a) Impact on the statement of financial position

	31 December 2019 under IFRS 16 €	1 January 2019 under IFRS 16 €
ROU asset Land and buildings	2.922.463	2.639.574
Accumulated Depreciation of ROU asset land and buildings	(528.298)	-
ROU asset Motor vehicles	1.459.810	754.322
Accumulated Depreciation of ROU asset motor vehicles	(253.880)	-
Total right-of-use assets	<u>3.600.095</u>	<u>3.393.896</u>
Total lease liabilities	<u>(3.592.662)</u>	<u>(3.393.896)</u>

(b) Impact on the statement of comprehensive income

The income statement includes the following amounts relating to leases:

	2019 €
Depreciation charge of ROU assets	528.298
Depreciation of ROU asset land and buildings	253.880
Depreciation of ROU asset motor vehicles	<u>782.178</u>
Interest expense (included in finance cost)	<u>89.489</u>

The Company leases various properties and motor vehicles. Rental contracts are typically made for fixed periods of 2 to 27 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 31 December 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company has no short-term leases (leases with an expected term of 12 months or less) or leases of low value assets.

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	€
Total operating lease commitments disclosed at 31 December 2018	3.899.360
Overprovision in Operating lease commitments	<u>(216.167)</u>
Operating lease before discounting	3.683.193
Discounted using incremental borrowing rate	<u>(289.297)</u>
Total lease liabilities recognised under IFRS 16 at 1 January 2019	<u>3.393.896</u>

Notes to the Financial statements

31 December 2019

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	13	2 - 9 years	6 years	8	0	5
Warehouses	2	27 years	27 years	1	0	0
Motor Vehicles	106	1 - 5 years	3 years	0	0	0

5. 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

Even though the Company has made a profit of €60.402 for the year ended 31 December 2019, as of that date the Company's current liabilities exceeded its current assets by €15.422.440. This is the result of the Company's growth development strategy. For instance, during 2019, €9.369.605 was invested in new network expansion. The Company is dependent upon the continuing financial support of its shareholders without which there could be significant doubt about its ability to continue as a going concern as well as its ability to realise its assets and discharge its liabilities in the ordinary course of business. The shareholders have indicated their intention and ability to continue providing such financial assistance to the Company to enable it to continue as a going concern and to meet its obligations as they fall due.

Financial position

As at 31 December 2019, the Company's current liabilities exceeded its current assets by €15.422.440.

Relevant factors considered:

- The Company commercially has the option to obtain additional funds and increase its assets by issuing additional shares, either to its existing members or to new investors.
- The Company can obtain additional borrowings in order to meet or re finance its obligations as and when they fall due. The total approved limit of the overdraft facilities of the Company as at 31 December 2019 was €4.5 million. It has available undrawn amounts of 700k.
- The parent company in January 2020 granted to the Company an amount of €2.450.605 to finance its operations. This is in addition to the indicated intention referred above. Also it has indicated its intention and ability to continue providing financial assistance to the Company to enable it to continue as a going concern and to meet its obligations as they fall due.
- Included in current liabilities are the amounts of Deferred Subscription Income - €1.8m and of Deferred Income relating to EU projects - €258.000. No cash outflow is expected for these amounts.
- Included in current liabilities is an amount of Trade Payables of approximately €1 million, representing amounts due to suppliers with barter agreements. No cash outflow is expected for this amount.

Cash flows

For the year ended 31 December 2019, the cash and cash equivalents decreased by €1.584.717. As at 31 December 2019, the Company's cash equivalents were negative with their deficit amounting to €3.533.026.

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (continued)

Relevant factors considered:

- According to the business plan and the matters mentioned above, the Company will have sufficient funds to finance its operations.
- The management of the Company expects that the financial position of the Company will be improved through strategies applied in order to increase the number of customers and revenue and through concentrating more in the mobile services.
- The total revenue of the Company is expected to continue increasing as in prior year (2019: increased by €6.3m). The expected increase is a result of increased number of clients in areas with existing networks and to the expansion of the network's coverage to other new locations, thus increasing the number of subscribers. Also, the provision of the sport channels continues to achieve a significant increase in the number of subscribers despite the fact that this increase is not as initially projected.
- 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.
- Included in current liabilities are the amounts of Deferred Subscription Income - €1.8m and of Deferred Income relating to EU projects - €258.000. No cash outflow is expected for these amounts.
- Included in current liabilities is an amount of Trade Payables of €1 million, representing amounts due to suppliers with barter agreements. No cash outflow is expected for this amount.

Conclusion

The Board of Directors 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. In drawing this conclusion the Directors also considered that the shareholders have indicated their intention and ability to continue providing such financial assistance to the Company to enable it to continue as a going concern and to meet its obligations as they fall due.

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.

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.

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (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.

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 products**

Sales of products 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.

- **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.

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (continued)

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. In addition the Company operates a defined contribution scheme the assets of which are held in a separate trustee-administered fund. The scheme is funded by payments from employees and by the Company. 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.

Finance income

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

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

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.

(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. Translation differences on financial assets at fair value through other comprehensive income are recognised in other comprehensive income and then included in the fair value reserve in equity. Translation differences on debt securities at fair value through other comprehensive income are recognised in profit or loss.

Tax

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, by the reporting date.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they 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.

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (continued)

Depreciation is calculated on 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:

	%
Buildings	3
Network and machinery	10-33,33
Motor vehicles	20
Furniture, fixtures, equipment and computer hardware	10-20
Tools	33,33

No depreciation is provided on land.

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.

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

Government grants on non-current assets acquisitions are recorded as deferred income and recognised as income on a systematic and rational basis over the useful life of the asset. 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 that relate to expenses are recognised in profit or loss as revenue.

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 lives 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.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (continued)

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.

Football 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 rights were effective from 1 July 2019 and have a duration of 35 months.

On initial recognition the asset is measured at cost. The cost represent the total of any prepayments paid plus the present value of the estimated future contractual payments. At the same time the same present value of the estimated future contractual payments are recognised as a financial liability at amortised cost. Subsequent to initial measurement, the intangible asset is amortised to profit or loss over the contractual period of 35 months. If, at reporting period, indications for impairment are identified, the asset is assessed for impairment.

For the financial liability, interest expense 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).

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.

International Capacity

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

Leasehold rights on buildings

Leasehold rights are initially recognised at their acquisition cost and then depreciated 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.

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.

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (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 annual amortisation rates used are as follows:

	%
Football rights	34,29
International Capacity	7,14
Leasehold rights on buildings	1,33
Computer software	33,33

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 lease commencement date. 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.

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 estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (continued)

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. Generally, the Company uses its incremental borrowing rate as the discount rate.

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.

Short-term leases and leases of low-value assets

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

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

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (continued)

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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.

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. 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 with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI 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.

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".

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (continued)

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset 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"). Refer to note 33, Credit risk section, for a description of how the Company determines when a SICR has occurred. 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. The Company's definition of credit impaired assets and definition of default is explained in note 33, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 33, Credit risk section for a description of how the Company determines low credit risk financial assets.

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.

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (continued)

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.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks 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 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. These 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.

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.

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.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (continued)

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated 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.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Factored trade receivables

The Company has entered into an invoice discounting agreement with a factoring company from which a percentage of approved invoices is collected in advance. The invoices which are given for collection in advance are included within trade and other receivables, whereas the amount collected by the factoring company is presented in the statement of financial position under current liabilities until the date of settlement by the debtors. Factoring expenses are charged to profit or loss.

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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

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.

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 33, 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 180 days past due.

Notes to the Financial statements

31 December 2019

5. Significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

6. 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 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).*
- *Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)*
- *Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020)*
- *IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely).*

The above are expected to have no significant impact on the Company's financial statements when they become effective.

7. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments 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.

Notes to the Financial statements

31 December 2019

7. Critical accounting estimates and judgments (continued)

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Going concern basis**

The assessment of the Company for the appropriateness of the use of the going concern basis is disclosed in note 5.

- **Revenue recognition**

Revenue and cost of sales are recognized upon delivery and when substantially all risks have been transferred to the buyer for each separately identifiable performance obligation.

Determining also when to recognise revenue from after-sales services requires an understanding of both the nature and timing of the services provided and the customers' pattern of consumption of those services, based on historical experience and knowledge of the market.

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Critical judgements in applying the Company's accounting policies

- **Impairment of Football rights**

The Company follows the guidance of IAS 36 in determining when football rights need to be impaired. This determination requires significant judgment. In making this judgment, the Company compares the carrying amount with the recoverable amount (higher of value in use (VIU) & Fair Value less costs to sell). Value in use represents the present value of the future cash flows expected to be delivered from the continuing use of the asset and from its disposal at the end of its useful life.

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 33, Credit risk section.

- **Impairment of non-financial assets**

The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

Notes to the Financial statements

31 December 2019

7. Critical accounting estimates and judgments (continued)

- **Impairment of intangible assets**

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

8. Property, plant and equipment

	Leashold building and improvements	Asset under development	Network and machinery	Motor vehicles	Furniture, fixtures, equipment and computer hardware	Tools	Total
	€	€	€	€	€	€	€
Cost							
Balance at 1 January 2018	1.929.057	-	53.230.968	659.089	11.176.749	121.044	67.116.907
Additions	14.798	-	7.641.498	-	1.243.305	2.383	8.901.984
Disposals	-	-	-	(65.049)	(2.530)	-	(67.579)
Acquisitions of fully depreciated assets	-	-	-	76.887	-	-	76.887
Balance at 31 December 2018/ 1 January 2019	1.943.855	-	60.872.466	670.927	12.417.524	123.427	76.028.199
Additions	218.348	777.381	9.369.605	637.554	2.019.237	49.299	13.071.424
Disposals	-	-	(200)	(91.332)	(6.217)	-	(97.749)
Balance at 31 December 2019	2.162.203	777.381	70.241.871	1.217.149	14.430.544	172.726	89.001.874
Depreciation							
Balance at 1 January 2018	430.633	-	29.791.916	437.936	7.752.617	119.649	38.532.751
Charge for the year	140.111	-	5.054.743	67.217	1.729.055	1.350	6.992.476
On disposals	-	-	-	(65.049)	(1.505)	-	(66.554)
Acquisitions of fully depreciated assets	-	-	-	76.887	-	-	76.887
Balance at 31 December 2018/ 1 January 2019	570.744	-	34.846.659	516.991	9.480.167	120.999	45.535.560
Charge for the year	148.303	-	5.701.270	185.743	1.801.215	8.551	7.845.082
On disposals/transfers	(619)	-	(2.908)	(91.332)	(4.240)	-	(99.099)
Balance at 31 December 2019	718.428	-	40.545.021	611.402	11.277.142	129.550	53.281.543
Net book amount							
Balance at 31 December 2019	1.443.775	777.381	29.696.850	605.747	3.153.402	43.176	35.720.331
Balance at 31 December 2018	1.373.111	-	26.025.807	153.936	2.937.357	2.428	30.492.639

The Asset under development related with amounts paid for the mobilisation phase of Next Generation TV (NGTV) project. The NGTV is now being tested internally and is planned to go live in April 2020.

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

	2019 €	2018 €
Profit from the sale of property, plant and equipment (Note 23)	978	6.981
	978	6.981

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

9. Right-of-use assets

	Land and buildings €	Motor vehicles €	Total €
Cost			
Additions	2.922.463	1.459.810	4.382.273
Balance at 31 December 2019	2.922.463	1.459.810	4.382.273
Depreciation			
Charge for the year	528.298	253.880	782.178
Balance at 31 December 2019	528.298	253.880	782.178
Net book amount			
Balance at 31 December 2019	2.394.165	1.205.930	3.600.095

10. Intangible assets

	Computer software €	International capacity €	Leasehold rights on buildings €	Football rights €	Total €
Cost					
Balance at 1 January 2018	2.241.435	19.687.467	267.640	-	22.196.542
Additions	514.495	1.642.600	-	-	2.157.095
Balance at 31 December 2018/ 1 January 2019	2.755.930	21.330.067	267.640	-	24.353.637
Additions	442.719	745.300	156.050	16.356.186	17.700.255
Balance at 31 December 2019	3.198.649	22.075.367	423.690	16.356.186	42.053.892
Amortisation					
Balance at 1 January 2018	1.860.649	7.689.959	47.028	-	9.597.636
Amortisation for the year	361.389	1.453.537	3.563	-	1.818.489
Balance at 31 December 2018/ 1 January 2019	2.222.038	9.143.496	50.591	-	11.416.125
Amortisation for the year	389.253	1.531.686	6.729	2.803.918	4.731.586
Balance at 31 December 2019	2.611.291	10.675.182	57.320	2.803.918	16.147.711
Net book amount					
Balance at 31 December 2019	587.358	11.400.185	366.370	13.552.268	25.906.181
Balance at 31 December 2018	533.892	12.186.571	217.049	-	12.937.512

Football rights represents the total prepayments paid plus the present value of the estimated future contractual payments to football clubs in Cyprus for the provision of their home football matches. At the same time the same present value of the estimated future contractual payments are recognised as a financial liability at amortised cost (Note:11). The rights have been effective since 1 July 2019. The intangible is amortised to the profit or loss over the contractual period of 35 months.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

11. Football rights liability

Football rights liability analysis

	2019 €	2018 €
Liabilities		
Current portion	4.053.243	-
Non-current portion	<u>6.110.443</u>	<u>-</u>
	<u>10.163.686</u>	<u>-</u>

Football rights liability 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 rights liability was 2,32%. (Note:10).

12. Inventories

	2019 €	2018 €
Telecommunication prepaid cards	<u>15.902</u>	<u>18.924</u>
	<u>15.902</u>	<u>18.924</u>

Inventories are stated at cost.

13. Trade and other receivables

	2019 €	2018 €
Trade receivables	3.814.490	2.845.783
Less: Allowance for expected credit losses	<u>(553.598)</u>	<u>(634.630)</u>
Trade receivables - net	3.260.892	2.211.153
Other receivables	264.729	264.125
Less: Allowance for expected credit losses	<u>(68.150)</u>	<u>-</u>
Other receivables - net	196.579	264.125
Deposits and prepayments	3.345.965	2.473.287
Unbilled receivables	<u>57.477</u>	<u>91.735</u>
	<u>6.860.913</u>	<u>5.040.300</u>

The Company has recognised a loss of €257.871 (2018: €36.746) for the impairment of its receivables during the year ended 31 December 2019. The loss has been included in selling and distribution costs in profit or loss.

An amount of €875.000 included in Deposit and Prepayments represents prepayments for the mobile spectrum. The mobile spectrum has been acquired for the expansion of the mobile phones service line (Note 32).

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

13. Trade and other receivables (continued)

Movement in provision for impairment of receivables:

	2019	2018
	€	€
Balance at 1 January	634.630	804.316
Amounts restated through opening retained earnings	-	50.585
Opening loss allowance at 1 January	634.630	854.901
Impairment losses recognised on receivables	257.871	-
Amount written off as uncollectible	(270.753)	-
Charge for the year and recoveries	-	(55.501)
Loss allowance unused and reversed during the year	-	(164.770)
Balance at 31 December	621.748	634.630

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 33 of the financial statements.

14. Cash and cash equivalents

Cash balances are analysed as follows:

	2019	2018
	€	€
Cash in hand	31.944	40.309
Cash at bank	255.163	392.791
	287.107	433.100

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

	2019	2018
	€	€
Cash at bank and in hand	287.107	433.100
Bank overdrafts (Note 17)	(3.820.133)	(2.381.409)
	(3.533.026)	(1.948.309)

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 33 of the financial statements.

15. Share capital

	2019 Number of shares	2019 €	2018 Number of shares	2018 €
Authorised				
Ordinary shares of €1,71 each	4.000.000	6.840.000	4.000.000	6.840.000
Issued and fully paid				
Balance at 1 January	2.727.273	4.663.637	2.727.273	4.663.637
Issue of shares	635.297	1.086.358	-	-
Balance at 31 December	3.362.570	5.749.995	2.727.273	4.663.637

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

15. Share capital (continued)

Issued capital

On 25 November 2019 the Company has proceeded with the issue of 635.297 new ordinary shares at €1,71 each, issued at a premium of €24,61 each. All those shares have been issued to GO Plc pursuant to the agreement for the capitalization of the loan payable to GO Plc.

On the same date, the Company, GO Plc and Mr. Nicolas Shiacolas entered into an option agreement under which Mr. Nicolas Shiacolas has been given an option to subscribe to additional shares in the Company. The option shall be exercisable up to and including 31 March 2020. The new ordinary shares will be at €1,71 each, issued at a premium of €24,61 each.

16. Other reserves

	Share premium €	General revenue reserve €	Capital reserve €	Total €
Balance at 1 January 2018	9.563.759	(538.393)	1.733.062	10.758.428
Balance at 31 December 2018/ 1 January 2019	9.563.759	(538.393)	1.733.062	10.758.428
Issue of share capital	15.634.650	-	-	15.634.650
Balance at 31 December 2019	25.198.409	(538.393)	1.733.062	26.393.078

On 25 November 2019 the Company has proceeded with the issue of 635.297 new ordinary shares at €1,71 each, issued at a premium of €24,61 each. All those shares have been issued to GO Plc pursuant to the agreement for the capitalization of the loan payable to GO Plc.

17. Borrowings

Changes in loans:

	2019 €	2018 €
Balance at 1 January		
Additions	30.610.355	30.532.312
Repayments of principal	5.375.000	-
Repayment of interest	(500.000)	-
Capitalisation of loan and interest	(540.281)	(813.820)
Interest charged for the year	(16.721.008)	-
Bank loan charges - transaction costs	764.388	879.031
	12.832	12.832
Balance at 31 December	19.001.286	30.610.355

On 25 November 2019 the Company and Go Plc entered into a loan settlement agreement in order to capitalise the loan due to Go Plc amounting to €16.721.008 including capital and interest.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

17. Borrowings (continued)

	2019 €	2018 €
Current borrowings		
Bank overdrafts (Note 14)	3.343.432	2.381.409
Factoring account (Note 14)	476.701	-
Bank loans	1.638.707	489.258
Loans from shareholders	-	626.642
	<u>5.458.840</u>	<u>3.497.309</u>
Non-current borrowings		
Bank loans	12.777.287	14.414.455
Loans from shareholders	4.585.292	15.080.000
	<u>17.362.579</u>	<u>29.494.455</u>
Total	<u>22.821.419</u>	<u>32.991.764</u>

Maturity of non-current borrowings:

	2019 €	2018 €
Between one to two years	2.291.607	3.353.168
Between two and five years	11.092.358	13.323.505
After five years	3.978.614	12.817.782
	<u>17.362.579</u>	<u>29.494.455</u>

The overdrafts are secured as follows:

- Mortgage on Leasehold property €750.000 of Cablenet Communication Systems Ltd.
- Floating charge of €37.071.504 on the property of Cablenet Communication Systems Ltd.

The bank loans are secured as follows:

- Mortgage on Freehold property €8.400.000 (C.N. Shiacolas (Contractors) Ltd)
- Mortgage on Freehold property €800.000 (C.N. Shiacolas (Farms) Ltd)
- Mortgage on Freehold property €10.375.804 (C.N. Shiacolas (Investments) Ltd)
- Floating charge €52.071.504 on the property of Cablenet Communication Systems Ltd
- Personal guarantees of Constantinos Shiacolas, Menelaos Shiacolas and Nicolas Shiacolas for the amount of €18.000.000
- Guarantees of private Companies €18.000.000 (C.N. Shiacolas (Investments) Ltd, C.N. Shiacolas (Contractors) Ltd and C.N. Shiacolas (Farms) Ltd)
- Mortgage on Leasehold property €750.000 (Cablenet Communication Systems Ltd)

The loans from shareholders are secured as follows:

- By floating charge on the Company's assets for €15.600.000

Approved but unused limits

In addition to the above borrowings, the Company at 31 December 2019 had available approved but undrawn facilities which amounted to €704.867.

The total approved limit of the overdraft facilities of the Company at 31 December 2019 was €4.525.000.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

17. Borrowings (continued)

Interest rates

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

	2019	2018
Bank overdrafts		
Bank loans	2,33%	2,82%
Loan from parent company	2,29%	2,87%
New loans from parent company	2,21%	2,87%
	3,75%	-

18. Lease liabilities

	2019	2018
Balance at 1 January	€	€
Additions	3.393.896	-
Repayments	988.374	-
	(789.608)	-
Balance at 31 December	3.592.662	-

	Minimum lease payments		The present value of minimum lease payments	
	2019	2018	2019	2018
	€	€	€	€
Not later than 1 year	887.929	-	815.919	-
Later than 1 year and not later than 5 years	2.716.252	-	2.596.482	-
Later than 5 years	200.256	-	180.261	-
	3.804.437	-	3.592.662	-
Future finance charges	(211.775)	-	-	-
Present value of lease liabilities	3.592.662	-	3.592.662	-

All lease obligations are denominated in Euro.

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

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

19. Trade and other payables

	2019	2018
	€	€
Trade payables	7.275.523	4.028.897
Deferred Subscription Income	1.832.007	1.653.747
Social insurance and other taxes	287.723	277.822
VAT	780.781	703.793
Shareholders' current accounts - credit balances (Note 30.4)	5.025.862	3.509.503
Accruals	1.157.346	1.491.565
Other creditors	32.057	294.986
Refundable security deposits on subscriptions	2.769.853	2.551.463
Deferred Income	257.808	325.308
Defence tax on payable dividends	100.869	215.047
Payables to related parties (Note 30.4)	160.520	55.581
	<u>19.680.349</u>	<u>15.107.712</u>
Less non-current payables	<u>(7.452.179)</u>	<u>(3.503.067)</u>
Current portion	<u>12.228.170</u>	<u>11.604.645</u>

Non - current payables relates: 1) to amount due to shareholders, mainly from dividends amounted to €5.025.862. (2018:€3.503.067), 2) to amount due to related parties amounted to €131.464 and 3) to Refundable security deposits on subscriptions amounted to €2.294.853.

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.

The average amount of the last three years refunded to subscribers amounted to €475.000. The remaining amount of €2.294.853 is not expected to be refunded in the next 12 months and is therefore included in Non - current payables.

Deferred Income relates to income received for European Projects in advance of performance that are expected to be recognised in other revenue in 2020.

20. Current tax liabilities

	2019	2018
	€	€
Corporation tax	30.190	9.201
	<u>30.190</u>	<u>9.201</u>

21. Revenue

	2019	2018
	€	€
Telecommunication services	39.833.397	33.437.491
Sales of goods	11.204	10.797
	<u>39.844.601</u>	<u>33.448.288</u>

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

22. Cost of sales

	2019	2018
	€	€
Services	10.098.332	6.389.993
Electricity for nodes	377.680	336.050
Operational and maintenance fee for international capacity	1.077.333	1.062.535
Sales Commission	97.423	109.052
Lease fees payable to the Electricity Authority of Cyprus	1.056.195	989.293
Amortisation of Football Rights	2.803.918	-
Depreciation	7.397.267	6.576.847
Sundry expenses	145.168	83.162
	<u>23.053.316</u>	<u>15.546.932</u>

23. Other operating income

	2019	2018
	€	€
Gain from sale of property, plant and equipment	978	6.981
Income from European Projects	17.160	3.884
Loss allowance unused and reversed during the year	-	164.771
HRDA Subsidy	107.228	52.072
Bad debts recovered	-	55.501
Deposit refund on terminated customers	70.710	69.850
	<u>196.076</u>	<u>353.059</u>

24. Selling and distribution expenses

	2019	2018
	€	€
Staff costs	1.858.079	1.680.905
Advertising	2.089.147	2.184.039
Stamp duties	119.296	109.254
Bad debts written off	-	36.746
Loss allowance	257.871	-
Hire of cars	-	269.403
Sundry expenses	101.249	319.987
Depreciation of ROU asset motor vehicles	253.880	-
Sundry expenses	67.557	48.030
	<u>4.747.079</u>	<u>4.648.364</u>

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

25. Administration expenses

	2019	2018
	€	€
Staff costs	4.395.761	3.621.759
Rent	-	484.679
Licenses and taxes	161.000	194.083
Electricity	506.529	417.098
Water supply and cleaning	90.713	100.751
Insurance	114.498	140.632
Stationery and printing	321.539	315.319
Computer software	1.018.187	552.377
Auditors' remuneration for the statutory audit of annual accounts	26.902	24.040
Auditor's fees for tax services	-	14.083
Legal fees	28.703	30.700
Other professional fees	590.244	347.951
Motor Fuels	89.867	82.643
Depreciation Leasehold Rights	528.298	-
Depreciation property, plant, equipment and amortisation of software	2.346.118	2.234.117
Sundry expenses	588.888	474.032
	<u>10.807.247</u>	<u>9.034.264</u>

26. Staff costs

	2019	2018
	€	€
Salaries	5.461.717	4.705.897
Social security costs	567.260	401.912
Social cohesion fund	109.198	94.723
Pensions cost	115.665	100.132
	<u>6.253.840</u>	<u>5.302.664</u>
Average number of employees (including Directors in their executive capacity)	<u>335</u>	<u>284</u>

27. Finance income/(costs)

	2019	2018
	€	€
Interest income	1	4
Exchange profit	-	19.197
Finance income	<u>1</u>	<u>19.201</u>
Net foreign exchange losses	(49.764)	(81.176)
Interest expense	(1.046.235)	(941.939)
Sundry finance expenses	(197.926)	(177.214)
Finance costs	<u>(1.293.925)</u>	<u>(1.200.329)</u>
Net finance costs	<u>(1.293.924)</u>	<u>(1.181.128)</u>

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

28. Tax

	2019	2018
	€	€
Corporation tax - current year	78.709	449.211
Corporation tax - prior years	-	1.529
Defence contribution - prior years	-	(974)
Charge for the year	78.709	449.766

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

	2019	2018
	€	€
Profit before tax	139.111	3.390.659
Tax calculated at the applicable tax rates	17.389	423.832
Tax effect of expenses not deductible for tax purposes	1.785.652	1.159.409
Tax effect of allowances and income not subject to tax	(1.726.942)	(1.134.030)
10% additional charge	2.610	-
Prior year tax	-	555
Tax charge	78.709	449.766

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.

29. Dividends

	2019	2018
	€	€
Final dividend paid	1.492.985	2.581.602
	1.492.985	2.581.602

On 27 December 2019 the Company in General Meeting declared the payment of a final dividend of €1,492,985 (2018: €2,581,602).

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.

30. Related party transactions

The Company is directly controlled by GO Plc, incorporated in Malta, which owns the 60,26% of the Company's shares.

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.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

30. Related party transactions (continued)

The following transactions were carried out with related parties:

30.1 Directors' remuneration

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

	2019	2018
	€	€
Directors' remuneration	528.953	484.446
Directors' social insurance and other contributions	36.473	25.192
	<u>565.426</u>	<u>509.638</u>

30.2 Revenue and other income

	<u>Nature of transactions</u>	2019	2018
		€	€
GO Plc	Professional fees	-	92.599
GO Plc	Other services	-	2.500
		<u>-</u>	<u>95.099</u>

30.3 Purchases and other expenses

	<u>Nature of transactions</u>	2019	2018
		€	€
GO Plc	Interest on loan	426.670	448.613
C.N. Shiacolas (Investments) Ltd	Payments made for ROU assets & related lease liabilities	368.711	348.198
		<u>795.381</u>	<u>796.811</u>

Purchases and other expenses were made at market prices and terms. The same applies to rent expenses from C.N. Shiacolas (Investments) Ltd.

30.4 Payables to related parties (Note 19)

<u>Name</u>	<u>Nature of transactions</u>	2019	2018
		€	€
GO Plc	Dividends	2.848.546	1.948.908
Nicolas Shiacolas	Finance	130.679	6.436
Nicolas Shiacolas	Dividends	2.046.637	1.554.159
C.N. Shiacolas (Investments) Ltd	Trade	29.056	55.581
Menelaos Shiacolas	Finance	131.464	-
		<u>5.186.382</u>	<u>3.565.084</u>

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.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

30. Related party transactions (continued)

30.5 Loans from related parties (Note 17)

	2019	2018
	€	€
GO Plc	<u>4.585.292</u>	<u>15.706.642</u>
	<u>4.585.292</u>	<u>15.706.642</u>

During the year the Company capitalised the loans that granted from GO Plc. On 25 November 2019 Company capitalised an amount of €16.721.008 (€15.600.000 plus interest of €231.601 of existing loan and €875.000 plus interest of €14.407 of new loan). In addition, before the capitalisation date GO Plc granted the Company with an amount of €3.000.000 (€ 1.000.000 on 27/3/2019 and €2.000.000 on 7/5/2019). The interest rate of the loans granted by GO Plc before capitalisation was fixed at 3.25%. The amount as at the date of capitalisation was €3.049.395. In addition, an amount of €1.500.000 was granted to Cablenet Communication Systems Ltd on 26/11/2019. From the capitalisation date and onwards the interest rate change and was fixed to 8% per annum. A further principal amount was granted to Company by an amount of €2.450.605 on 15/1/2020, as per agreement, in order to achieve the purpose of maximum amount equivalent to €7.000.000. The interest rate will be fixed at 8% per annum, is secured with floating charge over all assets amounted to €15.600.000. The repayment date of the amount will be on 15 November 2024.

30.6 Guarantees given to Investees

	In relation to	2019	2018
		€	€
Vellister Ltd	Bank loans and Overdraft	581.969	668.078
Vellister Ltd	Corporate guarantee	<u>758.878</u>	<u>722.311</u>
		<u>1.340.847</u>	<u>1.390.389</u>

The Board of Directors do not expect any 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 related party's obligation balance.

31. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2019.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

32. Commitments

Capital commitments

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

	2019 €	2018 €
Right to participate for mobile telephony	-	200.000
Property, plant and equipment	1.698.598	542.148
Intangible - International Circuit	-	720.000
Intangible - Football Rights from 2019 to 2024	-	30.135.000
Intangible - Mobile Spectrume Licence from 2020 to 2026	6.860.000	-
	<u>8.558.598</u>	<u>31.597.148</u>

The Company recognised the Football rights as an intangible asset at the effective date of the contracts on 1 July 2019 for the contractual period of three years.

Other operating commitments

Additionally, as at 31 December 2019 the Company had commitments in relation to the payment of:

- Operating and maintenance fees from 2020 to 2035 amounting to €8.834.234
- Software Maintenance fees and annual support cost from 2020 to 2024 amounting to €9.307.615
- TV-content fees from 2020 to 2024 of €18.903.208
- Cost of Sports & Production Expenses from 2020 to 2022 of €2.734.587
- Sponsorship to football clubs from 2020 to 2022 of €76.500

33. Financial risk management

Financial risk factors

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

33.1 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. 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:

	2019 €	2018 €
Variable rate instruments		
Financial liabilities	<u>22.821.418</u>	<u>32.991.764</u>
	<u>22.821.418</u>	<u>32.991.764</u>

Notes to the Financial statements

31 December 2019

33. Financial risk management (continued)

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2019 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	
	2019	2018
	€	€
Variable rate instruments	<u>228.214</u>	<u>329.918</u>
	<u>228.214</u>	<u>329.918</u>

33.2 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets.

(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
- cash and cash equivalents

Trade receivables and contract assets

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including those with a significant financing component, lease contracts and contract assets).

To measure the expected credit losses, trade receivables and contract assets 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 contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. 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 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. 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. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

33. Financial risk management (continued)

33.2 Credit risk (continued)

(i) Impairment of financial assets (continued)

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for both trade receivables and contract assets:

31 December 2019

	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	0,3%	0,9%	28,6%	69,9%	
	Business	2,4%	7,0%	17,6%	32,0%	
Gross carrying amount - trade receivables	Retail	748.764	57.154	24.434	374.971	1.205.323
	Business	620.128	158.196	103.728	953.796	1.835.848
Loss allowance	Retail	2.240	532	6.996	261.943	271.711
	Business	15.114	11.101	18.286	305.536	350.037
Total Loss allowance		17.354	11.633	25.282	567.479	621.748

31 December 2018

	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	0,3%	1,2%	44,0%	75,4%	
	Business	6,3%	14,9%	32,1%	49,9%	
Gross carrying amount - trade receivables	Retail	688.700	37.156	20.432	612.281	1.358.569
	Business	328.152	112.142	59.278	209.633	709.205
Loss allowance	Retail	2.360	445	8.997	461.920	473.722
	Business	20.711	16.654	19.030	104.513	160.908
Total Loss allowance		23.071	17.099	28.027	566.433	634.630

The closing loss allowances for contract assets as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Trade receivables €
Opening loss allowance as at 1 January 2019	634.630
Increase in loan loss allowance recognised in profit or loss during the year	257.871
Receivables written off during the year as uncollectible	(270.753)
Balance at 31 December 2019	621.748

Trade receivables and contract assets 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 180 days past due.

Notes to the Financial statements

31 December 2019

33. Financial risk management (continued)

33.2 Credit risk (continued)

(i) Impairment of financial assets (continued)

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

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. A provision for impairment of trade receivables was established when there was objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments (more than 120 days overdue) were considered indicators that the trade receivable was impaired. The amount of the provision was the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate.

(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.

33.3 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 2019	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Bank loans	14,415,994	15,505,026	445,952	1,473,441	2,281,243	7,236,788	4,067,602
Lease liabilities	3,592,662	3,804,436	221,980	665,948	840,629	1,824,165	251,714
Bank overdrafts	3,343,432	3,343,432	3,343,432	-	-	-	-
Factoring account	476,701	476,701	476,701	-	-	-	-
Trade and other payables	11,909,440	11,909,440	11,909,440	-	-	-	-
Loans from shareholders	4,585,292	5,990,722	-	-	165,965	5,824,757	-
	38,323,521	41,029,757	16,397,505	2,139,389	3,287,837	14,885,710	4,319,316

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

33. Financial risk management (continued)

33.3 Liquidity risk (continued)

31 December 2018	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Bank loans	14.903.713	16.751.066	115.305	818.347	2.001.648	7.292.905	6.522.861
Bank overdrafts	2.381.409	2.381.409	2.381.409	-	-	-	-
Trade and other payables	11.931.995	11.931.995	11.931.995	-	-	-	-
Loans from shareholders	<u>15.706.642</u>	<u>17.831.543</u>	<u>224.385</u>	<u>877.766</u>	<u>2.156.261</u>	<u>7.742.111</u>	<u>6.831.020</u>
	<u>44.923.759</u>	<u>48.896.013</u>	<u>14.653.094</u>	<u>1.696.113</u>	<u>4.157.909</u>	<u>15.035.016</u>	<u>13.353.881</u>

The above calculations assume that interest rates remain the same as at the reporting date.

33.4 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 and GBP. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

33.5 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:

	2019 €	2018 €
Total borrowings (Note 17)	22.821.419	32.991.764
Less: Cash and cash equivalents (Note 14)	(287.107)	(433.100)
Net debt	<u>22.534.312</u>	<u>32.558.664</u>
Total equity	16.102.223	813.798
Subordinated debt	<u>4.585.292</u>	<u>15.706.642</u>
Total capital	<u>20.687.515</u>	<u>16.520.440</u>
Gearing ratio	<u>108,93%</u>	<u>197,08%</u>

The decrease in the gearing ratio during the year ended 31 December 2019 resulted primarily from the issue of share capital at premium within the year.

Cablenet Communication Systems Ltd

Notes to the Financial statements

31 December 2019

34. Accounting policies up to 31 December 2018

Accounting policies applicable to the comparative period ended 31 December 2018 that were amended by IFRS 16, are as follows.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see below).

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amount payable to the lessor.

35. Events after the reporting period

GO Plc granted a further principal amount to the Company of €2,450,605 on 15 January 2020, as per the agreement. The interest rate will be fixed at 8% per annum, the loan is secured with a floating charge over all the Company's assets amounting to €15,600,000. The repayment date of the amount will be on 15 November 2024.

Independent auditor's report on pages 6 to 8