# Cablenet Communication Systems Ltd

Annual Report and Financial Statements

31 December 2018

# Annual Report and Financial Statements

31 December 2018

## Contents

# Company information

| | |
|---|---|
| **Board of Directors:** | Nicolas Shiacolas<br>Iosif Iosifakis<br>Periklis Theodoridis<br>Hnid Faker<br>Nikhil Prakash Patil (Appointed on 30 March 2018)<br>Mohamed Fadhel Kraiem<br>Paul Testaferrata Moroni Viani<br>Attila Keszeg (Resigned on 30 March 2018) |
| **Company Secretary:** | Francis Galea Salomone |
| **Independent Auditor:** | Grant Thornton (Cyprus) Ltd<br>Certified Public Accountants and Registered Auditors<br>41-49 Agiou Nicolaou Street<br>Nimeli Court, Block C<br>P.O. Box 23907<br>1687 Nicosia, Cyprus |
| **Legal Advisors:** | Markos Spanos & Co<br>1, Corner of Evagorou and Menandrou<br>Frosia House, 3rd Floor,<br>1066 Nicosia, Cyprus |
| **Bankers:** | Bank of Cyprus Public Company Ltd<br>Hellenic Bank Public Company Ltd<br>Alpha Bank Cyprus Ltd<br>Eurobank EFG Cyprus Ltd<br>Societe Generale Cyprus Ltd |
| **Registered Office:** | 41-49 Agiou Nicolaou Street<br>Block A, Nimeli Court<br>2nd Floor<br>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 2018.

## 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**

| | **2018** | 2017 |
|---|---|---|
| Gross margin<br>Gross profit to Revenue | 17.901.356 / 33.448.288<br>= 53,52% | 16.127.385 / 30.983.147<br>= 52,05% |
| Net margin<br>Profit before tax to Revenue | 3.390.659 / 33.448.288<br>= 10,14% | 2.401.845 / 30.983.147<br>= 7,75% |
| Return on capital<br>Profit before tax to Capital (note 31) | 3.390.659 / 16.520.440<br>= 20,52% | 2.401.845 / 16.179.037<br>= 14,85% |
| Return on equity<br>Profit before tax to Equity | 3.390.659 / 813.798<br>= 416,65% | 2.401.845 / 538.032<br>= 446,41% |

**General comments:**

Compared to 2017 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 around 5% compared to 2017. The increase comes from one-off costs, from the increase of the general operations of the Company related to customers but mainly from the increase in depreciation which is the result of the continuous investment in network.

The Administration expenses have increased by around 11% 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. Selling and Distribution expenses have increased by around 7% mainly due to an increase in the staff cost and in the marketing activities of the Company to address the competition in the telecommunications market.

**Gross Margin**
The Gross Margin has increased by around 3% compared to 2017. This is because the Company's revenue has increased by around 8% whereas the cost of sales by around 5%. As a result, the positive impact on the Company's Gross Margin.

**Net Margin**
The Net Margin has increased by around 31% compared to 2017. This is the result of the reasons noted above as well as of the reduction in the Finance Costs due to the reduction of the loans' weighted average effective interest rates from over 3,50% in 2017 to 2,87% in 2018, leading to an increase in Profit before tax.

# Management report

**Return on Capital**
The percentage of Return on Capital has increased by around 38% compared to 2017. This is due to the increase in Profit before tax at around 41% compared to 2017 as a result of the reasons noted above, whereas the Capital's increase was only around 2% compared to 2017.

**Return on Equity**
As in 2017, the Company's Equity position in 2018 remain at very high levels above 400%.

**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 29 as well as in note 30 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 2018 the Company in a General Meeting declared the payment of a final dividend out of 2016 accounting profits of €2.581.602 (2017: €1.239.787).

## 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 2018 and as at the date of this report are shown on page 1. Mr. Attila Keszeg resigned on 30 March 2018 and on the same date Mr. Nikhil Prakash Patil was appointed in his 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.

## 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, 28 February 2019

Grant Thornton

# 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
Cyprus
**T** +357 22600000
**F** +357 22600001
linkedin.com/company/grantthorntoncy
facebook.com/grantthorntoncyprus
twitter.com/grantthorntoncy

## 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 40 and comprise the statement of financial position as at 31 December 2018, 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 2018 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 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, 28 February 2019

# Statement of financial position

31 December 2018

| | Note | 2018 € | 2017 € |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 30.492.639 | 28.584.156 |
| Intangible assets | 6 | 12.937.512 | 12.598.906 |
| | | 43.430.151 | 41.183.062 |
| **Current assets** | | | |
| Inventories | 7 | 18.924 | 9.211 |
| Trade and other receivables | 8 | 5.040.300 | 3.605.300 |
| Current tax assets | 14 | - | 41.539 |
| Bank deposits and cash in hand | 9 | 433.100 | 551.591 |
| | | 5.492.324 | 4.207.641 |
| **Total assets** | | 48.922.475 | 45.390.703 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 10 | 4.663.637 | 4.663.637 |
| Other reserves | 11 | 10.758.428 | 10.758.428 |
| Accumulated losses | | (14.608.267) | (14.884.033) |
| **Total equity** | | 813.798 | 538.032 |
| **Non-current liabilities** | | | |
| Borrowings | 12 | 29.494.455 | 30.488.791 |
| Trade and other payables | 13 | 3.503.067 | - |
| | | 32.997.522 | 30.488.791 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 11.604.645 | 12.240.582 |
| Borrowings | 12 | 3.497.309 | 2.122.324 |
| Current tax liabilities | 14 | 9.201 | 974 |
| | | 15.111.155 | 14.363.880 |
| **Total liabilities** | | 48.108.677 | 44.852.671 |
| **Total equity and liabilities** | | 48.922.475 | 45.390.703 |

On 28 February 2019 the Board of Directors of Cablenet Communication Systems Ltd authorised these financial statements for issue.

| | | |
|---|---|---|
| ................................ | ................................ | ................................ |
| Nicolas Shiacolas | Mohamed Fadhel Kraiem | Iosif Iosifakis |
| Director | Director | Director |

The notes on pages 12 to 40 form an integral part of these financial statements.

# Statement of profit or loss and other comprehensive income

Year ended 31 December 2018

| | Note | 2018 € | 2017 € |
|---|---|---|---|
| Revenue | 15 | 33.448.288 | 30.983.147 |
| Cost of sales | 16 | (15.546.932) | (14.855.762) |
| **Gross profit** | | 17.901.356 | 16.127.385 |
| Other income | 17 | 353.059 | 54.570 |
| Administration expenses | 18 | (9.034.264) | (8.124.326) |
| Selling and distribution expenses | 19 | (4.648.364) | (4.343.365) |
| Other expenses | 20 | - | (29.704) |
| **Operating profit** | | 4.571.787 | 3.684.560 |
| Finance income | 22 | 19.201 | 47.309 |
| Finance costs | 22 | (1.200.329) | (1.330.024) |
| **Profit before tax** | | 3.390.659 | 2.401.845 |
| Taxation expense | 23 | (449.766) | (269.010) |
| **Profit for the year** | | 2.940.893 | 2.132.835 |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | 2.940.893 | 2.132.835 |

The notes on pages 12 to 40 form an integral part of these financial statements.

# Statement of changes in equity

Year ended 31 December 2018

| | Share capital | Other reserves (Note 11) | Accumulated losses | Total |
|---|---|---|---|---|
| | € | € | € | € |
| At 1 January 2017 | 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** |
| Adjustment from the adoption of IFRS 9 and IFRS 15 | - | - | (83.525) | (83.525) |
| **Adjusted balance at 31 December 2017** | **4.663.637** | **10.758.428** | **(14.967.558)** | **454.507** |
| **Comprehensive income** | | | | |
| Profit for the year | - | - | 2.940.893 | 2.940.893 |
| **Total comprehensive income** | - | - | 2.940.893 | 2.940.893 |
| **Transactions with owners** | | | | |
| Dividends | - | - | (2.581.602) | (2.581.602) |
| | - | - | (2.581.602) | (2.581.602) |
| **At 31 December 2018** | **4.663.637** | **10.758.428** | **(14.608.267)** | **813.798** |

The initial application of IFRS 9 and IFRS 15 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 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.

The notes on pages 12 to 40 form an integral part of these financial statements.

# Statement of cash flows

Year ended 31 December 2018

| | Note | 2018 € | 2017 € |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 3.390.659 | 2.401.845 |
| Adjustments: | | | |
| Depreciation of property, plant and equipment | 5 | 6.992.476 | 6.653.030 |
| Amortisation of intangible assets | 6 | 1.818.489 | 1.586.843 |
| Profit from the sale of property, plant and equipment | 5 | (6.981) | (8.107) |
| Interest income | 22 | (4) | (1.353) |
| Interest expense | 22 | 941.939 | 1.157.681 |
| Bank loan transaction costs | | 12.832 | - |
| | | 13.149.410 | 11.789.939 |
| Changes in working capital: | | | |
| Inventories | | (9.713) | 7.576 |
| Trade and other receivables | | (1.485.585) | (627.579) |
| Trade and other payables | | 252.594 | 700.097 |
| **Cash flows from operations** | | 11.906.706 | 11.870.033 |
| Tax paid | | (400.000) | (300.090) |
| **Net cash from operating activities** | | 11.506.706 | 11.569.943 |
| **Investing activities** | | | |
| Payment for purchase of intangible assets | 6 | (2.157.095) | (1.658.422) |
| Payment for purchase of property, plant and equipment | 5 | (8.901.984) | (7.664.913) |
| Proceeds from disposal of property, plant and equipment | 5 | 8.000 | 400 |
| Interest received | | 4 | 1.353 |
| **Net cash used in investing activities** | | (11.051.075) | (9.321.582) |
| **Financing activities** | | | |
| Repayments of loans | 12 | - | (30.705.490) |
| Proceeds from new loans | 12 | - | 29.488.791 |
| Interest paid | | (876.728) | (1.075.044) |
| **Net cash used in financing activities** | | (876.728) | (2.291.743) |
| **Net decrease in cash and cash equivalents** | | (421.097) | (43.382) |
| Cash and cash equivalents: | | | |
| At beginning of the year | | (1.527.212) | (1.483.830) |
| **At end of the year** | 9 | (1.948.309) | (1.527.212) |

The notes on pages 12 to 40 form an integral part of these financial statements.

# 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 2018, the Company's current liabilities exceeded its current assets by €9.618.831.

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 obligation as and when they fall due. The total approved limit of the overdraft facilities of the Company as at 31 December 2018 was €4 million. It has available undrawn amounts of €1.64m
- Included with current liabilities is Deferred Revenue of €1.6m and Deferred Income relating to EU projects of €325.000. No cash outflow is expected for these amounts.

Cash flows

For the year ended 31 December 2018, the cash and cash equivalents decreased by €421.097. As at 31 December 2018, the Company's cash and cash equivalents were negative with their deficit amounting to € 1.948.309.

Relevant factors considered:

- According to the business plan, the Company will have sufficient funds to finance its operations.
- The Company can obtain additional borrowings in order to fund its cash outflows.
- 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.
- Included with current liabilities is Deferred Revenue of €1.6m and Deferred Income relating to EU projects of €325.000. No cash outflow is expected for these amounts.

Net debt to capital

As shown in note 31 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 30.5 of the financial statements, the Company's business is 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 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 2018, 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.

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Company's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

**IFRS 15 "Revenue from contracts with customers"**

IFRS 15 "Revenue from Contracts with Customers" and the related clarifications to IFRS 15, present new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRS, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 requires that at contract inception, the Company assesses the good or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer. Promises in a contract can be explicit, or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

The adoption of the above did not have a material effect on the financial statements other than as described below:

- The Company adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption was recognised in retained earnings as of 1 January 2018 and that comparatives are not restated. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018. The retained earnings as of 1 January 2018 were adjusted by €32.940.

- Upon signing of certain types of customer contracts, customers are granted discounts on products and services for part of the contract period. Prior to 1 January 2018, these discounts were reflected in profit or loss in those months during which the discounts to customers were applicable. Following the adoption of IFRS 15, these discounts are deferred and recognised in profit or loss over the entire term of the contract. As at 1 January 2018, these discounts created a contract liability amounting to €32.940, which was recognised in the opening statement of financial position as at 1 January 2018.
  As at 31 December 2018 these discounts created Unbilled Receivables of €98.031 and Uninvoiced income of €83.357, in view of this change in accounting policy.

**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.

The adoption of IFRS 9 has impacted the following areas:
- the classification and measurement of the Company's financial assets. Management holds financial assets to hold and collect the associated cash flows.
- the impairment of financial assets applying the expected credit loss model. This affects the Company's trade receivables measured at amortised cost. For contract assets arising from IFRS 15 and trade receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Refer to Note 3.7.

The adoption of the above did not have a material effect on the financial statements other than as described below:

- The Company adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption was recognised in retained earnings as of 1 January 2018 and that comparatives are not restated. The retained earnings as of 1 January 2018 were adjusted by €50.585.

**Impact on the financial statements**

As a result of the changes in the Company's accounting policies and as explained above, IFRS 9 and IFRS 15 were adopted without restating comparative information. The reclassifications and the adjustments arising from the new rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following table show the adjustments recognised for each individual line item. 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 as at 1 January 2018.

| Statement of financial position (extract) | 1 January 2018 Based on 31 December 2017 as originally reported | IFRS 9 | IFRS15 | 1 January 2018 Restated |
|---|---|---|---|---|
| ASSETS | | | | |
| Current assets | € | € | € | € |
| Trade and other receivables | 3.605.300 | (50.585) | - | 3.554.715 |
| Total Current Assets | 3.605.300 | (50.585) | - | 3.554.715 |
| | | | | |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Accumulated losses | (14.884.033) | (50.585) | (32.940) | (14.967.558) |
| **Total Equity** | (14.884.033) | (50.585) | (32.940) | (14.967.558) |
| | | | | |
| LIABILITIES | | | | |
| **Current Liabilities** | | | | |
| Trade and other payables | 12.240.583 | - | 32.940 | 12.273.523 |
| **Total Current Liabilities** | 12.240.583 | - | 32.940 | 12.273.523 |
| **Total equity and liabilities** | (2.643.450) | (50.585) | - | (2.694.035) |

### 3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

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 2018:

| | Endorsed by EU | Effective date (IASB) |
|---|---|---|
| • IFRS 16: "Leases" | Yes | 1 January 2019 |
| • IFRS 17: "Insurance Contracts" | No | 1 January 2021 |
| • IFRIC 23: "Uncertainty over Income Tax Treatments" | No | 1 January 2019 |
| • Annual Improvements to IFRS 2015–2017 Cycle | No | 1 January 2019 |
| • Amendment to IFRS 9: "Prepayment Features with Negative Compensation " | Yes | 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 |
| • Amendment to IAS 19: "Plan Amendment, Curtailment or Settlement" | No | 1 January 2019 |
| • Amendment to IAS 28: "Long-term Interests in Associates and Joint Ventures" | No | 1 January 2019 |
| • Conceptual Framework for Financial Reporting (Revised) | No | 1 January 2020 |

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 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 27.2.

The Company is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Management is in the process of assessing the full impact of the Standard. So far, the Company:

- believes that the most significant impact will be that the Company will need to recognise a right of use asset and a lease liability for the land and buildings and motor vehicles currently treated as operating leases. At 31 December 2018 the future minimum lease payments amounted to €3.899.360. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense.
- there is expected to be an increase in debt, as liabilities relating to existing operating leases are recognised.

## 3.3 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.

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 | 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.

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.

## 3.4 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 | 33,33 |
| International capacity | 7,14 |
| Leasehold rights on building | 1,33 |

### 3.5 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.

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.

### 3.6 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.

### 3.7 Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

- Financial assets

  IFRS 9 introduces new regulations for the classification and measurement of financial assets. The Company has replaced the previous categories under IAS 39 of financial assets held for trading, available-for-sale securities and loans and receivables with the new categories under IFRS 9 of financial assets measured at amortised cost, fair value through other comprehensive income and financial assets measured at fair value through profit and loss. The classification of financial assets is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within selling and distribution expenses.

  Financial assets at amortised cost

  If a financial asset is held for the purpose of collecting contractual cash flows and the cash flows of the financial asset represent exclusively interest and principal payments then the financial asset is measured at amortised cost.

  After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is ignored where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

(i) Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

(ii) Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and fair value through other comprehensive income, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counter party default rates for each identified group.

(iii) 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**

  As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9.

  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.

  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.

- **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.

### 3.8 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 within borrowings.

### 3.9 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.

### 3.10 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.

### 3.11 Government grants

Government grants on non-current assets acquisitions are recorded as deferred income and recognised as income on a systematic basis over the useful life of the asset.

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.

### 3.12 Prepayments from clients

Payments received in advance for which no revenue has been recognised yet, are recorded as prepayments from clients as at the reporting date and presented under trade and other payables. Payments received in advance on contracts for which revenue has been recognised, are recorded as prepayments from clients to the extent that they exceed revenue that was recognised in the profit or loss as at the reporting date.

### 3.13 Revenue

The Company follows a 5-step process to determine whether to recognise revenue:

1. Identify the contract with a customer.
2. Identify the performace obligations.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognise revenue when/as the performance obligations are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (see Note 13). Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position.

In obtaining contracts, the Company incurs a number of incremental costs, such as commissions paid to sales staff and to resellers. As the amortisation period of these costs, if capitalised, would be less than one year, the Company makes use of the practical expedient in IFRS 15 and expenses them as they incur.

- **Sale of goods**

  Revenue from the sale of equipment for a fixed fee is recognised when, or as the Company transfers control of the goods to the customer. Invoices for goods transferred are due upon receipt by the customer.

- **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.

### 3.14 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.

### 3.15 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.

### 3.16 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.

### 3.17 Tax

Income tax expense represents current tax.

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 30.5. Based on the evaluation performed, no further provisions or impairment charges are deemed necessary as at the reporting date.

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.

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.

Impairment assessment of receivable amounts

According to IFRS 9, impairments of financial assets must no longer be recognised only for losses already incurred, but also for expected future credit defaults. The Company takes into account expected future credit losses on initial recognition of financial assets carried at amortised cost, financial assets measured at fair value through other comprehensive income, and receivables from finance leases.

The expected future credit loss is calculated by multiplying the probability of default by the carrying amount of the financial asset (exposure at default) and the expected loss ratio (loss given default). The probability of default describes the probability that a debtor will not meet their payment obligations and the receivable will therefore default. Exposure at default is the amount of the financial asset to be allocated to the Company at the time of default. Loss given default is the expectation of what portion of a financial asset is no longer recoverable in the event of default and is determined taking into account guarantees, other loan collateral and, if appropriate, insolvency ratios.

For trade receivables, expected credit losses are recognised over their entire residual term using the simplified method. For other financial assets, the Company first determines the credit loss expected within the first twelve months. In derogation of this, in the event of a significant increase in the default risk, the expected credit loss over the entire residual term of the respective instrument is recognised. A singificant increase in the default risk is assumed if the internally determined counterparty risk has been downgreaded by at least three levels since initial recognition. If external or internal rating information is available, the expected credit loss is determined on the basis of this data. If no rating information is available, the Company determines default ratios on the basis of historical default rates, taking into account forward-looking information on economic developments.

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.

## 5. Property, plant and equipment

| | Leasehold building and improvements | Network and machinery | Motor vehicles | Furniture, fixtures, equipment and computer hardware | Tools | Total |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| **Cost** | | | | | | |
| At 1 January 2017 | 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** |
| Additions | 14.798 | 7.641.498 | - | 1.243.305 | 2.383 | 8.901.984 |
| Disposals | - | - | (65.049) | (2.530) | - | (67.579) |
| Acquisition of fully depreciated asset | - | - | 76.887 | - | - | 76.887 |
| **At 31 December 2018** | **1.943.855** | **60.872.466** | **670.927** | **12.417.524** | **123.427** | **76.028.199** |
| **Depreciation** | | | | | | |
| At 1 January 2017 | 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** |
| 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) |
| Acquisition of fully depreciated asset | - | - | 76.887 | - | - | 76.887 |
| **At 31 December 2018** | **570.744** | **34.846.659** | **516.991** | **9.480.167** | **120.999** | **45.535.560** |
| **Carrying amount** | | | | | | |
| **At 31 December 2018** | **1.373.111** | **26.025.807** | **153.936** | **2.937.357** | **2.428** | **30.492.639** |
| **At 31 December 2017** | **1.498.424** | **23.439.052** | **221.153** | **3.424.132** | **1.395** | **28.584.156** |

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

| | **2018** | 2017 |
|---|---|---|
| | € | € |
| Cost of sales | 5.123.310 | 4.768.125 |
| Administration expenses | 1.869.166 | 1.884.905 |
| | 6.992.476 | 6.653.030 |

### 5.1 Proceeds from disposal of property, plant and equipment

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

| | **2018** | 2017 |
|---|---|---|
| | € | € |
| Profit from the sale of property, plant and equipment (Note 17) | **6.981** | 8.107 |
| | **6.981** | 8.107 |

## 6. Intangible assets

| | Computer software € | International capacity € | Leasehold rights on building € | Total € |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 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** |
| Additions | 514.495 | 1.642.600 | - | 2.157.095 |
| **At 31 December 2018** | **2.755.930** | **21.330.067** | **267.640** | **24.353.637** |
| **Amortisation** | | | | |
| At 1 January 2017 | 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** |
| Charge for the year | 361.389 | 1.453.537 | 3.563 | 1.818.489 |
| **At 31 December 2018** | **2.222.038** | **9.143.496** | **50.591** | **11.416.125** |
| **Carrying amount** | | | | |
| **At 31 December 2018** | **533.892** | **12.186.571** | **217.049** | **12.937.512** |
| **At 31 December 2017** | **380.786** | **11.997.508** | **220.612** | **12.598.906** |

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

| | **2018** € | 2017 € |
|---|---|---|
| Cost of sales | 1.453.537 | 1.310.010 |
| Administration expenses | 364.952 | 276.833 |
| | 1.818.489 | 1.586.843 |

## 7. Inventories

| | **2018** € | 2017 € |
|---|---|---|
| Telecommunication prepaid cards | **18.924** | 9.211 |
| | **18.924** | 9.211 |

Inventories are stated at cost.

## 8. Trade and other receivables

| | **2018** € | 2017 € |
|---|---|---|
| Financial items | | |
| Trade receivables | **2.845.783** | 2.734.740 |
| Less: Allowance for expected credit losses | **(634.630)** | (804.316) |
| Trade receivables - net | **2.211.153** | 1.930.424 |
| Unbilled receivables | **91.735** | - |
| Other receivables | **264.125** | 264.833 |
| | **2.567.013** | 2.195.257 |
| Non-financial items | | |
| Deposits and prepayments | **2.473.287** | 1.410.043 |
| | **5.040.300** | 3.605.300 |

All of the Company's trade and other receivables in the comparative periods have been reviewed for indicators of impairment.

### 8.1 Neither past due nor impaired balances

Trade 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:

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Existing customers with no defaults in past | 2.211.153 | 1.930.424 |
| | 2.211.153 | 1.930.424 |

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:

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Existing debtors with no defaults in past | 355.860 | 264.833 |
| | 355.860 | 264.833 |

### 8.2 Impaired balances

The Company has recognized a loss of €36.746 (2017: €193.880) for the impairment of its trade receivables during the year ended 31 December 2018.

Allowance for expected credit losses

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| On 1 January loss allowance calculated under IAS 39 | 804.316 | 828.802 |
| Amounts restated through opening retained earnings | 50.585 | - |
| Opening loss allowance as at 1 January 2018 | 854.901 | - |
| Charge for year and recoveries | (55.501) | (24.486) |
| Loss allowance unused and reversed during the year | (164.770) | - |
| **At 31 December loss allowance** | 634.630 | 804.316 |

Note 29.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. The above comparative for impairment provisions refers to the IAS 39 measurement basis which applied an incurred loss model, whereas the current year applies IFRS 9 which is an expected loss model.

## 9. Cash and cash equivalents

### 9.1 Bank deposits and cash in hand

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Cash in hand | 40.309 | 62.553 |
| Bank demand deposits | 392.791 | 489.038 |
| | 433.100 | 551.591 |

### 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:

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| A / A2 | **2.213** | 5.542 |
| Lower than B- / B3 | **321.677** | 286.811 |
| No rating | **68.901** | 196.685 |
| | **392.791** | 489.038 |

### 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:

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Bank deposits and cash in hand | **433.100** | 551.591 |
| Bank overdrafts (Note 12) | **(2.381.409)** | (2.078.803) |
| | **(1.948.309)** | (1.527.212) |

## 10. Share capital

| | 2018 Number of shares | 2018 € | 2017 Number of shares | 2017 € |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares of €1,71 each | **4.000.000** | **6.840.000** | 4.000.000 | 6.840.000 |
| | **Number of shares** | **€** | Number of shares | € |
| **Issued and fully paid** | | | | |
| On 1 January | **2.727.273** | **4.663.637** | 2.727.273 | 4.663.637 |
| **At 31 December** | **2.727.273** | **4.663.637** | 2.727.273 | 4.663.637 |

## 11. Other reserves

| | Share premium € | General revenue reserve € | Capital reserve € | Total € |
|---|---|---|---|---|
| At 1 January 2017 | 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 |
| At 31 December 2017 | 9.563.759 | (538.393) | 1.733.062 | 10.758.428 |
| **At 31 December 2018** | 9.563.759 | (538.393) | 1.733.062 | 10.758.428 |

## 12. Borrowings

| | 2018 € | 2017 € |
|---|---|---|
| **Current borrowings** | | |
| Bank overdrafts (Note 9) | **2.381.409** | 2.078.803 |
| Bank loans | **489.258** | 2.516 |
| Loans from shareholders (Note 25) | **626.642** | 41.005 |
| | **3.497.309** | 2.122.324 |
| **Non-current borrowings** | | |
| Bank loans | **14.414.455** | 14.888.791 |
| Loans from shareholders (Note 25) | **15.080.000** | 15.600.000 |
| | **29.494.455** | 30.488.791 |
| **Total** | **32.991.764** | 32.611.115 |

### 12.1 Changes in loans:

| | Bank loans € | Loans from related parties € | 2018 € | 2017 € |
|---|---|---|---|---|
| On 1 January | 14.891.307 | 15.641.005 | **30.532.312** | 31.721.540 |
| Proceeds from new loans | - | - | - | 29.488.791 |
| Repayments of principal | - | - | - | (30.705.490) |
| Repayments of interest | (430.844) | (382.976) | **(813.820)** | (1.081.527) |
| Interest charged for the year | 430.418 | 448.613 | **879.031** | 1.108.998 |
| Bank loan charges - transaction costs | 12.832 | - | **12.832** | - |
| **At 31 December** | 14.903.713 | 15.706.642 | **30.610.355** | 30.532.312 |

### 12.2 Repayment of non-current borrowings

| | 2018 | 2017 |
|---|---|---|
| Between one to two years | **3.353.168** | 994.336 |
| Between two and five years | **13.323.505** | 12.099.505 |
| After five years | **12.817.782** | 17.394.950 |
| | **29.494.455** | 30.488.791 |

### 12.3 Securities pledged

Bank overdrafts

The bank overdrafts are secured as follows:

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

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

In addition to the above borrowings, the Company at 31 December 2018 had available approved but undrawn facilities which amounted to €1.643.592.

The total approved limit of the overdraft facilities of the Company at 31 December 2018 was €4.025.000.

### 12.5 Interest rates

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

| | **2018** | 2017 |
|---|---|---|
| Bank overdrafts | **2,82%** | 2,64% |
| Bank loans | **2,87%** | 3,54% |
| Other loans | **-** | 8% |
| Loans from related parties (Note 25) | **2,87%** | 3,79% |

## 13. Trade and other payables

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Financial items | | |
| Trade payables | 4.028.897 | 4.264.326 |
| Trade payables to related parties (Note 25) | - | 4.994 |
| Shareholders' current accounts - credit balances (Note 25) | 3.509.503 | 1.155.371 |
| Accrued expenses | 1.491.565 | 1.240.747 |
| Other creditors | 294.986 | 335.796 |
| Refundable security deposits on subscriptions | 2.551.463 | 2.717.824 |
| Payables to related parties (Note 25) | 55.581 | 52.271 |
| | 11.931.995 | 9.771.329 |
| Non-financial items | | |
| Deferred Subscription Income | 1.653.747 | 1.374.250 |
| Social insurance and other taxes | 277.822 | 231.223 |
| VAT | 703.793 | 702.654 |
| Deferred Income | 325.308 | 57.852 |
| Defence tax on payable dividends | 215.047 | 103.274 |
| | 15.107.712 | 12.240.582 |
| Less non-current payables | (3.503.067) | - |
| Current portion | 11.604.645 | 12.240.582 |

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

The impact on the Company's Deferred Subscription Income of IFRS 9 for the year 2018 is as follows:

| | 2018 |
|---|---|
| | € |
| On 1 January 2018 | 1.374.250 |
| Amounts restated through opening retained earnings | 32.940 |
| On 1 January 2018 upon adoption of IFRS 15 | 1.407.190 |

Deferred Income relates to income received for European Projects in advance of performance that are expected to be recognised in other revenue in 2019.

## 14. Current tax liabilities / (assets)

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Corporation tax | 9.201 | (41.539) |
| Special contribution for defence | - | 974 |
| | 9.201 | (40.565) |

## 15. Revenue

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Telecommunication services | 33.437.491 | 30.969.997 |
| Sales of goods | 10.797 | 13.150 |
| | 33.448.288 | 30.983.147 |

## 16. Cost of sales

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Services | 6.389.993 | 6.283.651 |
| | 6.389.993 | 6.283.651 |
| **Direct costs** | | |
| Electricity for nodes | 336.050 | 312.327 |
| Operational and maintenance fee for international capacity | 1.062.535 | 978.935 |
| Lease fees payable to the Electricity Authority of Cyprus | 989.293 | 980.088 |
| Sales Commission | 109.052 | 104.182 |
| Depreciation | 6.576.847 | 6.078.135 |
| Other direct costs | 83.162 | 118.444 |
| | 9.156.939 | 8.572.111 |
| | 15.546.932 | 14.855.762 |

## 17. Other income

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Deposit refund on terminated customers | 69.850 | - |
| Gain from sale of property, plant and equipment | 6.981 | 8.107 |
| Income from European Projects | 3.884 | 3.417 |
| HRDA Subsidy | 52.072 | 43.046 |
| Bad debts recovered | 55.501 | - |
| Loss allowance unused and reversed during the year | 164.771 | - |
| | 353.059 | 54.570 |

## 18. Administration expenses

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Staff costs (Note 21) | 3.621.759 | 3.225.807 |
| Rent | 484.679 | 452.411 |
| Licenses and taxes | 194.083 | 157.786 |
| Electricity | 417.098 | 319.895 |
| Water supply and cleaning | 100.751 | 96.909 |
| Insurance | 140.632 | 136.293 |
| Stationery and printing | 315.319 | 313.758 |
| Computer software | 552.377 | 350.856 |
| Audit fees for statutory audit | 24.040 | 22.260 |
| Auditors' fees for tax services | 14.083 | 2.000 |
| Legal fees | 30.700 | 33.707 |
| Other professional fees | 347.951 | 250.973 |
| Motor Fuels | 82.643 | 85.876 |
| Depreciation property, plant, equipment and amortisation of software | 2.234.117 | 2.161.738 |
| Other administration expenses | 474.032 | 514.057 |
| | 9.034.264 | 8.124.326 |

## 19. Selling and distribution expenses

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Staff costs (Note 21) | 1.680.905 | 1.631.940 |
| Advertising | 2.184.039 | 1.822.685 |
| Stamp duties | 109.254 | 143.194 |
| Bad debts written off | 36.746 | 193.880 |
| Hire of cars | 269.403 | 225.502 |
| Sundry expenses | 319.987 | 295.559 |
| Other selling and distribution expenses | 48.030 | 30.605 |
| | 4.648.364 | 4.343.365 |

## 20. Other expenses

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Sundry expenses | - | 29.704 |
| | - | 29.704 |

## 21. Staff costs

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Salaries | 4.705.897 | 4.326.475 |
| Social insurance costs and other funds | 401.912 | 357.161 |
| Social cohesion fund | 94.723 | 85.031 |
| Provident fund contributions | 100.132 | 89.080 |
| | 5.302.664 | 4.857.747 |
| Administration expenses | 3.621.759 | 3.225.807 |
| Selling and distribution expenses | 1.680.905 | 1.631.940 |
| | 5.302.664 | 4.857.747 |
| Average number of employees (including executive Directors): | 284 | 263 |

## 22. Finance income and costs

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| **Finance income** | | |
| Interest income | 4 | 1.353 |
| Foreign currency exchange profit | 19.197 | 45.956 |
| | 19.201 | 47.309 |
| **Finance costs** | | |
| Foreign currency exchange losses | 81.176 | 16.396 |
| Interest expense | 941.939 | 1.157.681 |
| Other finance expenses | 177.214 | 155.947 |
| | 1.200.329 | 1.330.024 |
| **Net finance costs** | (1.181.128) | (1.282.715) |

Interest income is analysed as follows:

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Bank deposits | 4 | 1.353 |
| | 4 | 1.353 |

## 23. Taxation expense

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Corporation tax - current year | 449.211 | 268.990 |
| Corporation tax - prior years | 1.529 | - |
| Defence contribution - current year | - | 20 |
| Defence contribution - prior years | (974) | - |
| | 449.766 | 269.010 |

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:

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Profit before tax | 3.390.659 | 2.401.845 |
| **Tax calculated at the applicable tax rates** | 423.832 | 300.231 |
| Tax effect of expenses not deductible for tax purposes | 1.159.409 | 1.087.282 |
| Tax effect of allowances and income not subject to tax | (1.134.030) | (1.107.118) |
| Tax effect of tax losses brought forward | - | (11.405) |
| Defence contribution current year | - | 20 |
| Prior year tax | 555 | - |
| **Taxation expense** | 449.766 | 269.010 |

## 24. Dividends

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Final dividend paid | 2.581.602 | 1.239.787 |
| | 2.581.602 | 1.239.787 |

On 28 December 2018 the Company in a General Meeting declared the payment of a final dividend out of 2016 accounting profits of €2.581.602 (2017: €1.239.787).

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.

## 25. Related parties

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

The following transactions were carried out with related parties:

### 25.1 Key management compensation

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

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Directors' remuneration | 484.446 | 492.555 |
| Directors' social insurance and other contributions | 25.192 | 25.354 |
| | 509.638 | 517.909 |

### 25.2 Revenue and other income

| | Nature of transactions | 2018 | 2017 |
|---|---|---|---|
| | | € | € |
| • **Controlling parties** | | | |
| GO Plc | Professional fees | 92.599 | - |
| GO Plc | Other services | 2.500 | - |
| | | 95.099 | - |

### 25.3 Purchases and other expenses

| | Nature of transactions | 2018 | 2017 |
|---|---|---|---|
| | | € | € |
| • **Controlling parties** | | | |
| GO Plc | Trade | - | 87.744 |
| GO Plc | Interest on loan | 448.613 | 160.820 |
| • **Other related parties** | | | |
| C.N. Shiacolas (Investments) Ltd | Rents & Common expenses | 348.198 | 346.538 |
| | | 796.811 | 595.102 |

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

### 25.4 Payables to related parties (Note 13)

| | Nature of balance | 2018 | 2017 |
|---|---|---|---|
| | | € | € |
| • **Controlling parties** | | | |
| GO Plc | Trading | - | 4.994 |
| GO Plc | Dividends | 1.948.908 | 632.291 |
| • **Parties with significant influence or joint control over the Company** | | | |
| Nicolas Shiacolas | Financing | 6.436 | 18.859 |
| Nicolas Shiacolas | Dividends | 1.554.159 | 504.221 |
| • **Other related parties** | | | |
| C.N. Shiacolas (Investments) Ltd | Trading | 55.581 | 52.271 |
| | | 3.565.084 | 1.212.636 |

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 good periods, when the Company's financial position will be in a position to allow it.

### 25.5 Loans from related parties (Note 12)

| | Interest rate | Repayment | Secured | 2018 € | 2017 € |
|---|---|---|---|---|---|
| • **Controlling parties** | | | | | |
| GO Plc | 2,54% | 30 August 2026 | Yes - see below | 15.706.642 | 15.641.005 |
| | | | | 15.706.642 | 15.641.005 |

The loans from shareholder GO Plc were provided with interest rate 2,54%, they are secured with floating charge over all assets amounted to €15.600.000, and are repayable on 30 August 2026.

### 25.6 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 note 12.

### 25.7 Guarantees given to investees (Note 12)

| | In relation to | **Maximum exposure 31 December 2018** € | **Maximum exposure 31 December 2017** € |
|---|---|---|---|
| • **Other investments** | | | |
| Vellister Ltd | Bank loans and Overdraft | **668.078** | 757.529 |
| Vellister Ltd | Corporate guarantee | **722.311** | 722.311 |
| | | **1.390.389** | 1.479.840 |

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.

## 26. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2018.

# 27. Commitments

## 27.1 Capital commitments

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

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Right to participate for mobile telephony | 200.000 | - |
| Property, plant and equipment for 2019 | 542.148 | 461.304 |
| Intangible - International Circuit from 2019 to 2020 | 720.000 | 2.160.000 |
| Intangible - Football Rights from 2019 to 2024 | 30.135.000 | 30.635.000 |

## 27.2 Operating lease commitments

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

The total operating lease expenses for the year amounted to €754.082 (2017: €677.913).

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

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Within one year | **718.199** | 576.789 |
| Between one and five years | **2.446.365** | 2.331.502 |
| After five years | **734.796** | 210.264 |
| | **3.899.360** | 3.118.555 |

## 27.3 Other operating commitments

Additionally, as at 31 December 2018 the Company had commitments in relation to the payment of:

- Operating and maintenance fees from 2019 to 2035 amounting to €9.849.709
- TV-content fees from 2019 to 2023 of €22.752.000
- Cost of Sports & Production Expenses from 2019 to 2024 of €8.400.160
- Software Maintenance fees from 2019 to 2020 of €155.000
- Sponshorship to football clubs from 2019 to 2023 of €152.500

# 28. Financial assets and liabilities

## 28.1 Carrying amount

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

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Financial assets** | | € | € |
| Loans and receivables | 8, 9 | **3.000.113** | 2.746.848 |
| | | **3.000.113** | 2.746.848 |
| **Financial liabilities** | | | |
| At amortised cost | 12, 13 | **44.923.759** | 42.382.444 |
| | | **44.923.759** | 42.382.444 |

## 28.2 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.

## 29. Financial risk management

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

### 29.1 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:

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| **Variable rate instruments** | | |
| Financial liabilities | 32.991.764 | 32.611.115 |
| | 32.991.764 | 32.611.115 |

Sensitivity analysis

An increase of 100 basis points (1,00%) in interest rates at 31 December 2018 would have increased / (decreased) 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 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | € | € | € | € |
| Variable rate instruments | 329.918 | 326.111 | - | - |
| | 329.918 | 326.111 | - | - |

### 29.2 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. 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.

**Bank balances**

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.

**Trade receivables**

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.The expected loss rates are based on the payment profile for sales over the past 24 months before 31 December 2018 and 1 January respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Company has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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 such that receivables are more than 360 days past due.

Credit quality information in relation to trade and other receivables is provided in note 8.

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:

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Trade and other receivables | 2.567.013 | 2.195.257 |
| Bank balances | 392.791 | 489.038 |
| Financial guarantee contracts | 1.390.389 | 1.479.840 |
| | 4.350.193 | 4.164.135 |

**31 December 2018**

| | Type | Current | More than 30 days | More than 60 days | More than 90 days | Total |
|---|---|---|---|---|---|---|
| | | | **Trade receivables days past due** | | | |
| | | € | € | € | € | € |
| Expected credit loss rate | Retail | 0,34% | 1,19% | 44,03% | 75,44% | |
| | Business | 6,31% | 14,85% | 32,10% | 49,86% | |
| Gross carrying amount | Retail | 688.700 | 37.156 | 20.432 | 612.281 | **1.358.929** |
| | Business | 328.152 | 112.142 | 59.278 | 209.633 | **709.205** |
| Lifetime expected credit loss | Retail | 2.360 | 445 | 8.997 | 461.920 | **473.722** |
| | Business | 20.711 | 16.654 | 19.030 | 104.513 | **160.908** |
| | | **23.071** | **17.099** | **28.027** | **566.433** | **634.630** |

**31 December 2017**

| | Type | Current | More than 30 days | More than 60 days | More than 90 days | Total |
|---|---|---|---|---|---|---|
| | | | **Trade receivables days past due** | | | |
| | | € | € | € | € | € |
| Expected credit loss rate | Retail | 0,30% | 1,14% | 55,96% | 93,38% | |
| | Business | 8,83% | 20,60% | 36,36% | 59,83% | |
| Gross carrying amount | Retail | 615.886 | 26.560 | 15.209 | 630.167 | **1.287.822** |
| | Business | 260.146 | 126.334 | 147.304 | 258.237 | **792.021** |
| Lifetime expected credit loss | Retail | 1.848 | 302 | 8.511 | 588.465 | **599.126** |
| | Business | 22.980 | 26.031 | 53.554 | 153.210 | **255.775** |
| | | **24.828** | **26.333** | **62.065** | **741.675** | **854.901** |

### 29.3 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 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 | 15.706.642 | 17.831.543 | 224.385 | 877.766 | 2.156.261 | 7.742.111 | 6.831.020 |
| | 44.923.759 | 48.896.013 | 14.653.094 | 1.696.113 | 4.157.909 | 15.035.016 | 13.353.881 |

| 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 | 9.771.329 | 9.771.329 | 9.771.329 | - | - | - | - |
| Loans from shareholders | 15.641.005 | 18.202.417 | 117.744 | 359.772 | 995.510 | 7.319.172 | 9.410.219 |
| | 42.382.444 | 47.557.390 | 12.083.607 | 705.707 | 1.952.731 | 14.356.838 | 18.458.507 |

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

### 29.4 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.

## 30. Other risk management

### 30.1 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.

### 30.2 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.

### 30.3 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.

### 30.4 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.

### 30.5 Economic environment

The Cyprus economy has been adversely affected during the last few years by the economic crisis. The negative effects have to some extent been resolved, following the negotiations and the relevant agreements reached with the European Commission, the European Central Bank and the International Monetary Fund (IMF) for financial assistant which was dependent on the formulation and the successful implementation of an Economic Adjustment Program. The agreements also resulted in the restructuring of the two largest (Systematic) banks in Cyprus through a "bail-in".

The Cyprus Government has successfully completed earlier than anticipated the Economic Adjustments Program and the exited the IMF program on 7 March 2016, after having recovered in the International Markets and having only used €7,25 billion of the total €10 billion earmarked in the financial bailout. Under the new Euro area rules, Cyprus will continue to be under surveillance by its lenders with bi-annual post program visits until it repays 75% of the economic assistance received.

Although there are signs of improvement, especially in the macroeconomic environment of the country's economy including growth in GDP and reducing unemployment rates, significant challenge remain that could affect the estimates of the Company's Cash Flows and its assessment of impairment of 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.

## 31. Capital management

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

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:

| | 2018 | 2017 |
|---|---|---|
| | € | € |
| Borrowings | **32.991.764** | 32.611.115 |
| Bank deposits and cash in hand | **(433.100)** | (551.591) |
| **Net debt** | **32.558.664** | 32.059.524 |
| Total equity | **813.798** | 538.032 |
| Subordinated debt | **15.706.642** | 15.641.005 |
| **Capital** | **16.520.440** | 16.179.037 |

Based on the above calculation the ratio of Net Debt to Capital at the end of 2018 was 197,08% ( 2017: 198,15 %).

## 32. 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**