

**CABLENET COMMUNICATION
SYSTEMS LTD**

Annual Report and Financial Statements
31 December 2017

Annual Report and Financial Statements

31 December 2017

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Company information

Board of Directors:

Nicolas Shiacolas
Edmond Brincat (Resigned on 27 November 2017)
Iosif Iosifakis
Giannos Michaelides (Resigned on 6 July 2017)
Periklis Theodoridis
Nizar Bouguila (Resigned on 27 November 2017)
Hnid Faker
Attila Keszeg (Appointed on 6 July 2017)
Mohamed Fadhel Kraiem (Appointed on 27 November 2017)
Paul Testaferrata Moroni Viani (Appointed on 27 November 2017)

Company Secretary:

Francis Galea Salomone

Independent Auditor:

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 Advisors:

Markos Spanos & Co
1, Corner of Evagorou and Menandrou
Frosia House, 3rd Floor,
1066 Nicosia, Cyprus

Bankers:

Bank of Cyprus Public Company Ltd
Hellenic Bank Public Company Ltd
Alpha Bank Cyprus Ltd
Eurobank EFG Cyprus Ltd
Societe Generale Cyprus Ltd
Cooperative Central Bank Ltd

Registered Office:

41-49 Agiou Nicolaou Street
Block A, Nimeli Court
2nd Floor
2408 Egkomi, Nicosia, Cyprus

Registration number:

137520

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 2017.

Incorporation

The Company was incorporated in Cyprus on 10th April 2003 as a private company with limited liability under the Companies Law, Cap. 113.

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.

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

Review of financial performance and position

Financial performance

The Company's results for the year are set out on page 9. The Company's financial results as presented in the financial statements are considered satisfactory.

Financial key performance indicators

	2017	2016
<u>Gross margin</u>		
Gross profit to Revenue	16.127.385 / 30.983.147 = 52,05%	15.074.124 / 28.756.134 = 52,42%
<u>Net margin</u>		
Profit before tax to Revenue	2.401.845 / 30.983.147 = 7,75%	3.460.179 / 28.756.134 = 12,03%
<u>Return on capital</u>		
Profit before tax to Capital (note 32)	2.401.845 / 16.179.037 = 14,85%	3.460.179 / 1.849.830 = 187,05%
<u>Return on equity</u>		
Profit before tax to Equity	2.401.845 / 538.032 = 446,41%	3.460.179 / (355.016) = (974,65)%

General comments:

Compared to 2016 the company's revenue has grown at around 8%. This is a result of an increase in the customer base of the Company.

The Cost of Sales has increased by 9% compared to 2016. The increase mainly comes from one off costs, increase in depreciation which is a result of the continued investment in network and also due to an increase of the general operations of the Company related to customers.

The Administration expenses have increased by 15% 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. Additionally, there is a substantial increase in the depreciation which is a result of the continued investment in capital expenditure. Selling and Distribution expenses have increased by 37% mainly due to increase in the marketing activities of the Company to address the competition in the telecommunications market.

Gross Margin

Despite the increase in Revenue the Gross margin remain at the same levels of 2016. This is a result of the increase in Cost of Sales for the reasons noted above.

Net Margin

The decrease of 4.3% compared to the ratio of 2016 is mainly due to the decrease of the Operating profit for the reasons noted above. Additionally, there were significant one off credits in 2016 that affected the resulting profit.

Management report

Return on Capital

The improvement in this ratio is the result of the restructuring of Company's loans.

Return on Equity

The Company's Total Equity position has turned positive through 2017. This was primarily a result of the improved company's performance. The Company turned profitable in 2014 and since then it is improving every year. This has had a positive impact on the Equity.

Financial position

The Company's financial position as presented in the financial statements is considered satisfactory.

Future developments and significant risks

The Board of Directors of the Company does not anticipate any significant changes or developments in relation to the activities of the Company in the foreseeable future.

The most significant risks faced by the Company and the steps taken to manage these risks, are described in note 30 as well as in note 31 to the financial statements.

Also, any risks and uncertainties regarding going concern are described in note 2.1 to the financial statements.

Dividends

The Board of Directors recommends the payment of a final dividend as detailed below.

Final dividend

On 28 December 2017 the Company in a General Meeting declared the payment of a final dividend out of 2015 accounting profits of €1.239.787 (2016: €NIL).

Share capital

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

Board of Directors

The members of the Board of Directors of the Company as at 31 December 2017 and as at the date of this report are shown on page 1. Mr. Giannos Michaelides resigned on 6 July 2017 and on the same date Mr. Attila Keszeg was appointed in his place. On 27 November 2017 Mr. Edmond Brincat and Mr. Nizar Bouguila resigned and on the same date Mr. Mohamed Fadhel Kraiem and Mr. Paul Testaferrata Moroni Viani were appointed in their place.

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 end of the reporting year

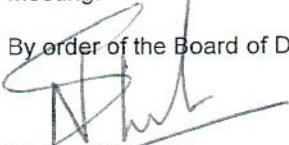
There were no material events after the reporting date, which have a bearing on the understanding of the financial statements.

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, Cyprus, 31 January 2018

Independent Auditor's Report to the Members of CABLENET COMMUNICATION SYSTEMS LTD

Grant Thornton (Cyprus) Limited

41-49 Agiou Nicolaou Street
Nimeli Court - Block C
2408 Engomi, Nicosia
P.O. Box 23907
1687 Nicosia
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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 8 to 37 and comprise the statement of financial position as at 31 December 2017, the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and the 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 CABLENET COMMUNICATION SYSTEMS LTD as at 31 December 2017 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Companies Law of Cyprus, Cap 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information

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





Independent Auditor's Report to the Members of CABLENET COMMUNICATION SYSTEMS LTD (continued)

report that fact. We have nothing to report in this regard.

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 Companies Law of Cyprus, 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 ISA 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 ISA, we exercise professional judgment and maintain professional skepticism 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



Independent Auditor's Report to the Members of CABLENET COMMUNICATION SYSTEMS LTD (continued)

the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

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

- In our opinion, the Management report has been prepared in accordance with the requirements of the Companies Law of Cyprus, 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 of the financial statements, 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 of Cyprus 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

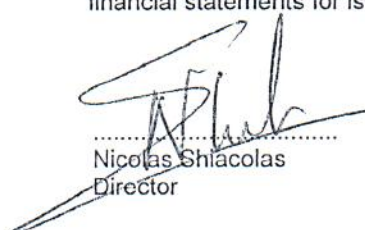
Nicosia, 31 January 2018

Statement of financial position

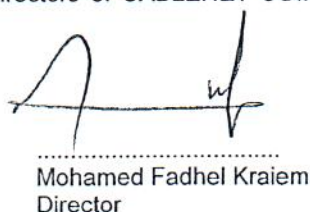
31 December 2017

	Note	2017 €	2016 €
ASSETS			
Non-current assets			
Property, plant and equipment	5	28.584.156	27.619.732
Intangible assets	6	12.598.906	12.527.327
Available-for-sale financial assets		1	1
		<u>41.183.063</u>	<u>40.147.060</u>
Current assets			
Inventories	7	9.211	16.787
Trade and other receivables	8	3.605.300	2.977.721
Current tax assets	14	41.539	10.529
Bank deposits and cash in hand	9	551.591	430.093
		<u>4.207.641</u>	<u>3.435.130</u>
Total assets		<u>45.390.704</u>	<u>43.582.190</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	4.663.637	4.663.637
Other reserves	11	10.758.428	10.758.428
Accumulated losses		(14.884.033)	(15.777.081)
Total equity		<u>538.032</u>	<u>(355.016)</u>
Non-current liabilities			
Borrowings	12	30.488.791	26.685.856
		<u>30.488.791</u>	<u>26.685.856</u>
Current liabilities			
Trade and other payables	13	12.240.583	10.300.699
Borrowings	12	2.122.324	6.949.607
Current tax liabilities	14	974	1.044
		<u>14.363.881</u>	<u>17.251.350</u>
Total liabilities		<u>44.852.672</u>	<u>43.937.206</u>
Total equity and liabilities		<u>45.390.704</u>	<u>43.582.190</u>

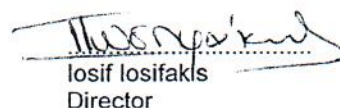
On 31 January 2018 the Board of Directors of CABLENET COMMUNICATION SYSTEMS LTD authorised these financial statements for issue.



Nicolas Shiacolas
Director



Mohamed Fadhel Kraiem
Director



Iosif Iosifakis
Director

Statement of comprehensive income

Year ended 31 December 2017

	Note	2017 €	2016 €
Revenue	15	30.983.147	28.756.134
Cost of sales	16	(14.855.762)	(13.682.010)
Gross profit		16.127.385	15.074.124
Other income	17	54.570	246.069
Administration expenses	18	(8.124.326)	(7.070.960)
Selling and distribution expenses	19	(4.343.365)	(3.163.430)
Other expenses	20	(29.704)	(227.824)
Operating profit		3.684.560	4.857.979
Finance income	22	47.309	167.473
Finance costs	22	(1.330.024)	(1.604.776)
Profit from investing activities	23	-	39.503
Profit before tax		2.401.845	3.460.179
Taxation expense	24	(269.010)	-
Profit for the year		2.132.835	3.460.179
Other comprehensive income		-	-
Total comprehensive income for the year		2.132.835	3.460.179

The notes on pages 12 to 37 form an integral part of these financial statements.

Statement of changes in equity

Year ended 31 December 2017

	Share capital	Other reserves (Note 11)	Accumulated losses	Total
	€	€	€	€
At 1 January 2016	3.420.000	2.034.299	(19.237.260)	(13.782.961)
Comprehensive income				
Profit for the year	-	-	3.460.179	3.460.179
Total comprehensive income	-	-	3.460.179	3.460.179
Transactions with owners				
Issue of share capital	1.243.637	9.262.522	-	10.506.159
Reserve on merger with Lemontel Ltd	-	(538.393)	-	(538.393)
	1.243.637	8.724.129	-	9.967.766
At 31 December 2016	4.663.637	10.758.428	(15.777.081)	(355.016)
Comprehensive income				
Profit for the year	-	-	2.132.835	2.132.835
Total comprehensive income	-	-	2.132.835	2.132.835
Transactions with owners				
Dividends	-	-	(1.239.787)	(1.239.787)
	-	-	(1.239.787)	(1.239.787)
At 31 December 2017	4.663.637	10.758.428	(14.884.033)	538.032

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for Defence Law of Cyprus, 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 shareholders (companies and individuals), at the end of the two-year period, are both tax resident and also domiciled in Cyprus. 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 for the account of the shareholders.

Statement of cash flows

Year ended 31 December 2017

	Note	2017 €	2016 €
Operating activities			
Profit before tax			
Adjustments:		2.401.845	3.460.179
Depreciation of property, plant and equipment	5	6.653.030	6.125.535
Amortisation of intangible assets	6	1.586.843	1.273.941
Profit from the sale of property, plant and equipment	5	(8.107)	(21.500)
Profit on subsidiary's liquidation		-	(39.503)
Impairment loss on Leashold buildings	6	-	227.824
Dividend income	22	-	(151.800)
Interest income	22	(1.353)	(320)
Interest expense	22	1.157.681	1.452.840
Exchange difference		-	(15.353)
		<u>11.789.939</u>	<u>12.311.843</u>
Changes in working capital:			
Inventories		7.576	3.088
Trade and other receivables		(627.579)	1.051.247
Trade and other payables		<u>1.939.884</u>	<u>(973.588)</u>
Cash flows from operations		<u>13.109.820</u>	<u>12.392.590</u>
Tax paid		<u>(300.090)</u>	<u>(9.000)</u>
Net cash from operating activities		<u>12.809.730</u>	<u>12.383.590</u>
Investing activities			
Payment for purchase of intangible assets	6	(1.658.422)	(2.325.000)
Payment for purchase of property, plant and equipment	5	(7.664.913)	(8.952.042)
Proceeds from disposal of property, plant and equipment	5	400	21.500
Interest received		1.353	320
Dividends received		-	151.800
Net cash used in investing activities		<u>(9.321.582)</u>	<u>(11.103.422)</u>
Financing activities			
Repayments of loans	12	(30.705.490)	(6.110.799)
Repayments of obligations under finance leases		-	(1.126)
Proceeds from new loans	12	29.488.791	5.653.535
Interest paid		(1.075.044)	(1.374.670)
Dividends paid		<u>(1.239.787)</u>	<u>-</u>
Net cash used in financing activities		<u>(3.531.530)</u>	<u>(1.833.060)</u>
Net decrease in cash and cash equivalents		<u>(43.382)</u>	<u>(552.892)</u>
Cash and cash equivalents:			
At beginning of the year		(1.483.830)	(946.455)
Cash on merger		-	15.517
At end of the year	9	<u>(1.527.212)</u>	<u>(1.483.830)</u>

The notes on pages 12 to 37 form an integral part of these financial statements.

Notes to the financial statements

Year ended 31 December 2017

1. Incorporation and principal activities

1.1 Incorporation

The Company CABLENET COMMUNICATION SYSTEMS LTD (the "Company") was incorporated in Cyprus on 10th April 2003 as a private company with limited liability under the Companies Law, Cap. 113. Its registered office is at 41-49 Agiou Nicolaou Street, Block A, Nimeli Court, 2nd Floor, 2408 Egkomi, Nicosia, Cyprus.

1.2 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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Companies Law of Cyprus, Cap 113.

These financial statements have been prepared on an accrual basis (other than for cash flow information) using the significant accounting policies and measurement bases summarised in note 3, and also on a going concern assumption as explained below.

2.1 Going concern basis

The main conditions and matters considered by the Board of Directors to determine the existence of any uncertainty over the Company's ability to continue as a going concern, are as follows:

Financial position

As at 31 December 2017, the Company's total assets exceeded its total liabilities by €538,032. This is a result of the improved performance of the Company and its continuous investment in expanding of its network and in new technologies.

As at 31 December 2017, the Company's current liabilities exceeded its current assets by €10,156,240.

Relevant factors considered:

- As per note 13, included in current liabilities are certain amounts totalling to €5,305,297 that should not be considering having financial impact (deferred revenue, refundable deposits and dividends). Thus the revised difference between current assets and current liabilities is €4,850,943.
- According to the business plan of the Company that shows significant improvement of its profitability and cash flow position, the above difference will be reduced further in 2018.
- 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 obligation as and when they fall due.
- The shareholders have indicated their intention to continue providing financial support to the Company to enable it to continue as a going concern and to meet its obligations as they fall due.

Cash flows

For the year ended 31 December 2017, the cash and cash equivalents decreased by €43,382. As at 31 December 2017, the Company's cash and cash equivalents were negative with their deficit amounting to €1,527,212.

Relevant factors considered:

- According to the business plan, the Company should have sufficient funds to finance its operations.
- 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.
- Considering the profitability of the Company, the Company will proceed with their investment plan always taking into consideration the payment of the bank loans.

Notes to the financial statements

Year ended 31 December 2017

Net debt to capital

As shown in note 32 of the financial statements, the Company despite its capital management policy has a high net debt to capital ratio.

Relevant factors considered:

- The Company commercially has the option to obtain additional funds and increase its capital base 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 obligation as and when they fall due.

Economic environment

As shown in note 31.5 of the financial statements, the Company's business is negatively affected by the economic environment in which it operates.

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 to continue providing financial support 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.

3. Accounting policies

The principal accounting policies and measurement bases used 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.

3.1 Adoption of new and revised IFRS

As from 1 January 2017, the Company applied all new or revised IFRS and relevant amendments and interpretations which became effective and also were endorsed by the European Union, and are relevant to its operations.

The adoption of the above did not have a material effect on the financial statements.

The following IFRS (including relevant amendments and interpretations) had been issued by the date of authorisation of these financial statements but are not yet effective, or have not yet been endorsed by the EU, for the year ended 31 December 2017:

Notes to the financial statements

Year ended 31 December 2017

	Endorsed by EU	Effective date (IASB)
• IFRS 9: "Financial Instruments"	Yes	1 January 2018
• IFRS 14: "Regulatory Deferral Accounts"	No	1 January 2016
• IFRS 15: "Revenue from Contracts with Customers"	Yes	1 January 2018
• IFRS 16: "Leases"	Yes	1 January 2019
• IFRS 17: "Insurance Contracts"	No	1 January 2021
• IFRIC 22: "Foreign Currency Transactions and Advance Consideration"	No	1 January 2018
• IFRIC 23: "Uncertainty over Income Tax Treatments"	No	1 January 2019
• Annual Improvements to IFRS 2014–2016 Cycle	No	1 January 2018
• Annual Improvements to IFRS 2015–2017 Cycle	No	1 January 2019
• Amendment to IFRS 2: "Classification and Measurement of Share-based Payment Transactions"	No	1 January 2018
• Amendments to IFRS 4: "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	Yes	1 January 2018
• Amendment to IFRS 9: "Prepayment Features with Negative Compensation"	No	1 January 2019
• Amendment to IFRS 10, and IAS 28: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	No	to be determined
• Clarifications to IFRS 15: "Revenue from Contracts with Customers"	Yes	1 January 2018
• Amendment to IAS 28: "Long-term Interests in Associates and Joint Ventures"	No	1 January 2019
• Amendment to IAS 40: "Transfers of Investment Property"	No	1 January 2018

The Board of Directors expects that when the above IFRS become effective in future periods, they will not have a material effect on the financial statements of the Company, except as described below.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement". The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has identified that the main area of significant impact by the application of IFRS 9 is that an expected credit loss-based impairment will need to be recognised on the Company's financial assets at amortised cost.

IFRS 16 "Leases"

IFRS 16 requires lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability and changes the definition of a lease. It also sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods, sale and leaseback arrangements, and introduces new disclosure requirements. IFRS 16 provides exemptions for short-term leases and leases of low value assets." Affected lease amount shown on note 28.2.

3.2 Property, plant and equipment

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

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

Notes to the financial statements

Year ended 31 December 2017

Depreciation

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

Repairs, maintenance, and renovations

Expenditure for routine repairs and maintenance of property, plant and equipment is charged to the profit or loss in the year in which it is incurred. The cost of major improvements and renovations and other subsequent expenditure are included in the carrying amount of the asset when the recognition criteria of IAS 16 are met. Major improvements and renovations capitalised are depreciated over the remaining useful life of the related asset.

3.3 Intangible assets

• 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 programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software, when the recognition criteria of IAS 38 are also met. Costs associated with maintenance of computer software programmes are recognised as an expense when incurred.

Computer software costs are amortised using the straight-line method over their useful live, which commences when the computer software is available for use. Their amortisation expense is included in administration expenses.

• International Capacity

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

• Leasehold rights on building

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 amortisation expense is included in administration expenses.

The annual amortisation rates used are as follows:

Computer software	%
International capacity	33,33
Leasehold rights on building	7,14
	1,33

3.4 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its depreciable tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

Notes to the financial statements

Year ended 31 December 2017

An impairment loss is recognised for the amount by which the asset's (or CGU's) carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use (present value of estimated future cash flows) of the asset (or CGU). An impairment loss is recognised immediately in profit or loss.

3.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

- **Operating leases**

The Company as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease as well as prepayments and any other premiums paid are spread on a straight-line basis over the lease term.

3.6 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

- **Financial assets**

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

1. the rights to receive cash flows from the asset have expired;
2. the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
3. the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Loans and receivables

Loans and receivables are initially recognised at their fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

(i) Trade and other receivables

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Debtors' balances are written off where they considered non-recoverable.

(ii) Bank deposits

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that a bank deposit is impaired. The allowance recognised is measured as the difference between the deposit's carrying amount and the present value of estimated future cash flows expected to be recovered. The discount rate used for fixed-rate deposits is the effective interest rate computed at initial recognition, and for floating-rate deposits is the latest effective interest rate which was applicable prior to impairment.

- **Financial liabilities**

Financial liabilities are obligations to pay cash or other financial assets. The financial liabilities are recorded initially at fair value, net of direct transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements

Year ended 31 December 2017

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or it expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

Borrowings

Borrowings are recorded initially at fair value which usually is the amount of proceeds received, less transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any differences between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Where the liabilities are of a short-term nature the fair value is determined as equal to the nominal amount without any discounting.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (i.e. the Company) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. After initial recognition, financial guarantee contracts are measured at the higher of:

- (i) the amount determined in accordance with IAS 37; and
- (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

• **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Ordinary shares

Ordinary shares are classified as equity and measured at their nominal value. Any premiums received on issue of share capital above its nominal value, are recognised as share premium within equity. Associated issue costs are deducted from share premium.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and demand deposits less bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

3.8 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.

3.9 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

3.10 Government grants

Government grants on acquisitions of non-current assets are credited to the profit or loss in instalments over the estimated useful economic lives of the corresponding assets. This is achieved by deducting grants from the book value of these assets and the recognition of income through the reduced depreciation charge.

Government grants that relate to expenses occurred are recognised in the profit or loss when they are received. If the relevant expense has not yet occurred the grant received is carried as deferred income in the statement of financial position until the expense occurs.

Notes to the financial statements

Year ended 31 December 2017

3.11 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and revenue indirect taxes.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the costs incurred or to be incurred can be measured reliably, and when also the criteria for each of the Company's different activities have been met. These activity-specific recognition criteria are described below.

- **Sale of goods**

Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Company has sold or delivered goods to the customer, the customer has accepted the goods and collectibility of the related receivable is reasonably assured.

- **Rendering of services**

Revenue from services is recognised in the accounting period in which the services are rendered by reference to the stage of completion of the specific service transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- **Interest income**

Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.12 Retirement benefit costs

- **State-managed retirement benefit scheme**

Payments made to state-managed retirement benefit schemes (e.g. Government Social Insurance Fund) are dealt with as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution plan. 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 government scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

3.13 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense on loans, finance leases and bank overdrafts on an effective rate basis as well as other bank charges.

3.14 Functional and presentation currency and foreign currency translation

- **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.

- **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 the profit or loss. Translation differences on available-for-sale financial assets are included in the fair value reserve in equity.

3.15 Tax

Income tax expense represents current tax.

Notes to the financial statements

Year ended 31 December 2017

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the financial statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4. Critical accounting estimates and judgement

The preparation of these financial statements in conformity with IFRS requires the use of accounting estimates and assumptions, and also requires Management to exercise its judgement, in the process of applying the Company's accounting policies.

Estimates, assumptions and judgement applied 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. Although these estimates, assumptions and judgement are based on Management's best knowledge of current events and actions, actual results may ultimately differ.

4.1 Significant management judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements:

Going concern basis

The Directors have exercised significant judgement in assessing that the preparation of these financial statements on a going concern basis is appropriate. In making this assessment, the important factors considered, among others, include the current financial position and the profitability of the Company as well their expectations in relation to future business prospects, and future profitability and cash flows of the Company. Another important factor for determining that the going concern basis remains appropriate is the ability of raising necessary funding as and when needed. Further details are disclosed in note 2.1 of the financial statements.

Current economic conditions

The Board of Directors assessed whether any impairment allowances are deemed necessary for any of the assets, whether financial or non-financial in nature, by considering the economic situation and outlook at the reporting date, as this is further explained in note 31.5. Based on the evaluation performed, no further provisions or impairment charges are deemed necessary as at the reporting date.

Revenue recognition

The Company applies the provisions of IAS 18 for accounting for revenue from its sales, under which income 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.

Leases

In some cases, the lease transactions and /or the lease agreements are not conclusive on the classification of leases as per IAS 17, and Management uses judgement in determining whether each lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, or otherwise is an operating lease.

Classification of financial instruments

The Management exercises significant judgement in determining the appropriate classification of the financial instruments of the Company, especially for its investments and the separation of any embedded derivatives. The factors considered include the contractual terms and characteristics which are very carefully examined, and also the the Company's intentions and expected needs for realisation of financial assets or settlement of financial liabilities.

Notes to the financial statements

Year ended 31 December 2017

Impairment assessment of receivable amounts

The Company follows the guidance of IAS 39 in determining when a receivable balance is impaired. This determination requires significant judgement regarding the current and potential economic circumstances specific to each debtor, and its current and potential repayment ability.

Financial guarantee contracts

The Management exercises significant judgement in assessing whether a certain situation gives rise to a present obligation and in determining that this obligation will lead to a probable outflow of economic resources. Based on these judgements it is decided whether or not to recognise a provision for a liability.

4.2 Estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Income taxes

Significant estimates are made in determining the tax liability 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 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 liability in the period in which such determination is made.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, and revises them if necessary so that the useful lives represent the expected utility of the assets to the Company. Actual results, however, may vary due to technological obsolescence, mis-usage and other factors that are not easily predictable.

Impairment assessment of receivable amounts

The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective allowance for impairment is made. The review of credit risk is continuous and the methodology and assumptions used for estimating the allowance for impairment are reviewed regularly and adjusted accordingly.

Further details are shown in note 8 of the financial statements.

Notes to the financial statements

Year ended 31 December 2017

5. Property, plant and equipment

	Leashold building and improvements	Network and machinery	Motor vehicles	Furniture, fixtures, equipment and computer hardware	Tools	Total
	€	€	€	€	€	€
Cost						
At 1 January 2016	2.059.634	40.407.388	598.613	9.098.148	118.738	52.282.521
Additions	345.088	6.386.059	-	2.745.675	19.128	9.495.950
Disposals	(4.460)	-	(86.446)	(18.713)	-	(109.619)
Impairment charge	(227.824)	-	-	-	-	(227.824)
Additions from business combination	-	73.821	-	306.300	-	380.121
Transfer to intangible assets	(306.621)	(82.163)	-	(1.906.858)	(16.822)	(2.312.464)
At 31 December 2016	1.865.817	46.785.105	512.167	10.224.552	121.044	59.508.685
Additions	63.240	6.501.029	146.922	953.722	-	7.664.913
Disposals	-	(55.166)	-	(1.525)	-	(56.691)
At 31 December 2017	1.929.057	53.230.968	659.089	11.176.749	121.044	67.116.907
Depreciation						
At 1 January 2016	243.232	20.786.072	443.023	5.615.942	114.375	27.202.644
Charge for the year	100.103	4.250.066	39.919	1.730.519	4.928	6.125.535
On disposals	-	-	(86.446)	-	-	(86.446)
Transfer from business combination	-	40.549	-	237.218	-	277.767
On Transfer to intangible assets	(47.740)	(1.067)	-	(1.579.404)	(2.336)	(1.630.547)
At 31 December 2016	295.595	25.075.620	396.496	6.004.275	116.967	31.888.953
Charge for the year	135.038	4.724.003	41.440	1.749.867	2.682	6.653.030
On disposals	-	(7.707)	-	(1.525)	-	(9.232)
At 31 December 2017	430.633	29.791.916	437.936	7.752.617	119.649	38.532.751
Carrying amount						
At 31 December 2017	1.498.424	23.439.052	221.153	3.424.132	1.395	28.584.156
At 31 December 2016	1.570.222	21.709.485	115.671	4.220.277	4.077	27.619.732

Depreciation expense for the year has been recognised in profit or loss as follows:

	2017	2016
	€	€
Cost of sales	4.768.125	4.294.892
Administration expenses	1.884.905	1.830.643
	<u>6.653.030</u>	<u>6.125.535</u>

5.1 Proceeds from disposal of property, plant and equipment

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

	2017	2016
	€	€
Profit from the sale of property, plant and equipment (Note 17)	<u>8.107</u>	<u>21.500</u>
	<u>8.107</u>	<u>21.500</u>

Notes to the financial statements

Year ended 31 December 2017

6. Intangible assets

	Computer software €	International capacity €	Leasehold rights on building €	Total €
Cost				
At 1 January 2016	-	15.900.656	-	15.900.656
Additions	-	2.325.000	-	2.325.000
Transfer from property, plant and equipment	2.044.824	-	267.640	2.312.464
At 31 December 2016	2.044.824	18.225.656	267.640	20.538.120
Additions	196.611	1.461.811	-	1.658.422
At 31 December 2017	2.241.435	19.687.467	267.640	22.196.542
Amortisation				
At 1 January 2016	-	5.106.305	-	5.106.305
Charge for the year	-	1.273.644	297	1.273.941
Transfer from property, plant and equipment accumulated depreciation	1.587.378	-	43.169	1.630.547
At 31 December 2016	1.587.378	6.379.949	43.466	8.010.793
Charge for the year	273.271	1.310.010	3.562	1.586.843
At 31 December 2017	1.860.649	7.689.959	47.028	9.597.636
Carrying amount				
At 31 December 2017	380.786	11.997.508	220.612	12.598.906
At 31 December 2016	457.446	11.845.707	224.174	12.527.327

Amortisation expense for the year has been recognised in profit or loss as follows:

	2017 €	2016 €
Cost of sales	1.310.010	1.273.644
Administration expenses	276.833	297
	1.586.843	1.273.941

7. Inventories

	2017 €	2016 €
Telecommunication prepaid cards	9.211	16.787
	9.211	16.787

Inventories are stated at cost.

8. Trade and other receivables

	2017 €	2016 €
Financial items		
Trade receivables	2.734.740	2.871.153
Less: Allowance for impairment losses	(804.316)	(828.802)
Trade receivables - net	1.930.424	2.042.351
Other receivables	264.833	254.260
	2.195.257	2.296.611
Non-financial items		
Deposits and prepayments	1.410.043	681.110
	3.605.300	2.977.721

Notes to the financial statements

Year ended 31 December 2017

8.1 Neither past due nor impaired balancesTrade balances

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates, since no external ratings exist. The Company for this purpose allocates its neither past due nor impaired trade receivables as follows:

	2017	2016
	€	€
Existing customers with no defaults in past	<u>1.930.424</u>	<u>2.042.351</u>
	<u>1.930.424</u>	<u>2.042.351</u>

The Company under certain conditions allows its customers a credit period for settling their amounts due. The Company applies a system of continuous assessment of the credit terms allowed for each of its customers.

Non-trade balances

The credit quality of non-trade financial receivables that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates, since no external ratings exist. The Company for this purpose allocates its neither past due nor impaired trade receivables as follows:

	2017	2016
	€	€
Existing debtors with no defaults in past	<u>264.833</u>	<u>254.260</u>
	<u>264.833</u>	<u>254.260</u>

8.2 Impaired balancesSpecific allowance for impairment losses

The trade receivable balances of the customers for which there is a specific allowance for impairment losses amount to €804.316 (2016: €828.802). The Company does not hold any collateral over these balances.

The Company has recognized a loss of €193.880 (2016: €23.242) for the impairment of its trade receivables during the year ended 31 December 2017.

Allowance for impairment losses

	2017	2016
	€	€
On 1 January	828.802	813.802
Charge for year	-	15.000
Charge for year and recoveries	<u>(24.486)</u>	<u>-</u>
At 31 December	<u>804.316</u>	<u>828.802</u>

The Company has not recognized any loss for the impairment of its non-trade financial receivables during the year ended 31 December 2017 and 2016.

Notes to the financial statements

Year ended 31 December 2017

9. Cash and cash equivalents

9.1 Bank deposits and cash in hand

	2017	2016
	€	€
Cash in hand	62.553	56.375
Bank demand deposits	489.038	373.718
	<u>551.591</u>	<u>430.093</u>

9.2 Credit quality of bank deposits

The credit quality of the banks in which the Company keeps its deposits is assessed by reference to the credit rating of these banks. The bank balances of the Company are allocated based on the credit ratings of the corresponding banks as follows:

	2017	2016
	€	€
A / A2	5.542	15.628
Lower than B- / B3	286.811	239.559
No rating	196.685	118.531
	<u>489.038</u>	<u>373.718</u>

9.3 Cash and cash equivalents in the statement of cash flows

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

	2017	2016
	€	€
Bank deposits and cash in hand	551.591	430.093
Bank overdrafts (Note 12)	(2.078.803)	(1.913.923)
	<u>(1.527.212)</u>	<u>(1.483.830)</u>

10. Share capital

	2017	2017	2016	2016
	Number of shares	€	Number of shares	€
Authorised				
Ordinary shares of €1,71 each	<u>4.000.000</u>	<u>6.840.000</u>	<u>4.000.000</u>	<u>6.840.000</u>
	Number of shares	€	Number of shares	€
Issued and fully paid				
On 1 January	2.727.273	4.663.637	2.000.000	3.420.000
Issue of shares	-	-	727.273	1.243.637
At 31 December	<u>2.727.273</u>	<u>4.663.637</u>	<u>2.727.273</u>	<u>4.663.637</u>

Notes to the financial statements

Year ended 31 December 2017

11. Other reserves

	Share premium €	Merger reserve €	Capital reserve €	Share options reserve €	Total €
At 1 January 2016	-	-	1.733.062	301.237	2.034.299
Issue of share capital	9.262.522	-	-	-	9.262.522
Reserve on merger with Lemontel Ltd	-	(538.393)	-	-	(538.393)
Equity component of convertible loan	301.237	-	-	(301.237)	-
At 31 December 2016	9.563.759	(538.393)	1.733.062	-	10.758.428
At 31 December 2016	9.563.759	(538.393)	1.733.062	-	10.758.428
At 31 December 2017	9.563.759	(538.393)	1.733.062	-	10.758.428

Merger Reserve

On 1st August 2016, all the assets, liabilities and reserves of Lemontel Ltd were transferred into Cablenet Communication Systems Ltd at their book values based on merger accounting principles, business combination of entities under common control. A merger reserve was recognised.

Share option reserve and share premium

Following the notice by GO Plc dated 15.1.2016 delivered on 18.1.2016, whereby they exercised their option to convert their €12.000.000 loan, already advanced in full to the Company, into 727.273 shares, pursuant to Clause 3.5 of the Share Purchase Agreement dated 28.3.2014 between Nicolas Shiacolas, the Company and GO Plc and the written resolution of the Shareholders of the Company dated 19.1.2016 deciding the issue and allotment of the said shares of the terms set out in the resolution.

The above number of shares have been issued at a premium.

12. Borrowings

	2017 €	2016 €
Current borrowings		
Bank overdrafts (Note 9)	2.078.803	1.913.923
Bank loans	2.516	2.156.838
Other loans	-	548.340
Loans from related parties (Note 26)	-	1.007.856
Loans from shareholders (Note 26)	41.005	1.322.650
	2.122.324	6.949.607
Non-current borrowings		
Bank loans	14.888.791	21.560.950
Loans from related parties (Note 26)	-	4.242.710
Loans from shareholders (Note 26)	15.600.000	882.196
	30.488.791	26.685.856
Total	32.611.115	33.635.463

Notes to the financial statements

Year ended 31 December 2017

12.1 Changes in loans:

	Bank loans	Other loans	Loans from related parties	2017	2016
	€	€	€	€	€
On 1 January	23.717.788	548.340	7.455.412	31.721.540	42.173.461
Proceeds from new loans*	14.888.791	-	14.600.000	29.488.791	5.653.535
Repayments of principal*	(23.717.788)	(548.340)	(6.439.362)	(30.705.490)	(6.110.799)
Repayments of interest	(727.589)	(26.501)	(327.437)	(1.081.527)	(1.328.773)
Interest charged for the year	730.105	26.501	352.392	1.108.998	1.328.773
Conversion of loan to share capital	-	-	-	-	(10.506.159)
Interest on convertible loan	-	-	-	-	54.991
Loan on business combination	-	-	-	-	456.511
At 31 December	14.891.307	-	15.641.005	30.532.312	31.721.540

The proceeds from new loans are presented net of related transaction costs, amounting to €111.209.

*On August 2017 the Company has proceeded with refinancing of all loans. GO Plc granted a new loan to the Company for the amount of €14.600.000. The new loan was used for the full settlement of all existing loans: 1) loan in the name of C.N. Shiacolas (Contractors) Ltd, 2) loan obtained from Mr Nicolas Shiacolas, 3) loan in the name of LCYL Dramas Properties Ltd and 4) loans obtained from Bank of Cyprus Ltd. On the same date a new loan for the amount of €15.000.000 was granted from Bank of Cyprus Ltd.

12.2 Repayment of non-current borrowings

Between one to two years	994.336	6.134.268
Between two and five years	12.099.505	16.740.329
After five years	17.394.950	3.811.259
	30.488.791	26.685.856

Notes to the financial statements

Year ended 31 December 2017

12.3 Securities pledged

Bank overdrafts

The bank overdrafts are secured as follows:

- By mortgage on the immovable property of the Company C.N. Shiacolas (Estates) Ltd for the amount of €4.150.000.
- By corporate guarantee of the Company C.N. Shiacolas (Investments) Ltd.
- By corporate guarantee of the Company C.N. Shiacolas (Estates) Ltd.

Bank loans

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 €5.125.804 (C.N. Shiacolas (Investments) Ltd)
- Mortgage on Freehold property €2.250.000 (C.N. Shiacolas (Investments) Ltd)
- Mortgage on Freehold property €850.000 (C.N. Shiacolas (Investments) Ltd)
- Floating charge €15.000.000 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 Freehold property €3.000.000 (C.N. Shiacolas (Investments) Ltd)
- Mortgage on Leasehold property €750.000 (Cablenet Communication Systems Ltd)
- Floating charge €750.000 Cablenet Communication Systems Ltd
- Floating charge €4.271.504 Cablenet Communication Systems Ltd
- Floating charge €7.500.000 Cablenet Communication Systems Ltd
- Floating charge €25.300.000 Cablenet Communication Systems Ltd
- Mortgage on Freehold property €4.150.000 C.N. Shiacolas (Estates) Ltd
- Mortgage on Freehold property €600.000 C.N. Shiacolas (Investments) Ltd

Loans from shareholders

The loans from shareholders are secured as follows:

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

12.4 Approved but unused limits

The total approved limit of the overdraft facilities of the Company at 31 December 2017 was €4.000.000.

12.5 Interest rates

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

	2017	2016
Bank overdrafts	2,64%	4,75%
Bank loans	3,54%	3,79%
Other loans	8%	8%
Loans from related parties (Note 26)	3,79%	3,17%

Notes to the financial statements

Year ended 31 December 2017

13. Trade and other payables

	2017	2016
	€	€
<u>Financial items</u>		
Trade payables	4.264.326	2.991.726
Trade payables to related parties (Note 26)	4.994	43.408
Shareholders' current accounts - credit balances (Note 26)	1.155.371	23.370
Consideration payable for the acquisition of Lemontel Limited	-	92.364
Accrued expenses	1.240.748	1.525.729
Other creditors	335.796	574.326
Refundable security deposits on subscriptions	2.775.676	2.279.377
Payables to related parties (Note 26)	52.271	291.097
	<u>9.829.182</u>	<u>7.821.397</u>
<u>Non-financial items</u>		
Deferred Subscription Income	1.374.250	1.170.834
Social insurance and other taxes	231.223	148.629
VAT	702.654	1.159.839
Defence tax on payable dividends	103.274	-
	<u>12.240.583</u>	<u>10.300.699</u>

14. Current tax assets

	2017	2016
	€	€
Corporation tax	(41.539)	(10.529)
Special contribution for defence	974	1.044
	<u>(40.565)</u>	<u>(9.485)</u>

15. Revenue

	2017	2016
	€	€
Rendering of services	30.969.997	28.736.999
Sales of goods	13.150	19.135
	<u>30.983.147</u>	<u>28.756.134</u>

16. Cost of sales

	2017	2016
	€	€
Services	<u>6.283.651</u>	<u>5.825.003</u>
	<u>6.283.651</u>	<u>5.825.003</u>
<u>Direct costs</u>		
Electricity for nodes	312.327	239.812
Operational and maintenance fee for international capacity	978.935	886.984
EAC Lease fees	980.088	935.262
Sales Commission	104.182	134.152
Depreciation	6.078.135	5.568.536
Other direct costs	118.444	92.261
	<u>8.572.111</u>	<u>7.857.007</u>
	<u>14.855.762</u>	<u>13.682.010</u>

Notes to the financial statements

Year ended 31 December 2017

17. Other income

	2017	2016
	€	€
Deposit refund on terminated customers	-	179.009
Gain from sale of property, plant and equipment	8.107	21.500
Delta Project	3.417	-
HRDA Subsidy	43.046	45.560
	<u>54.570</u>	<u>246.069</u>

18. Administration expenses

	2017	2016
	€	€
Staff costs (Note 21)	3.225.807	2.579.021
Rent	452.411	442.994
Licenses and taxes	157.786	200.992
Electricity	319.895	237.380
Water supply and cleaning	96.909	86.952
Insurance	136.293	133.467
Stationery and printing	313.758	282.788
Computer software	350.856	309.439
Audit fees for statutory audit	24.260	24.650
Legal fees	33.707	29.542
Other professional fees	250.973	345.180
Motor Fuels	85.876	84.866
Depreciation property, plant, equipment and amortisation of software	2.161.738	1.830.940
Other administration expenses	514.057	482.750
	<u>8.124.326</u>	<u>7.070.961</u>

19. Selling and distribution expenses

	2017	2016
	€	€
Staff costs (Note 21)	1.631.940	1.153.992
Advertising	1.822.685	1.239.996
Stamp duties	143.194	94.554
Bad debts written off	193.880	23.242
Guarantee loss on mobile prize	-	200.000
Hire of cars	225.502	190.436
Sundry expenses	295.559	191.707
Other selling and distribution expenses	30.605	69.503
	<u>4.343.365</u>	<u>3.163.430</u>

20. Other expenses

	2017	2016
	€	€
Sundry expenses	29.704	-
Impairment loss on Leasehold building	-	227.824
	<u>29.704</u>	<u>227.824</u>

Notes to the financial statements

Year ended 31 December 2017

21. Staff costs

	2017	2016
	€	€
Salaries	4.326.475	3.290.737
Social insurance costs and other funds	357.161	301.029
Social cohesion fund	85.031	65.705
Provident fund contributions	89.080	75.541
	<u>4.857.747</u>	<u>3.733.012</u>
Administration expenses	3.225.807	2.579.020
Selling and distribution expenses	1.631.940	1.153.992
	<u>4.857.747</u>	<u>3.733.012</u>
Average number of employees (including executive Directors):	<u>263</u>	<u>244</u>

22. Finance income and costs

	2017	2016
	€	€
Finance income		
Interest income	1.353	320
Foreign currency exchange profit	45.956	15.353
Dividend income	-	151.800
	<u>47.309</u>	<u>167.473</u>
Finance costs		
Foreign currency exchange losses	16.396	-
Interest expense	1.157.681	1.452.840
Other finance expenses	155.947	151.936
	<u>1.330.024</u>	<u>1.604.776</u>
Net finance costs	<u>(1.282.715)</u>	<u>(1.437.303)</u>

Interest income is analysed as follows:

	2017	2016
	€	€
Bank deposits	1.353	320
	<u>1.353</u>	<u>320</u>

23. Profit from investing activities

	2017	2016
	€	€
Profit on subsidiary's liquidation	-	39.503
	<u>-</u>	<u>39.503</u>

24. Taxation expense

	2017	2016
	€	€
Corporation tax - current year	268.990	-
Defence contribution - current year	20	-
	<u>269.010</u>	<u>-</u>

Notes to the financial statements

Year ended 31 December 2017

The Company is subject to corporation tax on its taxable profits at the rate of 12,5%. Any capital gains are taxed at the rate of 20%.

Under certain conditions interest is subject either to corporation tax or to defence contribution. The relevant corporation tax rate for the year is 12,5% and the defence contribution rate is 30%.

In certain cases, dividends received from abroad may be subject to defence contribution. The relevant defence contribution rate for the year is 17%.

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2017 €	2016 €
Profit before tax	<u>2.401.845</u>	<u>3.460.179</u>
Tax calculated at the applicable tax rates	300.231	432.522
Tax effect of expenses not deductible for tax purposes	1.087.282	1.005.679
Tax effect of allowances and income not subject to tax	(1.107.118)	(1.043.351)
Tax effect of tax losses brought forward	(11.405)	(394.850)
Defence contribution current year	20	-
Taxation expense	<u>269.010</u>	<u>-</u>

25.Dividends

	2017 €	2016 €
Final dividend paid	<u>1.239.787</u>	<u>-</u>
	<u>1.239.787</u>	<u>-</u>

On 28 December 2017 the Company in a General Meeting declared the payment of a final dividend out of 2015 accounting profits of €1.239.787 (2016: €NIL).

Dividends are subject to a deduction of special contribution for defence for individual shareholders that are tax resident in Cyprus and also have their domiciliation in Cyprus. The applicable defence contribution rate is 17%.

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.

26.Related parties

The Company is directly controlled by GO Plc, incorporated in Malta, which owns the 51% of the Company's shares.

The following transactions were carried out with related parties:

26.1 Key management compensation

The remuneration of the members of key management was as follows:

	2017 €	2016 €
Directors' remuneration	492.555	302.920
Directors' social insurance and other contributions	25.354	16.394
	<u>517.909</u>	<u>319.314</u>

26.2 Revenue and other income

	<u>Nature of transactions</u>	2017 €	2016 €
• Controlling parties			
GO Plc	Professional fees	-	50.000
GO Plc	Reimbursement of various expenses	-	7.811
		<u>-</u>	<u>57.811</u>

Notes to the financial statements

Year ended 31 December 2017

26.3 Purchases and other expenses

	<u>Nature of transactions</u>	2017 €	2016 €
• Controlling parties			
GO Plc	Trade	87.744	197.177
• Other related parties			
C.N. Shiacolas (Investments) Ltd	Rents & Common expenses	346.538	321.725
C.N. Shiacolas (Investments) Ltd	Consultancy fees	-	222.927
		<u>434.282</u>	<u>741.829</u>

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

26.4 Payables to related parties (Note 13)

	<u>Nature of balance</u>	2017 €	2016 €
• Controlling parties			
GO Plc	Trading	4.994	43.408
GO Plc	Dividends	632.291	-
• Parties with significant influence or joint control over the Company			
Nicolas Shiacolas	Financing	18.859	23.370
Nicolas Shiacolas	Dividends	504.221	-
• Other related parties			
C.N. Shiacolas (Investments) Ltd	Trading - Financing	52.271	291.097
		<u>1.212.636</u>	<u>357.875</u>

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

26.5 Loans from related parties (Note 12)

	<u>Interest rate</u>	<u>Repayment</u>	<u>Secured</u>	2017 €	2016 €
• Controlling parties					
GO Plc	3,18%	30 August 2026	Yes - see below	15.641.005	1.016.050
• Parties with significant influence or joint control over the Company					
Nicolas Shiacolas				-	1.188.796
• Other related parties					
C.N. Shiacolas (Contractors) Ltd				-	5.250.566
				<u>15.641.005</u>	<u>7.455.412</u>

The loans from shareholder GO Plc were provided with interest rate 3,18%, they are secured with floating charge over all assets amounted to €15.600.000, and are repayable on 30 August 2026.

The loan from shareholder Mr. Nicolas Shiacolas was provided on 20 December 2011 with 6 months euribor plus a margin 3,75% and has been repaid on 30 August 2017.

The loan from related Company C.N. Shiacolas (Contractors) Limited was provided on 28 March 2011 with 6 months euribor plus a margin 4,75% and has been repaid on 30 August 2017.

On August 2017 GO Plc granted a new loan to Cablenet for the amount of €14.600.000. The new loan was used for full settlement of loan in the name of C.N. Shiacolas (Contractors) Ltd, and for full settlement of loan obtained from Mr Nicolas Shiacolas.

26.6 Guarantees received from related parties (Note 12)

The guarantees pledged as security by related parties in relation to the Company's borrowings are described in

Notes to the financial statements

Year ended 31 December 2017

note 12.

26.7 Guarantees given for related parties (Note 12)

		Maximum exposure 31 December 2017 €	Maximum exposure 31 December 2016 €
• Other related parties	<u>In relation to</u>		
Vellister Ltd	Bank loans and Overdraft	757.529	707.394
C.N. Shiacolas (Contractors) Ltd	Bank loans	-	5.250.566
Vellister Ltd	Corporate guarantee	722.311	562.500
		<u>1.479.840</u>	<u>6.520.460</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.

27. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2017.

28. Commitments**28.1 Capital commitments**

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

	2017 €
Property, plant and equipment for 2018	461.304
Intangible - International Circuit from 2018 to 2020	2.160.000
Intangible - Football Rights from 2019 to 2024	<u>30.635.000</u>

28.2 Operating lease commitments

The non-cancellable operating lease agreements entered by the Company relate to Office and Warehouse rent and to Hire of Cars.

The total operating lease expenses for the year amounted to €677.913 (2016: €633.430).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 €
Within one year	576.789
Between one and five years	2.331.502
After five years	<u>210.264</u>
	<u>3.118.555</u>

28.3 Other operating commitments

Additionally, as at 31 December 2017 the Company had commitments in relation to the payment of:

- operating and maintenance fees from 2018 to 2035 amounting to €10.829.184
- tv-content fees from 2018 to 2020 of €4.763.709
- sponsorship to football clubs from 2018 to 2024 of €1.790.000
- consultancy fees for 2018 of €70.000

29. Financial assets and liabilities**29.1 Carrying amount**

The carrying amount of each class of financial assets and liabilities included in the statement of financial position is as follows:

Notes to the financial statements

Year ended 31 December 2017

		2017	2016
Financial assets	Note	€	€
Available-for-sale		1	1
Loans and receivables	8, 9	<u>2.746.848</u>	<u>2.726.704</u>
		<u>2.746.849</u>	<u>2.726.705</u>
Financial liabilities			
At amortised cost	12, 13	<u>42.440.297</u>	<u>41.456.860</u>
		<u>42.440.297</u>	<u>41.456.860</u>

29.2 Fair values

The fair values of the Company's financial assets and liabilities measured at amortised cost approximate their carrying amounts at the reporting date.

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

30. Financial risk management

The Company is exposed to interest rate risk, credit risk, liquidity risk, and currency risk arising from the financial instruments held.

30.1 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:

	2017	2016
	€	€
Fixed rate instruments		
Financial liabilities	<u>-</u>	<u>1.564.390</u>
Variable rate instruments		
Financial liabilities	<u>32.611.115</u>	<u>32.071.073</u>
	<u>32.611.115</u>	<u>33.635.463</u>

Sensitivity analysis

An increase of 100 basis points (1,00%) in interest rates at 31 December 2017 would have increased profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For an equivalent decrease there would be an equal and opposite impact on the profit or loss and other comprehensive income.

	Profit or loss		Other comprehensive income	
	2017	2016	2017	2016
	€	€	€	€
Variable rate instruments	<u>326.111</u>	<u>320.711</u>	<u>-</u>	<u>-</u>
	<u>326.111</u>	<u>320.711</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

Year ended 31 December 2017

30.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number and diversity of customers. The Company has policies in place to ensure that all of its transactions giving rise to credit risk are made with parties having an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific loss provision that relates to individually significant exposures. Credit quality information in relation to trade and other receivables is provided in note 8.

Also, the Company has policies to limit the amount of credit exposure to any banking institution, considering among other factors the credit ratings of the banks with which deposits are held. Credit quality information in relation to those banks is provided in note 9.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date, without taking account of any collateral obtained, was:

	2017 €	2016 €
Trade and other receivables	2.195.257	2.296.611
Bank balances	489.038	373.718
Financial guarantee contracts	1.479.840	6.520.460
	<u>4.164.135</u>	<u>9.190.789</u>

30.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially can 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 2017	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Bank loans	14.891.307	17.504.841	115.731	345.935	957.221	7.037.666	9.048.288
Bank overdrafts	2.078.803	2.078.803	2.078.803	-	-	-	-
Trade and other payables	9.829.182	9.829.182	9.829.182	-	-	-	-
Loans from shareholders	15.641.005	18.202.417	117.744	359.772	995.510	7.319.172	9.410.219
	<u>42.440.297</u>	<u>47.615.243</u>	<u>12.141.460</u>	<u>705.707</u>	<u>1.952.731</u>	<u>14.356.838</u>	<u>18.458.507</u>
31 December 2016	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Bank loans	23.717.788	28.125.435	488.205	1.668.633	4.898.162	13.010.246	8.060.189
Other loans	548.340	558.886	558.886	-	-	-	-
Bank overdrafts	1.913.923	1.913.923	1.913.923	-	-	-	-
Trade and other payables	7.821.397	7.821.397	7.821.397	-	-	-	-
Loans from related parties	5.250.566	6.047.136	251.964	755.892	1.007.856	3.023.568	1.007.856
Loans from shareholders	2.204.846	2.558.274	1.101.924	229.950	306.600	919.800	-
	<u>41.456.860</u>	<u>47.025.051</u>	<u>12.136.299</u>	<u>2.654.475</u>	<u>6.212.618</u>	<u>16.953.614</u>	<u>9.068.045</u>

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

Notes to the financial statements

Year ended 31 December 2017

30.4 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 functional currency of the Company. 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.

The Company's profit or loss and equity are not anticipated to have any significant impact from reasonably expected changes in foreign exchange rates.

31. Other risk management

31.1 Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

31.2 Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

31.3 Litigation risk

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

31.4 Reputation risk

The risk of loss of reputation arising from the negative publicity relating to The Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against The Company. The Company applies procedures to minimize this risk.

31.5 Economic environment

The general economic environment prevailing in Cyprus and internationally may adversely affect the Company's operations. The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the limited ability of the Republic of Cyprus to borrow from international markets. The banking sector continues to face challenges imposed by the high level of non-performing loans and availability of credit remains limited.

The uncertain economic conditions in Cyprus as described above, could affect:

1. the ability of the Company to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions;
2. the ability of the Company's trade and other debtors to repay the amounts due to the Company;
3. the ability of the Company to sell its existing inventories or the ability of the Company to generate sufficient revenue, to sell its existing inventories and/or offer its services to customers; and
4. the cash flow forecasts of the Company's Management in relation to the impairment assessment for financial and non-financial assets.

Management is unable to predict all developments which could have an impact on the economy and consequently what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

Management believes it is taking all the necessary measures to maintain the viability and development of the Company's business in the current business and economic environment.

32. Capital management

The Company for management purposes determines as capital its equity, including all reserves.

Notes to the financial statements

Year ended 31 December 2017

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between its net debt and capital. The Company's overall strategy remains unchanged from last year.

The Company manages the capital structure and takes reasonable steps in the light of changes in the economic conditions and the risk characteristics of its underlying business and assets. In order to improve its capital structure the Company may issue new shares, sell assets to reduce debt, re-finance existing borrowings, and adjust the amount of any distribution of dividends.

The net debt and capital at the end of the year are calculated using the following amounts, as shown in the statement of financial position:

	2017	2016
	€	€
Borrowings	32.611.115	33.635.463
Bank deposits and cash in hand	(551.591)	(430.093)
Net debt	32.059.524	33.205.370
Total equity	538.032	(355.016)
Subordinated debt	15.641.005	2.204.846
Capital	16.179.037	1.849.830

Based on the above calculation the ratio of Net Debt to Capital at the end of 2017 was 198,15% (2016: 1.795,05 %).

33.Events after the end of the reporting year

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

Independent auditor's report pages 5 to 7

Additional information
to the financial statements of
CABLENET COMMUNICATION SYSTEMS LTD

For the year ended 31 December 2017

CABLENET COMMUNICATION SYSTEMS LTD

DETAILED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Page	2017 €	2016 €
Revenue			
Rendering of services		30.969.997	28.736.999
Sales of goods		13.150	19.135
Cost of sales	40	<u>(14.855.762)</u>	<u>(13.682.010)</u>
Gross profit		16.127.385	15.074.124
Other operating income			
Deposit refund on terminated customers		-	179.009
Gain from sale of property, plant and equipment		8.107	21.500
Delta Project		3.417	-
HRDA Subsidy		<u>43.046</u>	<u>45.560</u>
		16.181.955	15.320.193
Operating expenses			
Administration expenses	41	<u>(8.124.326)</u>	<u>(7.070.960)</u>
Selling and distribution expenses	42	<u>(4.343.365)</u>	<u>(3.163.430)</u>
		3.714.264	5.085.803
Other operating expenses			
Sundry expenses		(29.704)	-
Impairment loss on intangible assets		-	(227.824)
Operating profit		3.684.560	4.857.979
Finance income	43	47.309	167.473
Finance costs	43	<u>(1.330.024)</u>	<u>(1.604.776)</u>
Profit on Subsidiary's Liquidation		-	39.503
Net profit for the year before tax		<u>2.401.845</u>	<u>3.460.179</u>

CABLENET COMMUNICATION SYSTEMS LTD

COST OF SALES

Year ended 31 December 2017

	2017 €	2016 €
Cost of sales		
Services	<u>6.283.651</u>	<u>5.825.003</u>
	<u>6.283.651</u>	<u>5.825.003</u>
Direct costs		
Note set up costs	9.089	7.148
Electricity for nodes	312.327	239.812
Operational and maintenance fee for international capacity	978.935	886.984
Sundry expenses	91.991	69.631
Freight and transportation	17.364	15.482
EAC Lease fees	980.088	935.262
Sales Commission	104.182	134.152
Depreciation	<u>6.078.135</u>	<u>5.568.536</u>
	<u>8.572.111</u>	<u>7.857.007</u>
	<u>14.855.762</u>	<u>13.682.010</u>

CABLENET COMMUNICATION SYSTEMS LTD

OPERATING EXPENSES

Year ended 31 December 2017

	2017 €	2016 €
Administration expenses		
Directors' remuneration	336.934	162.096
Staff salaries	2.506.671	2.097.081
Social insurance etc.	236.354	199.214
Social cohesion fund	56.768	45.088
Employee insurance fund	89.080	75.541
Rent	452.411	442.994
Licenses and taxes	157.786	200.992
Immovable property tax	-	311
Electricity	319.895	237.380
Water supply and cleaning	96.909	86.952
Insurance	136.293	133.467
Repairs and maintenance	71.173	71.244
Sundry expenses	27.581	28.003
Telephone and postage	8.170	18.431
Stationery and printing	313.758	282.788
Subscriptions and contributions	1.075	2.060
Non charitable donations	55.633	57.970
Staff training	97.871	48.568
Staff uniforms	12.612	16.899
Sundry staff expenses	52.026	-
Computer supplies and maintenance	8.296	43.963
Computer software	350.856	309.439
Audit fees for statutory audit	24.260	24.650
Legal fees	33.707	29.542
Other professional fees	250.973	345.180
Fines	1.367	14.282
Overseas travelling	71.636	76.115
Motor vehicle running costs	8.603	7.464
Private motor vehicle expenses	59.523	50.119
Carriage and clearing	36.886	39.619
Motor Fuels	85.876	84.866
Expenses for recruitment	1.605	7.702
Depreciation property, plant, equipment and amortisation software	2.161.738	1.830.940
	<u>8.124.326</u>	<u>7.070.960</u>

OPERATING EXPENSES

Year ended 31 December 2017

	2017 €	2016 €
Selling and distribution expenses		
Directors' salaries	155.621	140.823
Salaries	1.327.249	890.737
Social insurance etc	120.807	101.815
Social cohesion fund	28.263	20.617
Advertising	1.822.685	1.239.996
Conference expenses	17.988	9.238
Stamp duties	143.194	94.554
Entertaining	9.008	27.255
Bad debts written off	193.880	23.242
Guarantee loss on mobile prize	-	200.000
Hire of cars	225.502	190.436
Sundry expenses	295.559	191.707
Expenses for market research	3.609	33.010
	<u>4.343.365</u>	<u>3.163.430</u>

CABLENET COMMUNICATION SYSTEMS LTD

FINANCE INCOME / COST

Year ended 31 December 2017

	2017 €	2016 €
Finance income		
Bank interest	1.353	320
Realised exchange profit	45.956	15.353
Dividend income	-	151.800
	<u>47.309</u>	<u>167.473</u>
 Finance costs		
Interest expense		
Loan interest	730.105	919.675
Bank overdraft interest	52.673	68.995
Other interest	374.903	464.170
Other finance expenses		
Bank charges	155.947	151.936
Net foreign exchange transaction losses		
Unrealised exchange loss	16.396	-
	<u>1.330.024</u>	<u>1.604.776</u>