



Annual Report 2018

& Financial Statements

A photograph of a young man with short, dark hair, smiling broadly while holding a smartphone to his ear. He is wearing a dark-colored polo shirt. The background is a textured, light-colored wall. The entire image is overlaid with a semi-transparent orange filter and a thin orange line that curves around the man's head and shoulders.

Customer Connections

at the heart of our business

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GO is Malta's leading telecommunications services organisation, with over 500,000 customer connections and services. The first quadruple play operator in the market, GO is a converged and integrated telecommunications group, offering an unparalleled range of services. These include fixed-line and mobile telephony, data and TV services for consumers and business clients. GO holds majority share holding in BMIT Technologies p.l.c. which provides state of the art data services and ICT solutions to its business clients. GO also holds a majority shareholding in Cablenet, a 'triple play' telecommunications company operating in Cyprus.

GO's growth is the result of a focused strategy of delivering state-of-the-art products and services, driven by a customer-centric approach. The Group invests heavily in resources and infrastructure, with an ambitious investment programme aimed at driving technological innovation. This investment has delivered a resilient and unmatched network that is revolutionising Malta's connectivity.

GO p.l.c. is a publicly listed entity with shares traded on the Malta Stock Exchange; the majority shareholder is TT Malta Limited, a wholly owned subsidiary of Tunisie Telecom.

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2018 at a Glance

Connecting people to what matters most

Revenue

Group's generated revenue

€171.8M

+3%
revenue
growth

Revenue
generated in Malta

€138.4M

+2.2%
revenue
growth

Revenue
generated in Cyprus

€33.4M

+7.8%
revenue
growth

Profits

Operating profit

€33.1M

+12.2%
increase

Pre-tax profit

€31.7M

+13.6%
increase

Investments

Property, Plant
& Equipment

€32.6M

Personnel
Training

17 hours

of training
per employee

**Customer
Connections**
500,000+

Digitisation

Mobile App
+
IOT Consumer
Products



Mohamed Fadhel Kraiem

Chairman

Appointed on 22ND November, 2017

It is with great honour that I write this message in the second year since I accepted this position. I am proud of the fact that, together with my fellow Board Members, and a sterling group of individuals, we are leading a company that is going from strength to strength. It is a company that is performing exceptionally well, one that is rendering returns on investment and one that continues to add value to the Maltese society.

Strong Values, Strong Results

2018 was another very positive year in terms of performance. It is the result of vision, teamwork and commitment to deliver. Revenues have grown to €171.8 million (2017: €166.3 million) and earnings before interest, tax, depreciation and amortisation (EBITDA) to €69.5 million (2017: €65.6 million), representing a year-on-year increase of 6%.

As a result, the Group's operating profit reached €33.1 million, an increase of 12% on the €29.5 million recorded in 2017. Based on this remarkable performance, the Board is in a position to recommend a dividend of €0.14 per share, which means an increase of 7.7% over 2017. Following the sale by the Company of 49% shareholding in BMIT Technologies p.l.c. to the general public in February 2019, the board approved a special net interim dividend of €0.41 per share.

year-on-year
increase of 6%

EBITDA
€69.5
million

A Positive Future

Investment in our business, networks and people is bearing fruit. Our results are proof of this. We do however have the foresight that if we are to continue to grow, we need to continue to invest in, and nurture great ideas that have the potential of becoming our next business venture. Our current TV product is the evolution of a start-up that was acquired in 2008 and, through investment, has grown to hold more than 40% of the TV market. Today we offer triple-play packages to more than 55,000 subscribers. In 2009, we acquired a controlling share of BMIT and over the course of the past eight years we helped grow into the island's largest data centre and cloud service provider. This past year, we have listed 49% of our shareholding in BMIT through a highly successful IPO process that has rendered significant returns for GO, whilst still retaining majority shareholding.

Cablenet in Cyprus is another success story. Over the last year, Cablenet has continued to perform strongly, growing in customer numbers

and profitability across its broadband internet, fixed telephony and TV platform. This confirms that GO's strategy to invest in the Cypriot market is delivering positive results.

We certainly want to remain big players in the growth of Malta's economy, but we also have obligations toward our shareholders and all stakeholders. One of the most salient qualities that defines GO is its willingness to make equity investment in tangible growth prospects in areas that are of interest to our business. Therefore, as a Board we approved a fund of up to €2 million to support start-ups in AI, big data, cybersecurity, fintech and other related areas by offering finance, expertise and other resources.

This is but one example of the way GO is seeking to diversify its operations, and in doing so, will continue to enable Malta's future success.

Local Legacy, Local Leaders

GO has an important role in Maltese society. It is a major contributor to economic development and is critical for Malta's connection to the rest of the world. Over the past 10 years, GO has invested over €240 million and will continue to invest millions more every year to keep delivering true fibre services across the island that will support emerging technologies in the coming years.

The unprecedented agreement announced last year, which allowed another operator to start using GO's fibre network to offer broadband services to its customers is testament to the power and the capabilities of GO's network, as well as GO's ability to be an enabler of business opportunities. It proves that GO is a true leader and enabler. This would have not been possible had we not continuously invested millions to ensure a robust electronic communications infrastructure to service the increased demand and to support Malta's growing economy and emerging industries.

Committed to Our Vision

The success we are enjoying today is the result of a lot of hard work of a great team of talented leaders and individuals who are committed and driven to implement our strategy and business plan.

Our commitment remains clear: we want to ensure the islands meet their connectivity requirements to enable the country to achieve its bold targets; we want to continue delivering returns to our shareholders; and we want to continue delivering value and exceptional experiences to our esteemed customers.

I am privileged to know, and to be working alongside a team with a clear strategy in place. Together, we are unequivocally set to take GO to its next level, not only as a leader in customer experience in Malta, but in setting a new standard for the telecommunications industry internationally.

Our vision and our will, will take us there.

I take this opportunity to extend my gratitude to my fellow Board Members, the Executive Team and all employees at GO for delivering another great performance.



Nikhil Patil

CEO

This is my first full year since my appointment as CEO of GO. It has been a very rewarding, and fruitful year. GO is a company that has stood the test of time; a company that continues to grow year-on-year and deliver on connecting people to what matters most to them.

There are three main questions that drive our decision making process at GO. Before we act, we ask ourselves: are we adding value to our customers' lives; are we delivering returns to our shareholders; and are we learning and developing as an organisation? Looking back on this past year, I can confidently say that on most occasions, we have risen to the occasion. Here is an insight into some of our highlights this past year.

Not Just Business, but Value

2018 marked the year of the start of our enhanced customer experience journey. We set ourselves on a mission to strengthen our customers' experience on all fronts, and during this process, bring more value to them in our products and services. It was also a year of many 'firsts' for us. We launched a number of innovative products and services, and our customers responded positively.

Connecting people

Undeniably, Internet use, both fixed and mobile is growing strong, and will continue to do so for the foreseeable future. Today GO serves over 500,000 connections across Malta. We continued to invest in, and roll-out our fibre network, whilst maintaining our other networks. This is no mean feat, particularly when you consider that during 2018 we doubled the number of homes passed compared to of 2017. We have now passed 84,000 homes with fibre technology and plan to reach a further 24,000 during the course of 2019. In the next three to five years, GO will be the only operator with a fibre-to-the-home network that covers the majority of Maltese households.

On the product side, we launched Data Boom and Starter Jack. Data Boom enabled our home pack customers to benefit from lower prices and to enjoy double the amount of mobile data allowance with the monthly bundle, with some packages offering 60Gb of mobile data. Starter Jack enabled our customers to enjoy broadband speeds of 100Mbps at just €25 monthly.

We also launched our first IOT product – the GO Connect kids and pet trackers. This product really is a true embodiment of our purpose of connecting people to what matters most, and is certainly a right step forward in providing value-added over the traditional services that we offer.

Connecting businesses

Our long-term strategy has enabled us to offer bespoke product and service solutions to the business community. During 2018, we launched two new business products – a unified communications product based on VoIP technology, and a bundled product that incorporates fixed telephony, Internet and TV services under the umbrella of Business Infinity Pack.

Today we are delivering the highest available internet speeds on the market, of up to 1Gb download by 500Mb upload. The value of this product lies in the fact that it will allow businesses to fully tailor their communication needs, without compromising on quality due to cost considerations.

These efforts are replicated in our operations in Cyprus. Cablenet continues to grow its subscriber base by offering some of the highest broadband speed products at competitive prices. Today, through Cablenet we serve 64,665 customers [residential and business].

Speed and reliability of communications are the future, and we have embraced this future. We have invested millions every year to ensure a robust fibre infrastructure that can service the increasing demands of Malta's growing economy. We have done so at great expense, effort and risk so that Malta can be at the forefront when it comes to technology and telecommunications. In October 2018, we signed an unprecedented agreement with Vodafone that allows the mobile company to ride on GO's FTTH network, meaning that Vodafone can offer fixed broadband services to its clients, powered by our own network. This is testament to the potential our networks have to offer.

Watch it, when you want, how you want

The trend in TV content consumption is increasingly moving toward on demand viewing. Consumers want to watch the content they love, when they want, how they want. Our Interactive TV service facilitated this but we took this further with the introduction of our 'Video on Demand' service and growing library of exclusive movies and box sets. By April 2019, we had reached over 17,572 active Video on Demand Customers.

With regard to TV content, the launch of TSN was undoubtedly another great milestone. This marked another first in the local market, whereby two operators joined forces to launch a unique TV sports offering that includes a wider range of sports content for local fans to enjoy. Due to the shared content costs, our customers can now enjoy premium sports content, across eight channels, for just €5.99 monthly.

In Cyprus, during the course of 2018, Cablenet won the exclusive TV rights for Cypriot football teams and signed a content sharing agreement with Primetel. Access to these local sports rights should enable Cablenet to drive further growth in subscribers and revenue in the coming years.

All about the experience

True value for our customers is not only based on best offers, enhanced packages or innovative technologies. It is also heavily based on the customers' experience with GO at every touchpoint. We strive to put the customer at the centre of everything we do. We have made considerable progress on all fronts. Enhancements in our call centre operations, in our processes, our platforms and culture have all led to a better customer experience.

One particular highlight for us was the launch of the Mobile APP in December 2018. This allows our customers to pay bills, check their balance, top up their account, and view their plan and bundle subscription, amongst a whole host of other features, through one single interface. This was a huge leap forward in enhancing our digital connection with our customers. By April 2019, we reached over 31,000 unique users.

Our subsidiary in Cyprus is offering its customers a whole package, which gives them internet fibre speeds up to 120Mbps, together with a full sports package and a Variety TV package which includes over 65 channels. This proposition was well received and Cablenet increased its fibre-powered internet customers by 6.6% and its TV customers by 7%. Over the past year, Cablenet's mobile subscribers increased by 33.6%, thanks to a variety of mobile packages which offer up to 1000 free minutes, unlimited SMSs and 3Gb per month.

Not Just Value, but Returns

Every decision we take, and every initiative we launch is with the ultimate aim of delivering higher returns for our esteemed shareholders.

Group revenues increased by 3.3% to reach just over €171.8 million, whilst Group EBITDA amounted to €69.5 million, an increase of 6% over the prior year. Profit for the year reached €20.4 million, an increase of 14% over 2018.

Our investment in Cablenet in Cyprus is delivering results. During 2018, Cablenet increased its operating profit by 24% and its EBITDA by 12.2%.

The numbers speak for themselves. We had a very positive performance in 2018 that will translate into healthy returns for our shareholders. We are proposing a dividend of €0.14, net of taxation for 2018 (vs. €0.13 in 2017).

This will be further enhanced by the highly successful IPO of BMIT Technologies where GO listed 49% of its shareholding in BMIT, generating increased value to its shareholders. The market responded positively to this process, with an oversubscription of 30.8 million shares. In view of the profits generated through this sale process, the Board approved a special interim dividend of €0.41, net of taxation.

The investment plans we have implemented over the years are delivering returns for our shareholders. This has also allowed us to invest in other areas that will contribute to the sustainability of our future, which lies in emerging industries such as AI, IoT, Big Data and Fintech. We are therefore opening our doors to promising start-ups through a €2 million fund for local start-ups by offering our infrastructure, expertise and our resources, so that we can support them and help them grow into successful businesses that can contribute to our value chain.

Our Growth, Our Future

We embarked on a simplification exercise that is aimed at ensuring that our business processes are relevant and as efficient as possible, particularly in view of an ever-changing commercial landscape. Our customers, both residential and business, are online. They want to engage with us online and be serviced online. We have embarked on a journey to digitise our processes and our customer experience. I am excited about the outcome of this journey and the impact it will have on our customers and our operations. But this is not all. 2019 is also the year for us to look within and align our purpose and activities in the context of an ever-changing, dynamic and increasingly competitive communications landscape. What remains undisputed however is our commitment to deliver innovative products and services to our customers that allows them to connect to the people and content that matters the most, and in doing so, delivering healthy returns for our shareholders.

I am fortunate to have fellow board members and a great team that share the same vision for GO. Whilst challenges will persist, I am confident that we will succeed in identifying areas of opportunity that will translate into increased value for our customers, our shareholders a good return on investment and our employees a great place for them to fulfil their potential.



Commercial Review

Corporate Social Responsibility

2018

Commercial Review

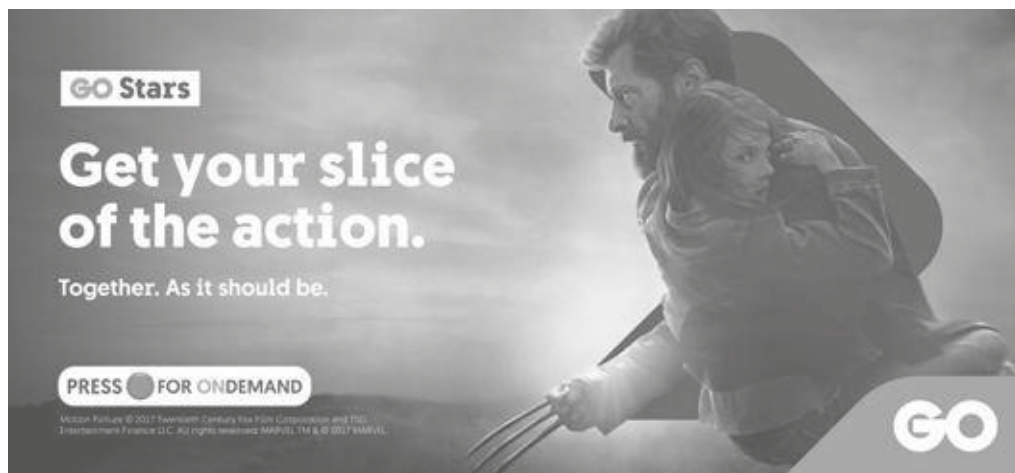
At GO we understand that true value for our customers incorporates best offers as well as the delivery of a unique and memorable experience. Throughout 2018 we focused more than ever on delivering the best in customer experience. We believe that contact with our customers through engagement with them in all aspects of our operations is crucial. This is achieved through various channels, seeking feedback, listening and acting accordingly.

There has also been renewed focus on enabling our Front Facing Agents to be their best every day. For this reason, we have embarked on various initiatives aimed at empowering our teams to resolve as many queries at first contact as possible. These initiatives have helped in decreasing handling time, as well as improved employee engagement.

We also understand our responsibility to be a digital enabler, therefore we want to be where our customers are, since our customers are increasingly online, we are constantly working on introducing and improving online self-help and sales channels. Progress in this area has been remarkable and we look forward to continue digitising solutions for our customers.

Furthermore, there have been continuous process reviews, aimed at ensuring that within a commercial landscape that is constantly evolving, we keep our processes as relevant and efficient as possible. Our teams are constantly looking at ways of improving delivery of our service to customers from face-to-face interactions.

Underlying this approach is our acknowledgment that customer experience is a key differentiator in the telecommunications industry and thus we aim to ensure that GO's customer experience is second to none.



Best Offers on the Market

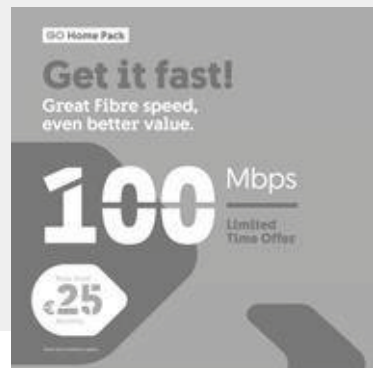
Customer preferences are constantly evolving. At GO, we are making sure that we do not just keep up, but lead trends. 2018 has been a great year in terms of new product launches, whilst response from our customers has confirmed that we are on the right track.

The concept of watching TV is moving away from live viewing to on demand. Throughout the previous years, with the launch of our Interactive TV, we have been moving in the direction of not losing out on live TV with Record, Pause and Re-Start functions. In 2018, we took this a step further and introduced Videos on Demand with exclusive movies and Box Sets. By April 2019, we had already reached over 17,572 active Video on Demand Customers. ¹

In the TV market, the launch of TSN has been another great milestone. Due to a first of a kind agreement with Melita, Maltese market has access to Sports content at very competitive rates. Our customers can now enjoy Premium Sports content for just €5.99 monthly. ²

We acknowledge that Internet, both in the homes, as well as on mobile devices, is experiencing most growth and is expected to continue on a steep trajectory for the foreseeable future.

Building upon investments and improvements in our fixed network infrastructure, we have also improved our broadband offering, whereby we have introduced headline internet speeds of 100Mbps starting from €25 monthly. We shall continue in our ambitious fibre roll-out plans in the coming years, so that our customers can enjoy superior quality and speeds that only true fibre can offer. ³



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We understand that data is part and parcel of our mobile offering and we also know how tedious it is to constantly keep on the lookout for free Wi-Fi. So, we introduced tariffs with considerable data bundles and have rewarded loyal Home Pack customers with double data. With Data Boom, our customers can enjoy up to 60Gb of mobile data if they are part of a Home Pack community. Whilst we have been the first operator to offer free music streaming through the Music Wild Card. 4 5

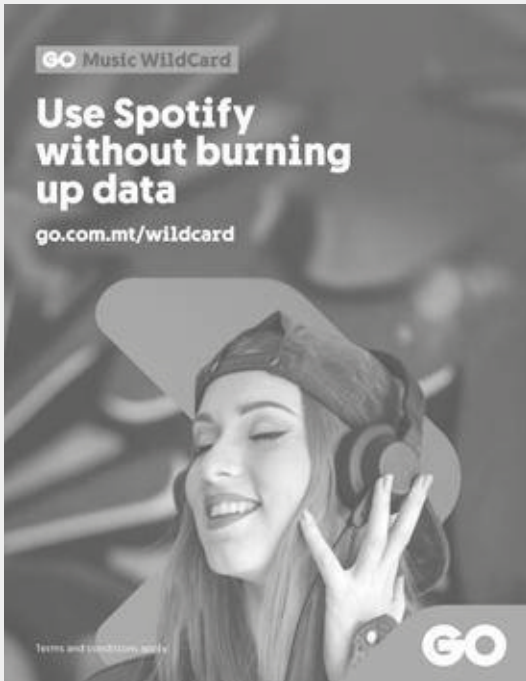
We have also started venturing in the IoT market with the introduction of GO Connect products for Kids and Pets. Both of these products are aimed at offering peace of mind to our customers. GO Connect kids allows parents to keep in contact with their kids as well as enables GPS tracking, whilst GO Connect pets allows pet owners to locate their pets when they are out of sight. 6

And this is just the beginning. We are working hard to identify areas of opportunity which will give our Customers the best product, our Shareholders a substantial return on investment and our Employees a great place for them to fulfil their potential.

4



5



“Our plans do not stop here. At GO, we place the customer at the centre of everything we do and want to ensure that our customers have the best experience possible. Our networks, as well as our people, are the driving force behind this.”

— **Nikhil Patil**



6



Businesses are the engine of the economy and GO's commitment to the business community is helping Malta achieve its economic potential whilst continuing to add increased value to the local business community.

Our philosophy this year has been to continue to simplify our products and add value for our customers. Our streamlined products are in fact the result of extensive analysis of our client feedback, as well as of the operational demands of businesses today. We looked at what businesses need, what they expect, and set an ambition of delivering exactly this and more.

Products

Business Infinity Pack.

We launched a revamped Infinity Pack providing the highest internet speeds in both upload and download on the island. Our all-inclusive offering now also includes TV and Sports at a price of €50. This is our best performing product which has seen a 39% increase in business pack revenue, confirming our belief that a big part of its success comes from the fact that this pack has a tier for every business set-up, brings the greatest value and continues to enhance an already upgraded TV package.

Infinity Mobile.

Our Infinity Mobile Plans were upgraded in late 2018. Besides unlimited calls on all Infinity Mobile plans, we now offer the largest mobile data bundles available to the local business community. This has contributed to a 3.7% increase in mobile business subscriptions.

GO Travel.

Launched the GO Travel bundles for our frequent roamers in their most visited destinations. We will keep building on this throughout 2019 with a simpler, more accessible roaming experience for customers who travel frequently.

New Business

In 2018 GO Business successfully closed various deals with large corporate customers especially in the hotel, gaming, IT and financial services industry. GO is proving to be the operator of first choice for companies willing to invest in its highly resilient infrastructure.

We also embarked on a process to increase our availability to business customers through our call centre, outlets and technical support teams.

GO has been enabling local businesses to thrive and innovate with its robust and reliable telecommunications services. All innovative developments of recent years depend on resilient communications networks and services such as those provided by GO and we have invested heavily to stay ahead of the game.

Sponsorships

DELTA Summit.

As the longest standing telecoms company in Malta, GO wanted to secure a leading role in what turned out to be one of the largest and most anticipated IT events in Malta. Besides being one of the main sponsors of the DELTA Summit, our CEO delivered a keynote address during which he announced how at the start of 2019, GO would be launching a new fund of up to €2 million to provide start-ups with easier access to all the resources that they need to take their ideas forward.

SIGMA 2018.

Supporting SIGMA 2018 was another honour for GO and we were delighted to see our seamless technology ensuring a successful event throughout. GO was present at SIGMA 2018 to showcase its technology together with BMIT

Public Transport Wi-Fi Project.

We have installed the first 50 instances of Free Public Wi-Fi on Public Transport. The project will be completed throughout 2019.

112 Emergency Services.

We have completed phase 1 of the 112 Emergency Services project, an initiative which aims to combine all the local emergency services onto one platform. This is a 10-year project that will be completed in a number of phases.

and Kinetix. GO's presence went beyond and supported the event by making sure all participants and visitors remained connected by providing all bandwidth requirements including internet connections to all the exhibitor stands, a dedicated bandwidth for the hackathon and bandwidth for the livestreaming of the event and Wi-Fi installation covering the whole exhibition space. The total dedicated bandwidth provided was of 2GB. GO also made available a team of technicians who remained onsite supporting these services throughout the event.

Joseph Calleja Concert

Once again, GO was one of the major sponsors of the annual Joseph Calleja Concert held in Floriana. We supported this event through GO Business.



Corporate Social Responsibility

GO remains committed to keep playing an active part of the community in which it operates and in line with this philosophy. The organization has a strong Corporate Social Responsibility (CSR) strategy in place, aimed at supporting the more vulnerable groups in our society.

One of the main CSR initiatives undertaken by GO comes directly from its employees who on a monthly basis donate money to the GO Cares Employee Fund, which in turn, supports the various GO Cares initiatives organised by the Company. During 2018, thanks to this Fund, we managed to reach out to various organisations with donations that amounted to €17,849:

A



A.

€400 donation to The Inspire Foundation (a local charity that works with children and adults with intellectual and physical disabilities and helps them reach their full potential) and in return each employee received a Baci Chocolate on Valentine's Day.



B

B.

Organised a figolli fundraising initiative during Easter time which raised €2,500 in support of the Sacred Heart Nuns of Teresa Nuzzo Mission in aid of their invaluable missionary work beyond our shores.

C.

Celebrated National Pet Day by donating a total of €400, equally distributed between these animal sanctuaries: Noah's Ark, CSAF [Carers for Stray and Abandoned Felines], AAA [Association of Abandoned Animals] and The Island Sanctuary.



C



D



D.

Refurbishment works amounting to €4,766 were undertaken at St Theresa Home Żurriq, a young children's institute run by the Nuns of the Sacred Heart community.



E.

Through our annual Poinsettia fundraising initiative during Christmas time we managed to raise and donate €800 in aid of Hospice Malta.

E



F



F.

We retained our commitment to assist Dar tal-Providenza by donating €5,000 to support their substantial financial expenses.



G

G.

A Christmas party, which also included an animal tour, was organised at l-Arka ta' Noe situated in Siggiewi, for children who as a result of family health situations require support by the Karl Vella Foundation. Thanks to the employees who volunteered to assist in the necessary preparations and be present on the day, the children really had an amazing time. The cherry on the cake was the presence of our own 'Father Christmas' who gave out gifts to all the children. Additionally, 4 GO laptops were donated to the Foundation for educational purposes; a €2,500 donation to cover for the children transport requirements was given to aid the Foundation in this hefty monthly expense; a small thank you gift was given to the volunteers of the Foundation who have the well-being of all the children at their heart. In total this initiative amounted to €3,983.

Board of Directors



Mohamed Fadhel Kraiem

Chairman

Joined Tunisie Telecom Group in July 2010 as Deputy Chief Executive Officer. In 2016 he was appointed Chief Executive Officer of Monoprix, a major retail company in Tunisia. He returned to the TT Group early in 2017 and chairs a number of its subsidiaries. He is a graduate with diplomas from the Ecole Polytechnique and the Ecole Nationale des Télécommunications [Paris].

Paul Fenech

Owner and founder of Classic Group Limited, where he is Executive Chairman. He is also the president of the Republic Street Business Community and an active member of the Valletta Business Community Committee.

Jamel Sakka

An experienced Engineer, also Board Member and Executive Committee Member of Internet service provider TOPNET in Tunisia. Senior managerial experience at Tunisie Telecom, most recently as Head of Network Development. A key team member involved in several strategic initiatives. Holds a Diploma in Telecommunications from SUP'COM (Tunis) and a Research Diploma in Telecommunications from ENIT [Ecole Nationale des Ingénieurs de Tunis] as well as an eMBA.

Francis Galea Salomone

Company Secretary

Holds a Doctorate of Law from the University of Malta, a Masters degree in European Studies from the University of Kent (Canterbury) and a Bachelors degree in International Business. Currently a partner in Galea Salomone & Associates, with particular focus on Corporate and Commercial law. He has extensive experience in advising public listed companies on the regulatory and corporate governance aspects of their business including assisting international clients who need to establish new operations in Malta.

Mohsin Majid

Deputy CEO of Tunisie Telecom, and Board Member of Tunisie Telecom, Malta Properties Company and Forthnet. Previously led strategy development and investment projects at Emirates International Telecommunications, LLC. Also spent several years as a strategy consultant at Analysys, advising telecom and media companies, investment banks and regulators on various issues. Studied Manufacturing Engineering at Cambridge University.

Paul Testaferrata Moroni Viani

A Director of Aquasun Services Limited, with responsibility for market research, contracting with tour operators, administration and property. Also a Director of Moroni Investments, Circles Limited, Euro Appliances Company Limited, MACAPPS Limited, Spinola Hotels Limited and St. George's Park Company Limited.

Deepak Padmanabhan

CEO of Emirates International Telecommunications, LLC (EIT), the telecom vertical of Dubai Holding. Previously the non-Executive Chairman of Go p.l.c., currently Chairman of Forthnet Group, Board Director of Tunisie Telecom and Chairman & CEO of Malta Properties Company p.l.c. Instrumental in the development of Dubai's knowledge-based clusters and the 2nd telco in the U.A.E. (Du) as the Chief Strategy & Business Development Officer at TECOM. Bachelor degree in Electronics Engineering, alumnus of IMD Switzerland, INSEAD France and the Oxford Real Estate Program.

Faker Hnid

Joined Tunisie Telecom in 2002, where he held several key managerial positions, the latest of which as Head of the Internal Audit Department. Also a board member of Agence Tunisienne d'Internet. Graduated in Finance from Ecole Supérieure de Commerce de Tunis and holds an MBA from Ecole Nationale Supérieure des PTT de Paris.

Sofiane Antar

A Certified Public Accountant and Chartered Accountant, has seven years experience as an auditor with international firms and nine years of industry experience in telecommunications. Executive Director Business Control and Planning at Tunisie Telecom where he is involved at senior level with several strategic projects. Holds a Bachelor Degree in Accountancy from the University of Carthage (HEC), and a Telecom Mini-MBA.



Directors' Report

2018

Directors' Report

The Directors are pleased to present their report together with the financial statements of the Company for the year ended on 31 December 2018.

Principal Activities

The Group is Malta's leading integrated telecommunications services provider and its high speed networks form the backbone of the island's modern communications infrastructure. The services provided by the Group include fixed-line and mobile telephony, data and TV services for consumers and business clients. The Group also provides business clients with data centre facilities and ICT solutions.

The Group also has a controlling interest in Cablenet Communication Systems Limited (Cablenet), a leading provider of high speed broadband, TV and fixed-line telephony services to personal and business clients in Cyprus.

Business Review

A review of the business of the Group during the year under review, events which took place since the end of the accounting period and an indication of likely future developments are given in the Chief Executive Officer's Review on pages 8 to 12.

Review of Financial Performance

2018 proved to be another positive year for the Group, the result of an ongoing investment policy and successful strategies that the Group has carried out in recent years. GO's investment in its infrastructure and in complementary value generating business such as BM Group and Kinetix has consolidated our results and has seen a robust performance in Malta operations. This positive trend extends to our Cyprus operations.

The financial year has been positive for the Group as it delivered growth in its operations, both in Malta as well as in Cyprus in spite of an intense competitive environment. Customer behaviour remains in a state of transition, driven by the growing convergence of telecommunications, information technology, media and entertainment. Within such a scenario, data services are fast becoming the primary telecommunication service sought by customers, as people seek to access the Internet from anywhere and at any time of the day, using a multitude of devices. Innovation and a positive customer experience are crucial to succeed in such an environment and it is therefore encouraging that the Group retains healthy levels of revenue from a number of services besides revenue from Internet access.

GO is pleased to report continued growth in its Malta Operations with its bundled packages, the increase in use of mobile post-paid services and data services which are the main contributors to growth in retail revenues. This performance is being achieved as a result of the continued investment in GO's network infrastructure. Our investment programme is designed to meet the challenges and opportunities that the customer behaviours and changing technologies demand from GO. During the current year GO's fibre network coverage was extended to cover another 20,000 households. Now GO has covered more than 84,000 households which represents around 45% of Maltese households. Over the coming years GO intends to continue investing heavily in its FTTH network with the intention to cover the Maltese Islands in the shortest possible time. In Cyprus, Cablenet's network currently covers approximately 52.8% of households. Coverage is being extended as part of a multi-year programme which also includes ongoing improvements in systems and processes to retain the leading edge in the provision of quality broadband and TV in this market. During the year under review Cablenet's broadband client base has increased by 6.6%.

The Group generated revenue of €171.8 million (2017: €166.3 million), an increase of €5.5 million over the comparative year. Revenue generated by Cablenet represents €33.4 million (2017: €31.0 million). On a standalone basis, Cablenet results show revenue growth of 7.8%. Revenue generated in Malta has maintained an upward trend, growing by 2.2% to €138.4 million. Whilst retail revenue from legacy fixed voice service continued to decline, GO experienced growth in all other retail sectors, particularly through attractive

bundling propositions which continue to drive the strong performance at the retail level. During 2018 GO launched new mobile post-paid packages to attract customers to switch to a post-paid package, thus increasing the average revenue per user (ARPU). The Group also saw a growth from its business arm which is now offering a one stop shop for all the communications and ICT needs of business users.

Cost of sales, administrative and related costs amounted to €140.4 million (2017: €138.0 million). The Group managed to increase its revenues whilst driving its cost of sales down, thereby increasing the gross margin by 2.2%. The Group embarked on a restructuring exercise and offered its employees a voluntary retirement scheme. This is in line with its commitment to decrease costs whilst at the same time becoming more efficient. During the current year this expense amounted to €2.7 million compared to €0.1 million in 2017.

Group Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) grew by 6.0% to €69.5 million, an increase of €3.9 million over the comparative year. Operating profit amounted to €33.1 million (2017: €29.5 million) representing underlying growth in operating performance of the Group. During 2018, both the EBITDA and the operating profit were positively impacted by the adoption of the new accounting standards IFRS 9 and IFRS 15. The impact on both our EBITDA and operating profit amounted to €1.0 million for the Group and €0.9 million for the Company. At Company level, there was also a change in accounting for free customer premises equipment and free TV installation services. Commencing this year, going forward GO is capitalising these costs and amortising them over the average lifetime

of the equipment. The net effect on EBITDA is €3.7 million whereas the increase in the amortisation charge for the year totalled to €2.6 million.

The investment in Cablenet continues to deliver positive results. During 2018, Cablenet increased its operating profit by 24% and its EBITDA by 12.2%. These results confirm the Group's strategy to continue investing in Cablenet's network, to be able to service a larger customer base whilst maintaining lean operations.

Profit before tax amounted to €31.7 million [2017: €27.9 million] resulting in an earnings per share of €0.187 [2017: €0.165].

Net cash generated from operations amounted to €52.8 million [2017: €57.0 million], a decrease of €4.2 million compared to 2017. This reduction is the result of the increase in tax paid and payments made under the voluntary retirement scheme. The Group's investments in 2018 netted a cash outflow of €39.7 million, of which €1.9 million represented the acquisition of the remaining 49% shareholding in Kinetix, a subsidiary of BMIT Technologies p.l.c. Investments in property, plant, equipment and intangible assets amounted to €37.8 million, €3.9 million more than the value invested during 2017, as the Group maintains its commitment to continue investing in the latest technologies and expanding its fibre network.

This investment programme extends also to Cyprus wherein 2018 it invested €1.7 million more than that invested during the preceding year. Through these investments the Group will ensure that the Maltese and Cypriot customers will continue to enjoy the best possible telecommunications experience.

In addition to its investing activities, GO repaid the equivalent of €14.9 million in bank loans and paid out dividends amounting to €13.7 million. During the year the Group made €15 million drawdowns from its unutilised bank loan facilities. The Group's cash and cash equivalents as at year end decreased by €2.2 million. GO has adequate facilities in place, enabling it to maintain its investment programme and honour loan repayment obligations as and when these fall due.

GO's strategy is delivering more than the projected results. GO continues to maintain a robust operating performance in Malta and now it is also reaping the benefits from its investment in Cablenet. In the local market, even though operating in a highly competitive market, GO's customer base continues to increase and is the largest of any operator in Malta. In Cyprus, Cablenet serves more than 64,665 customers.

It is encouraging to note that this sustained growth is being driven by an ever increasing number of customers adopting bundles of services. Thanks to the loyalty shown by customers to GO's and Cablenet's product portfolios, the Group continues to deliver robust levels of revenues, profitability and cash generation from its core operations.

Within a highly competitive environment, these results continue to augur well, as the Group seeks to retain a strong presence in its domestic market as well as grow its presence in Cyprus across all product lines, striving to remain the leading telecommunication services provider and operator of choice.

Throughout the past year GO has also continued to focus on having employees with the right skill set to further improve its operations and customer service. Therefore the Company has every intention of continuing to invest further in our people. We operate in a technology-led and rapidly evolving sector, and our skilled and committed teams are fundamental as we adapt to change and continue to innovate and drive this business forward together. Total employee benefit expense for the year amounted to €34.9 million [2017: €30.8 million]. The average number of persons employed by the Group, including part-timers and students, during the year amounted to 1,226 [2017:1,172].

The Group continues to retain a careful eye on environmental considerations in all its activities, as well as ethical behaviour with regards to its interactions with all its stakeholders.

Financial Position

Following another year of robust operating performance, shareholders' funds as at year end amounted to €112.6 million [2017: €106.9 million], an increase of €5.7 million over the prior year in spite of a dividend distribution of €13.2 million during the year. The Group's net asset value per share stands at €1.19 [2017: €1.14], whilst the Group's equity position stands at 2.13x [2017: 2.12x] the Group's net debt position.

The Group's total asset base stands at €255.4 million [2017: €251.8 million], an increase of €3.6 million over the prior year. The Group's total asset base is 47.0% [2017: 45.7%] funded through equity.

GO had the option of acquiring a further 49% shareholding in Kinetix. This option was exercised on 1 March 2018.

The Group's current assets amounted to €54.2 million [2017: €56.0 million] and are mainly represented by trade and other receivables of €34.9 million [2017: €33.9 million], inventories of €7.5 million [2017: €8.3 million] and cash of €11.7 million [2017: €13.7 million]. Total liabilities decreased from €136.7 million as at December 2017 to €135.3 million as at December 2018.

A strong and sustained operational performance and appropriate funding arrangements will allow the Group to continue to fund its investments in technology, honour its obligations with its bankers and pursue new investment initiatives aimed at increasing shareholder value.

The Directors recommend that at the forthcoming Annual General Meeting, the shareholders approve the payment of a net dividend of €0.14 per share (after taxation) – such dividend to be payable on 30 May 2019. Total distributions relating to this year's operations amount to €0.14 per share. Furthermore, the Board of Directors also resolved to approve the payment of a special interim dividend of €0.41, net of taxation per share for the year 2019.

The payment of this special interim dividend, amounting to €41.5 million will be made in view of the profits generated from the sale by the Company of its 49% shareholding in BMIT Technologies p.l.c. to the general public in February 2019.

The amount of €55,720,768 has been transferred to the dividend payment reserve.

Retained profits carried forward at the balance sheet date amounted to €56.0 million [2017: €47.3 million] for the Group and €57.3 million [2017: €47.6 million] for the Company.

Our principal risks and uncertainties

Security and resilience

The Group's commercial success is dependent upon the resilience of the various networks, IT systems, exchanges and data centres. Our networks, systems and infrastructure face a variety of hazards that could cause significant interruptions to the delivery of our services. If the Group experiences any significant failure of its systems the impact could be considerable and include significant financial loss besides reputational damage that could jeopardise future revenue. The Group manages this risk by having significantly invested in the resiliency of its key networks and infrastructure wherever this is possible and feasible. Furthermore, the Group adopts a robust control framework that focuses on prevention supported by tried-and-tested recovery capabilities.

Customer data processing

On a daily basis the Group processes personal data of its significant client base. The Group recognises the importance of adhering to data privacy laws and wants its customers to feel confident that the Group acts properly and protects the data they share with it. Failure to abide by all relevant data protection and privacy laws could result in reputational damage for the Group as well as regulatory action and fines. The Group manages this risk by having in place a robust governance and monitoring framework. This framework defines roles and responsibilities of employees who have access to personal data, provides training and awareness to these employees and includes monitoring, reporting and audit to ensure compliance with various policies and procedures aimed to protect customer data and privacy.

Ability to grow

The Group operates in two highly developed and well penetrated markets characterised by extensive competition, pressure on pricing, technology substitution and product convergence. The Group strives to maintain its ability to grow revenues in spite of this adverse environment as failure to do so will impact profitability and the Group's ability to maintain its investment programme. The Group mitigates this risk by identifying opportunity to diversify its product portfolio and invest in new markets. The Group also pursues innovative product bundling and extends to its customer new technologies soon after these become available whilst working hard to become a leaner organisation.

i-gaming industry

The i-gaming industry has grown to become one of Malta's main economic pillars. GO is a major supplier of technology and services to operators working out of Malta and any negative impact on the ability of the industry to retain its significant presence in Malta will impact the Group's profitability. Aware of this risk the Group is augmenting its range of co-location services to include a holistic ICT experience targeted at the Group's large business client base, thereby reducing the Group's reliance on the i-gaming industry.

Communications industry regulation

The Malta Communications Authority can request GO to provide specific wholesale services on specified terms following market reviews. These terms and regulations can include control over prices, both at the wholesale as well as the retail level besides other conditions. Furthermore, GO is also bound by regulation that from time to time come into force across the European Union. Regulatory requirements and constraints can impact revenues and GO's ability to compete effectively with the resultant impact on profitability and cash generation. GO manages this risk by maintaining ongoing dialogue with regulators through a team of regulatory specialists who, with the help of various advisors, continuously monitor and review regulatory changes and how these may impact our Group.

Pensions

GO is faced with a number of cases from past employees for the payment of a pension. Whilst GO has acknowledged the entitlement to a pension in various cases, most of which have been settled through the payment of a lump sum, a number of other claims remain pending and will be decided by the Maltese Courts. In the case of an adverse decision GO may have to recognise the obligation to pay a pension to various claimants which obligations could, in their totality, be material. To mitigate this risk GO has appointed a strong team of legal advisors to argue GO's position.

Financial risk management

The Group's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management, covering risk exposures for all subsidiaries, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the

respective company's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Accordingly, the Company's Board of Directors provides principles for overall Group risk management, as well as risk management policies covering risks referred to above and specific areas such as investment of excess liquidity. A detailed review of the risk management policies employed by the Group is included in Note 3 to the financial statements.

Non-financial statement in terms of the requirements of the Sixth Schedule to the Companies Act (Cap. 386)

The Group is required to present a non-financial statement including information to the extent necessary for an understanding of GO's development, performance, position and impact of its activities, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:

- (a) a brief description of the undertaking's business model;
- (b) a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;
- (c) the outcome of those policies;
- (d) the principal risks related to those matters linked to GO's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks;
- (e) non-financial key performance indicators relevant to the particular business.

Throughout the years, GO has proven to be a major contributor to society, both environmentally and socially, and has taken one of the top spots

as a leading employer on the island, attracting top talent locally and internationally. However, GO has not yet adopted formal policies in relation to issues such as environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. Also GO does not track its progress in these areas by reference to specific non-financial key performance indicators set in the context of formal policies and procedures. Hence, the content of GO's non-financial statement is impacted in a significant manner by these two factors.

The Company is controlled by Tunisie Telecom and accordingly any policies in such areas would necessarily have to take into account the circumstances, direction and strategy of the controlling party, focusing on policies, if any, adopted by the controlling party and non-financial key indicators, if any, utilised by the controlling party at Group level to monitor progress in such areas.

Employee matters

Throughout the past year GO has continued to implement its employee transformation programme leading to further improvements in its operations and customer service; GO has every intention of continuing to invest further in people. We operate in a technology-led and rapidly evolving sector, and GO's skilled teams are fundamental as we adapt to change and continue to innovate and drive the business forward.

Our people are a vital part of our ambition to deliver a great customer experience, sustainable profit and revenue growth. Our people strategy supports this ambition by creating an environment where talented people can do excellent things as part of a dynamic business; we want great people to work for GO. We want management and staff members to feel engaged and inspired to be the best they can be. Together we can create a high-

performing, thriving organisation where difference and innovation are celebrated. At the heart of this are GO's people values. Every employee has a role to play in bringing these values to life. We will deliver on our objectives in this manner and use the power of communications to make the community a better place. We know the majority of our employees want to do and will do the right thing, highlighting the necessity to live GO's values and work in an ethical way at all times.

We continue to grow our workforce and recruit highly talented people. Total employee benefit expense for the year amounted to €34.9 million [2017: €30.8 million]. The average number of persons employed by the Group, including part-timers and students, during the year amounted to 1,226 [2017: 1,172].

We continually redeploy our people to meet the needs of our customers and ensure they get a first-class experience. We work on improving our policies, cultures and working practices to achieve the goal of being a truly integrated organisation. Our focus on recruitment of talented people is based on demonstrating what makes GO such a great place to work. One of GO's targets is having a customer connected workforce as improving the quality of our customer relationships remains central to our people strategy. We also continue to recognise the importance of retaining experience within the workforce, as experienced employees bring to bear legacy and results achieved over the years.

At GO our people do not stop learning – whether that is on the job, with colleagues or in a formal training environment, so that the Group adapts to a changing world and rises to the challenges of tomorrow. We invest in our leadership capability, developing effective leaders at all levels and in all parts of our business. GO has continued to invest substantially in its employees by supporting

learning opportunities which are targeted to not only secure the necessary skill set on modern technologies and innovation but also to support career development.

We engage our people by giving them the opportunity to provide any feedback whatsoever that will make GO a better place to work, that will improve levels of employee engagement and that will give rise to actions that improve the way we serve our customers. We keep our people informed about company results, major business decisions and other things that affect them using a variety of channels. Leaders regularly connect with their teams.

GO strives to be an inclusive and gender-balanced employer. It is pleased to report an increased number of female employees across different levels, year in year out. GO is also very proud of its flexible work environment that encompasses various family-friendly measures, which enables its workforce to ensure a better work-life blend. Our maternity return rate continues to improve. Diversifying the mix of our people continues to be a priority within our people strategy. We are particularly keen to encourage women into technology careers. We have run recruitment campaigns for certain posts that aim to attract more women. We want to create an environment where our people can feel open about being themselves at work. We firmly believe in equality and respect for human rights. We actively encourage the recruitment, development and retention of persons with disability.

We will automatically put an applicant with a disability or long-term health condition, who meets the minimum criteria for a vacancy, through to the first stage of a recruitment process. An inclusive culture is fundamental to ensuring our diverse workforce can develop. We are focused on embedding themes of inclusivity within all our

training and development programmes, with a specific focus on developing diverse future talent.

We recognise that the wellbeing of our people feeds directly into our customers' experience and helps ensuring the profitability of our business. We look at what we can do to increase wellbeing. We are working hard to eliminate all avoidable health and safety incidents by investing in improved training and equipment. Our business entails some activity which may potentially lead to injury or be hazardous to the health of our employees. It is essential that we do all we can to keep our people safe; not only for legal compliance purposes but also because this implies they'll be better at work. Failure to implement and maintain effective health and safety management could have a huge impact on our people. It could lead to people being injured, work-related sickness and service disruption for customers. An unhappy or unhealthy workforce also leads to higher work absence rates and lower performance levels. We have taken a lot of steps to mitigate these risks – especially how our people work with electricity or at height.

We are continuing to implement a strategy which embeds effective management of health and safety into all our operations and promotes health and wellbeing to help improve business performance. We are implementing a health, safety and wellbeing strategy whereby every line of business produces its own health and safety plan. Managers take responsibility for making sure their teams know how to comply with health and safety standards. All our people undertake training in basic health and safety. We will put in place policies and programmes to make sure we adhere to our own standards and that those standards meet or exceed minimum legal requirements. We will also work to make sure our products comply with safety regulations, including meeting industry standards. We provide

direction to help teams understand and control health and safety risks and help everyone feel involved in health, safety and wellbeing issues.

We regularly review our pay and benefits to make sure that our remuneration is competitive when compared to other companies of a similar size and complexity, ensuring fairness to all. During the previous year, GO renewed its Collective Agreement with the GWU whereby various employment conditions were improved to ensure the better wellbeing of its employees. Our managers' pay ranges are set at competitive levels. Bonuses are determined through a combination of business performance and personal contribution to the Company.

The Group has also invested considerable time and effort in ensuring the right policies are in place, and updated regularly, on matters related to Whistle Blowing, Social Media, Anti-Harassment and Anti Bullying; and in ensuring these are updated from time to time and that such knowledge is widespread across the organisation.

Social support

Our purpose in the area of community and society influences our decisions and actions. We invest to help a number of initiatives that deliver social and environmental benefits. This investment is a mixture of cash, time volunteered and in-kind contributions.

As a major presence in the community, GO has always taken its social responsibility very seriously. As in previous years, the Group has maintained a steady programme of activities aimed at improving the quality of life of its workforce and their families, as well as of the local community and society at large. L-Istrina was once again an event which was heavily supported by GO, not only in terms of a substantial donation but also in terms of equipment, communications

infrastructure and hundreds of man-hours, freely granted to ensure the success of this annual fundraiser. GO also supported various NGOs. During the year GO also continued to build on the 'GO for the Future' campaign supporting various educational initiatives which encourage reading and a passion for science.

GO continues to provide social support to the community in which it operates. Support towards the Malta Community Chest Fund Foundation continued throughout the year as outlined previously, not solely through two key events such as L-Istrina and Festa Citru. GO remained committed to various educational and cultural initiatives such as the Malta Robotics Olympiad, the 'Aqra Kemm Tiflah' literacy programme and the annual Joseph Calleja concert. These initiatives are highlighted extensively in the Annual Report on pages 13 to 25. This is in addition to various other one-off and ongoing charitable and social initiatives, including a host of projects carried out by the 'GO Cares Employee Fund'.

It is always particularly encouraging to note that while employee support for company-driven events is growing from year to year, so are the number of personal initiatives taken, as this is very much in line with the Company's belief in a holistic approach to their work-life balance as well as strengthening community team spirit. Our people use working days for volunteering activities. Some choose to help charities with particular challenges that need their input and knowledge. Others use their energy and enthusiasm to make a practical difference in the community.

The Group recognises how important it is for everyone to have access to fast broadband and the Group is focusing on increasing in a significant manner, in the next few months, the number of homes covered by the FTTH project. GO also has the objective of promoting digital inclusion as

digital transformation has the power to improve quality of life, boost the economy and protect the environment. It has always been our aim to ensure that no one is left out, especially vulnerable groups like the elderly, disabled or financially disadvantaged. The Group's view is that the next generation are great tech customers, but few are active creators. So much of our life and work depends on technology that tech literacy may be the difference between moving ahead or being left behind. The answer is to build a culture of tech literacy, so that young people grow up with the tech know-how to step up to the jobs of the future and to shape a more inclusive society that works for them.

Environmental matters

The Group continues to retain a careful eye on environmental considerations in all its activities. However the Group is cognisant of the fact that its impact on the environment is quite contained taking into account the level of energy and water consumption, services offered and waste generated. Hence it is difficult to conceive how GO's business model impacts environmental matters and for GO to devise specific policies in this area with non-financial key performance indicators utilised to monitor progress in this area.

However, from an environmental perspective, the company has been successful in its attempts at reducing its carbon footprint. This is a result of consistent and extensive investment in new technologies and equipment which are more efficient in terms of energy consumption. It has also invested in renewable energy by installing PV panels on its main roof tops. GO has undertaken every effort to ensure that its car fleet is modern and that all vehicles are meeting or exceeding low emission standards. Efforts have also been extended to increasing the necessary awareness and encouraging best practice internally. A number of awareness programmes

on waste management and recycling have been implemented. All employees are strongly encouraged to recycle, not only waste generated at work, but also electronic waste at home through the provision of proper disposal facilities within the Company's main offices including collection points for e-waste.

Respect for human rights

We are committed to respecting human rights. We take cognisance of the UN Guiding Principles on Business and Human Rights. We believe that our communication services have a positive impact on society, empowering people to exercise their rights and freedoms. However, we are convinced that our work does not adversely impact human rights, either directly or indirectly, through our business relationships. Hence the business model of GO does not impact issues dealing with respect for human rights and does not give rise to the necessity to have specific policies in this respect.

Privacy and free expression are the rights most at risk from communication services. We want our customers to know they can trust us with their information. We will review our policies to make it easier for customers to understand how they should use our online services to express themselves.

Anti-corruption and bribery matters

One of GO's key objectives is to strive for ethical behaviour with regards to its interactions with all its stakeholders. Our Company's long-standing commitment to doing business with integrity means avoiding corruption in any form, including bribery, and complying with the local legislation in this respect. Although to date GO has no formal policies in respect of these matters, the Group will be working towards enhancing its formal documented approach in this respect notwithstanding the fact that its business model does not give rise to undue anti-corruption or bribery risk factors.

Directors' Report (Contd.)

Non-financial statement in terms of the requirements of the Sixth Schedule to the Companies Act (Contd.)

It is crucial that we maintain high ethical standards. We do not tolerate fraud, bribery, any form of corruption or any illegal or unethical activity. We follow local and international law, including anti-corruption and bribery laws.

We also face the risks associated with inappropriate and unethical behaviour in the market by our people or associates, such as suppliers or agents, which can be difficult to detect. GO faces the risks that the controls designed to prevent, detect and correct such behaviour may be circumvented. Controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions, regardless of how remote.

If our people, or associates like suppliers or agents, breach anti-corruption, bribery, sanctions or other legislation there could be significant penalties, criminal prosecution and damage to our brand. This could have an impact on future revenue and cash flows depending on the nature of the breach, the legislation concerned and any penalties. Accusations of corruption, bribery, violating sanctions, regulations or other laws could lead to reputational damage with investors, regulators and customers. If fraud is committed, there is a risk of financial misstatement which if undetected can have a material financial impact and potential litigation together with regulatory consequences.

Financial and other controls play an important part in our ability to prevent and detect inappropriate and unethical behaviour. This behaviour includes fraud, deliberate financial misstatement and improper accounting practices, as well as breaches of anti-corruption, bribery, or sanctions legislation. If the design, operation or

the assurance over these controls is ineffective or circumvented, there is a greater risk that the impacts described above may materialise.

We plan to enhance our controls and compliance programme to strengthen awareness of the standards we expect, the capabilities of our people, and to reinforce the importance of doing business in an ethical, disciplined and standardised way.

Our relevant controls will include an anti-corruption and bribery programme and an ethical code. We will ask all our people to complete training to embrace our zero tolerance to bribery and corruption. We will also have policies covering gifts, hospitality, charitable donations and sponsorship. We will run tailored training for people in higher-risk roles like procurement and sales.

Our internal audit team will run checks on our business. We will do due diligence checks on third parties like suppliers, agents, resellers and distributors. Our policy is that procurement contracts will include anti-corruption and bribery clauses.

Our suppliers provide the products and services that are so important in executing our strategy. We want to know who we are doing business with and who is acting on our behalf. So we choose suppliers using principles that make sure we act ethically and responsibly, ensuring as much as is practicable that suppliers act in a socially and environmentally responsible way.

Our services are regulated to make sure that providers comply with common standards and rules, and that nobody is disadvantaged by providers with strong positions in the marketplace. Electronic communications networks and services are governed by directives and regulations set by the European Commission [EC].

Directors' Report (Contd.)

Non-financial statement in terms of the requirements of the Sixth Schedule to the Companies Act (Contd.)

These create a Europe-wide framework (known as the European Common Regulatory Framework) covering services such as fixed and mobile voice, broadband, cable and satellite transmission.

The directives include rules covering:

- access and interconnection;
- universal service obligations; and
- a requirement for national regulators to review markets for significant market power (SMP) every three years and to put appropriate and proportionate SMP remedies in place.

Board of Directors

The Directors who served on the Board during the year under review or up to the date of this report are listed hereunder. None of the Directors in office during the year or at the balance sheet date held an executive appointment with the Company or its subsidiaries.

- **Mohamed Fadhel Kraiem**
- **Sofiane Antar**
- **Paul Fenech**
- **Faker Hnid**
- **Mohsin Majid**
- **Jamel Sakka**
- **Paul Testaferatta Moroni Viani**
- **Deepak Padmanabhan** (appointed 14 May 2018)
- **Saviour Baldacchino** (resigned 14 May 2018)

In terms of Article 58.2 of the Articles of Association, the term of appointment of the Directors still in office expires at the forthcoming Annual General Meeting.

Saviour Baldacchino, Paul Fenech, Deepak Padmanabhan and Paul Testaferatta Moroni Viani offered themselves for election at the Twentieth Annual General Meeting for the three seats on the Board of Directors. Paul Fenech, Deepak Padmanabhan and Paul Testaferatta Moroni Viani were elected to represent the Company's shareholders.

Of the Directors of the Company, Mohamed Fadhel Kraiem and Paul Testaferatta Moroni Viani, together with Nikhil Patil (GO's Chief Executive Officer) were acting as Directors of Innovate Software Limited. Attila Keszeg resigned on 30 March 2018.

Mohamed Fadhel Kraiem and Nikhil Patil (GO's Chief Executive Officer) were acting as Directors of GO Data Centre Services Limited. The company changed its status to a public limited company and was renamed BMIT Technologies p.l.c. Mohamed Fadhel Kraiem and Attila Keszeg resigned on 3 October 2018 and 30 March 2018 respectively. Reuben Zammit (GO's Chief Finance Officer) and Charmaine Farrugia (GO's Chief Corporate, Strategy and Business Planning Officer) were appointed directors on BMIT Technologies p.l.c. on 3 October 2018.

Mohsin Majid and Jamel Sakka, together with Nikhil Patil (GO's Chief Executive Officer) who was appointed on 9 April 2018, are the Directors of the following subsidiary companies: BM IT Limited, Bellnet Limited and BM Support Services Limited. Attila Keszeg resigned on 30 March 2018.

Christian Sammut (BMIT Technologies p.l.c.'s Chief Executive Officer), together with Nikhil Patil (GO's Chief Executive Officer) who was appointed on 9 April 2018 are the Directors of Kinetix IT Solutions Limited. Adrian Dalli and Curt Gauci resigned on 1 March 2018 whilst Attila Keszeg resigned on 30 March 2018.

Mohamed Fadhel Kraiem, Faker Hnid and Paul Testaferatta Moroni Viani were acting as Directors of Cablenet Communications Systems Limited at 31 December 2018. Attila Keszeg resigned on 30 March 2018 and Nikhil Patil (GO's Chief Executive Officer) was appointed on 30 March 2018.

Remuneration committee and corporate governance

The activities of the remuneration committee and the Group's arrangements for corporate governance are reported on pages 42 to 51.

Directors' responsibilities

The Directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit and loss for that period.

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

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

The Directors are also responsible for designing, implementing and maintaining such internal control as they deem necessary for the preparation of financial statements that are free from financial misstatements, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of GO p.l.c. for the year ended 31 December 2018 are included in the Annual Report 2018, which is published in hard-copy printed form and may be made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Information provided in accordance with Listing Rule 5.70.1

There were no material contracts to which the Company, or any of its subsidiaries was a party, and in which anyone of the Company's Directors was directly or indirectly interested.

Going concern

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

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office. A resolution to re-appoint the auditors and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Information provided in accordance with Listing Rule 5.64

The authorised share capital of the Company is three hundred forty nine million four hundred and five thousand eight hundred euro (€349,405,800) divided into six hundred million (600,000,000) shares of fifty eight point two three four three euro cents (€0.582343) each share.

The issued share capital of the Company is fifty eight million nine hundred and ninety seven thousand, four hundred and fifty three euro and fifty one euro cents (€58,997,453.51) divided into one hundred and one million three hundred and ten thousand four hundred and eighty eight (101,310,488) ordinary shares of fifty eight point two three four three euro cents (€0.582343) each share, which have been subscribed for and allotted fully paid up. The issued shares of the Company consist of one class of ordinary shares with equal voting rights attached.

The Company did not modify in any way the structure of its share capital during the year. No further issues were made and neither did the Company acquire ownership of or any rights over any portion of its issued share capital.

The Directors confirm that as at 31 December 2018, only TT ML Limited held a shareholding in excess of 5% of the total issued share capital.

Any shareholder holding in excess of 40% of the issued share capital of the Company having voting rights may appoint the Chairman. In the event that there is no one single shareholder having such a shareholding, the Chairman shall be elected by shareholders at the Annual General Meeting of the Company.

The rules governing the appointment of Board members are contained in Clause 57.2 of the Company's Articles of Association as follows:

The Directors shall be appointed as set out hereunder:

- (a) A Shareholder holding not less than 12% (twelve per centum) of the issued share capital of the Company having voting rights shall be entitled to appoint one Director for every such 12% holding by letter addressed to the Company. Provided that anyone Shareholder who, pursuant to the provisions of sub article 57.1 (a) is entitled to appoint the Chairman, shall for the purposes of the appointment of Directors in terms of this sub-article have 12% of his holdings deducted and may accordingly only appoint Directors with the residual balance of shares having voting rights after such deduction.
- (b) Any Shareholder who does not qualify to appoint Directors, in terms of the provisions of paragraph (a) of this sub-article 57.2, and who has not aggregated his holdings with those of other Shareholders for the purposes of appointing a Director(s) pursuant thereto, shall be entitled to participate and vote in an election of Directors to take place once in every year at the Annual General Meeting of the Company.
- (c) Shareholders entitled to appoint Directors pursuant to the provisions of paragraph (a) sub-article 57.2 shall not be entitled to participate in the election of Directors in terms of paragraph (b) of this sub-article.

[d] Members shall be entitled in lieu of voting at an election of Directors, to aggregate their shareholdings, and to appoint one Director for every twelve per cent (12%) shareholding having voting rights held between them, by letter addressed to the Company in accordance with the provisions of sub-article 57.2 (a); and for the purposes of this paragraph and voting rights of persons entitled to vote pursuant to the provisions of sub-article 57.2 (b) remaining after the exercise of such vote may aggregate such rights as aforesaid.

Any amendment to the Company's Memorandum and Articles of Association has to be made in accordance with the Companies Act [Cap. 386].

Without prejudice to any special rights previously conferred on the holders of any of the existing shares or class thereof, any share in the Company may be issued with such preferred, deferred, or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Board of Directors may from time to time determine, as provided for in Clauses 3.2 and 3.3 of the Articles of Association, as long as any such issue of equity securities falls within the authorised share capital of the Company.

The Company may, subject to the applicable restrictions, limitations and conditions contained in the Companies Act [Cap. 386], acquire its own shares and or equity securities.

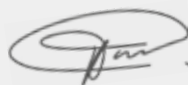
Pursuant to Listing Rules 5.64.2, 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.10 it is hereby declared that, as at 31 December 2018, none of the requirements apply to the Company.

We, the undersigned, declare that to the best of our knowledge, the financial statements prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole, and that this report includes a fair review of the performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board of Directors on 8 March 2019 and signed on its behalf by:



Mohamed Fadhel Kraiem
Chairman



Paul Testaferrata Moroni Viani
Director

Corporate governance – Statement of compliance

A. Introduction

Pursuant to the Malta Financial Services Authority Listing Rules, GO p.l.c. ['the Company'] whose equity securities are listed on a regulated market should endeavour to adopt the Code of Principles of Good Corporate Governance ['the Code'] as contained in Appendix 5.1 to Chapter 5 of the Listing Rules. In terms of the Listing Rules the Company is hereby reporting on the extent of its adoption of the Code.

The Company acknowledges that the Code does not prescribe mandatory rules but recommends principles so as to provide proper incentives for the Board of Directors ['the Board'] and the Company's management to pursue objectives that are in the interests of the Company and its shareholders. Good corporate governance is the responsibility of the Board, and in this regard the Board has carried out a review of the Company's compliance with the Code during the period under review, and hereby provides its report thereon.

As demonstrated by the information set out in this statement, together with the information contained in the Report of the Remuneration Committee to the Shareholders, the Company believes that it has, save as indicated herein the section entitled Non-Compliance with the Code, throughout the period under review, applied the principles and complied with the provisions of the Code.

B. Compliance

Principle 1: The Board

The Board, the members of which are appointed by the shareholders, is primarily tasked with the administration of the Company's resources in such a way as to enhance the prosperity of the business over time, and therefore the value of the shareholders' investment. The Board is composed of eight Directors (one of whom is the Chairman) all of whom are non-executive Directors.

The Board is in regular contact with the Chief Executive Officer and is continuously informed of any decisions taken by the Executive Committee in order to ensure an effective contribution to the decision making process, whilst at the same time exercising prudent and effective controls. Directors, individually and collectively, are of appropriate calibre, with the necessary skill and experience to assist them in providing leadership, integrity and judgement in directing the Company towards the maximisation of shareholder value.

The Board delegates specific responsibilities to a number of committees, notably the Remuneration Committee, the Audit Committee and the Executive Committee, each of which operates under formal terms of reference approved by the Board.

Further detail in relation to the Committees and the responsibilities of the Board is found in paragraph 'Principles 4 and 5' of this statement.

Principle 2: Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are filled by separate individuals, and the Chief Executive Officer is appointed by the Board for a definite period of time. During the period under review Nikhil Patil was appointed as Chief Executive Officer following the end of term for Atilla Keszeg.

The responsibilities and roles of the Chairman and the Chief Executive Officer are clearly established and agreed to by the Board of Directors.

The Chairman is responsible to lead the Board and set its agenda. The Chairman ensures that the Board is in receipt of precise, timely and objective information and also encourages active engagement by all members of the Board for discussion of complex and contentious issues.

The Chairman also leads the Executive Committee, the composition of which is set out below, and whose main role and responsibilities are to execute agreed strategy and manage the business. His role in this respect does not render his directorship an executive role.

Principle 3: Composition of the Board

In accordance with the provisions of the Company's Articles of Association, the appointment of Directors to the Board is exclusively reserved to the Company's shareholders, except in so far as appointment is made to fill a casual vacancy on the Board, and which appointment would expire at the Company's Annual General Meeting following appointment. Any vacancy among the Directors may be filled by the co-option of another person to fill such vacancy. Such co-option shall be made by the Board of Directors.

The Board has the overall responsibility for the activities carried out within the Company and the Group and thus decides on the nature, direction, strategy and framework of the activities and sets the objectives for the activities.

The Board of Directors is currently chaired by Mohamed Fadhel Kraiem and comprises eight

[8] non-executive Directors. The following Directors served on the Board during the period under review:

- Mohamed Fadhel Kraiem
- Sofiane Antar
- Paul Fenech
- Faker Hnid
- Mohsin Majid
- Jamel Sakka
- Paul Testaferrata Moroni Viani
- Deepak Padmanabhan (*appointed 14 May 2018*)
- Saviour Baldacchino (*resigned 14 May 2018*)

For the purposes of the Code, the non-executive Directors are independent. The Company deems that, although Mohamed Fadhel Kraiem, Sofiane Antar, Faker Hnid, Mohsin Majid and Jamel Sakka have an employee and director relationship with the controlling shareholder, in terms of Supporting Principle 3 (vii) of the Code of Principles of Good Corporate Governance such relationship is not considered to create a conflict of interest such as to jeopardise exercise of their free judgement.

Application of Diversity Policy in relation to the Board of Directors

The Company does not have in place a formal diversity policy which is applied in relation to the Board of Directors with regard to aspects such as age, gender or educational and professional backgrounds. This is principally attributable to the fact that the Company is controlled by Tunisie Telecom and accordingly policies such as this which govern the composition of the Board necessarily have to take into account the circumstances, direction and strategy of the controlling party. Notwithstanding the absence of a diversity policy, the Company endeavours to have in place a Board composed of members who

possess a diverse range of skills, characteristics and qualities. The objective of the Company is that the Board composition contributes to different views and opinions, enhancing the level and quality of challenge together with oversight exercised at Board level.

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The Board has a formal schedule of matters reserved to it for decisions, but also delegates specific responsibilities to various board committees and sub-committees, the most prominent being the Audit Committee, the Remuneration Committee and the Executive Committee. Directors receive board and committee papers in advance of meetings and have access to the advice and services of the Company Secretary. Directors may, in the course of their duties, take independent professional advice on any matter at the Company's expense. The Directors are fully aware of their responsibility always to act in the best interests of the Company and its shareholders as a whole, irrespective of whoever appointed or elected them to serve on the Board. As delegated and monitored by the Board, the Company Secretary keeps detailed records of all dealings by Directors and senior executives of the Company and its subsidiaries in the Company's shares and all minutes of meetings of the Board and its sub-committees.

During the year under review the Board met nine (9) times and attendance by Board members was as follows:

– Mohamed Fadhel Kraiem	9
– Sofiane Antar	9
– Paul Fenech	8
– Faker Hnid	9
– Mohsin Majid	9
– Jamel Sakka	8
– Paul Testaferrata Moroni Viani	9
– Deepak Padmanabhan <i>(appointed 14 May)</i>	5
– Saviour Baldacchino <i>(resigned 14 May)</i>	3

On joining the Board, a Director is provided with a presentation by the departmental heads on the activities of their respective business unit in the Company and its subsidiaries. The Directors receive, on a regular basis, information on the Group financial performance and position.

The Board has the responsibility to ensure that the activities are organised in such a way that the accounts, management of funds and financial conditions in all other respects are controlled in a satisfactory manner and that the risks inherent in the activities are identified, defined, measured, monitored and controlled in accordance with external and internal rules, including the Articles of Association of the Company. The Board of Directors, through the work carried out by the Executive Committee, continuously assesses and monitors the Company's operational and financial performance, assesses and controls risk, and monitors competitive forces in all areas of operation. It also ensures that both the Company and its employees maintain the highest standards of corporate conduct.

Board Committees
Audit Committee

The Audit Committee supports the work of the Board in terms of quality control of the Group's financial reports and internal controls. The Audit Committee is currently chaired by Faker Hnid, with the other members being Deepak Padmanabhan and Paul Fenech. The Audit Committee is independent and is constituted in accordance with the requirements of the Listing Rules, with Faker Hnid being chosen as the member competent in accounting and/or auditing in view of his experience in the field. The Internal Auditor is present at Audit Committee meetings. The Chief Finance Officer and the external auditors of the Company attend the meetings of the Committee by invitation. Other executives are requested to attend when required. The Company Secretary also acts as Secretary to the Audit Committee.

The Committee scrutinises and monitors related party transactions. It considers the materiality and the nature of the related party transactions carried out by the Company to ensure that the arm's length principle is adhered to at all times.

As part of its duties, the Committee receives and considers reports on the system of internal financial controls and the audited statutory financial statements of all companies comprising the Group. The Committee held seven (7) meetings during the year. The external auditors attended all of these meetings.

Remuneration Committee

The Committee is responsible for determining and agreeing with the Board the framework or broad policy for the Remuneration of the Company's chief officers, the Chairman of the Company, the Directors of the Board, and such other members as it is designated to consider. In determining such policy, the Committee takes into account all factors which it deems necessary, including the position of the Group companies relative to other companies in the marketplace. The objective of such policy shall be to ensure that Directors and chief officers are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group companies.

The Remuneration Committee is currently chaired by Mohamed Fadhel Kraiem, the other members being Paul Testaferrata Moroni Viani and Paul Fenech. The Company Secretary, Dr. Francis Galea Salomone, acts as Secretary to the Remuneration Committee. The Remuneration Committee met four (4) times in 2018. The Report of the Committee to the shareholders is set out on pages 50 to 51.

Executive Committee

The day-to-day management of the Company is led by the Chief Executive Officer and supported by the Board of Directors directly and through the Executive Committee. The Executive Committee

is equipped with the necessary decision-making tools and strict Board oversight to facilitate the successful execution of its duties. The Executive Committee provides oversight, guidance and leadership for the management of the business within the guidelines and approval limits set from time to time by the Board of Directors. It recommends and forwards to the Board of Directors those decisions that are outside its approval limits.

The Executive Committee currently chaired by Mohamed Fadhel Kraiem, is also comprised of Nikhil Patil, Jamel Sakka and Sofiane Antar. Attila Keszeg and Edmond Brincat resigned during the year. The Company Secretary acts as Secretary to the Executive Committee. The Executive Committee held four (4) meetings during the year under review.

Principle 6: Information and Professional Development

The Board is responsible for the appointment of the Chief Executive Officer. The Chief Executive Officer, although responsible for the recruitment and selection of senior management, consults with the Remuneration Committee and with the Board on the appointment of senior management.

On joining the Board, Board members are informed in writing by the Company Secretary of the Directors' duties and obligations, relevant legislation as well as rules and bye-laws. In addition, Directors have access to the advice and services of the Company Secretary and the Board is also advised directly, as appropriate, by its legal advisors.

Directors are also provided with a presentation by the departmental heads on the activities of their respective business unit in the Company and subsidiaries. On a regular basis, the Directors receive periodic information on the Group's financial performance and position. The Company Secretary ensures effective information flows within the Board, committees and between senior management and Directors, as well as facilitating

professional development. The Company Secretary advises the Board through the Chairman on all governance matters.

Directors may, in the course of their duties, take independent professional advice on any matter at the Company's expense. The Company will provide for additional individual Directors' training on a requirements basis.

Principle 7: Evaluation of the Board's Performance

The Chairman of the Board informally evaluates the performance of the Board members, which assessment is followed by discussions within the Board. Through this process the activities and working methods of the Board and each committee member are evaluated. Amongst the things examined by the Chairman through his assessment are the following: how to improve the work of the Board further; whether or not each individual member takes an active part in the discussions of the Board and the committees; whether they contribute independent opinions and whether the meeting atmosphere facilitates open discussions. Under the present circumstances the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role as the Board's performance is furthermore also under the scrutiny of the shareholders.

On the other hand, the performance of the Chairman is evaluated by the board of directors of the ultimate controlling party, taking into account the manner in which the Chairman is appointed. The self-evaluation of the Board has not led to any material changes in the Company's governance structures and organisations.

Principle 8: Committees

The Remuneration Committee is dealt with under the Remuneration Report, which also includes the Remuneration Statement in terms of Code Provisions 8.A.3 and 8.A.4.

The Company has opted not to set up a Nomination Committee. Further explanation is provided under the section entitled Non-Compliance with the Code of this Statement.

Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders

The Company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood. During the period under review the Company has maintained an effective communication with the market through a number of Company announcements and press releases.

The Company also communicates with its shareholders through the Company's Annual General Meeting ('AGM'). The Chairman of the Board ensures that all Directors attend the AGM and that both the Chairman of the Board and the Chairman of the Audit Committee are available to answer questions.

Both the Chairman and Chief Executive Officer also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns.

Apart from the AGM, the Company communicates with its shareholders by way of the Annual Report and Financial Statements and also through the Company's website (www.go.com.mt) which also contains information about the Company and its business, including an Investor Relations section.

In addition, the Company holds meetings with major stockbrokers and financial intermediaries, which meetings usually coincide with the publication of financial statements.

The office of the Company Secretary maintains regular communication between the Company and its investors. Individual shareholders can raise matters relating to their shareholdings and the business of the Group at any time throughout

the year, and are given the opportunity to ask questions at the AGM or to submit written questions in advance.

As provided by the Companies Act [Cap. 386], minority shareholders may convene Extraordinary General Meetings.

Principle 11: Conflicts of Interest

The Directors are fully aware of their responsibility always to act in the best interests of the Company and its shareholders as a whole irrespective of whoever appointed or elected them to serve on the Board.

On joining the Board and regularly thereafter, the Directors are informed of their obligations on dealing in securities of the Company within the parameters of law, including the Listing Rules, and Directors follow the required notification procedures.

Directors' interest in the shareholding of the Company:

Number of shares as at 31 December 2018

– Mohamed Fadhel Kraiem	nil
– Sofiane Antar	nil
– Paul Fenech	130,995
– Faker Hnid	nil
– Mohsin Majid	nil
– Jamel Sakka	nil
– Paul Testaferrata Moroni Viani	78,394
– Deepak Srinivas Padmanabhan	nil

Paul Fenech has a beneficial interest in the Company of 130,995 shares through the shareholding of Classic Group Ltd. in GO p.l.c..

Paul Testaferrata Moroni Viani has a beneficial interest in the Company of 75,494 and 2,900 shares through the shareholding of other related parties including Testaferrata Moroni Viani (Holdings) Ltd. and Testaferrata Moroni Viani Ltd. respectively in GO p.l.c..

None of the other Directors of the Company have any interest in the shares of the Company or the Company's subsidiaries or investees or any disclosable interest in any contracts or arrangements either subsisting at the end of the last financial year or entered into during this financial year.

There were no other changes in the Directors' interest in the shareholding of the Company between year-end and 27 February 2019.

Principle 12: Corporate Social Responsibility

As a major presence in the community, GO has always taken its corporate social responsibility very seriously. As in previous years, in 2018 the Group has maintained a steady programme of activities aimed at improving the quality of life of its workforce and their families, as well as of the local community and society at large. L-Istrina was once again an event which was heavily supported by GO, not only in terms of a substantial donation but also in terms of equipment, communications infrastructure and hundreds of man-hours, freely given to ensure the success of this annual fundraiser. GO also continued to support various NGOs. During the year GO also continued to build on the 'GO for the Future' campaign supporting various educational initiatives which encourage reading and a passion for science.

The Company retained a careful eye on environmental considerations in all its activities, as well as ethical behaviour with regards to its interactions with all its stakeholders.

It is always particularly encouraging to note that while employee support for company-driven events is growing from year to year, so are the number of personal initiatives taken, as this is very much in line with the Company's belief in a holistic approach to their work-life balance as well as strengthening community team spirit.

C. Non-compliance with the code

Principle 3: Executive and Non-Executive Directors on the Board

As explained in Principle 3 in Section B, the Board is composed entirely of non-executive Directors. Notwithstanding this, it is considered that the Board, as composed, provides for sufficiently balanced skills and experience to enable it to discharge its duties and responsibilities effectively. In addition, no cases of conflict of interest are foreseen.

Principle 4: Succession Policy for the Board [code provision 4.2.7]

This Code Provision recommends 'the development of a succession policy for the future composition of the Board of Directors and particularly the executive component thereof, for which the Chairman should hold key responsibility.

In the context of the appointment of Directors being a matter reserved exclusively to the Company's shareholders (except where the need arises to fill a casual vacancy) as explained under Principle 3 in Section B, considering that every Director retires from office at the AGM and on the basis of the Directors' non-executive role, the Company does not consider it feasible to have in place such a succession policy.

Principle 6: Succession Plan for Senior Management

Although the Chief Executive Officer is responsible for the recruitment and appointment of senior management, the Company has not established a formal succession plan. This is basically due to the fact that the appointment of senior management is always discussed at the Remuneration Committee and approved by the Board of Directors.

Principle 8 B: Nomination Committee

Pursuant to the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders. Shareholders holding not less than 12% (twelve per centum) of the issued share capital of the Company having voting rights shall be entitled to appoint

one Director for every such 12% holding by letter addressed to the Company. The other shareholders are entitled to appoint the remaining Board members at the AGM in accordance with the provisions of the Articles of Association. The nomination of a candidate by a shareholder is to be seconded by a shareholder or shareholders holding at least 15,000 shares. Within this context, the Board believes that the setting up of a Nomination Committee is currently not suited to the Company since it will not be able to undertake satisfactorily its full functions and responsibilities as envisaged by the spirit of the Code. The Company also considers that some of the functions of the Nomination Committee (particularly those relating to succession planning and the appointment of senior management) are already dealt with by the Remuneration Committee.

Principle 9: Conflicts between Shareholders [code provision 9.3]

Currently there is no established mechanism disclosed in the Company's Memorandum and Articles of Association to trigger arbitration in the case of conflict between the minority shareholders and the controlling shareholders. In any such cases should a conflict arise, the matter is dealt with in the appropriate fora in the Board meetings, wherein the minority shareholders are represented. There is also an open channel of communication between the Company and the minority shareholders via the office of the Company Secretary.

D. Internal controls

The key features of the Group's system of internal controls are as follows:

Organisation

The Group operates through boards of Directors of subsidiaries with clear reporting lines and delegation of powers. The Company's Chairman is also the chairman of the board of Directors of the Company's subsidiaries, except for BM IT Limited, BM Support Services Limited, Bellnet Limited and Kinetix IT Solutions Limited.

Control environment

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

The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives. Lines of responsibility and delegation of authority are documented.

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

Risk identification

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

Information and communication

Group companies participate in periodic strategic reviews which include consideration of long-term financial projections and the evaluation of business alternatives.

Monitoring and corrective action

There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Audit Committee meets regularly during the year and, within its terms of reference as approved by the Listing Authority, reviews the effectiveness of the Group's systems of internal financial controls. The committee receives reports from management, internal audit and the external auditors.

E. General meetings

Shareholders' influence is exercised at the Annual General Meeting (AGM), which is the highest decision-making body of the Company. All shareholders, registered in the Shareholders' Register, have the right to participate in the Meeting and to vote for the full number of their respective shares. A shareholder who cannot participate in the Meeting can be represented by proxy.

Business at the Company's AGM will cover the Annual Report and Financial Statements, the declaration of dividends, election of Directors and the approval of their remuneration, the appointment of the auditors and the authorisation of the Directors to set the auditors' fees. Shareholders' meetings are called with sufficient notice to enable the use of proxies to attend, vote or abstain. The Company clearly recognises the importance of maintaining a regular dialogue with its shareholders in order to ensure that its strategies and performance are understood. It communicates with the shareholders through the AGM by way of the Annual Report and Financial Statements and by publishing its results on a regular basis during the year. This is done through the Investor Relations Section on the Company's internet site, the office of the Company Secretary, and Company announcements to the market in general. A free-phone service is reserved for communication by shareholders with the Company. Regular meetings are held with financial intermediaries and stockbrokers.

Remuneration Committee Report

A. Terms of reference and membership

The Committee is responsible for determining and agreeing with the Board the framework or broad policy for the Remuneration of the Company's Chief Officers, the Chairman of the Company, the Directors of the board, and such other members as it is designated to consider. In determining such policy, the Committee takes into account all factors which it deems necessary, including the position of the Group companies relative to other companies in the marketplace. The objective of such policy shall be to ensure that Directors and Chief Officers are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group Companies.

The Remuneration Committee is composed of Mohamed Fadel Kraiem (Chairman), Paul Testaferrata Moroni Viani and Paul Fenech, all of whom are non-executive Directors of the Company. The Chief Executive Officer (CEO) of the Company is invited to attend the meetings of the Committee. The Company Secretary, Dr. Francis Galea Salomone acts as Secretary to the Remuneration Committee.

B. Meetings

During the period under review the Committee held four meetings. All Committee members attended the four meetings held.

The Committee discussed the following matters:

- Remuneration report;
- Remuneration of Senior Management;
- Approval of bonus to Senior Management and other staff;
- Resignation and appointment of new Chief Officers;
- Approval of performance bonus for 2017; and
- Bonus scheme for 2018.

C. Remuneration policy - Directors

The Board is composed exclusively of non-executive Directors. The determination of remuneration arrangements for Board members is a matter reserved for the Board as a whole. The maximum annual aggregate emoluments that may be paid to Directors is approved by the shareholders in General Meeting in terms of the Articles of Association of the Company. The aggregate amount approved for this purpose during the last Annual General Meeting was €200,000.

The current Directors' fees as approved by the Board are set at €190,146. No Board Committee fees were payable to any of the Directors during the year under review. None of the Directors have service contracts with either the Company or its subsidiaries.

None of the Directors, in their capacity as a Director of the Company or any of its subsidiaries, is entitled to profit sharing, share options or pension benefits. In terms of non-cash benefits, Directors are entitled to a number of services offered by the Company and to health insurance.

Total emoluments received by Directors during the year under review are reported below under section E in terms of the Code Provisions.

D. Remuneration policy – Senior Management

For the purposes of this Remuneration Statement, references to Senior Management shall mean the Chief Executive Officer and the Chief Officers.

The base salaries of all Senior Management are established in accordance with the Company's salary structure. The Remuneration Committee is satisfied that in all cases the base remuneration established is in line with the criteria described in the introduction to this report. In particular, in reaching this conclusion, the Committee has paid due regard to market conditions and remuneration rates offered by comparable organisations for comparable roles and to the established performance-related remuneration and evaluation system.

Members of the Senior Management are each entitled to a cash performance bonus. In addition, the Board of Directors may approve additional bonuses for outstanding performances and achievements. Performance is measured on the basis of appraisals drawn up or endorsed by the CEO. These bonuses constitute the variable

remuneration disclosed in the table below. The rate at which the bonus is paid depends on the Committee's evaluation of the CEO's assessment of the individual officer's performance. Bonuses are calculated on the basis of personal performance, departmental and Company objectives. Total amounts are subject to the discretion of the Remuneration Committee and the Board of Directors.

The Company does not have a policy in place which regulates the terms and conditions of contracts of Senior Management with respect to contract duration, notice periods, termination payments and related matters.

As is the case with Directors, Senior Management are entitled to non-cash benefits in terms of a number of services offered by the Company and to health insurance. None of the Senior Management are entitled to profit sharing, share options or pension benefits.

Total emoluments received by Senior Management during the year under review are reported below under section E in terms of the Code Provisions.

E. Code provisions 8.A.5

Emoluments of Directors

Fixed Remuneration	Variable Remuneration	Share Options	Others
€190,201	None	None	None

Emoluments of Senior Management

Fixed Remuneration	Variable Remuneration	Share Options	Others
€1,347,277	€602,116	None	€1,163



Mohamed Fadhel Kraiem

Chairman, Remuneration Committee

8 March 2019

Independent Auditor's Report

To the Shareholders of GO p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- GO p.l.c.'s Group financial statements and Parent Company financial statements (the financial statements) give a true and fair view of the Group's and the Parent Company's financial position as at 31 December 2018, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

GO p.l.c.'s financial statements, set out on pages 65 to 165 comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2018;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Parent Company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Group and its subsidiaries, in the period from 1 January 2018 to 31 December 2018, are disclosed in Note 23 to the financial statements.

Our audit approach

Overview



Overall group materiality: €1.6 million, which represents 5% of profit before tax

- The Parent Company and 5 subsidiaries are based in Malta, and the financial statements of these entities have been audited by our audit team.
 - The group engagement team performed a full scope audit on all components other than Cablenet Communications Systems Limited, which was audited by other auditors.
 - The group engagement team performed oversight procedures on the work of other auditors.
-
- Assessment of carrying amount of goodwill and intangible assets attributable to the Group
 - Accuracy of the Company's revenue due to complex billing systems and revenue recognition



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Overall group materiality	€1.6 million (2017: €1.4 million)
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €80,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.



Key audit matters

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

Key audit matter

How our audit addressed the Key audit matter

Assessment of carrying amount of goodwill and intangible assets attributable to the Group

Goodwill with a carrying amount of €27.9 million and intangible assets having a carrying amount of €29.7 million as at 31 December 2018, have arisen from a number of acquisitions effected during the preceding financial years. An assessment is required annually to establish whether goodwill and intangible assets that have an indefinite useful life should continue to be recognised, or if any impairment is required. The assessment was performed at the lowest level at which the Group could allocate and assess goodwill, which is referred to as a cash generating unit (CGU). Goodwill and intangible assets arising from acquisitions have been allocated to the Malta CGU and the Cyprus CGU.

The impairment assessment relied on the calculation of a value in use for each of the CGUs. This calculation was based on estimated future cash flows for each CGU, including assumptions around revenue growth, margins and EBITDA levels, discounted at an appropriate weighted average cost of capital. The Group used its business plan as the basis for the first 5 years of cash flows and then extrapolated returns into perpetuity using a terminal growth factor.

We evaluated the suitability and appropriateness of the impairment methodology applied and the discounted cash flow model as prepared by management or independent experts appointed by management.

We assessed the methodology and assumptions used by utilising our independent valuation experts. The calculations used in the model were re-performed to check accuracy and the key inputs in the model were agreed to approved sources.

Management's cash flow forecasts used in the model were assessed by:

- testing that the forecasts agreed to the most recent business plan which had been approved by the Board of Directors;
- considering current year performance against plan and the reasons for any deviation also through discussion with management for each CGU; and
- assessing historical forecasting accuracy through back-testing by reviewing the historical achievement of the business plan given the uncertainties in forecasting, comparing the actual historical cash flow results with previous forecasts, including forecast profit margins to historical margins.



Key audit matter

**Assessment of carrying amount
of goodwill and intangible assets
attributable to the Group – *continued***

The assumptions supporting the underlying forecast cash flows reflect significant judgements as these are affected by unexpected future market or economic conditions. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires judgement. The extent of judgement and the size of the goodwill and intangible assets, resulted in this matter being identified as an area of audit focus.

Relevant references in the Annual Report and Financial Statements:

- Accounting policy : Note 1.6, Note 4.1
- Note on intangible assets: Note 7
- Critical accounting judgements and estimates: Note 4.1

How our audit addressed the Key audit matter

We also focused on understanding and challenging management's future plans for the CGUs and understanding the manner in which the related cash flow forecasts were drawn up. We benchmarked key assumptions in management's forecasts in respect of revenue growth, gross margins and EBITDA margins, to the extent practicable, to relevant economic and industry indicators, where possible.

Our independent valuation experts critically assessed the discount rate and terminal growth rates used in the discounted cash flow models.

The challenge of our valuation experts was focused on the methodology used to determine the discount rates used by each CGU by reference to the overall calculated cost of capital for the Group, and on which benchmarks were the most appropriate in determining the terminal growth rate of cash flows for each CGU. We independently calculated a weighted average cost of capital by making reference to market data and benchmarked the long-term growth rates to market data. We concluded that the parameters utilised by the Group were reasonable, given historic results, economic outlook, industry forecasts and other market data.



Key audit matter

Assessment of carrying amount
of goodwill and intangible assets
attributable to the Group – *continued*

How our audit addressed the Key audit matter

Our discussions with the Audit Committee in respect of this key audit matter focused on the key assumptions, both individually and when combined together. During these discussions, management confirmed their view that the forecast for each CGU remained appropriate and that the key assumptions were subject to oversight.

We assessed the sufficiency of the sensitivity analysis performed by management or independent experts appointed by the Group. Independent sensitivity analysis was performed, making adjustments to a number of modelled assumptions simultaneously to identify any CGUs which were most sensitive to a change in value in use. We critically assessed whether or not a reasonably possible change to the assumptions could result in an impairment considering the sensitivity of the valuations to these assumptions. The deterioration in performance or long-term growth rates which would need to occur, or the increase in discount rate which would need to be applied to the model, that may lead to impairment in one or more CGUs is significant in view of the comfortable levels of headroom with respect to CGU carrying values. We determined that a movement in those key assumptions of this extent is unlikely. The value in use of the two CGUs remains in excess of the carrying amounts by a comfortable headroom.

The appropriateness of disclosures made in relation to goodwill and intangible assets was also reviewed.



Key audit matter	How our audit addressed the Key audit matter
<p>Accuracy of the Company's revenue due to complex billing systems and revenue recognition</p> <p>The accuracy of revenue amounts recorded is an inherent industry risk. This is because telecoms billing systems are complex and process large volumes of data with a combination of different products sold and tariff changes during the year, through a number of different systems.</p> <p>The Company retails subscription packages to customers which include multiple elements and may include discounts and offers, such as services sold for a single package price. The allocation of revenue to each element of a bundled transaction is complex and requires judgement, as described in the Company's accounting policy on Note 1.23. There is a risk that inappropriate allocations could lead to non-compliance with accounting standards and inaccurate acceleration or deferral of revenue.</p> <p>Relevant references in the Annual Report and Financial Statements:</p> <ul style="list-style-type: none">– Accounting policy : Note 1.23	<p>We evaluated the relevant systems and the design of controls, and tested the operating effectiveness of automated and non-automated controls over the:</p> <ul style="list-style-type: none">– capture and recording of revenue transactions comprising services supplied to customers;– authorisation of tariff changes and the input of this information to the billing systems; and– calculation of amounts billed to customers. <p>We also tested the accuracy of a sample of customer bills.</p> <p>We evaluated the Company's revenue recognition policy and management's current year assessment in respect of accounting for bundled transactions against relevant accounting standards and guidance taking cognisance of the adoption of IFRS 15 Revenue from contracts with customers on 1 January 2018.</p>



Key audit matter

Accuracy of the Company's revenue due to complex billing systems and revenue recognition – *continued*

How our audit addressed the Key audit matter

We tested the policy's implementation by:

- performing tests to confirm our understanding of the process by which revenue is calculated by the relevant billing systems as reflected above;
- performing an assessment of the different product bundles and offers made available to customers during the year and confirming the fair value of the different elements of these packages to appropriate evidence of fair value;
- assessing whether revenue should be accelerated or deferred based on the relative fair value of elements delivered at different points during the contract, when compared to the revenue calculated by the relevant billing system; and
- where differences arose between the revenue calculated by the billing system and the revenue recognition profile calculated in accordance with the Company's revenue recognition policy, we assessed the accuracy of those adjustments recognised to align revenue recognised with the Company's accounting policy.

In respect of these key audit matters, we found no significant exceptions in our controls testing and no material misstatements were identified in our substantive testing.



How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's accounting process is structured around a group Finance function at its head office. Supporting Finance functions exist for each of the key business operating areas (Malta and Cyprus), and these report to the Group Finance team as appropriate.

The group audit engagement team in Malta carried out a full scope audit on all components located in Malta, accounting for 81% of Group revenues and 89% of Group profit before tax. The financial statements of Cablenet Communications Systems Limited (the remaining subsidiary within the Group), based in Cyprus, was audited by other auditors, to whom we issued instructions.

Where the work was performed by other auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group Financial statements as a whole. We have reviewed the subsidiary's accounting policies. We have assessed the audit memorandum document prepared by the other auditors and submitted to us, the group reporting package and the audited financial statements, including all relevant financial disclosures. We have reviewed the other auditor's audit working papers utilising a risk-based approach.

The group audit team performed all of this work by applying the overall Group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, the Remuneration Committee Report, the Chairman's Message and the Chief Executive Officer's Review and the Five Year Record (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this Auditor's Report, and the other information comprising *2018 at a Glance*, *Commercial Review and Company Information*, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information, including the Directors' Report.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act [Cap. 386].

Based on the work we have performed, in our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the Maltese Companies Act [Cap. 386].

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' Report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

When we read the *2018 at a Glance, Commercial Review and Company Information*, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance in accordance with International Standards on Auditing.

Responsibilities of the Directors and those charged with governance for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act [Cap. 386], and for such internal control as the Directors determine 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 Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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



Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the 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 Group's or the Parent 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 Group or the Parent 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 fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the Directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the Directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures. In our opinion, the Statement of Compliance set out on pages 42 to 49 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.



Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
 - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
 - The financial statements are not in agreement with the accounting records and returns.
 - We have not received all the information and explanations we require for our audit.
 - Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- under the Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

Appointment

We were first appointed as auditors of the Company on 17 May 2010. Our appointment has been renewed annually by resolution representing a total period of uninterrupted engagement appointment of 9 years.

PricewaterhouseCoopers

78, Mill Street, Qormi, Malta

A handwritten signature in dark ink, appearing to read 'Fabio Axisa'.

Fabio Axisa

Partner

8 March 2019



Financial Statements

2018

Statements of Financial Position

	Notes	Group		Company	
		As at 31 December		As at 31 December	
		2018	2017	2018	2017
		€000	€000	€000	€000
ASSETS					
Non-current assets					
Property, plant and equipment	6	139,646	129,183	102,181	93,720
Intangible assets	7	57,606	62,305	2,908	5,521
Investments in subsidiaries	8	-	-	44,561	33,311
Investments in associate	9	18	18	-	-
Loan receivable from subsidiary	11	-	-	15,600	15,600
Deferred tax assets	13	1,391	2,315	908	1,783
Trade and other receivables	15	2,559	2,005	3,965	1,807
Total non-current assets		201,220	195,826	170,123	151,742
Current assets					
Inventories	14	7,541	8,340	7,314	8,101
Trade and other receivables	15	34,946	33,888	29,722	42,475
Current tax assets		-	41	-	-
Cash and cash equivalents	16	11,725	13,722	10,625	10,925
Total current assets		54,212	55,991	47,661	61,501
Total assets		255,432	251,817	217,784	213,243

		Group		Company	
		As at 31 December		As at 31 December	
		2018	2017	2018	2017
Notes		€000	€000	€000	€000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	58,998	58,998	58,998	58,998
Reserves	18	(2,343)	616	4,269	6,095
Retained earnings		55,983	47,273	57,251	47,645
Total capital and reserves attributable to owners of the Company		112,638	106,887	120,518	112,738
Non-controlling interests		7,539	8,224	-	-
Total equity		120,177	115,111	120,518	112,738
LIABILITIES					
Non-current liabilities					
Borrowings	19	50,286	46,910	35,884	32,021
Deferred tax liabilities	13	2,354	2,716	362	362
Provisions for pensions	20	2,918	2,992	2,918	2,992
Trade and other payables	21	1,947	320	-	320
Total non-current liabilities		57,505	52,938	39,164	35,695
Current liabilities					
Borrowings	19	17,971	21,009	15,090	18,927
Provisions for pensions	20	3,474	3,340	3,474	3,340
Trade and other payables	21	53,273	58,202	37,224	41,824
Current tax liabilities		3,032	1,217	2,314	719
Total current liabilities		77,750	83,768	58,102	64,810
Total liabilities		135,255	136,706	97,266	100,505
Total equity and liabilities		255,432	251,817	217,784	213,243

The notes on pages 75 to 165 are an integral part of these consolidated financial statements.

The financial statements on pages 65 to 165 were authorised for issue by the Board on 8 March 2019 and were signed on its behalf by:



Mohamed Fadhel Kraiem
Chairman



Paul Testaferrata Moroni Viani
Director

Income statements

		Group		Company	
		Year ended 31 December			
	Notes	2018 €000	2017 €000	2018 €000	2017 €000
Revenue	22	171,812	166,301	119,594	118,391
Cost of sales	23	(96,069)	(96,558)	(67,652)	(70,633)
Gross profit		75,743	69,743	51,942	47,758
Administrative and other related expenses	23	(44,287)	(41,439)	(32,367)	(29,878)
Other income	26	1,816	1,507	1,547	1,277
Other expenses	27	(186)	(284)	(100)	(231)
Operating profit		33,086	29,527	21,022	18,926
Analysed as follows:					
EBITDA		69,486	65,574	43,894	42,144
Depreciation and amortisation	23	(36,400)	(36,047)	(22,872)	(23,218)
Operating profit		33,086	29,527	21,022	18,926
Finance income	28	345	327	10,007	9,425
Finance costs	29	(1,761)	(2,180)	(1,255)	(1,194)
Adjustments arising on fair valuation of property	6	-	206	-	206
Losses attributable to investments	10	-	(11)	-	(11)
Profit before tax		31,670	27,869	29,774	27,352
Tax expense	30	(11,227)	(9,867)	(9,984)	(8,988)
Profit for the year		20,443	18,002	19,790	18,364
Attributable to:					
Owners of the Company		18,971	16,694	19,790	18,364
Non-controlling interests		1,472	1,308	-	-
Profit for the year		20,443	18,002	19,790	18,364
Earnings per share (euro cents)	31	18c7	16c5		

The notes on pages 75 to 165 are an integral part of these consolidated financial statements.

Statements of comprehensive income

		Group		Company		
		Year ended 31 December				
		2018	2017	2018	2017	
	Notes	€000	€000	€000	€000	
Comprehensive income						
Profit for the year		20,443	18,002	19,790	18,364	
Other comprehensive income						
<i>Items that will not be reclassified to profit or loss</i>						
Surplus arising on revaluation of land and buildings		6	-	292	-	292
Remeasurements of defined benefit obligations		20	(129)	(57)	(129)	(57)
Income tax relating to components of other comprehensive income						
– Surplus on revaluation of land and buildings		6, 13	-	(21)	-	(21)
– Remeasurements of defined benefit obligations		13, 20	45	20	45	20
Total other comprehensive income for the year, net of tax			(84)	234	(84)	234
Total comprehensive income for the year			20,359	18,236	19,706	18,598

The notes on pages 75 to 165 are an integral part of these consolidated financial statements.

Statements of changes in equity

GROUP		Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings	Total		
	Notes	€000	€000	€000	€000	€000	€000
Balance at 1 January 2017		58,998	266	41,839	101,103	8,099	109,202
Comprehensive income							
Profit for the year		-	-	16,694	16,694	1,308	18,002
Other comprehensive income:							
Surplus arising on revaluation of land and buildings	6	-	292	-	292	-	292
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	13	-	(21)	-	(21)	-	(21)
Remeasurements of defined benefit obligations, net of deferred tax	20	-	(37)	-	(37)	-	(37)
Transfer from retained earnings in relation to insurance contingency reserve	18	-	116	(116)	-	-	-
Total other comprehensive income		-	350	(116)	234	-	234
Total comprehensive income		-	350	16,578	16,928	1,308	18,236
Transactions with owners in their capacity as owners							
Distribution to owners:							
Dividends paid to equity holders	32	-	-	(11,144)	(11,144)	(1,183)	(12,327)
Total transactions with owners in their capacity as owners		-	-	(11,144)	(11,144)	(1,183)	(12,327)
Balance at 31 December 2017		58,998	616	47,273	106,887	8,224	115,111

GROUP (CONTD.)		Attributable to owners of the Company					
	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total €000	Non-controlling interests €000	Total equity €000
Balance at 1 January 2018 – as originally stated		58,998	616	47,273	106,887	8,224	115,111
<i>Impact of changes in accounting policies:</i>							
Transition adjustment upon adoption of IFRS 15 on 1 January 2018	2	-	-	2,663	2,663	-	2,663
Transition adjustment upon adoption of IFRS 9 on 1 January 2018	2	-	-	(1,496)	(1,496)	(151)	(1,647)
Balance at 1 January 2018 – as restated		58,998	616	48,440	108,054	8,073	116,127
Comprehensive income							
Profit for the year		-	-	18,971	18,971	1,472	20,443
Other comprehensive income:							
Remeasurements of defined benefit obligations, net of deferred tax	20, 13	-	(84)	-	(84)	-	(84)
Realisation of insurance contingency reserve - transfer to retained earnings	18	-	(1,742)	1,742	-	-	-
Total other comprehensive income		-	(1,826)	1,742	(84)	-	(84)
Total comprehensive income		-	(1,826)	20,713	18,887	1,472	20,359
Transactions with owners in their capacity as owners							
Distribution to owners:							
Dividends paid to equity holders	32	-	-	(13,170)	(13,170)	(1,267)	(14,437)
Changes in ownership interest that do not result in loss of control:							
Acquisition of non-controlling interests in subsidiary	8	-	(1,133)	-	(1,133)	(739)	(1,872)
Total transactions with owners in their capacity as owners		-	(1,133)	(13,170)	(14,303)	(2,006)	(16,309)
Balance at 31 December 2018		58,998	(2,343)	55,983	112,638	7,539	120,177

COMPANY

	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total €000
Balance at 1 January 2017		58,998	5,745	40,541	105,284
Comprehensive income					
Profit for the year		-	-	18,364	18,364
Other comprehensive income:					
Surplus arising on revaluation of land and buildings	6	-	292	-	292
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	13	-	(21)	-	(21)
Remeasurements of defined benefit obligations, net of deferred tax	20	-	(37)	-	(37)
Transfer from retained earnings in relation to insurance contingency reserve	18	-	116	(116)	-
Total other comprehensive income		-	350	(116)	234
Total comprehensive income		-	350	18,248	18,598
Transactions with owners in their capacity as owners					
Distribution to owners:					
Dividends paid to equity holders	32	-	-	(11,144)	(11,144)
Total transactions with owners in their capacity as owners		-	-	(11,144)	(11,144)
Balance at 31 December 2017		58,998	6,095	47,645	112,738

COMPANY (CONTD.)

	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total €000
Balance at 1 January 2018 – as originally stated		58,998	6,095	47,645	112,738
<i>Impact of changes in accounting policies:</i>					
Transition adjustment upon adoption of IFRS 15 on 1 January 2018	2	-	-	2,663	2,663
Transition adjustment upon adoption of IFRS 9 on 1 January 2018	2	-	-	[1,496]	[1,496]
Balance at 1 January 2018 – as restated		58,998	6,095	48,889	113,982
Comprehensive income					
Profit for the year		-	-	19,790	19,790
Other comprehensive income:					
Remeasurements of defined benefit obligations, net of deferred tax	20, 13	-	[84]	-	[84]
Realisation of insurance contingency reserve - transfer to retained earnings	18	-	[1,742]	1,742	-
Total other comprehensive income		-	[1,826]	1,742	[84]
Total comprehensive income		-	[1,826]	21,532	19,706
Transactions with owners in their capacity as owners					
Distribution to owners:					
Dividends paid to equity holders	32	-	-	[13,170]	[13,170]
Total transactions with owners in their capacity as owners		-	-	[13,170]	[13,170]
Balance at 31 December 2018		58,998	4,269	57,251	120,518

The notes on pages 75 to 165 are an integral part of these consolidated financial statements.

Statements of cash flows

		Group		Company	
		Year ended 31 December			
	Notes	2018 €000	2017 €000	2018 €000	2017 €000
Cash flows from operating activities					
Cash generated from operations	33	63,807	64,933	46,538	50,352
Interest received		3	14	3	14
Interest paid on bank overdrafts		(34)	(30)	(34)	(30)
Tax paid		(8,642)	(6,977)	(5,171)	(4,153)
Tax refund received		57	-	-	-
Payments under voluntary retirement scheme		(2,352)	(813)	(2,352)	(813)
Payments in relation to pension obligations		(82)	(80)	(82)	(80)
Net cash from operating activities		52,757	57,047	38,902	45,290
Cash flows from investing activities					
Payments to acquire property, plant and equipment and intangible assets		(37,793)	(33,931)	(24,627)	(25,365)
Payment for acquisition of non-controlling stake in subsidiary		(1,872)	-	-	-
Loan interest received		-	-	388	-
Loans advanced to subsidiary		-	-	-	(14,600)
Net cash used in investing activities		(39,665)	(33,931)	(24,239)	(39,965)
Cash flows from financing activities					
Proceeds from bank loans		15,000	39,652	15,000	24,652
Repayment of bank loans		(14,911)	(39,233)	(14,911)	(14,969)
Repayment of other loans		-	(6,439)	-	-
Dividends paid		(13,687)	(11,085)	(13,687)	(11,085)
Loan interest paid		(1,656)	(2,150)	(1,228)	(1,075)
Net cash used in financing activities		(15,254)	(19,255)	(14,826)	(2,477)
Net movements in cash and cash equivalents		(2,162)	3,861	(163)	2,848
Cash and cash equivalents at beginning of year		6,013	3,462	5,294	3,756
Exchange differences on cash and cash equivalents		(7)	8	(7)	8
Movement in cash pledged as guarantees		849	(1,318)	849	(1,318)
Cash and cash equivalents at end of year	16	4,693	6,013	5,973	5,294

The notes on pages 75 to 165 are an integral part of these consolidated financial statements.

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Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The consolidated financial statements include the financial statements of GO p.l.c. and its subsidiaries and are prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act [Cap. 386]. They have been prepared under the historical cost convention, except as modified by the fair valuation of certain financial instruments, the land and buildings class within property, plant and equipment, and investment property. Unless otherwise stated, all financial information presented has been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Financial position of the Group

As at 31 December 2018, the Group's current liabilities exceeded its current assets by €23.5 million (2017: €27.8 million). The Group envisages that a significant level of earnings will be generated throughout the forthcoming financial year, through its cash generating units, which will enable the Group to manage effectively its forecasted cash flows and liquidity needs. Furthermore, the Group has unutilised banking facilities which are considered in the context of

the Group's liquidity management programme. These factors are embedded within the Group's cash flow forecasts.

Standards, interpretations and amendments to published standards effective in 2018

In 2018, the Group adopted amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the Group's accounting policies impacting the Group's financial performance and position. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The new accounting policies are disclosed in Note 1 below. The impact of the adoption of these standards is disclosed in Note 2. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Standards, interpretations and amendments to published standards that are not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2018. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the Company's Directors are of the opinion that, except as disclosed below, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.1 Basis of preparation (Contd.)

IFRS 16 'Leases'

IFRS 16 was published in January 2016 and will be effective for GO from 1 January 2019, replacing IAS 17 'Leases'. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The accounting for lessors will not significantly change.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group and the Company have non-cancellable operating lease commitments of €49,455,000 and €44,071,000 respectively. Of these commitments, approximately €920,000 and €915,000 relate to the Group's and the Company's short-term leases and to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group and the Company expect to recognise right-of-use assets of approximately €38,259,000 and €30,338,000 on 1 January 2019 and lease liabilities of €38,263,000 and €30,342,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) respectively.

The Group and the Company expect that net profit before tax will decrease by approximately €457,000 and €391,000 respectively for 2019 as a result of adopting the new requirements. The Group's and the Company's adjusted EBITDA used to measure segment results is expected to increase by approximately €3,879,000 and €2,434,000 respectively, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

The Group's and the Company's operating cash flows will increase and financing cash flows decrease by approximately €3,879,000 and €2,434,000 respectively, as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.2 Consolidation (Contd.)

controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where, for instance the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If this aggregate is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses

are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of acquiring the investment. Provisions are recorded where, in the opinion of the Directors, there is impairment in value. Where there has been impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss. Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, an extension of the Company's investment in that subsidiary. Loans to subsidiaries for which settlement is planned are classified as financial assets measured at amortised cost in accordance with IFRS 9 [Note 1.11.1].

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests, where the acquisition or disposal of partial interests in a subsidiary has no impact on the Group's ability to control the subsidiary's financial and operating policies, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the identifiable net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.2 Consolidation (Contd.)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Joint ventures

The Group has applied IFRS 11 to joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. GO has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method in the consolidated financial statements. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies

of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in joint ventures are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the Directors, there is impairment in value. Where there has been impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of the joint venture are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(e) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.2 Consolidation (Contd.)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/[loss] of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

In the Company's separate financial statements, investments in associates are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the Directors, there is impairment in value. Where there has been impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of the associate are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(f) Business combinations involving entities under common control

Business combinations involving entities under common control are transactions in which all of the combining entities are controlled by the same party or parties before and after the transaction and that control is not transitory. The key feature of a transaction among entities under common control is that there is no change in the ultimate control of the combining entities as a result of the transaction. Control could be exercised by a group of individuals that are all part of the same close family group when they have the collective power to govern the financial and operating policies of the entity.

The Company has chosen to apply the pooling of interests method or predecessor accounting to account for transactions involving entities under common control. The Company accounts for business combinations involving entities under common control by recording:

- (i) the transaction as if it had already taken place at the beginning of the earliest period presented;
- (ii) the assets and liabilities of the acquired entity using predecessor book values from the consolidated financial statements of the controlling party; and
- (iii) the difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity as an adjustment to equity.

When the controlling party does not prepare financial statements, the book values from the financial statements of the acquired entity are used.

1.3 Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group's chief operating decision-maker in accordance with the requirements of IFRS 8 'Operating Segments'.

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.3 Segment reporting (Contd.)

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance executing the function of the chief operating decision-maker.

1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All foreign exchange gains and losses are presented in the income statement within 'other income' or 'other expenses'.

1.5 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings comprise various exchanges, offices and outlets around the Maltese islands. Land and buildings are shown at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property

does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Costs related to customer premises equipment (set top boxes and modems) and TV installations provided for free to subscribers are capitalised within property, plant and equipment.

Notes to the financial statements (Contd.)

- 1. Summary of significant accounting policies (Contd.)
- 1.5 Property, plant and equipment (Contd.)

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged to profit or loss, and then reflected in other comprehensive income and shown as a revaluation reserve.

An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's property portfolio at periodical intervals. The fair values are based on market values, being the estimated amount or price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risk inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The rates of depreciation used for the current and comparative periods are as follows:

	%
Land and buildings	
Buildings	1 - 3
Improvements to leasehold premises	7.14 - 10
Plant and equipment	
Cable, wireless and mobile networks	4 - 33.33
Subscribers' equipment and line	8 - 20
Exchange and junction equipment	8.33 - 20
Radio plant and equipment	10 - 20
Other plant, machinery and equipment	7 - 30
Office furniture and equipment	10 - 25
Air conditioning equipment	10 - 20
Earth station	6.7 - 7
Computer equipment	20 - 33.33
DTTV platform	10 - 50
Customer premises equipment and related assets	25 - 50
Motor vehicles	20 - 35

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.8).

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

When revalued assets are sold, the amounts included in the revaluation reserve relating to the asset are transferred to retained earnings.

1.6 Intangible assets
(a) Indefeasible rights of use
Indefeasible rights of use (IRUs) and Droit de Passage (DDPs) correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres, or dedicated wavelength

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.6 Intangible assets (Contd.)

bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are depreciated over the shorter of the expected period of use and the life of the contract.

(b) Computer software

The Group's computer software comprises software developed by Group entities and software acquired by Group entities. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

(c) Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

Goodwill that is recognised separately within 'intangible assets' is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and also whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use. Impairment losses on goodwill are not reversed.

(d) Licences

Separately acquired licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Notes to the financial statements (Contd.)

- 1. Summary of significant accounting policies (Contd.)
- 1.6 Intangible assets (Contd.)

These costs are amortised over their estimated useful lives.

(e) Brand names

Brand names acquired in a business combination are recognised at fair value at the acquisition date. These assets have a finite useful life and are carried at cost less accumulated amortisation, which amortisation is calculated using the straight-line method over the expected life of the brand. The fair value of the brand names acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned.

(f) Customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

(g) Broadcasting rights

Broadcasting rights represent the payments made in relation to acquiring rights to broadcast various television networks or events. Amortisation is calculated using the straight-line method to allocate the cost of these rights over their contractual life. Premium TV content such as film or sports broadcasting rights, are recognised in the statement of financial position when they are contracted and expensed when broadcast. The cost of premium TV content is recognised in profit or loss on the first broadcast, or where the rights are for a period, seasons or competitions, such rights are principally recognised on a straight-line basis across the period, seasons or competitions.

(h) Technical knowledge

Technical knowledge acquired or developed to a plan or design for the production of new or substantially improved products and processes is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised expenditure on technical knowledge is stated at cost less accumulated amortisation and accumulated impairment losses.

(i) Other intangible assets

Other intangibles include the customer bases acquired by the Group. They have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets to their residual value over their estimated useful lives as follows:

	Years
Indefeasible rights of use (IRUs)	4.75 - 24.75
Computer software	3 - 10
Licences	2 - 15
Leasehold rights on buildings	1.33
Brand names	6 - 10
Customer relationships	5
Technical knowledge	2 - 15
Broadcasting rights	over the period of rights

The assets' residual values and useful lives are reviewed and adjusted as appropriate, at the end of each reporting period.

1.7 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies within the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location, or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the end of the reporting period by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be

reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the Group decides to dispose of an investment property without development, the Group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment. If an item of owner-occupied property becomes an

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.7 Investment property (Contd.)

investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

1.8 Impairment of non-financial assets

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

Goodwill that forms part of the carrying amount of an investment in a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in a joint venture may be impaired.

1.9 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The Group has elected to continue applying the IAS 39 hedge accounting rules. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges); or
- (c) hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80 to 125 percent.

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.9 Derivative financial instruments and hedge accounting (Contd.)

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

Cash flow hedge

The Group designates certain derivative financial instruments as hedging instruments in cash flow hedging relationships to hedge its interest rate risk exposures. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the consolidated income statement under 'Net gains/(losses) on financial instruments classified as held for trading'.

1.10 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

1.11 Financial assets

Classification

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

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which an asset is delivered to or by the Group. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.11 Financial assets (Contd.)

and rewards of ownership or has not retained control of the asset.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains/(losses). Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is

derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as a separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see Note 2 (a) (ii) for further details).

1.12 Inventories

Goods held for resale and other inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average cost method, and comprises the invoiced value of goods, including transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Property held for resale

When the main object of a property is for resale purposes, the asset is classified in the financial statements as inventories. Such property is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development, including costs incurred on demolition, site clearance, excavation, construction and other related activities. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

1.13 Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

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

1.14 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.15 Share capital

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

1.16 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. not at fair value through profit or loss under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.17 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

1.18 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.19 Offsetting financial instruments

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

1.20 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor

taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

1.21 Provisions for legal and other claims

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

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

1.22 Revenue recognition

Revenues include all revenues from the ordinary business activities of GO. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax. GO's business includes mobile services, broadband access to the fixed network

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.22 Revenue recognition (Contd.)

and the internet, television, connection and roaming fees billed to other mobile operators (wholesale business), and sales of mobile handsets, other telecommunications equipment, and accessories.

(a) Sale of goods and services

Revenues are recognised in accordance with the provision of goods or services, provided that collectability of the consideration is probable.

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. 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.

A contract asset must be recognised if GO recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before GO fulfilled a contractual performance obligation and thus recognised revenue.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognised as revenue on fulfillment of the obligation to the customer. This especially concerns the sale of a mobile handset or other telecommunications equipment combined with the conclusion of a mobile or fixed-network telecommunications contract. The total transaction price of the bundled contract is allocated among the individual performance obligations based on

their relative – possibly estimated – standalone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated standalone selling prices of the contractual performance obligations. As a result, the revenue to be recognised for products (often delivered in advance) such as mobile handsets that are sold at a subsidised or nil price in combination with a long-term service contract is higher than the amount billed or collected. This leads to the recognition of a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position. The contract asset is reversed and reduced over the remaining minimum contract period, lowering revenue from the other performance obligations (in this case mobile service revenues) compared with the amounts billed. In contrast to the amounts billed, this results in higher revenue from the sale of goods and lower revenue from the provision of services.

Customer activation fees and other advance one-time payments by the customer that do not constitute consideration for a separate performance obligation are classified as contract liabilities and are deferred and recognised as revenue over the minimum contract term or, in exceptional cases (e.g., in the case of contracts that can be terminated at any time) over the expected contract period. The same applies to fees for installation and set-up activities that do not have an independent value for the customer.

As distinct from promotional offers, options to purchase additional goods or services free of charge or at a discount are separate performance obligations (material rights) for which part of the revenue is deferred as a contract liability until the option is exercised or expires, providing the discount on future purchases is an implicit component of the consideration for the current contract and is also significant. The measure of significance is whether the decision by the (average) customer to enter into the current contract is likely to have been significantly influenced by their right to the future discount.

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.22 Revenue recognition (Contd.)

IFRS 15 provides more detailed guidance on how to account for contract modifications. Changes must be accounted for either as a retrospective change (creating either a catch up or deferral of previously recorded revenues), prospectively with a reallocation of revenues amongst identified performance obligations, or prospectively as separate contracts which will not require any reallocation.

Service offers

GO proposes to customers a range of fixed and mobile telephone services, fixed and mobile internet access services and content offers (TV). Contracts are for a fixed term (generally 24 months). Revenue generated from the use of voice and data communications (comprising fixed and wireless traffic) as well as television is recognised upon rendering of the agreed service, based on use by customers (e.g. call minutes, minutes of traffic or bytes of data processed) or availability over time period (e.g. monthly service costs).

Revenue from calls and messaging is recognised at the time the call or message is effected over the Group's network. For prepaid traffic, the amount of unused traffic generates deferred revenue presented in 'Contract liabilities' on the statement of financial position. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the credit or credit expires.

Revenues from traffic sales and services at a fixed rate over a specified period of time (flat rate) are recognised on a straight-line basis over the term covered by the rate paid by the customer. For service contracts with a continuous service provision, the contractually agreed total consideration is generally recognised as revenue on a straight-line basis over the minimum contract term, regardless of the payment pattern.

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.

Contracts with customers generally do not include a material right, as the price invoiced for contracts and the services purchased and consumed by the customer beyond the specific scope (e.g. additional consumption and options) generally reflect their standalone selling prices. Service obligations transferred to the customer at the same pace are treated as a single obligation.

When contracts include contractual clauses covering commercial discounts (initial discount on signature of the contract) or free offers (e.g. three months of subscription free of charge), the Group defers these discounts or free offers over the enforceable period of the contract (period during which the Group and the customer have a firm commitment).

If the performance obligations are not classified as distinct, the offer revenue is recognised on a straight-line over the contract term.

Separate equipment sales

Equipment (primarily mobile phones) sales may be separate from or bundled with a service offer. When separate from a service offer, the amount invoiced is recognised in revenue on delivery and receivable immediately. Revenue and expenses associated with the sale of telecommunications equipment are recognised when the products are delivered, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. When the equipment sale is combined with a service offer, the amount allocated to the equipment (bundled sale – see below) is recognised in revenue on delivery and received over the service contract.

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.22 Revenue recognition (Contd.)

Bundled equipment and service offers

GO proposes offers to its customers comprising equipment (e.g. a mobile handset) and services (e.g. a communication contract)

Equipment revenue is recognised separately if the two components are distinct (i.e. if the customer can receive the service separately).

Where one of the components in the offer is not at its separate selling price, revenue is allocated to each component in proportion to their individual selling prices. This is notably the case in offers combining the sales of a mobile phone at a reduced or nil price, where the individual selling price of the mobile phone is considered equal to its purchase cost and logistics expenses plus a commercial margin based on market practice.

Wholesale services offers

Where contract services are not covered by a firm volume commitment, revenue is recognised as the services are provided (which corresponds to transfer of control) over the contractual term. Where under contracts, the price, volume and term are defined, related revenue is recognised progressively based on actual traffic during the period, to reflect transfer of control to the customer. Revenue arising from the interconnection of voice and data traffic between other telecommunications operators is recognised at the time of transit across the Group's network. Interconnection revenues are recognised in the period in which the calls are made or traffic used.

Financing

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(b) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

1.23 Contract costs

Contract costs comprise the incremental costs of obtaining a contract (mainly sales commission paid to employees and third-party resellers) and the costs to fulfill a contract. These must be capitalised if it can be assumed that the costs will be compensated by future revenue from the contract. Incremental costs of obtaining a contract are additional costs that would have not been incurred had the contract not been concluded. Costs to fulfill a contract are costs relating directly to a contract that are incurred after contract inception and serve the purpose of fulfilling the contract but are incurred prior to fulfillment and cannot be capitalised under any other standard. GO makes use of the option to immediately recognise contract costs as an expense if the amortisation period of the asset it would have recognised in respect of them, would not have exceeded a year.

The costs of obtaining service contracts are capitalised and released to profit or loss on a straight-line basis over the enforceable contract term or over the estimated period of the customer relationship, if shorter.

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.23 Contract costs (Contd.)

Costs to fulfill a contract, when they qualify as non-distinct from the performance obligation, are capitalised and costs incurred are recorded on a time-apportioned basis over the effective period of the contract. The assumptions underlying the period over which the costs of fulfilling a contract are expensed are periodically reviewed and adjusted in line with observations; termination of the contractual relationship with the customer results in the immediate expensing of the remaining deferred costs. Where the carrying amount of deferred costs exceeds the remaining consideration expected to be received for the transfer of the related goods and services, less expected costs relating directly to the transfer of these goods and services still to be incurred, the excess amount is similarly immediately expensed.

1.24 Customer contract assets and liabilities

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

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

Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Contract liabilities represent amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not transferred yet, such as contracts payable in advance or prepaid packages (previously recognised in deferred income).

1.25 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or a series of payments, the right to use an asset for an agreed period of time.

1.25.1 Operating leases

(a) The Group is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(b) The Group is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with Note 1.5. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.25 Leases (Contd.)

1.25.2 Finance leases

The Group is the lessor

When assets are leased out under finance leases, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to the accounting period is referred to as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

1.26 Employee benefits

(a) Provisions for pensions

As explained in Note 20, following a judgement by the Court of Appeal on 7 July 2008, the Group was required to set up a pension scheme in favour of its eligible employees and former employees within three months of the judgement on a basis similar to that prescribed by the Pensions Ordinance, 1937. Such a scheme is in the form of a defined benefit plan.

A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement. In the Group's case, this amount is dependent on an employee's final compensation upon retirement, as well as completed months of service. Eligibility to the scheme is also dependent on a minimum of 10 years' service and vests only if at retirement date the employee is still in the employment of the Group.

The liability recognised in the statement of financial position in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. A defined benefit obligation is calculated annually using the projected unit credit

method. The present value of a defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields of government or high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

(b) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

1.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

The Company measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. Upon settlement of the dividend payable the Company recognises the difference between the carrying amount of the assets to be distributed and the carrying amount of the dividend payable in profit or loss.

1.28 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the Group's interest-bearing borrowings.

1.29 Accounting policies applicable until 31 December 2017

1.29.1 Financial assets

Classification

The Group classifies its financial assets (other than investment in subsidiaries in the Company's case) in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, i.e. financial assets acquired principally for the purpose of selling in the short-term. A financial asset is also classified in this category if, on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category

are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables principally comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 1.13 and 1.15).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale financial assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months of the end of the reporting period.

Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the settlement date, which is the date on which an asset is delivered to or by the Group.

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

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.29 Accounting policies applicable until 31 December 2017 (Contd.)

transaction costs are expensed in profit or loss. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. The other changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income directly in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.29 Accounting policies applicable until 31 December 2017 (Contd.)

(a) Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in Note 1.13.

(b) Assets classified as available-for-sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

1.29.2 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of

the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within 'administrative expenses'. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in profit or loss.

1.29.3 Deferred expenditure

(a) Accounting for free customer premises equipment and free TV installation services

Expenses relating to customer premises equipment (e.g. set-top boxes and modems) and TV installations provided for free to subscribers are considered as benefits in kind as incentives to motivate subscribers to enter into a fixed-term contract for the provision of DTTV, IPTV and broadband services. In consideration of the conclusion of a binding sale arrangement, the Group is recognising an asset in respect of those benefits prior to recognition in profit or loss. The cost of benefits in kind provided directly to the subscriber is recognised as an asset, if it is probable that economic benefits will be derived from the transaction. These costs are then recognised in profit or loss over the shorter of the customer retention period or the term of the specific binding sale arrangement entered into with subscribers. The Group monitors customer retention regularly and the amortisation policy is re-assessed accordingly if deemed appropriate. The related amortisation charge is deemed as a discount in kind and recognised as reduction in revenue.

Notes to the financial statements (Contd.)

1. Summary of significant accounting policies (Contd.)

1.29 Accounting policies applicable until 31 December 2017 (Contd.)

(b) Accounting for free credits and subsidised mobile handsets

Expenses relating to equipment [e.g. a mobile handset] or discount [e.g. free credit] given by the Group as part of a multi-year subscriber agreement, are recognised as an asset. These costs in the light of the binding sale arrangements being concluded with subscribers comprise multiple components and cover a term longer than one year, hence extending over more than one accounting period. Multiple components generally include the provision of a mobile phone service, other ancillary services and the delivery of related equipment, namely mobile handsets. The components other than the phone service included in the sale arrangements may be separable or not separable from the phone service.

The substance of sale agreements with subscribers is evaluated for the identification of different components and the determination of whether these components are separable from one another. Delivered components are separable if they have value to the subscriber on a stand-alone basis, objective and reliable fair value exists for the undelivered components, the arrangement includes a general right of return for the delivered components, and delivery or performance of the undelivered components is considered probable and substantially in control of the Group. Revenue from separable delivered components is recognised upon satisfaction of the above-mentioned criteria and is measured at fair value using the relative fair value method. This method allocates revenue to each separable component on a pro-rata basis using the fair value attributed to each component when sold separately. The fair value attributed to an undelivered phone service considers an estimated period that is the shorter of the customer retention period and the contract period.

In the case of components that cannot be separated from the phone service [e.g. free credits], the fair value of these components is recognised over the estimated period of the undelivered phone service [generally two years] and netted from the related phone service revenue.

1.29.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised upon delivery of products or performance of services. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Products and services may be sold separately or in bundled packages [multiple element arrangements]. In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met:

- (i) the deliverable has value to the customer on a stand-alone basis; and
- (ii) there is evidence of the fair value of the item.

Notes to the financial statements (Contd.)

- 1. Summary of significant accounting policies (Contd.)
- 1.29 Accounting policies applicable until 31 December 2017 (Contd.)

The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value.

(a) Sale of goods

Sale of goods is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(b) Sale 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 Group 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 calls and messaging is recognised at the time the call or message is effected over the Group'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 from the sale of prepaid credit is deferred until such time as the customer uses the credit or credit expires. Revenue arising from the interconnection of voice and data traffic between other telecommunications operators is recognised at the time of transit across the Group's network.

2. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) Impact on the financial statements

As a result of the changes in the Group's accounting policies and as explained in Note 2(b) and Note 2(c) below, IFRS 9 and IFRS 15 were adopted without restating comparative information. The reclassifications and the adjustments arising from the new requirements 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 shows 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.

Notes to the financial statements (Contd.)

2. Changes in accounting policies (Contd.)

Consolidated statement of financial position (extract)	1 January 2018			
	Based on 31 December 2017 figures as originally reported €000	Impact of adoption of IFRS 9 €000	Impact of adoption of IFRS 15 €000	As restated €000
ASSETS				
Non-current assets				
Trade and other receivables	2,005	-	924	2,929
Total non-current assets	195,826	-	924	196,750
Current assets				
Trade and other receivables	33,888	[1,647]	1,739	33,980
Total current assets	55,991	[1,647]	1,739	56,083
Total assets	251,817	[1,647]	2,663	252,833
EQUITY AND LIABILITIES				
EQUITY				
Retained earnings	47,273	[1,496]	2,663	48,440
Total capital and reserves attributable to owners of the Company	106,887	[1,496]	2,663	108,054
Non-controlling interests	8,224	[151]	-	8,073
Total equity	115,111	[1,647]	2,663	116,127

(b) IFRS 9, 'Financial Instruments' - impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9, 'Financial Instruments' from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 1. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the Group's equity as at 1 January 2018 is as follows:

	Retained earnings €000	Non- controlling interests €000
As originally stated – based on 31 December 2017 figures	47,273	8,224
Adjustment to equity upon adoption of IFRS 9 on 1 January 2018:		
Increase in impairment allowances on trade and other receivables	[1,496]	[151]
As restated	45,777	8,073

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effect resulting from this classification comprised the reclassification of other investments from available-for-sale financial assets to financial assets measured at fair value through profit or loss. This reclassification had no impact on the Group's equity as the investments have had a nil carrying amount for a number of financial years.

The key financial assets presented in the statements of financial position, comprising trade and other receivables, loans receivable from subsidiary and cash equivalents, were classified as loans and receivables measured at amortised cost for IAS 39 purposes and remain categorised as financial assets measured at amortised cost under IFRS 9 requirements.

Notes to the financial statements (Contd.)

2. Changes in accounting policies (Contd.)

(b) IFRS 9, 'Financial Instruments' - impact of adoption (Contd.)

(ii) Impairment of financial assets

The Group has two main types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of services;
- contract assets relating to service contracts with customers.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in Note (b) above.

While loans receivable from subsidiary and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss was insignificant.

Trade receivables and contract assets

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance for the Group as at 31 December 2018 and 1 January 2018 (upon adoption of IFRS 9) was determined as follows:

	1 January 2018						Total
	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	121 to 150 days past due	+150 days past due	
As at 1 January 2018							
Expected loss rate (weighted average)	3%	5%	10%	16%	25%	100%	
Gross carrying amount (€000)	6,997	3,984	2,500	771	680	13,200	28,132
Loss allowance (€000)	191	216	254	124	168	9,804	10,757
							€000
Loss allowance as at 31 December 2017 - utilising IAS 39 principles							9,110
Amounts reflected through restatement of opening retained earnings and opening non-controlling interests as at 1 January 2018							1,647
Opening impairment loss allowance as at 1 January 2018 – utilising IFRS 9 principles							10,757

The impairment loss allowances decreased by €1.2 million for trade receivables and contract assets during the current financial year. Under the incurred loss model of IAS 39, the movement in impairment loss allowances for trade receivables and contract assets would have been a decrease of €509,000 during the current financial year.

(c) IFRS 15, 'Revenue from Contracts with Customers' – Impact of adoption

IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and includes extensive disclosure requirements. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a relative stand-alone selling price basis, based on a five-step model focusing on:

- The identification of contracts, customers and contract amendments;
- The identification of distinct performance obligations (promises made by the supplier), their reference price (individual selling price) and the transfer to the customer of control of performance obligations continuously or at a point in time;
- The determination of the transaction price (consideration promised by the customer), its fixed and variable components (and related recognition restrictions) and its allocation to the performance obligations.

GO decided to adopt the new standard on a modified retrospective basis and the Group recognised the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at 1 January 2018, i.e. the date of initial application. Under this transition method GO did not restate prior year comparatives for the effect of IFRS 15 but instead restated 1 January 2018 opening retained earnings for the full cumulative impact of adopting this standard.

GO utilised the following accounting options:

- GO applied the option for simplified initial application, limiting the retrospective application of IFRS 15 to contracts that have not yet been completely fulfilled at the date of initial application. The contracts that have not yet been completely fulfilled as of 1 January 2018 are accounted for as if they had been recognised in accordance with IFRS 15 from the beginning.
- A significant financing component is not considered for the amount and timing of revenue recognition if the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.
- In general, contract costs whose amortisation period would not be more than one year are immediately recognised as an expense.

The Group has adopted IFRS 15, 'Revenue from Contracts with Customers' from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As outlined previously, in accordance with the transition provisions in IFRS 15, the Group has adopted the new rules without restating comparative information. The adjustments arising from the new requirements are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018 as reflected on the table below.

Notes to the financial statements (Contd.)

2. Changes in accounting policies (Contd.)

(c) IFRS 15, 'Revenue from Contracts with Customers' – Impact of adoption (Contd.)

	IAS 18 carrying amount *	Remeasurement	IFRS 15 carrying amount
	1 January 2018	1 January 2018	1 January 2018
	€000	€000	€000
Trade and other receivables			
Contract assets			
– current amounts	6,374	1,122	7,496
– non-current amounts	852	464	1,316
Costs incurred in obtaining contracts			
– current amounts	-	832	832
– non-current amounts	-	245	245

* The amounts in this column are before the adjustments from the adoption of IFRS 9. The amounts reflect the reclassification and separate presentation of contract assets as at 1 January 2018, which assets were already recognised as at 31 December 2017 but presented within other line items as part of trade and other receivables [refer to Note 15].

The total impact on the Group's retained earnings, restated by the impact of IFRS 9, as at 1 January 2018 is as follows:

Retained earnings – as originally stated - based on 31 December 2017 figures	45,777
Adjustments to retained earnings upon adoption of IFRS 15 on 1 January 2018:	
Increase in contract assets	1,585
Recognition of costs incurred in obtaining contracts	1,078
Retained earnings as restated	48,440

Measurement

(i) Accounting for commissions

GO pays commissions to its sales employees and resellers on sale of contracts. Under IAS 18, these were expensed in the year in which they were incurred as they did not qualify for recognition as an asset under any of the applicable accounting standards. However, these costs relate directly to contracts, generate resources used in satisfying the contract and are expected to be recovered. Under the new rules of IFRS 15 and following the Group's adoption of IFRS 15, these commissions are capitalised as costs of obtaining a contract and included within trade and other receivables in the statement of financial position. The asset is amortised on a straight line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. As at 1 January 2018, the capitalised amount of commissions amounted to €1,078,000, which amount was recognised in the opening statement of financial position on 1 January 2018. The financial results for the financial year under review have been favourably impacted by an amount of €230,000 in view of this change in accounting policy.

Notes to the financial statements (Contd.)

2. Changes in accounting policies (Contd.)

(c) IFRS 15, 'Revenue from Contracts with Customers' – Impact of adoption (Contd.)

(ii) Accounting for discounts

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, the Company recognised a contract asset of €1,585,000 in view of these discounts, which contract asset was recognised in the opening statement of financial position as at 1 January 2018.

The financial results for the financial year under review have been favourably impacted by an amount of €283,000 in view of this change in accounting policy.

The following tables contain relevant line items from the consolidated financial statements for the year ended 31 December 2018 in accordance with IFRS 15 as well as the previous accounting treatment in accordance with IAS 18:

	IFRS 15 €000	IAS 18 €000	Change €000
Consolidated statements of financial position (extract)			
ASSETS			
Trade and other receivables			
Non-current			
Contract assets recognised solely under IFRS 15	-	464	[464]
Contract assets previously presented within other items	852	852	-
Costs incurred in obtaining contracts	-	245	[245]
Other items within trade and other receivables	212	212	-
	1,064	1,773	[709]
Current			
Contract assets recognised solely under IFRS 15	-	1,122	[1,122]
Contract assets previously presented within other items	6,374	6,374	-
Costs incurred in obtaining contracts	-	832	[832]
Other items within trade and other receivables	124	124	-
	6,498	8,452	[1,954]
Consolidated income statement (extract)			
Revenue	171,812	171,529	283
Administrative and other related expenses	[44,287]	[45,555]	1,268
Tax expense	[11,227]	[11,769]	542

Notes to the financial statements (Contd.)

2. Changes in accounting policies (Contd.)

(c) IFRS 15, 'Revenue from Contracts with Customers' – Impact of adoption (Contd.)

The impacts of the reclassification from deferred expenditure/inventories to property, plant and equipment in respect of free customer premises equipment and free TV installation services are disclosed separately in Note 6 to the financial statements.

The impact of the changes in accounting policies on the Company's financial statements do not differ substantially from those presented for the Group.

3. Financial risk management

3.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management, covering risk exposures for all subsidiaries, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective company's financial performance. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Accordingly, the Company's Board of Directors provides principles for overall Group risk management, as well as risk management policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency, which would be considered a foreign currency. The Group's and the Company's revenues, purchases and operating expenditure, financial assets and liabilities, including financing, are mainly denominated in euro. However, a portion of the Group's revenues and purchases, including interconnect traffic, and certain capital expenditure are denominated in foreign currencies and accordingly the Group is potentially exposed to foreign exchange risk arising from such transactions.

The Group's main risk exposures reflecting the carrying amount of receivables and payables denominated in foreign currencies at the end of the reporting periods were as follows:

Notes to the financial statements (Contd.)

3. Financial risk management (Contd.)

3.1 Financial risk factors (Contd.)

GROUP	31 December 2018			31 December 2017		
	USD €000	GBP €000	SDR €000	USD €000	GBP €000	SDR €000
Trade receivables	463	72	2	1,021	259	1
Trade payables	(833)	(25)	(30)	(250)	(25)	(29)
Net recognised receivables/(payables) denominated in foreign currency	(370)	47	(28)	771	234	(28)
Available funds in foreign currency	47	386	-	246	140	-
Net exposure	(323)	433	(28)	1,017	374	(28)
COMPANY						
Trade receivables	463	72	2	1,014	251	1
Trade payables	(833)	(25)	(30)	(223)	(25)	(29)
Net recognised receivables/(payables) denominated in foreign currency	(370)	47	(28)	791	226	(28)
Available funds in foreign currency	47	386	-	246	140	-
Net exposure	(323)	433	(28)	1,037	366	(28)

Management does not consider foreign exchange risk attributable to recognised assets and liabilities arising from transactions denominated in foreign currencies, presented within the tables above, to be significant. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The interest rate profile of the Group's and the Company's interest-bearing financial instruments at the end of the reporting periods is analysed below:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Financial assets measured at amortised cost				
<i>Subject to floating rates</i>				
Bank balances	11,725	13,722	10,625	10,925
	11,725	13,722	10,625	10,925
<i>Subject to fixed rates</i>				
Loans from subsidiaries	-	-	15,600	15,600
Other receivables *	229	229	229	229
	229	229	15,829	15,829
Total	11,954	13,951	26,454	26,754

Notes to the financial statements (Contd.)

3. Financial risk management (Contd.)

3.1 Financial risk factors (Contd.)

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Financial liabilities measured at amortised cost				
<i>Subject to floating rates</i>				
Bank overdrafts	(6,349)	[6,174]	(3,969)	[4,096]
Bank loans	(62,060)	[61,745]	(47,060)	[46,852]
Total	(68,409)	[67,919]	(51,029)	[50,948]

* The amounts attributable to other receivables disclosed above are stated gross of provisions for impairment.

The Company's significant instruments which are subject to fixed interest rates consist principally of loans to related parties. In this respect, the Company is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

The Group's interest rate risk principally arises from bank borrowings issued at variable rates that are partially offset by balances held with banks subject to floating interest rates, which expose the Group to cash flow interest rate risk. Floating interest rates on these financial instruments are linked to reference rates such as Euribor or the respective banker's base rate. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments taking into consideration refinancing, renewal of existing positions, alternative financing and hedging techniques.

Based on the analysis referred to above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period as a measure of cash flow interest rate risk. An increase/(decrease) of 100 basis points (2017: 100 basis points) would have (decreased)/increased the profit for the Group and Company by €684,000 and €511,000 respectively [2017: (decrease)/increase in profit by €661,000 and €511,000], which principally takes into account the impact of this shift on the interest amounts arising on variable interest borrowings as at 31 December 2018. Accordingly, the Group's financial results are substantially independent of changes in market interest rates and the level of interest risk to the Group is deemed to be quite contained.

(iii) Price risk

The Group is not exposed to equity securities price risk attributable to investments held by the Group in view of impairment charges reflected in relation to the cost of the investment, bringing its carrying amount down to nil (2017: nil) (Note 12).

Notes to the financial statements (Contd.)

3. Financial risk management (Contd.)

3.1 Financial risk factors (Contd.)

(b) Credit risk

Credit risk principally arises from cash and cash equivalents comprising deposits with financial institutions, and loans to related parties, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. The Group's and the Company's principal exposures to credit risk as at the end of the reporting period are analysed as follows:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Carrying amount				
<i>Financial assets measured at amortised cost:</i>				
Loans receivable from subsidiaries	-	-	15,600	15,600
Trade and other receivables	17,735	19,956	17,157	30,473
Cash and cash equivalents	11,725	13,722	10,625	10,925
	29,460	33,678	43,382	56,998

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Group does not hold any significant collateral as security in this respect. The figures disclosed in the table above in respect of trade and other receivables exclude prepayments.

Trade and other receivables (including contract assets)

The Group assesses the credit quality of its trade customers, the majority of which are unrated, taking into account financial position, past experience and other factors. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. It has policies in place to ensure that sales of services are effected to customers with an appropriate credit history. Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Group's standard payment and service delivery terms and conditions are offered. The creditworthiness analysis for new customers includes a review through external creditworthiness databases when available. The Group monitors the performance of its trade and other receivables on a regular basis to identify incurred collection losses, which are inherent in the Group's debtors, taking into account historical experience in collection of accounts receivable.

In view of the nature of the Group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the Group's trade and other receivables. Whilst no individual customer or group of dependent customers is considered by management as a significant concentration of credit risk with respect to contractual debts, these material exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the respective Group undertaking and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults.

The Group manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. The Group's trade and other receivables, which are not credit impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any significant losses from non-performance by these customers.

Notes to the financial statements (Contd.)

3. Financial risk management (Contd.)

3.1 Financial risk factors (Contd.)

Impairment of trade and other receivables (including contract assets)

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. On that basis, the loss allowance for the Group as at 31 December 2018 and 1 January 2018 (upon adoption of IFRS 9) was determined as follows:

	30 days past due	60 days past due	90 days past due	120 days past due	150 days past due	150+ days past due	Total
31 December 2018							
Expected loss rate	3%	5%	10%	16%	25%	100%	
Gross carrying amount (€000)	9,433	2,621	2,297	951	1,030	9,445	25,777
Loss allowance (€000)	213	161	284	156	181	8,601	9,596
1 January 2018							
Expected loss rate	3%	5%	10%	16%	25%	100%	
Gross carrying amount (€000)	6,997	3,984	2,500	771	680	13,200	28,132
Loss allowance (€000)	191	216	254	124	168	9,804	10,757

Disclosure of the Company's expected loss rates do not differ substantially from those presented for the Group in the table above.

Notes to the financial statements (Contd.)

3. Financial risk management (Contd.)

3.1 Financial risk factors (Contd.)

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. The closing loss allowances for trade and other receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
	Expected loss model	Incurred loss model	Expected loss model	Incurred loss model
<i>Trade receivables</i>				
Balance at 1 January - as originally reported	9,110	10,616	7,999	9,337
Transition adjustment upon adoption of IFRS 9	1,647	-	1,419	-
Balance at 1 January - as restated	10,757	10,616	9,418	9,337
Decrease in loss allowance recognised in profit or loss during the year	(1,161)	(1,506)	(887)	(1,338)
Balance at 31 December	9,596	9,110	8,531	7,999
<i>Other receivables</i>				
Balance as at 1 January and 31 December	229	229	229	229

The Group established an allowance for impairment that represented its estimate of incurred losses in respect of trade and other receivables. The individually credit impaired trade receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Provisions for impairment in respect of credit impaired balances with corporate trade customers relate to entities, which are in adverse trading and operational circumstances. Reversals of provisions for impairment of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Group and the Company do not hold any significant collateral as security in respect of the credit impaired assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 180 days past due.

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

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Notes to the financial statements (Contd.)

3. Financial risk management (Contd.)

3.1 Financial risk factors (Contd.)

The group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Ageing analysis of trade receivables

The ageing of trade receivables at the end of the reporting period was as follows:

	Gross carrying amount	Credit loss allowances - expected loss model	Gross carrying amount	Credit loss allowances - incurred loss model	Credit loss allowances - incurred loss model
	31 December 2018	31 December 2018	31 December 2017	31 December 2017	1 January 2018
	€000	€000	€000	€000	€000
Group					
Up to 30 days	9,433	166	6,997	-	191
31 to 60 days	2,621	125	3,984	-	216
61 to 90 days	2,297	204	2,500	-	254
Over 90 days	11,426	9,101	14,651	9,110	10,096
	25,777	9,596	28,132	9,110	10,757
Company					
Up to 30 days	7,154	178	5,488	-	160
31 to 60 days	2,273	141	3,398	-	184
61 to 90 days	2,105	254	2,195	-	189
Over 90 days	9,663	7,958	11,001	7,999	8,885
	21,195	8,531	22,082	7,999	9,418

As at 31 December 2018, trade receivables of €3,487,000 (2017: €2,539,000) and €3,952,000 (2017: €2,539,000) for the Group and the Company respectively, were past due but not credit impaired. Such past due debtors comprise debts allocated to the over 180 days category and the balances would in certain cases be recovered through offsetting of balances due to the Group with contractual liabilities owed to the same customer. These past due debtors mainly relate to a number of independent customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the Group's past due debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above. Categorisation of receivables as past due is determined by the Group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

At 31 December 2018 and 2017, the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated is not deemed material in the context of the Group's trade receivables figures.

Cash and cash equivalents

The Group principally banks with local and European financial institutions with high-quality standing or rating.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Loans receivable from subsidiaries and amounts due from subsidiaries

The Company's receivables include loans receivable from subsidiaries and other amounts owed by subsidiaries (Notes 11 and 15). The Company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Company assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Company takes cognisance of the related party relationship with these entities and management does not expect any significant losses from non-performance or default.

Loans receivable from subsidiary are categorised as Stage 1 for IFRS 9 purposes (i.e performing) in view of the factors highlighted above. The expected credit loss allowances on such loans are based on the 12 month probability of default, capturing 12 month expected losses and hence are considered insignificant.

Since the other balances owed by subsidiaries are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. Accordingly, the expected credit loss allowance attributable to such balances is insignificant.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 19) and trade and other payables (Note 21). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

Management monitors liquidity risk by reviewing expected cash flows through cash flow forecasts, and ensures that no additional financing facilities are expected to be required over the coming year. This is performed at a central treasury function, which controls the overall liquidity requirements of the Group within certain parameters. The Group ensures that it has sufficient cash on demand, within pre-established benchmarks, to meet expected operational expenses and servicing of financial obligations over specific short-term periods, excluding the potential impact of extreme circumstances that cannot reasonably be predicted. The Group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the Group's committed bank borrowing facilities and other financing that it can access to meet liquidity needs. In this respect, management does not consider liquidity risk to the Group as significant taking into account the liquidity management process referred to above.

The tables below analyse the Group's and the Company's financial liabilities, which expose the reporting entity to liquidity risk, into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

Notes to the financial statements (Contd.)

3. Financial risk management (Contd.)

3.1 Financial risk factors (Contd.)

GROUP	Carrying amount €000	Contractual cash flows €000	6 months or less €000	6-12 months €000	1-5 years €000	After 5 years €000
Bank loans	61,908	66,569	6,925	6,116	42,792	10,736
Bank overdrafts	6,349	6,349	6,349	-	-	-
Trade and other payables	50,007	50,007	48,060	-	1,947	-
31 December 2018	118,264	122,925	61,334	6,116	44,739	10,736
Bank loans	61,745	67,238	8,138	7,697	35,580	15,823
Bank overdrafts	6,174	6,174	6,174	-	-	-
Trade and other payables	52,775	52,775	51,817	638	320	-
31 December 2017	120,694	126,187	66,129	8,335	35,900	15,823
COMPANY						
Bank loans	47,004	49,818	6,695	5,412	33,498	4,213
Bank overdrafts	3,969	3,969	3,969	-	-	-
Trade and other payables	33,803	33,803	33,803	-	-	-
31 December 2018	84,776	87,590	44,467	5,412	33,498	4,213
Bank loans	46,852	49,733	7,907	7,466	27,585	6,775
Bank overdrafts	4,096	4,096	4,096	-	-	-
Trade and other payables	38,057	38,057	37,126	611	320	-
31 December 2017	89,005	91,886	49,129	8,077	27,905	6,775

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The Group monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the respective statement of financial position, plus net debt.

Notes to the financial statements (Contd.)

3. Financial risk management (Contd.)

3.2 Capital risk management (Contd.)

The figures in respect of the Group's and the Company's equity and borrowings are reflected below:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Borrowings (Note 19)	68,257	67,919	50,974	50,948
Less: Cash and cash equivalents (Note 16)	(11,725)	(13,722)	(10,625)	(10,925)
Net debt	56,532	54,197	40,349	40,023
Total equity	120,177	115,111	120,518	112,738
Total capital	176,709	169,308	160,867	152,761
Net debt ratio	32.0%	32.0%	25.1%	26.2%

The Group manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital, as reflected in the consolidated statement of financial position, is maintained by reference to the Group's respective financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the Directors.

3.3 Fair values of financial instruments and non-recurring fair value measurements

Fair value estimation in relation to financial instruments measured at fair value

The Group's financial instruments, which are carried at fair value, include the Group's investments (Note 12).

The Group is required to disclose fair value measurements by level of a fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value (Level 1, 2 or 3). The different levels of the fair value hierarchy are defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly i.e. as prices, or indirectly i.e. derived from prices (Level 2).
- Inputs for the asset or liability that are not based on observable market data i.e. unobservable inputs (Level 3).

The fair value of financial assets traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of financial assets and other financial instruments (e.g. over-the-counter derivatives) that are not traded in an active market, is determined by using valuation techniques, principally discounted cash flow models. When the Group uses valuation techniques, it makes assumptions that are based on market conditions existing at the end of each reporting period. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Fair values of financial instruments not carried at fair value

At 31 December 2018 and 2017, the carrying amounts of certain financial instruments not carried at fair value comprising cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances to related parties and other balances with related parties, which are short-term or repayable on demand, is equivalent to their carrying amount. The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount of the Company's non-current loans receivable from subsidiaries fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's non-current floating interest rate bank borrowings at the end of the reporting period is not significantly different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group's management also makes judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

4.1 Impairment testing

IFRSs require management to undertake an annual test for impairment of goodwill and non-financial assets having an indefinite useful life, and require management to test for impairment if events or changes in circumstances indicate that the carrying amount of a non-financial asset having a finite useful life may not be recoverable. For the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The Group also assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets or cash-generating units can be supported by the net present value of future cash flows derived from such assets or cash-generating units using cash flow projections, which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, in particular those derived from the Group's cash-generating units, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of growth in earnings before interest, taxation, depreciation and amortisation (EBITDA); developments in number of subscribers and average revenue per user (ARPU); long-term growth rates; and the selection of discount rates to reflect the risks involved. Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

4.2 Business combinations

The definition of control encompasses three distinct principles, which, if present, identify the existence of control by the Group over an investee, hence forming a parent-subsidiary relationship: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. When the Group assesses whether it has power over an investee, it needs to assess whether any rights it has are protective [rather than substantive], whether rights held by other investors are protective, or whether other parties have substantive rights that can prevent the Group from directing the relevant investee's activities [for example, veto rights]. Protective rights are different to substantive rights. Protective rights are considered as rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate. Given that power is required to control an investee, if the Group only has protective rights it will not control the investee.

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Allocation of the purchase price affects the results of the Group as intangible assets with a finite life are amortised, whereas intangible assets with an indefinite life and goodwill are not amortised. Identifiable intangible assets may include licences, customer bases and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exist. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

4.3 Provisions for pension obligations

The Group exercises judgement in measuring and recognising provisions for its pension obligations because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. In the Company's case, the specific judgements involved are more subjective, taking cognisance of the nature of the Company's obligations and the ongoing developments in this respect.

4.4 Fair valuation of property

The Group's land and buildings category of property, plant and equipment and investment property are fair valued on the basis of professional advice, which considers current market prices for the properties. Fair valuation of property requires the extensive use of judgement and estimates.

4.5 Estimation of useful life

The useful life used to amortise intangible assets relates to the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The useful lives and residual values of the Group's property, plant and equipment are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

Notes to the financial statements (Contd.)

4. Critical accounting estimates and judgements (Contd.)

4.5 Estimation of useful life (Contd.)

Assessment of matters referred to above

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these consolidated financial statements, which have been highlighted above, are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

The Directors also draw attention to the fact that there are no assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Segment information

5.1 Operating segments

The Group's internal reporting organisation and structure is such that Telecommunication services (Malta) and Data Centre services are treated as one business segment taking cognisance of continued technology, market, consumer demand and product developments, which further demonstrate the inextricable linkage of these two service lines. The following summary describes the operations in each of these service lines:

Telecommunication Services (Malta) comprise the Group's fixed-line telephony services, mobile telephony services, digital television services, sale of broadband, internet services and other business communication solutions provided within Malta.

Data Centre Services comprise the Group's data centre facilities and ICT solutions in Malta. The operations and activities of Kinetix IT Solutions Limited, a subsidiary, have been allocated to this service line.

Cash flows generated and returns secured from these services are significantly interdependent, also in the context of commonality of risks to which the Group is exposed as a result of the provision of these services and in the context of commonality of customer base. Management of these services lines has been adapted to reflect the factors mentioned above, with a view to achieving synergies and to approach the business market in a manner focusing on the evolution of customer demands.

The operations of the Cypriot subsidiary, Cablenet Communications Systems Limited, constitute a reportable segment (Cyprus CGU) in view of the specific nature and characteristics of the Cypriot telecommunications sector, giving rise to a varied degree of business risks and returns. The company provides broadband, cable television and telephony services.

Taking cognisance of the Group's internal reporting organisation and structure, the Group defined its two reportable segments as the Malta CGU (Telecommunications services Malta and Data Centre services on a combined basis) and the Cyprus CGU, which are viewed as the Group's key and distinct strategic business units and its cash generating units as they represent the lowest level at which separately identifiable cash flows can be identified.

The Group's internal reporting to the Board of Directors and Senior Management is analysed according to these two segments. For each of these two strategic business units, the Board of Directors reviews internal management reports at least on a monthly basis.

Notes to the financial statements (Contd.)

5. Segment information (Contd.)

5.1 Operating segments (Contd.)

Information about reportable segments

	Malta		Cyprus		Total	
	2018	2017	2018	2017	2018	2017
	€000	€000	€000	€000	€000	€000
Total revenue	138,423	135,409	33,415	30,983	171,838	166,392
Inter-segment revenue	(26)	(91)	-	-	(26)	(91)
Revenue from external customers	138,397	135,318	33,415	30,983	171,812	166,301
Reportable segment profit before tax	29,687	27,049	1,983	820	31,670	27,869
Tax	(11,008)	(9,829)	(219)	(38)	(11,227)	(9,867)
Results for reportable segments	18,679	17,220	1,764	782	20,443	18,002
<i>Information about profit or loss:</i>						
Finance income	793	502	-	-	793	502
Finance costs	(1,255)	(1,194)	(955)	(1,163)	(2,210)	(2,357)
Depreciation and amortisation	(25,739)	(25,957)	(6,961)	(10,090)	(36,400)	(36,047)
Other non-cash items						
Losses attributable to investments	-	(11)	-	-	-	(11)
Credit loss allowances in respect of trade receivables	(941)	(1,482)	(220)	(24)	(1,161)	(1,506)
Adjustments on fair valuation of land and buildings	-	206	-	-	-	206
Reportable segment assets	189,201	185,536	83,887	82,739	273,088	268,275
Capital expenditure	26,725	23,107	11,051	9,323	34,171	32,430
Reportable segment liabilities	105,375	108,396	47,536	44,768	152,911	153,164

Notes to the financial statements (Contd.)

5. Segment information (Contd.)

5.1 Operating segments (Contd.)

A reconciliation of reportable segment results, assets and liabilities and other material items, to the amounts presented in the consolidated financial statements, is as follows:

	Total	
	2018	2017
	€000	€000
Profit		
Total profit for reportable segments and consolidated profit after tax	20,443	18,002
Assets		
Total assets for reportable segments	273,088	268,275
Inter-segment eliminations	(17,656)	(16,458)
Consolidated total assets	255,432	251,817
Liabilities		
Total liabilities for reportable segments	152,911	153,164
Inter-segment eliminations	(17,656)	(16,458)
Consolidated total liabilities	135,255	136,706

5.2 Information about geographical segments

The Group's revenues are derived from operations carried out in Malta and in Cyprus. However both segments also derive revenue from incoming interconnect traffic and inbound roaming from foreign administrators worldwide. Considering the nature of the Group's activities, its non-current assets are predominantly located in Malta and Cyprus.

5.3 Information about major customers

The Group does not have any particular major customer, as it largely derives revenue from a significant number of customers availing of its services. Accordingly, the Group does not deem necessary any relevant disclosures in respect of reliance on major customers.

6. Property, plant and equipment

GROUP	Land and buildings €000	Plant and equipment €000	Customer premises equipment and related assets €000	Motor vehicles €000	Payments on account and assets in course of construction €000	Total €000
At 1 January 2017						
Cost or valuation	6,477	329,713	-	871	371	337,432
Accumulated depreciation	(1,200)	(209,089)	-	(693)	-	(210,982)
Net book amount	5,277	120,624	-	178	371	126,450
Year ended 31 December 2017						
Opening net book amount	5,277	120,624	-	178	371	126,450
Additions	255	28,212	-	147	-	28,614
Reclassifications						
– cost	(452)	823	-	-	(371)	-
– accumulated depreciation	398	(398)	-	-	-	-
Revaluation of land and buildings						
– effect on cost or valuation	75	-	-	-	-	75
– effect on accumulated depreciation	423	-	-	-	-	423
Disposals and write-offs	-	(16,811)	-	-	-	(16,811)
Depreciation charge	(562)	(25,698)	-	(68)	-	(26,328)
Depreciation released on disposals and write-offs	-	16,760	-	-	-	16,760
Closing net book amount	5,414	123,512	-	257	-	129,183
At 31 December 2017						
Cost or valuation	6,355	341,937	-	1,018	-	349,310
Accumulated depreciation	(941)	(218,425)	-	(761)	-	(220,127)
Net book amount	5,414	123,512	-	257	-	129,183
Year ended 31 December 2018						
Opening net book amount - as originally stated	5,414	123,512	-	257	-	129,183
Reclassification on 1 January 2018 upon adoption of IFRS 15, of customer premises equipment from:						
– Deferred expenditure	-	-	3,446	-	-	3,446
– Inventories	-	-	1,308	-	-	1,308
Opening net book amount - as restated	5,414	123,512	4,754	257	-	133,937
Additions	15	27,370	4,770	77	442	32,674
Disposals and write-offs	-	(21,469)	-	(499)	-	(21,968)
Depreciation charge	(219)	(24,044)	(2,588)	(90)	-	(26,941)
Depreciation released on disposals and write-offs	-	21,445	-	499	-	21,944
Closing net book amount	5,210	126,814	6,936	244	442	139,646
At 31 December 2018						
Cost or valuation	6,370	347,838	9,524	596	442	364,770
Accumulated depreciation	(1,160)	(221,024)	(2,588)	(352)	-	(225,124)
Net book amount	5,210	126,814	6,936	244	442	139,646

Notes to the financial statements (Contd.)

6. Property, plant and equipment (Contd.)

COMPANY	Land and buildings €000	Plant and equipment €000	Customer premises equipment and related assets €000	Motor vehicles €000	Payments on account and assets in course of construction €000	Total €000
At 1 January 2017						
Cost or valuation	4,235	266,051	-	800	362	271,448
Accumulated depreciation	[457]	[179,133]	-	[739]	-	[180,329]
Net book amount	3,778	86,918	-	61	362	91,119
Year ended 31 December 2017						
Opening net book amount	3,778	86,918	-	61	362	91,119
Additions	164	19,751	-	-	-	19,915
Reclassifications						
– cost	[452]	814	-	-	[362]	-
– accumulated depreciation	398	[398]	-	-	-	-
Revaluation of land and buildings						
– effect on cost or valuation	75	-	-	-	-	75
– effect on accumulated depreciation	423	-	-	-	-	423
Disposals and write-offs	-	[16,719]	-	-	-	[16,719]
Depreciation charge	[364]	[17,419]	-	[29]	-	[17,812]
Depreciation released on disposals and write-offs	-	16,719	-	-	-	16,719
Closing net book amount	4,022	89,666	-	32	-	93,720
At 31 December 2017						
Cost or valuation	4,022	269,897	-	800	-	274,719
Accumulated depreciation	-	[180,231]	-	[768]	-	[180,999]
Net book amount	4,022	89,666	-	32	-	93,720
Year ended 31 December 2018						
Opening net book amount - as originally stated	4,022	89,666	-	32	-	93,720
Reclassification on 1 January 2018 upon adoption of IFRS 15, of customer premises equipment from:						
– Deferred expenditure	-	-	3,446	-	-	3,446
– Inventories	-	-	1,308	-	-	1,308
Opening net book amount - as restated	4,022	89,666	4,754	32	-	98,474
Additions	-	17,422	4,770	-	-	22,192
Disposals and write-offs	-	[21,407]	-	[431]	-	[21,838]
Depreciation charge	[50]	[15,822]	[2,588]	[25]	-	[18,485]
Depreciation released on disposals and write-offs	-	21,407	-	431	-	21,838
Closing net book amount	3,972	91,266	6,936	7	-	102,181
At 31 December 2018						
Cost or valuation	4,022	265,912	9,524	369	-	279,827
Accumulated depreciation	[50]	[174,646]	[2,588]	[362]	-	[177,646]
Net book amount	3,972	91,266	6,936	7	-	102,181

The Group's land and buildings are secured as collateral for the Group's banking facilities.

Subsequent to the adoption of IFRS 15, free customer premises equipment and free TV installation services are treated as property, plant and equipment taking into account prevailing market accounting practice and guidance in this respect in the context of the interpretation of IFRS 15 principles. These assets were previously categorised as deferred expenditure upon installation and as inventories prior to installation. The unamortised carrying amount of installed assets as at 1 January 2018, amounting to €3,446,000, was reclassified from deferred expenditure to property, plant and equipment. The carrying amount of assets not yet installed amounting to €1,308,000 as at 1 January 2018 was reclassified from inventories to property, plant and equipment. Amortisation of these assets for the year ended 31 December 2018 was accordingly presented within depreciation of property, plant and equipment within cost of sales; whereas amortisation for the preceding financial year was disclosed within other operating costs included in cost of sales.

With effect from 1 January 2018, the amortisation period of these assets was modified from 2 years to 4 years to reflect the estimated useful life of these assets. The impact of this change in accounting estimate on the current year results is equivalent to a favourable impact of €1,198,000.

Fair valuation of property

The Company's land and buildings within property, plant and equipment were revalued on 31 December 2017 by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. Management have reviewed the carrying amounts of the properties as at 31 December 2018, on the basis of assessments by the independent property valuers, and no adjustments to the carrying amounts were deemed necessary as at that date taking cognisance of the developments that occurred during the current financial year.

Valuations were made on the basis of open market value taking cognisance of the specific location of the properties, the size of the sites together with their development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

During the year ended 31 December 2017, the carrying values of the Company's properties have been adjusted to the valuations and a resultant adjustment comprised an increase of €498,000. These adjustments were deemed necessary to reflect the properties' estimated open market value on an individual asset level. Increases amounting to €206,000 were recognised in profit or loss, whereas the other movements amounting to €292,000 have been recognised in other comprehensive income as an adjustment to the revaluation reserve within shareholders' equity.

The subsidiary's leasehold property was revalued on 31 December 2016 by an independent firm of property valuers having appropriate professional qualifications and experience in the category of the property being valued. Management has reviewed the carrying amount of the property as at 31 December 2018 and no adjustments to the carrying amounts were deemed necessary as at that date.

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group's land and buildings, within property, plant and equipment, comprise exchanges, warehouses, offices and retail outlets. All the recurring property fair value measurements at 31 December 2018 and 2017 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the years ended 31 December 2018 and 2017.

A reconciliation from the opening balance to the closing balance of land and buildings for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above. The changes during the year are mainly attributable to the movement in the fair value of land and buildings, additions and depreciation charge.

Valuation processes

The valuations of the properties are performed regularly on the basis of valuation reports prepared by independent and qualified valuers. These reports are based on both:

- information provided by the respective company which is derived from the company's financial systems and is subject to the company's overall control environment; and
- assumptions and valuation models used by the valuers – the assumptions are typically market-related. These are based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by the Chief Finance Officer (CFO). This includes a review of fair value movements over the period. When the CFO considers that the valuation report is appropriate, the valuation report is recommended to the Audit Committee. The Audit Committee considers the valuation report as part of its overall responsibilities.

At the end of every reporting period, the CFO assesses whether any significant changes or developments have been experienced since the last external valuation. This is supported by an assessment performed by the independent firm of property valuers. The CFO reports to the Audit Committee on the outcome of this assessment.

Valuation techniques

The external valuations of the Company's Level 3 property have been performed using predominantly an adjusted sales comparison approach. In view of a limited number of similar sales in the local market, the valuations have been performed using unobservable inputs. The significant input to this approach is generally a sales price per square metre related to transactions in comparable properties located in proximity to the Group's property, with significant adjustments for differences in the size, age, exact location and condition of the property. The term airspace is a conceptual unit representing a packet of three-dimensional accessible, usable and developable space. The concept of sales price factor per airspace or square metre is the value expected to be fetched on the open market and represents the present value of the property after deduction of all development, refurbishment and related costs.

Information about fair value measurements using significant unobservable inputs (Level 3)

COMPANY	At 31 December 2018 and 2017		
	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Description by class based on highest and best use			€
Current use as office premises	Adjusted sales comparison approach	Sales price per square metre	1,000 – 2,650 (1,500)

The subsidiary's property was revalued as at 31 December 2016 on the basis of its current use as office premises. The valuation amounting to €750,000 was based on the valuer's assessment of the open market value of the subsidiary's property after taking into account the limitations on its potential uses. The external valuation of the Level 3 property has been performed using the capitalised rentals approach. In view of the limited market information available, the valuation has been performed using unobservable inputs. The significant unobservable inputs include a capitalisation rate applied at 7.5%, which is effectively the discount rate adjusted for anticipated growth, and the expected annual rental value taking into account the rental rate per square metre of €30 daily, determined by reference to comparable properties located in proximity to the subsidiary's property with adjustments for differences in the size, age, exact location and condition of the property.

The Group's improvements to premises not owned, have not been included in the analysis above.

The higher the sales price per square metre or the sales price factor per airspace/square metre, the higher the resultant fair valuation. The higher the rental rate per square metre, the higher the resultant fair valuation. Conversely the lower the capitalisation rate, the higher the fair value. The highest and best use of the properties referred to above is equivalent to their current use.

If the land and buildings were stated on the historical cost basis, the carrying amounts would be as follows:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Cost	5,649	5,634	3,473	3,473
Accumulated depreciation	(1,079)	(904)	(509)	(474)
At 31 December	4,570	4,730	2,964	2,999

Depreciation charge

The depreciation charge for the year is recognised in profit or loss as follows:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Cost of sales	26,108	24,126	18,143	17,497
Administrative and other related expenses	833	2,202	342	315
	26,941	26,328	18,485	17,812

Recoverability of the telecommunications infrastructure

At 31 December 2018, the Group's telecommunications infrastructure and licences together with other related tangible and intangible assets, attributable to the Malta and Cyprus CGUs, were carried at a total of €104,723,000 and €38,024,000 respectively. No impairment indicators were identified by management in respect of these CGUs as at the end of the reporting period (Note 7).

7. Intangible assets

GROUP	IRUs and DDPs €000	Computer software €000	Brand names, customer relationships and related assets €000	Licences €000	Goodwill €000	Broadcasting rights €000	Total €000
At 1 January 2017							
Cost	14,462	15,490	21,725	5,945	28,266	10,948	96,836
Accumulated amortisation/ impairment	(2,173)	(13,987)	(4,301)	(4,522)	(349)	(3,820)	(29,152)
Net book amount	12,289	1,503	17,424	1,423	27,917	7,128	67,684
Year ended 31 December 2017							
Opening net book amount	12,289	1,503	17,424	1,423	27,917	7,128	67,684
Additions	1,462	197	-	-	-	2,157	3,816
Development	-	524	-	-	-	-	524
Expiration of rights	-	-	-	-	-	(804)	(804)
Amortisation charge	(1,516)	(811)	(2,188)	(386)	-	(4,818)	(9,719)
Amortisation released on expiration of rights	-	-	-	-	-	804	804
Closing net book amount	12,235	1,413	15,236	1,037	27,917	4,467	62,305
At 31 December 2017							
Cost	15,924	16,211	21,725	5,945	28,266	12,301	100,372
Accumulated amortisation/ impairment	(3,689)	(14,798)	(6,489)	(4,908)	(349)	(7,834)	(38,067)
Net book amount	12,235	1,413	15,236	1,037	27,917	4,467	62,305
Year ended 31 December 2018							
Opening net book amount	12,235	1,413	15,236	1,037	27,917	4,467	62,305
Additions	1,643	514	-	-	-	1,773	3,930
Development	-	830	-	-	-	-	830
Expiration of rights	(432)	-	(1,456)	-	-	(4,062)	(5,950)
Amortisation charge	(1,466)	(920)	(2,699)	(385)	-	(3,989)	(9,459)
Amortisation released on expiration of rights	432	-	1,456	-	-	4,062	5,950
Closing net book amount	12,412	1,837	12,537	652	27,917	2,251	57,606
At 31 December 2018							
Cost	17,135	17,555	20,269	5,945	28,266	10,012	99,182
Accumulated amortisation/ impairment	(4,723)	(15,718)	(7,732)	(5,293)	(349)	(7,761)	(41,576)
Net book amount	12,412	1,837	12,537	652	27,917	2,251	57,606

Notes to the financial statements (Contd.)

7. Intangible assets (Contd.)

COMPANY	IRUs and DDPs €000	Computer software €000	Brand names and related assets €000	Broadcasting rights €000	Licences €000	Total €000
At 1 January 2017						
Cost	1,119	1,912	1,462	10,948	5,945	21,386
Accumulated amortisation	(900)	(1,912)	(1,462)	(3,820)	(4,522)	(12,616)
Net book amount	219	-	-	7,128	1,423	8,770
Year ended 31 December 2017						
Opening net book amount	219	-	-	7,128	1,423	8,770
Additions	-	-	-	2,157	-	2,157
Expiration of rights	-	-	-	(804)	-	(804)
Amortisation charge	(202)	-	-	(4,818)	(386)	(5,406)
Amortisation released on expiration of rights	-	-	-	804	-	804
Closing net book amount	17	-	-	4,467	1,037	5,521
At 31 December 2017						
Cost	1,119	1,912	1,462	12,301	5,945	22,739
Accumulated amortisation	(1,102)	(1,912)	(1,462)	(7,834)	(4,908)	(17,218)
Net book amount	17	-	-	4,467	1,037	5,521
Year ended 31 December 2018						
Opening net book amount	17	-	-	4,467	1,037	5,521
Additions	-	-	-	1,773	-	1,773
Expiration of rights	(432)	-	(1,456)	(4,062)	-	(5,950)
Amortisation charge	(13)	-	-	(3,989)	(385)	(4,387)
Amortisation released on expiration of rights	432	-	1,456	4,062	-	5,950
Closing net book amount	4	-	-	2,251	652	2,907
At 31 December 2018						
Cost	687	1,912	6	10,012	5,945	18,562
Accumulated amortisation	(683)	(1,912)	(6)	(7,761)	(5,293)	(15,655)
Net book amount	4	-	-	2,251	652	2,907

Amortisation charge

The amortisation charge for the year is recognised in profit or loss within 'cost of sales'.

Goodwill

Goodwill arising on business combinations is allocated to the different CGUs as follows:

	2018 €000	2017 €000
Malta	4,354	4,354
Cyprus	23,563	23,563

Goodwill arising on the acquisition of Cablenet amounting to €23,563,000 has been allocated to the Cyprus CGU, whereas goodwill arising on the acquisition of Kinetix amounting to €335,000 has been allocated to the Malta CGU. Other goodwill arising on business combinations effected in previous financial years has been allocated to the Malta CGU. The recoverable amount of the cash-generating units has been estimated by management on the basis of value in use (VIU) reflecting the net present value of future cash flows derived from such cash-generating units. The net present value of the future cash flows is based on the five year cash flow forecast within the operational plan approved by the Board of Directors and the extrapolation of the cash flow forecast beyond the five year period through the estimation of terminal values.

The key assumptions in the determination of the recoverable amount of the CGUs are the levels of forecast EBITDA, the terminal value growth rates applied to the estimated cash flows beyond the explicit forecast period and the discount rate.

Budgeted EBITDA levels for the Malta CGU have been principally based on past experience adjusted for market developments and industry trends, in particular the following factors over the five year period:

- expected continued downward trend in revenue from fixed voice services; forecast growth in revenue streams from data services, TV and mobile driven by growth in subscribers and ARPU; and
- higher margins in the fixed voice services, TV and mobile are expected due to a lower cost base primarily in view of reduced interconnection charges, forecast containment of TV content costs and management of payroll cost whilst the Group is expecting an increase in EBITDA margins for the data services due to a fixed nature of certain key elements in its cost base.

Forecast EBITDA levels for the Cyprus CGU are mainly based on past experience modified for market developments and industry trends, taking cognisance of the following key factors throughout the forecast explicit period:

- forecast overall growth in revenue primarily driven by a significant increase in the number of retail cable subscribers in view of the entity's standing and competitive advantage in the market; and
- projected higher gross profit margins as a result of lower negotiated prices giving rise to lower termination costs throughout the projection period, together with lower maintenance costs of international capacity as a result of lower acquisition costs for international capacity.

The estimated terminal value growth rates and post-tax discount rates for CGUs, applied as at 31 December 2018 and 2017 are discounted in the table below:

	Terminal value growth rate %	Post-tax discount rate %	Terminal value growth rate %	Post-tax discount rate %
	2018	2018	2017	2017
	€000	€000	€000	€000
Malta	2.1	6.5	1.8	8.1
Cyprus	2.0	11.0	2.0	11.0

These parameters have been principally based on market observable data.

Management's estimation of the VIU indicates that there is significant headroom between the estimated recoverable amount and the carrying amount of the CGUs. Accordingly, management's views are that there appear to be no reasonable possible changes in key assumptions on which it has based its determination of the CGUs' recoverable amount that would cause the carrying amount to exceed VIU.

Brand names and customer relationships acquired in business combinations, and related assets

Brand names and customer relationships acquired in business combinations are allocated to CGUs as follows:

	Brand Names			Customer relationships		
	Acquisition date fair value	Year-end carrying amount	Year-end carrying amount	Acquisition date fair value	Year-end carrying amount	Year-end carrying amount
		2018	2017		2018	2017
	€000	€000	€000	€000	€000	€000
Cyprus CGU	4,295	4,295	4,295	12,480	6,930	8,780
Malta CGU	1,876	257	878	9,778	450	674

The intangibles acquired throughout the Cablenet acquisition have been allocated to the Cyprus CGU, constituting the aggregate of the assets allocated to this CGU, whereas those attributable to the acquisition of Kinetix with an acquisition date fair value of €507,000 for brand and €1,122,000 for customer relationships, have been allocated to the Malta CGU. The carrying amount of intangible assets attributable to the Malta CGU at 31 December 2018 and 2017 mainly pertains to assets arising on the acquisition of Kinetix. Brands acquired through business combinations incorporate trade names, trademarks, service marks, trade dress, branding and internet domain names. These have been generally valued using the Relief From Royalty method (RFR).

The brand name acquired through the acquisition of Kinetix with an acquisition date fair value of €507,000 was deemed to be impaired as at 31 December 2018, since the Directors envisage a high probability that the use of this brand name will be discontinued during 2019.

Customer bases comprise customer contracts (renewable), customer relationships and customer list. These have been generally valued using the Multi-Period Excess Earnings method (MEEM).

The RFR method was used to value Cablenet's brand. The RFR method assumes that the intangible asset has a fair value based on royalty income attributable to it. The royalty rate represents hypothetical savings enjoyed by the entity that owns the intangible asset, because that entity is relieved from having to license that intangible asset from another owner and pay royalties to use the intangible asset. In the valuation of the Cablenet brand, the cash flows were derived from the projected total revenues in conjunction with a royalty rate of 1.5%. A discount rate of 13.9% was used for the valuation of the brand and as at the end of 2020, the residual value was based on a terminal growth rate of 1.5%. An indefinite useful life was deemed appropriate for the Cablenet brand.

The MEEM method was used to value Cablenet's customer relationships. In valuing the customer relationships, the total cash flows for the acquired customers were based on an estimate of historical customer retention rates and the projected revenues and operating margins going forward. The MEEM is used as a basis for the fair value of an intangible asset based on a residual notion. The principle behind the MEEM is that the fair value of an intangible asset can be determined by estimating the cash flows that are expected to be generated by several assets in combination and deducting the cash flows attributable to all of the other assets that contribute to the cash flows (contributory charges). The 'excess' cash flows are ascribed to the intangible assets and the fair values based on the present value of those cash flows attributable only to the intangible assets. It is presumed that the contributory assets are leased from a third party. All considerations refer to the attributable fair value of the relevant asset. The applied contributory asset charges (CACs - sometimes referred to as 'economic rents') consider the return of the asset and the return on the asset with the latter comprising a reasonable interest on the capital invested.

In respect of the valuation of customer relationships, total projected revenue attributable to existing customer relationships was estimated on the basis of:

- Existing number of subscribers by service line;
- Projected revenue growth (before churn) for existing customer relationships;
- Projected ARPU by service line; and
- Projected churn rate by service line for existing customer relationships.

EBIT margins were assumed to be equal to the EBIT margin of the overall business operations of Cablenet, adjusted for the royalty of Cablenet's brand amounting to 1.5% of the revenue attributable to existing relationships. CACs as a percentage of revenue have been applied including principally a 'return-of' and a 'return-on' contributory asset charge for depreciable assets. The 'return-on' contributory asset charge reflects the required rate of return on depreciable assets.

A discount rate for the valuation of the customer relationships intangible asset of 12.9% was utilised after considering the relatively higher level of risk for the customer relationships as compared to the overall business operations of Cablenet. The residual reflects excess earnings attributable to beyond the explicit period, extrapolated assuming an ARPU growth rate and churn rate which are held constant at end of explicit period levels. The useful life of the retail customer relationships intangible asset was estimated at ten years, whilst the useful life of the business customer relationships intangible asset was established at five years.

Disclosures in respect of intangible assets attributable to the acquisition of Kinetix were not deemed necessary in view of the immateriality of the carrying amount of the intangible assets. Other related intangible assets primarily comprise customer bases and IP addresses acquired by the Group.

8. Investments in subsidiaries

	Company	
	2018 €000	2017 €000
Cost and carrying amount at 1 January	33,311	33,311
Capitalisation of amount receivable from subsidiary	11,250	-
Cost and carrying amount at 31 December	44,561	33,311

The carrying amount of the investments at 31 December 2018 and 2017 is equivalent to the cost of the investments. The subsidiaries at 31 December 2018 and 2017 are shown below:

Subsidiaries	Registered office	Percentage of shares held		Nature of business
		2018 %	2017 %	
Innovate Software Limited	GO, Fra Diegu Street, Marsa, Malta	99.9	99.9	Development of software, including implementation, support and maintenance
BMIT Technologies p.l.c. (previously known as GO Data Centre Services Limited)	Building SCM02 Level 2 SmartCity Ricasoli, Kalkara Malta	99.9	99.9	Investment holding
Cablenet Communications Systems Limited	41 – 49 Agiou Nicolaou Street Block A, Nimeli Court 3rd Floor, 2408, Egkomi Nicosia Cyprus	51.0	51.0	Provision of broadband, cable television, and telephony services

BMIT Technologies p.l.c. (BMITT) holds 99.9% (2017: 99.9%) in Bellnet Limited, BM IT Limited and BM Support Services Limited and 99.9% (2017: 51%) in Kinetix IT Solutions Limited. The companies provide co-location and internet services, technical assistance, leasing of plant and equipment and IT solutions. The registered office of all the companies is Building SCM 02, Level 2 SmartCity Malta, Ricasoli, Kalkara, Malta.

Further investment in BMIT Technologies p.l.c. and subsequent disposal of non-controlling stake in the company

By virtue of an extraordinary general meeting held on 3 October 2018, GO Data Centre Services Limited modified the structure of its share capital by increasing its authorised share capital to thirty million (30,000,000) shares of one euro (€1) each.

On 25 October 2018, through a resolution signed by the shareholders of the company, GO Data Centre Services Limited was converted to a public limited liability company and changed its name to BMIT Technologies p.l.c.

On 25 October 2018, the shareholders of the BMITT resolved that eleven million two hundred and forty nine thousand five hundred and thirty one (11,249,531) shares of a nominal value of one euro (€1) each, all fully paid up, be issued by the company and allotted in favour of GO by way of capitalisation of an amount of eleven million two hundred and forty nine thousand and five hundred and thirty one euro (€11,249,531) due by the company to GO.

On 25 October 2018 BMITT redesignated its share capital by sub-dividing its current shares from having a nominal value of one euro (€1) each into shares having a nominal value of €0.10 each, and increased its authorised share capital to thirty million euro (€30,000,000) divided into three hundred million (300,000,000) ordinary shares of ten euro cents (€0.10) each.

	2018 €000
Cost and carrying amount at 1 January	9,449
Capitalisation	11,250
Cost and carrying amount at 31 December	20,699

On 29 November 2018, GO announced that it intends to dispose of up to 49% of its shareholding in BMITT by means of an initial public offering of the shares in BMITT at an offer price of forty nine euro cent (€0.49) per share. This was approved during an extraordinary general meeting held on 3 December 2018.

On 20 December 2018 an application was made to the Listing Authority for all ordinary shares of BMITT to be admitted to listing on a regulated market and a prospectus was submitted to, for approval by, the Listing Authority in respect of the proposed initial public offering. The prospectus has been approved on 7 January 2019 for the initial public offering of up to 49% of the ordinary shares of BMITT. On 7 February 2019, GO announced that the offer for sale of 99,761,701 ordinary shares in BMITT at the offer price of forty nine euro cents (€0.49) per share was oversubscribed and accordingly GO was disposing of 49% of its shareholding in BMITT, thus retaining control over the subsidiary.

Shares in BMITT were admitted to listing on the Official List of the Malta Stock Exchange on 15 February 2019, whereas trading commenced on 18 February 2019.

The impacts of the disposal of the non-controlling stake on GO's financial position upon disposal is reflected in the tables below:

GROUP	2018 €000
Proceeds received	48,883
Non-controlling interests recognised upon disposal	(3,368)
Excess of consideration received	45,515
COMPANY	2018 €000
Proceeds received	48,883
Carrying amount of non-controlling stake disposed of	(10,143)
Excess of consideration received recognised in profit or loss	38,740

Acquisition of non-controlling stake in subsidiary

On 1 March 2018, the Group exercised its option to acquire the remaining 49% of the issued share capital of Kinetix for a purchase consideration of €1,872,000. As at the date of this transaction, the carrying amount of the non-controlling interests in this subsidiary was €739,000. The purchase consideration exceeded the amounts attributable to the non-controlling interests as at that date by €1,133,000, which difference was recognised in equity. The Group now holds 100% of the equity share capital of the subsidiary.

The effect of changes in the ownership interest in Kinetix IT Solutions on the equity attributable to owners of the Group is summarised as follows:

	2018 €000
Carrying amount of non-controlling interests acquired	739
Consideration paid to non-controlling interests	(1,872)
Excess of consideration paid recognised in parent's equity	(1,133)

9. Investments in associate

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Carrying amount at 1 January	18	18	-	-

During the year ended 31 December 2016, a subsidiary acquired an investment in an associate, MIGS Limited, a company registered in Malta, with its registered address at Level 1, Suite No 5, Tower Business Centre, Tower Street, Swatar, Birkirkara BKR 4013, Malta. The company's principal activity is to organise events, seminars, conferences, training programmes and other initiatives oriented towards knowledge development in different sectors and to promote lifelong education in general. In view of the immateriality of this investment to GO as a reporting entity in terms of the requirements of IFRS 12 'Disclosure of interest in other entities', the disclosure of the summarised financial information and other matters in accordance with the requirements of IFRS 12 is not deemed necessary. The 40% stake in this entity was acquired for an amount of €18,000. The company has negative capital and reserves as at 31 December 2018 amounting to €6,584 and registered a loss for the year after tax amounting to €2,103 [2017: capital and reserves of €1,188 and loss of €2,385].

10. Investment in Forthnet

GO is the direct owner of a total of 24,887,737 shares in Hellenic Company for Telecommunications and Telematic Applications S.A. (Forthnet), a Greek company listed on the Athens Stock Exchange, which provides fixed line telephony services, broadband services and satellite pay TV services in Greece. This is equivalent to a total direct shareholding in Forthnet of 15.197% [2017: 15.197%] and equivalent voting power. GO's Board of Directors considers that GO still exercises significant influence on Forthnet taking into account the composition of the Board of Forthnet and Forthnet's management structure. Forthnet is categorised as an associate with a nil carrying amount.

As at 31 December 2018, the listed price of Forthnet's equity quoted on the Athens Stock Exchange, within the Companies under Surveillance segment, was €0.11 per ordinary share taking cognisance of the thin trading activity levels on the Stock Exchange. The value ascribed to GO's interest in Forthnet, based on the quoted price of the equity at the end of the reporting period, determined with the limitation referred to above, was €2.7 million.

Summarised financial information and other disclosures

In view of the matters highlighted above and the fact that the investments had a nil carrying amount, the Group's associate is not deemed material to GO as a reporting entity in terms of the requirements of IFRS 12 'Disclosure of interest in other entities'. Therefore, the disclosure of the summarised financial information and other matters in accordance with the requirements of IFRS 12 is not deemed necessary.

11. Loans receivable from subsidiary

	Company	
	2018 €000	2017 €000
Non-Current		
Carrying amount at 1 January	15,600	-
Advances effected during the year	-	15,600
Carrying amount at 31 December	15,600	15,600

The non-current advances as at 31 December 2018 to Cablenet mature on 30 June 2026. Loans receivable are secured by a floating charge on the subsidiary's assets and are subject to a floating interest rate computed using a margin of 0.353% over the subsidiary's banker's base rate.

12. Other investments

	Group and Company	
	2018 €000	2017 €000
Cost	1,770	1,770
Accumulated fair value losses	(1,770)	(1,770)
Carrying amount	-	-

At 31 December 2018 and 2017, these assets consisted of equity investment in Loqus Holdings p.l.c.. This equity investment was deemed to be impaired and accordingly its carrying amount was written down to nil.

The carrying amount of loans receivable from the investee, included in other receivables, amounting to €229,000 (2017: €229,000), had also been written down to nil in view of the impairment indicators highlighted above [Note 15].

13. Deferred tax assets and liabilities

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period. The principal tax rate used in respect of Malta based Group companies is 35% [2017: 35%], with the exception of deferred taxation on the fair valuation of non-depreciable property, which is computed on the basis applicable to disposals of immovable property i.e. principally tax effect of 10% [2017: 10%] of the transfer value. The tax rate applied in Cyprus in respect of the taxable profits attributable to Cablenet is 12.5% [2017: 12.5%].

The balance at 31 December represents temporary differences attributable to:

	Assets		Liabilities		Net	
	2018 €000	2017 €000	2018 €000	2017 €000	2018 €000	2017 €000
GROUP						
Depreciation of property, plant and equipment	-	-	(4,797)	(3,410)	(4,797)	(3,410)
Fair valuation of land and buildings	-	-	(362)	(362)	(362)	(362)
Intangible assets	-	-	(1,770)	(2,429)	(1,770)	(2,429)
Provisions for pensions and other liabilities	2,237	2,217	-	-	2,237	2,217
Credit loss allowances on trade receivables and other assets	3,046	2,900	-	-	3,046	2,900
Unabsorbed capital losses	683	683	-	-	683	683
Tax assets/(liabilities)	5,966	5,800	(6,929)	(6,201)	(963)	(401)
Offsetting	(4,575)	(3,485)	4,575	3,485	-	-
Net tax assets/(liabilities)	1,391	2,315	(2,354)	(2,716)	(963)	(401)
COMPANY						
Depreciation of property, plant and equipment	-	-	(4,873)	(3,657)	(4,873)	(3,657)
Fair valuation of land and buildings	-	-	(362)	(362)	(362)	(362)
Intangible assets	-	-	(125)	(257)	(125)	(257)
Provisions for pensions and other liabilities	2,237	2,217	-	-	2,237	2,217
Credit loss allowances on trade receivables and other assets	2,986	2,797	-	-	2,986	2,797
Unabsorbed capital losses	683	683	-	-	683	683
Tax assets/(liabilities)	5,906	5,697	(5,360)	(4,276)	546	1,421
Offsetting	(4,998)	(3,914)	4,998	3,914	-	-
Net tax assets/(liabilities)	908	1,783	(362)	(362)	546	1,421

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period. The deferred tax assets and liabilities reflected in other comprehensive income relate to fair valuation of property, plant and equipment and to movements in provisions for pensions attributable to actuarial assumptions.

Capital losses are only available for offset against future capital gains.

The movement in the Group's deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances is as follows:

GROUP	Balance 1 January 2017 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31 December 2017 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31 December 2018 €000
Property, plant and equipment	(2,439)	(971)	-	(3,410)	(1,387)	-	(4,797)
Intangible assets	(2,772)	343	-	(2,429)	659	-	(1,770)
Provisions for pensions and other liabilities	2,220	(23)	20	2,217	(25)	45	2,237
Expected credit losses on trade receivables and other assets	3,423	(523)	-	2,900	146	-	3,046
Unabsorbed capital losses	683	-	-	683	-	-	683
Investment tax credits	528	(528)	-	-	-	-	-
	1,643	(1,702)	20	(39)	(607)	45	(601)
Revaluation of land and buildings	(324)	(17)	(21)	(362)	-	-	(362)
	1,319	(1,719)	(1)	(401)	(607)	45	(963)

At 31 December 2018 and 2017, the Group had unrecognised deferred tax asset amounting to €46,552,000 in respect of impairment and other losses on investments.

Notes to the financial statements (Contd.)

13. Deferred tax assets and liabilities (Contd.)

The movement in the Company's deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances, is as follows:

COMPANY	Balance 1 January 2017 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31 December 2017 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31 December 2018 €000
Property, plant and equipment	[2,763]	(894)	-	[3,657]	[1,216]	-	[4,873]
Intangible assets	[248]	(9)	-	[257]	132	-	[125]
Provisions for pensions and other liabilities	2,220	(23)	20	2,217	(25)	45	2,237
Expected credit losses on trade receivables and other assets	3,267	(470)	-	2,797	189	-	2,986
Unabsorbed capital losses	683	-	-	683	-	-	683
	3,159	(1,396)	20	1,783	(920)	45	908
Revaluation of land and buildings	[324]	(17)	(21)	[362]	-	-	[362]
	2,835	[1,413]	[1]	1,421	[920]	45	546

14. Inventories

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Operating spares	6,577	6,362	6,442	6,232
Goods held for resale	964	1,978	872	1,869
	7,541	8,340	7,314	8,101

The cost of inventories recognised as expense is disclosed in Note 23. During the current financial year, an increase in provisions for obsolescence of inventories amounting to €115,000 [2017: increase of €85,000] for the Group and an increase of €111,000 [2017: increase of €75,000] for the Company, have been reflected in these financial statements. Inventory write-downs during the year amounted to €53,000 [2017: €104,000] and €53,000 [2017: €104,000] for the Group and Company respectively.

Provisions for obsolescence of inventories are as follows:

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
At 31 December	342	227	306	195

15. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Non-current				
Amounts owed by subsidiaries	-	-	1,567	-
Contract assets	2,073	-	2,073	-
Costs incurred in obtaining contracts	313	-	313	-
Costs incurred to fulfill contracts	161	-	-	-
Deferred expenditure	-	1,963	-	1,765
Other assets	12	42	12	42
	2,559	2,005	3,965	1,807
Current				
Trade receivables – net of provisions	16,181	17,375	12,664	14,082
Amounts owed by subsidiaries	-	-	1,647	14,075
Other receivables – net of provisions	331	360	62	95
Contract assets	8,744	-	7,006	-
Costs incurred in obtaining contracts	993	-	993	-
Costs incurred to fulfill contracts	119	-	-	-
Deferred expenditure	-	5,095	-	5,095
Prepayments and accrued income	8,548	11,016	7,320	9,086
Other assets	30	42	30	42
	34,946	33,888	29,722	42,475

Amounts owed by subsidiaries and related parties are unsecured, interest free and repayable on demand.

Deferred expenditure as at 31 December 2017 consisted of installation and equipment costs and redeemable credits provided as incentives to subscribers by the Group. These costs were amortised over the shorter of the customer contract term and customer churn rate. The assets related to free credits granted under subscriber agreements and subsidised mobile handsets are presented as contract assets following adoption of IFRS 15 [refer to note on contract assets below]. In view of the adoption of the requirements of IFRS 15, the unamortised carrying amount at 31 December 2017 attributable to free customer premises equipment and free TV installation services was reclassified to property, plant and equipment on 1 January 2018 [refer to Note 6].

Receivables, disclosed in the table above, are stated net of impairment allowances as follows:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
	Expected loss model	Incurred loss model	Expected loss model	Incurred loss model
Trade receivables	9,596	9,110	8,531	7,999
Other receivables	229	229	229	229
Total impairment	9,825	9,339	8,760	8,228

Upon adoption of the requirements of IFRS 15 on 1 January 2018, the following reclassifications and remeasurements have been effected:

- Assets previously recognised in respect of revenue allocated to subsidised mobile handsets and free credits granted under subscriber agreements, previously presented within 'Deferred expenditure', have been reclassified to 'Contract assets'. No remeasurement was deemed necessary.
- Costs incurred in obtaining contracts with customers which were unexpired at 1 January 2018, comprising commissions to sales employees and resellers, have been capitalised and are written off to profit or loss over the contract term. Previously such costs were immediately expensed.
- Revenue allocated to the discounted part of the contract term in respect of unexpired customer contracts at 1 January 2018, has been recognised as a contract asset. Prior to the adoption of IFRS 15, the discounts were reflected in profit or loss in those months during which the discounts to customers were applicable. Post 1 January 2018, these discounts are reflected in profit or loss over the entire term of the contract.
- Accrued income, presented separately prior to the adoption of IFRS 15, has been reclassified as 'Contract assets', whilst costs incurred to fulfill contracts not yet recognised in profit or loss as at 31 December 2017, included within 'prepayments and accrued income' at that date, are presented separately, subsequent to adoption of IFRS 15, reclassified from 'prepayments and accrued income.' No remeasurement was deemed necessary.
- Liabilities previously recognised in respect of prepaid and deferred income, unutilised free credits granted under subscriber agreements, deposits received in advance from customers and adjustments to revenue attributable to wholesale traffic recognised during the current year in view of discounting arrangements, (as presented within 'accruals and deferred income' as at 31 December 2017) have been reclassified to 'Contract liabilities'. No remeasurement was deemed necessary (refer to Note 21).

The following tables reflect an analysis of contract assets at 1 January 2018 and 31 December 2018 following the adoption of IFRS 15:

GROUP	Impact of adoption of IFRS 15			
	As at 1 January 2018 – based on 31 December 2017 – as originally reported €000	Reclassifications €000	Remeasurements €000	As at 1 January 2018 – as restated €000
Non-current				
Contract assets				
Revenue allocated to subsidised handsets	-	447	-	447
Revenue allocated to discounted part of contract term	-	-	464	464
Free credits under subscriber agreements	-	405	-	405
Total contract assets	-	852	464	1,316
Costs incurred in obtaining contracts	-	-	245	245
Costs incurred to fulfill contracts	-	212	-	212
Deferred expenditure*	1,963	(1,963)	-	-
Other assets	42	-	-	42
Total non-current	2,005	(899)	709	1,815
Current				
Trade receivables – net of provisions	17,375	-	-	17,375
Other receivables – net of provisions	360	-	-	360
Prepayments and accrued income	11,016	(3,950)	-	7,066
Contract assets				
Revenue allocated to subsidised handsets	-	1,430	-	1,430
Revenue allocated to discounted part of contract term	-	-	1,122	1,122
Free credits under subscriber agreements	-	994	-	994
Accrued income	-	3,950	-	3,950
Total contract assets	-	6,374	1,122	7,496
Costs incurred in obtaining contracts	-	-	832	832
Costs incurred to fulfill contracts	-	124	-	124
Deferred expenditure*	5,095	(5,095)	-	-
Other assets	42	-	-	42
Total current	33,888	(2,547)	1,954	33,295

* Included within the reclassification figure from 'Deferred expenditure' is an unamortised carrying amount of €3,446,000 relating to customer premises equipment which subsequent to the adoption of IFRS 15 is treated as property, plant and equipment [refer to Note 6].

Notes to the financial statements (Contd.)

15. Trade and other receivables (Contd.)

GROUP	As at 1 January 2018 as restated	Business related variations		As at 31 December 2018
Contract assets	€000	€000		€000
Accrued income	3,950	554		4,504
		Originations €000	Amortisation/ recognition in profit or loss €000	
Revenue allocated to subsidised handsets	1,877	2,259	(2,012)	2,124
Revenue allocated to discounted part of contract term	1,586	1,836	(1,553)	1,869
Free credits under subscriber agreements	1,399	2,460	(1,539)	2,320
Total contract assets	8,812			10,817
Costs incurred in obtaining contracts	1,077	1,497	(1,268)	1,306
Costs incurred to fulfill contracts	336	68	(124)	280

The impact of the changes in accounting policies on the Company's financial statements do not differ substantially from those presented for the Group.

16. Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Cash at bank and in hand	11,725	13,722	10,625	10,925
Bank overdrafts (Note 19)	(6,349)	(6,174)	(3,969)	(4,096)
Cash pledged as guarantees	(683)	(1,535)	(683)	(1,535)
	4,693	6,013	5,973	5,294

17. Share capital

	Company	
	2018 €000	2017 €000
Authorised		
600,000,000 ordinary shares of €0.582343 each	349,406	349,406
Issued and fully paid		
101,310,488 ordinary shares of €0.582343 each	58,998	58,998

18. Reserves

GROUP	Insurance contingency reserve €000	Adjustments relating to non-controlling interests €000	Property revaluation reserve €000	Other reserves €000	Total €000
Balance at 1 January 2017	1,626	(2,964)	1,405	199	266
Surplus arising on revaluation of land and buildings	-	-	292	-	292
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	-	-	(21)	-	(21)
Remeasurements of defined benefit obligations:					
- Actuarial losses	-	-	-	(57)	(57)
- Deferred taxes thereon	-	-	-	20	20
Transfer from retained earnings	116	-	-	-	116
Balance at 31 December 2017	1,742	(2,964)	1,676	162	616
Balance at 1 January 2018	1,742	(2,964)	1,676	162	616
Remeasurements of defined benefit obligations:					
- Actuarial losses	-	-	-	(129)	(129)
- Deferred taxes thereon	-	-	-	45	45
Excess of consideration paid on acquisition of non-controlling stake in subsidiary over carrying amount of non-controlling interests	-	(1,133)	-	-	(1,133)
Realisation of insurance contingency reserve upon transfer to retained earnings	(1,742)	-	-	-	(1,742)
Balance at 31 December 2018	-	(4,097)	1,676	78	(2,343)

COMPANY	Merger reserve €000	Insurance contingency reserve €000	Property revaluation reserve €000	Other reserves €000	Total €000
Balance at 1 January 2017	3,843	1,626	1,405	(1,129)	5,745
Surplus arising on revaluation of land and buildings	-	-	292	-	292
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	-	-	(21)	-	(21)
Remeasurements of defined benefit obligations:					
- Actuarial losses	-	-	-	(57)	(57)
- Deferred taxes thereon	-	-	-	20	20
Transfer from retained earnings	-	116	-	-	116
Balance at 31 December 2017	3,843	1,742	1,676	(1,166)	6,095
Balance at 1 January 2018	3,843	1,742	1,676	(1,166)	6,095
Remeasurements of defined benefit obligations:					
- Actuarial losses	-	-	-	(129)	(129)
- Deferred taxes thereon	-	-	-	45	45
Realisation of insurance contingency reserve upon transfer to retained earnings	-	(1,742)	-	-	(1,742)
Balance at 31 December 2018	3,843	-	1,676	(1,250)	4,269

These reserves are non-distributable.

Insurance contingency reserve

The insurance contingency reserve represented amounts that were intended to be utilised in the event that adequate coverage for an incident would not be provided by the current Company's insurance policies. The reserve was realised during the current year through transfer to retained earnings.

Adjustments relating to non-controlling interests

The adjustments relating to non-controlling interests reflect the excess of the purchase consideration paid to acquire non-controlling interests in Group entities over the net carrying amount of such non-controlling interests in the consolidated financial statements.

Property revaluation reserve

The revaluation reserve relates to fair valuation of the land and buildings component of property, plant and equipment, and the balance represents the cumulative net increase in fair value of such property, net of related deferred tax.

Merger reserve

The merger reserve represents amounts arising on the merger of a subsidiary with the Company.

Other reserves

A reserve amounting to €690,000 arose on the reorganisation of the subsidiaries of Cablenet, which have been merged with Cablenet.

The other reserves also reflect the impact of actuarial gains and losses recognised in other comprehensive income in respect of provisions for pensions (Note 20) in accordance with the Group's accounting policy.

19. Borrowings

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Non-current liabilities				
Secured bank loans (i)	50,286	46,910	35,884	32,021
Current liabilities				
Secured bank loans (i)	11,622	14,835	11,121	14,831
Bank overdrafts (ii)	6,349	6,174	3,969	4,096
	17,971	21,009	15,090	18,927

GROUP			2018		2017	
	Currency	Year of maturity	Face	Carrying	Face	Carrying
			value	amount	value	amount
			€000	€000	€000	€000
Bank loans						
Loan 1	euro	2019	1,500	1,499	7,500	7,485
Loan 2	euro	2024	12,600	12,600	-	-
Loan 3	euro	2020	2,000	1,999	3,000	2,996
Loan 4	euro	2019	500	500	1,500	1,500
Loan 5	euro	2019	116	116	1,700	1,679
Loan 6	euro	2023	7,600	7,564	9,200	9,148
Loan 7	euro	2023	8,400	8,400	10,000	10,000
Loan 8	euro	2025	14,344	14,327	14,069	14,044
Loan 9	euro	2026	15,000	14,903	15,000	14,893
			62,060	61,908	61,969	61,745

COMPANY			2018		2017	
	Currency	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
			€000	€000	€000	€000
Bank loans						
Loan 1	euro	2019	1,500	1,499	7,500	7,485
Loan 2	euro	2024	12,600	12,600	-	-
Loan 3	euro	2020	2,000	1,999	3,000	3,000
Loan 4	euro	2019	500	500	1,500	1,496
Loan 5	euro	2019	116	116	1,702	1,679
Loan 6	euro	2023	7,600	7,564	9,200	9,148
Loan 7	euro	2024	8,400	8,400	10,000	10,000
Loan 8	euro	2025	14,344	14,327	14,069	14,044
			47,060	47,005	49,971	46,852

The grossed up effects of proceeds from bank loans and repayments of bank loans are reflected on the face of the statements of cash flows.

(i) Secured bank loans

The Company's bank loans are subject to financial covenants and are secured by hypothecs over the present and future assets of the Company, and by guarantees provided by a number of subsidiaries. Loans 1, 3, 4, 5, 6, 7 and 8 are term loans with scheduled repayments, while Loan 2 is a revolving term loan which was in previous years treated as part of non-current borrowings since its repayment was a bullet payment due on 1 March 2019.

The company refinanced Loan 2 such that on 1 April 2019 it will be converted into an amortising loan, repayable over 5 years and this has been reflected within the amounts presented in the table above.

The floating interest rate applicable on Loans 3, 4, 6, 7 and 8 is computed using a margin over the 3-month Euribor; whereas on Loans 1 and 2 it is computed using a margin over the bank's base rate and on Loan 5 it is computed using a margin over the 6-month Euribor.

Loan 9 attributable to a subsidiary is secured by mortgages on the immovable property of the subsidiary and of a company related to the minority shareholder of the subsidiary, by floating charges over the assets of the subsidiary and by guarantees by parties which are related to the minority shareholder.

The floating interest rate applicable on Loan 9 is mainly computed using a margin over the bank's base rate.

As at 31 December 2018, the Company had unutilised bank loan facilities amounting to €12,000,000 (2017: €27,000,000).

The weighted average effective interest rates of the bank and other loans as at the end of the reporting period are as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Bank loans	2.46	2.52	2.23	2.20

(ii) Bank overdrafts

The Group's and Company's banking facilities at 31 December 2018 amounted to €15,000,000 (2017: €15,000,000) and €11,000,000 (2017: €11,000,000) respectively. The Company's facilities are secured by hypothecs over the present and future assets of the Company. The subsidiary's facilities are secured by guarantees and mortgages on the immovable property of entities which are related to the minority shareholder of the subsidiary.

As at 31 December 2018 and 2017, the Group's and Company's facilities were mainly subject to a floating interest rate linked to the bank's base rate

The weighted average effective interest rates as at the end of the reporting period are as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Bank overdrafts	3.31	2.82	3.60	2.91

20. Provisions for pensions

The provision of telephone, telex, radio and cable services in Malta was nationalised in 1975 through the enactment of the Telemalta Corporation Act. The Company (in the form of Telemalta Corporation, its predecessor in title) committed itself to take over the employees of Cable and Wireless as part of this nationalisation process. As a result, the Company also committed itself to set up a pension scheme in favour of these employees. Additionally, this commitment was extended to some employees where a pension obligation was expressly agreed as part of their terms of employment.

Following a judgement by the Court of Appeal on 7 July 2008, the Company was required to set up the pension scheme in favour of ex-Cable and Wireless employees, with an effective date of 1 January 1975 and set up in a manner similar to that prescribed by the Pensions Ordinance, 1937. A pension scheme set up in accordance with this Ordinance falls under the category of a defined benefit plan within the scope of IAS 19, 'Employee Benefits'.

GO p.l.c. submitted an application to the Malta Financial Services Authority (MFSA) as the pensions' regulator detailing the measures planned by the Company to implement the scheme. Following the issue of the Special Funds (Regulation) Act (Retirement Schemes Exemption) Regulations, 2009 by the MFSA on 5 June 2009, the Company established the scheme on 1 July 2009 with effect from 1 January 1975.

Subsequent to the setting up of the scheme, the Company offered a number of beneficiaries a one-time lump sum settlement in lieu of joining the scheme. Until 31 December 2018, a significant number of beneficiaries have taken up this offer. As at 31 December 2018, the Company estimated that its obligations towards the remaining potential beneficiaries amounted to €6,392,000 (2017: €6,332,000).

In view of the extent of the remaining potential beneficiaries, the Company has not considered it necessary to engage actuaries. The Company has measured its retirement benefit obligations using the accounting rules applicable to defined benefit plans.

A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement. In GO p.l.c.'s case, as originally provided for in the terms of employment, this amount is dependent on an employee's final compensation upon retirement, as well as completed months of service. Furthermore, qualifying employees must have worked for the Company for a minimum of 10 years, and must have remained in service with the Company until retirement (the vesting period), in order to be unconditionally eligible to receive a pension under the scheme.

As at 31 December, the Company estimates the present value of the benefit obligation as follows:

	Group and Company	
	2018	2017
	€000	€000
Carrying amount of pension obligations	6,392	6,332

The Company's scheme is unfunded and the amounts in the statement of financial position reflect essentially the present value of the unfunded obligations. The movement in the defined benefit obligations throughout the year is analysed as follows:

	Group and Company	
	2018	2017
	€000	€000
At 1 January	6,332	6,343
Actuarial losses – attributable to financial assumptions	129	57
Settlements paid	(82)	(80)
Current service costs	13	12
At 31 December	6,392	6,332

The provision is analysed in the statement of financial position as follows:

	Group and Company	
	2018	2017
	€000	€000
Non-current	2,918	2,992
Current	3,474	3,340
	6,392	6,332

The amounts recognised in profit or loss are as follows:

	Group and Company	
	2018	2017
	€000	€000
Current service costs	(13)	(12)

The amounts recognised in other comprehensive income are as follows:

	Group and Company	
	2018	2017
	€000	€000
Actuarial losses	(129)	(57)

The key assumptions used were as follows:

Discount rates

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields of Malta Government Stocks that have terms to maturity approximating to the terms of the related pension liability. As at 31 December 2018, the weighted average discount rate used was 1.32% (2017: 1.33%).

Mortality assumptions

Assumptions regarding future mortality experience are based on published mortality tables in the UK and in Malta, which translate into an average life expectancy ranging between 80 and 95 years depending on age and gender of the beneficiaries.

Other assumptions comprise:

Future salary increases

GO p.l.c.'s employees are remunerated on the basis of salary scales in accordance with collective agreements. Future salary increases have been estimated on a basis consistent with the natural progression of an employee's salary in line with the Company's salary scales, past experience and market conditions.

The sensitivity of the pension obligation to changes in the key assumptions is disclosed below:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
2018			
Discount rate	1.0%	increase of 1.53%	increase of 1.60%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		4.25%	decrease of 1.19%
2017	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.0%	decrease by 0.04%	increase by 0.04%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		2.9%	3.1%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the pension obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

21. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Non-current				
Trade payables	-	320	-	320
Amounts owed to related party	1,947	-	-	-
	1,947	320	-	320
Current				
Trade payables	19,209	16,995	12,039	10,234
Amounts owed to related party	-	1,523	-	-
Other payables	2,389	2,720	3	-
Indirect tax payable	6,513	5,906	4,442	4,212
Contract liabilities (Note 15)	12,763	-	8,232	-
Accruals and deferred income	12,399	31,058	12,508	27,378
	53,273	58,202	37,224	41,824

Amounts owed to related parties are unsecured, interest free and, except for €1,947,000, repayable on demand. The non-current amount owed to related party is due to the non-controlling shareholder of a subsidiary relating to dividends, who has confirmed that no amount will be collected until the subsidiary's financial position will be in a position to allow it.

Upon adoption of the requirements of IFRS 15 on 1 January 2018, the following reclassifications have been effected:

- Liabilities previously recognised in respect of prepaid and deferred income, unutilised free credits granted under subscriber agreements, deposits received in advance from customers and adjustments to revenue attributable to wholesale traffic recognised during the current year in view of discounting arrangements (presented within 'Accruals and deferred income' as at 31 December 2017) have been reclassified to 'Contract liabilities'. No remeasurement was deemed necessary.

The following tables reflect an analysis of contract liabilities at 1 January 2018 and 31 December 2019 following the adoption of IFRS 15:

Notes to the financial statements (Contd.)

21. Trade and other payables (Contd.)

GROUP	Impact of adoption of IFRS 15		
	As at 1 January 2018 - based on 31 December 2017 – as originally stated	Reclassifications	As at 1 January 2018 – as restated
Current			
Trade payables	16,995	-	16,995
Amounts owed to related party	1,523	-	1,523
Other payables	2,720	-	2,720
Indirect tax payable	5,906	-	5,906
Contract liabilities			
Revenue allocated to wholesale traffic	-	5,126	5,126
Attributable to free credits under subscriber agreements	-	2,030	2,030
Deposits received in advance from customers	-	3,973	3,973
Prepaid and deferred income	-	4,253	4,253
Accruals and deferred income	31,058	(15,382)	15,676
Total current trade and other payables	58,202	-	58,202

GROUP	Impact of adoption of IFRS 15		
	As at 1 January 2018 – as restated	Business related variations	As at 31 December 2018
	€000	€000	€000
Contract liabilities			
Prepaid and deferred income	(4,253)	1,099	(3,154)
Revenue allocated to wholesale traffic	(5,126)	2,500	(2,626)
		<div> <div>Originations</div> <div>Utilisation</div> </div>	
		€000	€000
Attributable to free credits under subscriber agreements	(2,030)	(2,393)	1,785
Deposits received in advance from customers	(3,973)	(3,649)	3,277
Total contract liabilities	(15,382)		(12,763)

Contract liabilities at 1 January 2018 – recognised in revenue during 2018

Revenue recognised in profit or loss during the financial year ended 31 December 2018 that was included in the balances of contract liabilities (prepaid and deferred income) as at 1 January 2018/31 December 2017 amounted to €706,000.

The impact of the changes in accounting policies on the Company's financial statements do not differ substantially from those presented for the Group in the table above.

22. Revenue

The Group's turnover is generated in Malta and Cyprus and further information on the activities within the different markets is reflected in Note 5 'Segment information'. The Group's turnover is analysed as follows:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Category of activity				
Telecommunication and data centre services	156,021	151,191	111,233	110,826
Sale of goods	7,998	7,875	6,757	6,333
Other services and sundry revenues	7,793	7,235	1,604	1,232
	171,812	166,301	119,594	118,391

Upon adoption of the requirements of IFRS 15, specific transactions have been classified as non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers and accordingly are excluded from IFRS 15's revenue recognition scope. Amounts billed by and to the Group during 2018 in respect of these transactions were €5,250,000 and have not been reflected within revenue and cost of sales respectively. Amounts billed by and to the Group during 2017 in respect of such transactions were €5,250,000 and have been recognised within revenue and cost of sales respectively.

The Group's revenue reflected in the table above consists predominantly of revenue from contracts with customers.

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Timing of revenue recognition				
At a point in time	64,902	62,555	45,298	49,686
Over time	106,910	103,746	74,296	68,705
	171,812	166,301	119,594	118,391

Unfulfilled performance obligations

The following table presents the transaction price assigned to unfulfilled performance obligations as at 31 December 2018. Unfulfilled performance obligations are the services that the Group is obliged to provide to customers during the remaining fixed term of the contract. As allowed by the simplification procedure in IFRS 15, these disclosures are only related to performance obligations with an initial term greater than one year.

On the allocation of the total contract transaction price to identified performance obligations, a portion of the total transaction price can be allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. As outlined previously, GO has elected to apply certain available practical expedients when disclosing unfulfilled performance obligations, including the option to exclude expected revenues from unsatisfied obligations of contracts with an original expected duration of one year or less.

	Group	Company
	31 December 2018	31 December 2017
	€000	€000
Less than 1 year	45,523	29,179
Between 1 and 2 years	16,708	10,830
	62,231	40,009

The assumptions underlying the period over which the costs to fulfill contracts are expensed are periodically reviewed and adjusted in line with observations. Termination of the contractual relationship with the customer results in the immediate expensing of the remaining deferred costs. Where the carrying amount of deferred costs exceeds the remaining consideration expected to be received for the transfer of the related goods and services, less expected costs relating directly to the transfer of these goods and services still to be incurred, the excess amount is similarly immediately expensed.

23. Expenses by nature

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Cost of goods sold	8,920	7,806	7,126	5,721
Third party network charges, content costs and other direct costs	36,153	43,517	28,889	34,199
Employee benefit expense (Note 24)	34,857	30,757	27,512	24,087
Depreciation of property, plant and equipment (Note 6)	26,941	26,328	18,485	17,812
Amortisation of intangible assets (Note 7)	9,459	9,719	4,387	5,406
Movement in provisions and write-offs relating to inventories (Note 14)	168	189	164	179
Movement in credit loss allowances in respect of trade and other receivables (Note 15)	(1,170)	(1,506)	(887)	(1,338)
Bad debts written off	898	1,990	746	1,634
Operating lease rentals payable	5,164	5,057	4,346	4,307
Other	18,966	14,140	9,251	8,504
Total cost of sales, administrative and other related expenses	140,356	137,997	100,019	100,511

Auditor's fees

Fees charged by the parent company auditor for services rendered during the financial years ended 31 December 2018 and 2017 relate to the following:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Annual statutory audit	170	170	154	154
Other assurance services	92	82	92	82
Other non-audit services	96	37	92	37
	358	289	338	273

Audit fees attributable to a subsidiary charged by other auditors amount to €25,000 (2017: €25,000).

The following non-audit services have been provided by the auditor to the Company:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Advisory services in respect of a capital markets transaction	85	-	85	-
Tax advisory and compliance services	11	37	7	37
	96	37	92	37

24. Employee benefit expense

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Wages and salaries	34,641	32,433	26,426	24,918
Social security costs	2,307	2,257	1,751	1,591
Capitalised labour costs	(4,789)	(4,071)	(2,400)	(2,036)
Recharged to subsidiaries	-	-	(963)	(524)
	32,159	30,619	24,814	23,949
Voluntary retirement costs	2,685	126	2,685	126
Movement in provisions for pensions	13	12	13	12
Total employee benefit expense	34,857	30,757	27,512	24,087

Wages, salaries and social security costs, other than those relating to capital projects, are allocated between operational expenses (included within 'cost of sales') and 'administrative expenses' as follows:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Operational expenses	8,101	7,511	7,518	7,148
Administrative and other related expenses	26,756	23,246	19,994	16,939
	34,857	30,757	27,512	24,087

The average number of persons employed by the Group and the Company, including part-timers, and students, during the year amounted to 1,226 [2017: 1,172] and 884 [2017: 851] respectively. The number of persons employed by the Group and the Company, including part-timers and students, at the end of the year was as follows:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Operational	338	416	321	310
Management and administration	887	782	562	567
	1,225	1,198	883	877

25. Directors' emoluments

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Directors' emoluments:				
Fees	190	190	190	190
Total Directors' emoluments	190	190	190	190

During the current year, subsidiary companies paid remuneration to their directors amounting to €355,000 [2017: €602,000]. The directors do not form part of the Company's Board of Directors.

Directors' emoluments are included within 'administrative and other related expenses'.

26. Other income

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Rent receivable	395	506	395	506
Unrealised and realised operating exchange gains	19	46	8	-
Late payment charges	300	272	300	272
Others	1,102	683	844	499
	1,816	1,507	1,547	1,277

27. Other expenses

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Unrealised and realised operating exchange losses	186	254	100	231
Others	-	30	-	-
	186	284	100	231

28. Finance income

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Dividend income from subsidiaries	-	-	9,213	8,923
Bank interest receivable	3	13	3	13
Interest receivable from related parties	-	-	449	177
Late payment interest receivable	310	256	310	256
Other interest receivable	32	58	32	56
	345	327	10,007	9,425

29. Finance costs

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Bank loan interest	1,588	1,790	1,158	1,060
Other loan interest	-	178	-	-
Other bank interest and charges	173	212	97	134
	1,761	2,180	1,255	1,194

30. Tax expense

The Group's and the Company's tax expense recognised in profit or loss is analysed below:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Current tax				
Current tax expense	10,620	8,148	9,064	7,575
Deferred tax				
Deferred tax expense (Note 13)	607	1,719	920	1,413
Tax expense	11,227	9,867	9,984	8,988

The tax impacts, which are entirely attributable to deferred taxation, relating to components of other comprehensive income and accordingly presented directly in equity are as follows:

	2018			2017		
	Before tax €000	Tax (charge)/ credit €000	Net of tax €000	Before tax €000	Tax (charge)/ credit €000	Net of tax €000
Group and Company						
Revaluation of land and buildings	-	-	-	292	(21)	271
Remeasurements of defined benefit obligations	129	(45)	84	(57)	20	(37)
	129	(45)	84	235	(1)	234

The tax recognised in profit or loss on the Group's and the Company's profit before tax differs from the theoretical amount that would arise by applying the basic tax rate in Malta to the results of the consolidated entities as follows:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Profit before tax	31,670	27,869	29,774	27,352
Tax on profit at 35% applicable to taxable profits in Malta	11,085	9,754	10,421	9,573
Tax effect of:				
Expenses and losses disallowed for tax purposes	468	627	30	209
Further allowances on rental income	(12)	(16)	(12)	(16)
Different tax rate applied to taxable income attributable to subsidiary (see below)	(725)	(572)	-	-
Different tax rates applied to finance income	-	(3)	-	(3)
Dividend income not subject to tax	-	-	(928)	(782)
Remeasurements arising upon adoption of IFRS 15	931	-	931	-
Expected credit loss allowances on trade receivable recognised upon adoption of IFRS 9	(575)	-	(496)	-
Others	55	77	38	7
Tax expense	11,227	9,867	9,984	8,988

The tax rate applied to taxable profits attributable to a subsidiary registered in Cyprus, Cablenet, is 12.5%.

31. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Group	
	2018	2017
Profit attributable to equity holders of the Company (€000)	18,971	16,694
Weighted average number of shares in issue (thousands) (Note 17)	101,310	101,310
Earnings per share (euro cents)	18c7	16c5

The Company has no instruments or arrangements which give rise to potential ordinary shares and accordingly diluted earnings per share is equivalent to basic earnings per share.

32. Dividends

	Company	
	2018 €000	2017 €000
Net dividends paid on ordinary shares	13,170	11,144
Dividends per share (euro cents)	12c9	11c0

A dividend in respect of the year ended 31 December 2018 of €0.14 (2017: €0.13) per share, amounting to €14,183,468 (2017: €13,170,363), was proposed by the Board of Directors subsequent to the end of the reporting period. The financial statements do not reflect this proposed dividend.

33. Cash generated from operations

Reconciliation of operating profit to cash generated from operations

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Operating profit	33,086	29,527	21,022	18,926
<i>Adjustments for:</i>				
Depreciation and amortisation	36,400	36,047	22,872	23,218
Net movement in provisions and write-downs in relation to receivables and inventories	(104)	673	22	475
Voluntary retirement costs	2,685	126	2,685	126
Provisions for pensions	13	12	13	12
<i>Changes in working capital:</i>				
Inventories	(5,446)	(504)	(5,454)	(491)
Trade and other receivables	(3,995)	(3,047)	(1,949)	(2,420)
Trade and other payables	1,168	2,099	(3,530)	9,123
Group undertakings' balances	-	-	10,857	1,383
Cash generated from operations	63,807	64,933	46,538	50,352

34. Operating lease commitments

(a) Operating leases – where the Group/the Company is the lessee

Operating lease rentals under non-cancellable leases at 31 December are payable as follows:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Less than 1 year	4,954	3,315	3,631	2,124
Between 1 and 5 years	13,586	11,390	10,378	7,745
More than 5 years	30,914	32,902	30,062	32,574
	49,454	47,607	44,071	42,443

The Group and the Company lease various premises and other assets under operating leases. The leases run for an initial period of up to twenty years. Specific lease arrangements include an option to renew the lease after the original term but the amounts presented in the tables above do not reflect lease charges applicable to the renewal period.

During the current year, operating lease payments in respect of cancellable and non-cancellable leases amounting to €5,164,000 [2017: €5,057,000] for the Group and €4,346,000 [2017: €4,307,000] for the Company, were recognised as an operating expense in profit or loss.

(b) Operating leases – where the Group/the Company is the lessor

The Group and the Company lease out certain premises and plant and equipment under operating leases. The future minimum lease payments under non-cancellable leases at 31 December are as follows:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Less than 1 year	-	31	-	31

As at 31 December 2018 and 2017, the Group and the Company are also party to a non-cancellable operating lease agreement for an indefinite period with an annual lease amount receivable of €225,000 [2017: €225,000]. During the current year, amounts of €395,000 [2017: €506,000] for the Group and Company, were recognised as rental income in profit or loss within other operating income.

Additionally, as at 31 December 2018 a subsidiary had commitments in relation to the payment of operating and maintenance fees from 2018 to 2035 amounting to €9,849,709 [2017: €10,829,184], TV content fees from 2018 to 2020 of €22,752,000 [2017: €4,763,709], and sponsorships to football clubs from 2018 to 2024 of €8,552,660 [2017: €1,790,000].

35. Capital commitments

	Group		Company	
	2018	2017	2018	2017
	€000	€000	€000	€000
Contracted for:				
Property, plant and equipment	5,274	3,114	3,764	2,653
Intangible assets	30,855	32,795	-	-
Authorised but not contracted for:				
Property, plant and equipment	6,871	4,343	6,871	4,343
	43,000	40,252	10,635	6,996

36. Contingencies

The contingencies of the Group and the Company are listed below:

(a) Contingent liabilities arising in the ordinary course of business

As a result of its operations and activities in the ordinary course of the Group's business, the Group has, as at 31 December 2018, contingent liabilities arising from:

- Guarantees in favour of third parties and performance bonds given amounting to €683,000 [2017: €1,535,000] for the Group and the Company;
 - Actual or potential claims and litigation arising from provision of services, acquisition of goods and services by the Group and other legal issues; and
 - Claims by a restricted number of employees;
- in respect of which no losses which are deemed material, individually or in aggregate, in the context of understanding the Group's financial results and financial position, are expected.

At the end of the reporting period, the Group had a contingent liability arising from an overseas court judgement requiring that a Group company implements measures to prevent a specific client from providing certain services. The company was ordered to pay for the costs of the court proceedings and to pay a fine of €100,000 per day subsequent to service of the said judgement, unless and until the company complies with it. On the basis of legal advice obtained by the Group, the company has not yet been correctly served with the judgement and, additionally, the judgement can be enforced in Malta only in the event that it is declared enforceable by the Courts in Malta. This legal advice obtained by the Group highlights serious doubts on the enforceability of the overseas court judgement in Malta and accordingly no provision has been recognised as the Directors are of the opinion that a cash outflow is not probable.

Another overseas court proceeding has been instituted against the same Group company with respect to similar claims in relation to services provided to another client. Until the date of authorisation for issue of these financial statements, no judgement has been delivered by the court. No provision for expected losses was deemed necessary by the Directors as at the end of the reporting period taking cognisance of legal advice received.

(b) Contingencies relating to pension liabilities

As disclosed in Note 20 following a judgement by the Court of Appeal, GO p.l.c. was required to set up a pension scheme in favour of its eligible employees and former employees. Further claims for the payment of a pension have been made by a number of ex-employees and employees of the Company. However, the Directors have considered legal advice obtained and are of the opinion that an outflow of resources is not probable beyond provisions already accounted for by the Company.

In this respect the Group has not disclosed additional information related to this contingent liability in accordance with IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' on the grounds that disclosure may be seriously prejudicial to the Group's interests.

(c) Guarantees to secure banking facilities

A subsidiary of the Company has given guarantees to bankers in favour of related parties so as to secure the related parties' banking facilities. The maximum exposure arising from these guarantees amounts to €1,390,000 (2017: €1,480,000) and the directors do not expect any losses to occur in this respect.

37. Related party transactions

The Company and its subsidiaries have a related party relationship with Société Nationale des Télécommunications, the Company's ultimate parent (Note 39), related entities ultimately controlled by Société Nationale des Télécommunications, together with the Company's Directors (key management personnel). Subsequent to the change in the Company's shareholders, Dubai Holding LLC (GO's former ultimate parent) and all entities ultimately controlled by it are still considered to be related parties, in view of Dubai Holding LLC's interest in and significant influence on GO's current ultimate parent.

The following principal operating transactions, which were carried out with related parties, have a material effect on the operating results and financial position of the Group and Company:

	Group		Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Current ultimate parent and related entities				
Services provided to	17	15	17	15
Services provided by	20	370	20	24
Dividends paid to	8,613	7,291	8,613	7,291
Former ultimate parent and related entities				
Services provided to	-	27	-	27
Amounts paid on behalf of the Company by	10	-	10	-
Rent paid to	2,869	2,927	2,869	2,927

Malta Properties Company p.l.c. was considered a related party during the years ended 31 December 2018 and 2017, since its ultimate parent is Dubai Holding LLC, which exerts significant influence on GO's ultimate parent subsequent to the change in GO's shareholding.

	Company	
	2018	2017
	€000	€000
Subsidiaries		
Loans advanced to [at face value]	-	15,600
Services provided to	1,805	1,735
Expenses recharged to	-	524
Services provided by	925	4,810
Interest received from	448	177
Dividends received from	9,213	8,923

Further to the loans granted as disclosed above, the Company has indicated its intention to continue providing financial support to Cablenet, a subsidiary, to enable it to continue to grow its operations. At the end of the year, no losses are deemed probable or expected under this arrangement.

In the opinion of the Directors, disclosure of related party transactions, which are generally carried out on commercial terms and conditions, is only necessary when the transactions effected have a material impact on the operating results and financial position of the Group. The aggregate invoiced amounts in respect of a number of transaction types carried out with related parties are not considered material and accordingly they do not have a significant effect on these financial statements.

Except for remuneration payable [Note 25], the Group has not entered into material transactions with key management personnel which would warrant disclosure thereof for the purpose of understanding the Group's financial results or its financial position. Also, the Group has not entered into material transactions with entities in which the Group's key management personnel directly or indirectly have an interest or over which they have direct or indirect influence. Any such transactions would constitute normal operating transactions under normal market and commercial terms relating to provision of operational services by the Group, and would not comprise financing transactions.

Year end balances with related parties, arising principally from the above transactions, are disclosed in Notes 11, 15 and 21 to these financial statements.

38. Events after the end of the reporting period

The Company announced that application has been made to the Listing Authority for all the ordinary shares of its subsidiary, BMIT Technologies p.l.c. , to be admitted to listing on a regulated market and a prospectus has been approved on 7 January 2019 for the initial public offering of up to 49% of the ordinary shares of BMITT at an offer price of 49 euro cents per share.

Shares in BMITT were admitted to listing on the Official List of the Malta Stock Exchange on 15 February 2019, whereas trading commenced on 18 February 2019.

On 7 February 2019, GO announced that the offer for sale of 99,761,701 ordinary shares in BMITT at the offer price of 49 euro cents per share was oversubscribed and accordingly GO was disposing of 49% of its shareholding in BMITT, thus retaining control over the subsidiary (refer to Note 8).

39. Statutory information

GO p.l.c. is a public limited liability company domiciled and incorporated in Malta. The Company's ultimate parent is Société Nationale des Télécommunications (Tunisie Telecom), the registered office of which is situated at Tunisie Telecom Building, 1053 Jardins du Lac II, Tunis, Tunisia which owns 65.4% of the Company's shares. The Company's immediate parent is TT ML Limited, a fully owned subsidiary of Tunisie Telecom, established as a special purpose vehicle for the purpose of holding GO's shares. The Tunisian Government holds a 65% shareholding in Tunisie Telecom, and Emirates International Telecommunications (EIT), a subsidiary of Dubai Holding LLC which is GO's former ultimate parent, owns the other 35%.

Five year record

	2018	2017	2016	2015	2014 restated
	€M	€M	€M	€M	€M
Revenue	171.8	166.3	157.0	123.7	122.2
Results from operating activities	33.1	29.5	26.3	27.8	21.8
Profit before income tax	31.7	27.9	28.1	34.2	13.7
Profit for the year	20.4	18.0	20.3	26.4	8.0
Total assets	255.4	251.8	249.8	207.6	217.3
Total liabilities	135.3	136.7	140.6	115.5	113.8
Total equity	120.2	115.1	109.2	92.1	103.4
Operating cash flow	52.8	57.0	63.8	36.8	40.3
Investing cash flow	(39.7)	(33.9)	(35.5)	(33.4)	(30.6)
Financing cash flow	(15.3)	(19.2)	(22.1)	(18.3)	(23.9)
Earnings per share	€0.19	€0.17	€0.18	€0.26	€0.08
Dividends per share	€0.14	€0.13	€0.11	€0.10	€0.07

Company Information

Company Secretary

Dr Francis Galea Salomone L.L.D.

Registrar

Malta Stock Exchange
Malta

Registered Office

GO
Fra Diegu Street
Marsa MRS 1501

Auditors

PricewaterhouseCoopers
Certified Public Accountants
Malta

Legal Counsel

– Mamo TCV – Gatt Tufigno Gauci (Advocates)
Malta Malta

Company registration Number

C 22334

Financial Calendar

Preliminary announcement of results	08 March 2019
Record date: Final dividend	26 April 2019
Ex-dividend date	27 April 2019
Annual General Meeting	28 May 2019
Final dividend payment date	30 May 2019
Announcement of half yearly results (provisional)	August 2019

Financial Calendar

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