ANNUAL REPORT 2013

GO

GO p.l.c.

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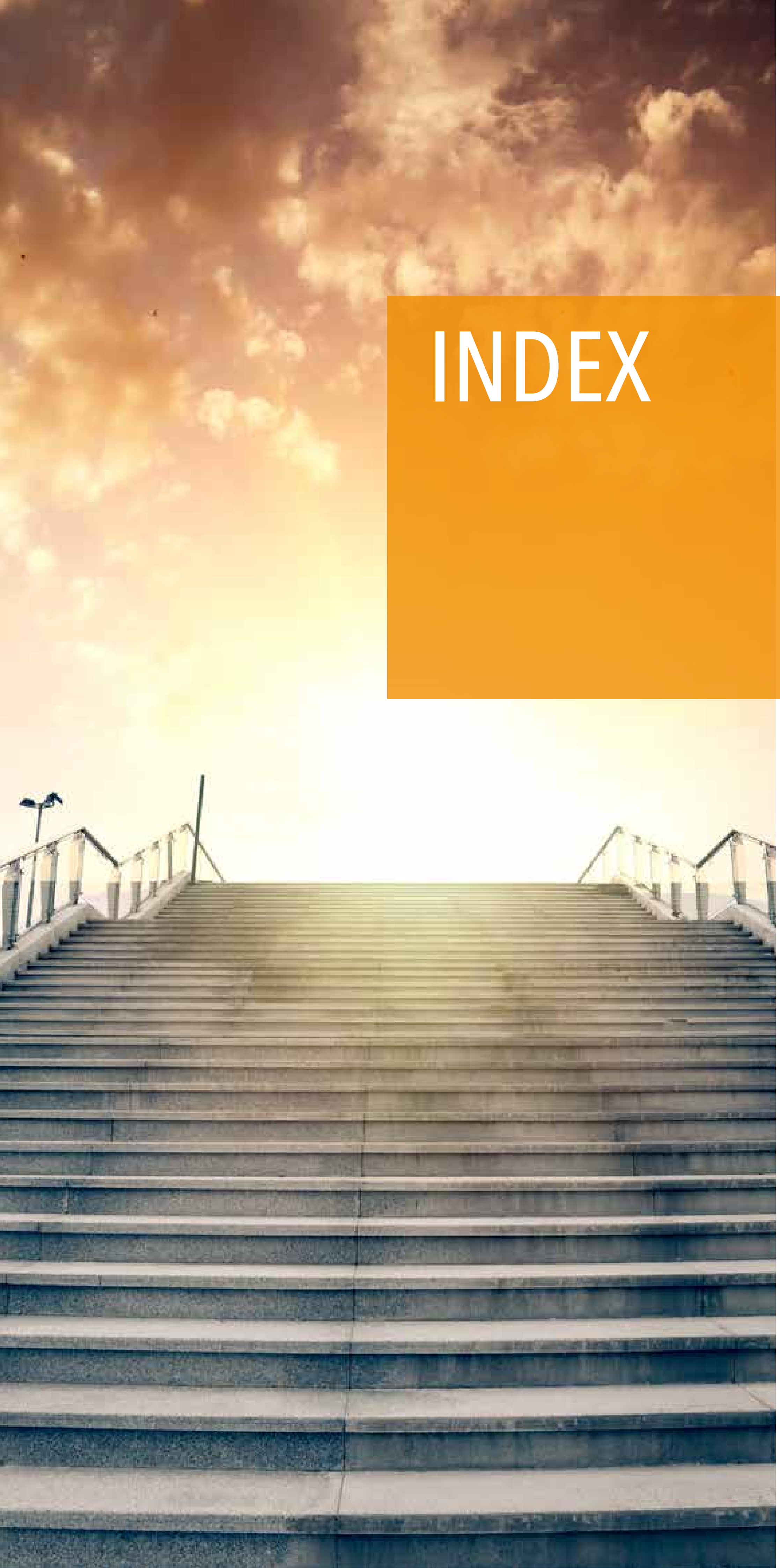
“ *2013 was another positive year for GO, despite the competitive and regulatory pressures* ”



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Chairman's Message

2013 was another positive year for GO, which grew its customer base and strengthened its financial position.

ANOTHER POSITIVE YEAR

I am pleased to be able to report that your Company had another positive year; during the twelve months under review GO continued to enjoy the trust and loyalty of a growing customer base and, as a result, to strengthen its financial position.

In 2013 the pre-tax profit attributable to core trading operations amounted to €18.0 million. This solid performance is the result of a clear and effective strategy, outlined by your Chief Executive Officer in his Review, combined with the unwavering efforts of all our employees to deliver against that strategy. As a result, we have an even stronger Group balance sheet and cash reserves.

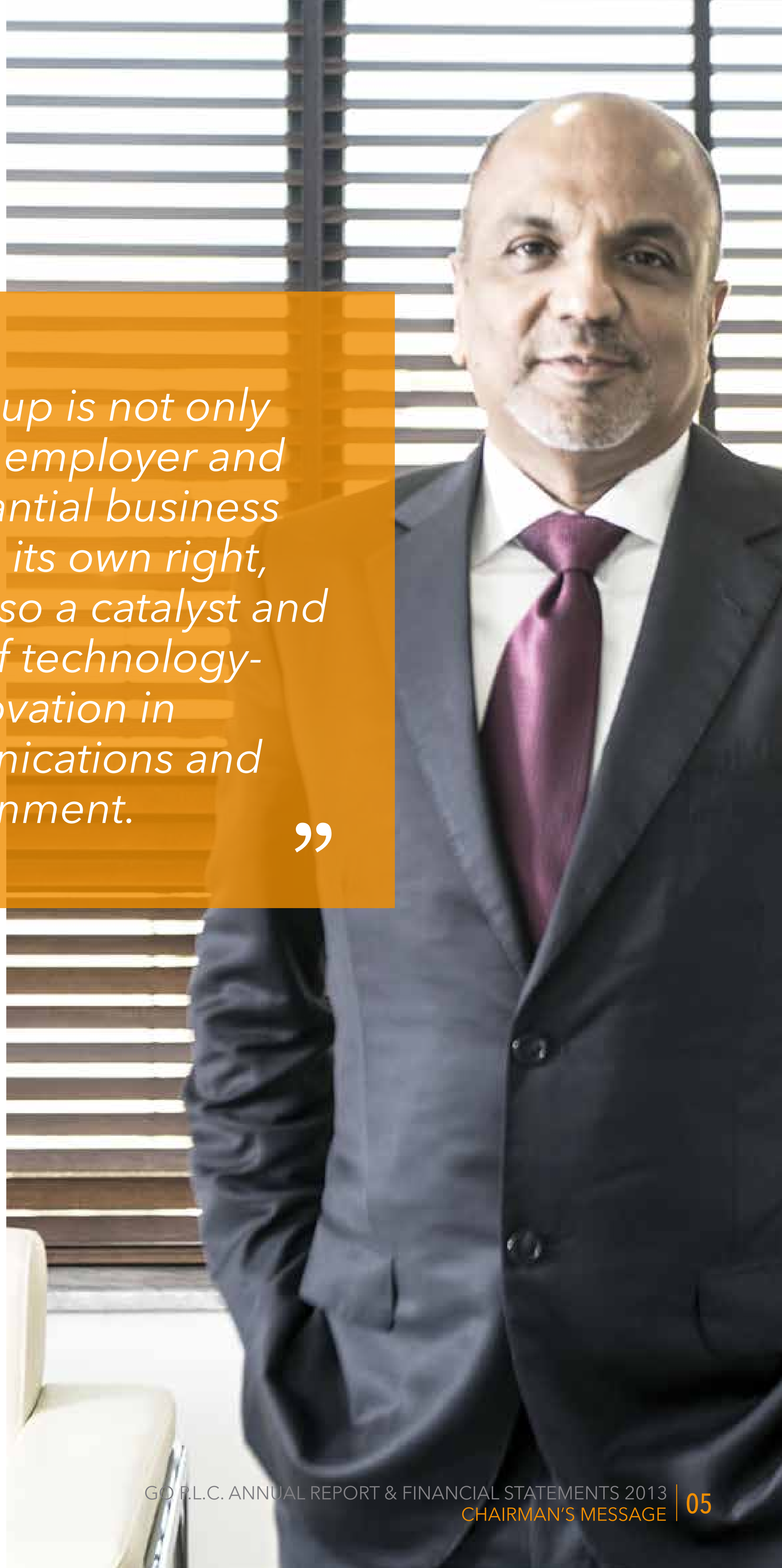
A satisfactory set of results, therefore, which will be welcome to shareholders.

VIGILANCE AND PROACTIVITY

The telecommunications industry is certainly a dynamic one, with an array of new challenges and opportunities constantly arising. New technologies, growing customer demands and expectations, and an evolving regulatory framework mean that we have to be both constantly vigilant and proactive in order to retain our lead position.

Beyond the challenges facing our industry, the prevailing economic conditions also require our constant attention. Malta's economy continues to perform well. GO contributes to, and benefits from this, by investing in

“GO Group is not only a major employer and a substantial business entity in its own right, but is also a catalyst and driver of technology-led innovation in communications and entertainment.”



delivering a communications infrastructure which helps Maltese businesses operate more efficiently and competitively in the global economy. The resilience of Malta's economy also helps to underpin consumer confidence and the uptake of GO's premium products especially in mobile, internet and TV.

We are, indeed, very firmly committed to Malta and its future success. GO Group is not only a major employer and a substantial business entity in its own right, but is also a catalyst and driver of technology-led innovation in communications and entertainment, as evidenced by the Group's significant year-on-year investments in technology.

Our present and future success, therefore, depend on our ability to accurately assess both our industry and the wider economic realities in order to be able to make the right investment decisions for our business. It is indeed heartening to see that the Executive team at the helm of GO has demonstrated its ability to do this.

OPPORTUNITIES FOR GROWTH

Vigilance and pro-activity - which have served our Group well with its core domestic market in Malta - are also required in our deliberations on how GO can further increase shareholder value by pursuing opportunities in larger markets which may offer wider scope for growth and long-term reward.

Our Group's investment in the Greek telecommunications company Forthnet through Forgendo, GO's joint venture with Emirates International Telecommunications LLC, remains a priority for your Board. We are all too aware, of course, of the losses sustained in recent years with this investment. We believe, at this stage, that we have acted prudently in keeping our options open by ensuring we are able – should we opt to do so - to participate in the rights issue, which Forthnet launched at the end of 2013.

Clearly, we must balance vigilance in our assessment of all investment opportunities with the need to be proactive to ensure that, if we see real potential to increase shareholder value, we take the appropriate decisions that could, ultimately, benefit us all. I can assure you that throughout the process the Board will keep the interests of GO and its shareholders at the forefront.

AT THE HEART OF THE COMMUNITY

GO's unique strategic role in Malta's economy also places a responsibility on us to help the broader community. Once again GO provided all the telecommunications logistics and equipment, as well as a significant financial contribution, to the country's main charitable fund raising event, l-Istrina. This is a huge undertaking which also receives fantastic support from our staff, who also provide hundreds of hours of their time for free.

Though highly significant, throughout the year we also provided support for many other worthy initiatives, some of which are detailed in the relevant section of this Annual Report.

OUTLOOK FOR 2014

In 2013 GO continued to deliver satisfactory results despite the challenges. The environment in which we operate will continue to be characterised by fierce competition, regulatory pressures, as well as the need for continuous investment in technology, systems and people. These pressures on revenues and costs demand that we continue to focus on improving every aspect of our business, how it operates, and interacts with our customers.

This is essential for us to maintain adequate levels of profitability which are necessary to sustain an extensive investment programme in line with our long term strategy. GO also seeks to enhance value to its shareholders. This will be achieved through appropriate investments in technology and through new ventures. Moreover, we also intend to release value from the Group's significant property portfolio in due course, as advancements in technology allow a more efficient use of this important asset.

Thanks to the continuing efforts of our staff, and the trust of our customers, GO has remained the leading provider of telecommunications services in Malta. I am confident that this will remain the case and that we will be able to overcome whatever new challenges present themselves while also seizing upon new opportunities.

May I conclude by thanking all of our shareholders for their ongoing support.

Chief Executive Officer's Review

In a compact and highly competitive market, GO continues to successfully hold its ground.

A STEADY PERFORMANCE IN A CHALLENGING ENVIRONMENT

It is satisfying to report that GO has succeeded in maintaining a steady performance in 2013, in an environment characterised by challenges at a business, regulatory and competitive level. The Group's revenue levels, at €122.1 million, were marginally lower than the previous year (2012: €127.2 million), which resulted in a marginal drop in normalised EBITDA to €48.4 million (2012: €51.3 million). Notwithstanding, GO managed to retain a normalised EBITDA margin of almost 40%, cash generation from operations remained stable and GO reported healthy levels of cash flow from operations for 2013, amounting to €39.6 million (2012: €40.0 million).

Our Group is reporting a pre-tax profit for the year of €15.6 million. When one takes into account the exceptional gain of €11.4 million realised from the sale of land at Qawra which led to a profit of €26.8 million for 2012, it is clear that GO has successfully managed to hold its ground, and this in a compact, and highly competitive market.

This satisfactory performance must also be placed within the context of the realities of the telecommunications markets across Europe, characterised by fierce competition which drives prices down and puts pressure on EBITDA margins, which have declined significantly over the past few years. This tough competitive scenario, to which Malta is in no way immune, is of course, the result of a sophisticated and well penetrated market in which operators have to work very hard simply to retain, let alone grow, market share.

> *One of the most significant commercial developments was the launch of our Limitless plans. The concept behind the Limitless proposition is simple and compelling.*

Europe also has the added challenge of a regulatory framework which generates additional pressures on revenues and the profitability of the sector. As a result of declining levels of profitability, it is becoming more challenging for the European telecommunications industry to fund the significant ongoing investments required in this fast-paced sector which necessitates frequent renewal of technology and infrastructure. Because of these market distortions, the European telecommunications industry - once a pioneer - is falling behind its counterparts in the United States and Asia.

Here in Malta we are, naturally, subject to the same Europe-wide regulatory pressures, and also additional national considerations which led us to adjust both the level and the timing of some of our strategic investments. Although we do not anticipate any dramatic developments in the near future, it has been encouraging to note that there has been increasing recognition of these challenges and a willingness to engage with operators both at an EU level and also with the Malta Communications Authority in particular. GO will continue to engage positively with all the relevant stakeholders in order to arrive at a situation that is fair to all parties involved.

A SOUND STRATEGY

Despite such a scenario, GO continues to perform well, in line with our far-sighted strategy which continues to guide our effort throughout the Group – and whose results are evident across a number of areas.

As you may recall, in my review last year, I had highlighted the four thrusts which underpin our approach. These are worth reiterating:

- **Defend** – using our multi-play advantage to offer bundles of value added services which strengthen our retention efforts and achieve new acquisitions;
- **Grow** – by focusing on new growth areas such as mobile internet and television and delivering a holistic experience in internet and content access, inside and outside the home;
- **Earn Market share, don't buy it** – thereby optimising our cost base so that we deliver our vision as a lean, mean and focused organisation;
- **Explore/Monetise** – developing new business beyond the traditional core in order to generate new sources of revenue.

MAKING THE MOST OF OUR MULTI-PLAY ADVANTAGE

One of the most significant commercial developments was the launch of our Limitless plans. The concept behind the Limitless proposition is simple and compelling; for a monthly fee, customers can make a limitless amount of calls and messages from their mobile devices whilst also benefitting from generous mobile internet surfing. The days when customers need to worry about their credit or message bundle running out during the month are therefore over. This simplicity made Limitless an instant success, playing a key role not only in successfully defending, but also increasing our market share in the mobile sector in which GO now has more than 197,000 connections.

Since its launch, Limitless has continued to develop. Limitless Homepack which combines the advantages highlighted above and extends them to fixed line telephony, internet broadband and TV, has allowed GO to maximise our position as a quad play telecommunications operator. The Limitless concept has also been further expanded to create a specific offer for students, which has proved very popular and more developments are in the pipeline. The value and simplicity that the bundling of services brings has successfully helped GO to retain existing customers and acquire new ones.

Of course, great products which are easy to understand are only part of the equation. Customer loyalty and market share acquisition also depend on the quality of service our customers receive. On this front, GO has also been investing heavily both in our people and our systems. Numerous training, well-being and recognition programmes have been launched as a tangible investment in our employees. On the technology front, substantial investments are being made in our Intelligent Network (IN) platform and a major upgrade in the Billing and Order Management Systems, through which GO interacts directly with clients. Combined, these have enabled

GO to deliver a truly positive experience to our customers as reflected in very encouraging results being achieved in our customer satisfaction surveys.

INVESTING IN GROWTH AREAS

Value is important but quality is more important. I am absolutely confident that thanks to the investments we have made across all our services, GO customers get the best phone, internet, TV and mobile experience in Malta.

During 2013, together with a number of leading industry equipment providers, we embarked on a technology refresh programme that will ensure that our critical core networks will be kept updated with the latest technology developments for the next 5 to 7 years. Our mobile network has continued to improve with the launch of a new GGSN platform, implemented with Alcatel Lucent, which enables higher speeds and a smoother mobile internet experience. This, coupled with the fact that the vast majority of our mobile transmission stations are linked via fibre, allows us to offer a mobile internet experience that is difficult for competitors to match and which is fundamental to delivering a true 4G network experience. These investments give us the opportunity to concentrate our efforts on the introduction of new networks and innovative technology designed to offer customers the best possible internet experience - seamlessly - across the Group's fixed and mobile networks.

In the past year, GO has also initiated investments in three new data centres, in addition to current large data centre clusters, which house our own equipment as well as the critical systems of various reputable international customers. GO also invested in additional capacity and improved the resiliency of its international submarine cables, which represent Malta's principal communications lifeline with the rest of the world. There has also been a network-wide programme to improve the quality and speed of our broadband service.
GO has also continued to invest in TV, another of our growth areas. We continue to be the home of premium sports and entertainment content with ongoing investments in football, rugby, Formula One, tennis and golf broadcasting rights. A highlight of the past year was our successful renewal of the rights to broadcast the English Premier League which will be available exclusively on GO until 2016. We have also continued to give our customers great TV entertainment with movie premieres and global TV hits being a mainstay of our GO Stars channel.

Our TV customer base now stands at around 68,000.

BEING MORE EFFICIENT

Efficiency and the drive to always do things better is at the core of the third of GO's four strategic thrusts and again here we have made good progress during 2013.

There has been significant investment in our systems which have already delivered real improvements to our internal operations and reduced costs, while at the same time delivering a better quality service to customers. GO has also put in place the necessary infrastructure to deliver a leap forward in the way customers can interact with us, particularly online, which will be rolled out in 2014.

There has also been a lot of work on developing our human resources, which are of course crucial to our success. We have restructured our performance management programme and taken action to better align and motivate our employees through improved training, knowledge sharing, well being initiatives and reward, recognition and retention programmes.

Additional efficiencies have also been generated through the effective management of our property portfolio. Following appropriate investments in upgrading strategic facilities, office operations and technology are being centralised within fewer properties.

Improving the way we do things is a continuous effort and will remain at the heart of our strategic approach, helping us to have both the human and financial resources GO needs to continue investing in the business.

EXPLORING NEW HORIZONS

Despite all the challenges, the telecommunications industry remains phenomenally exciting. There are always new things on the horizon. Data is a big part of our future growth. BMIT, our data centre and cloud services company, continues to strengthen its position as the leader in Malta in the provision of a complete range of data centre services which encompass co-location, hosting, cloud and managed services. In particular, it has experienced a significant uptake in cloud services, a trend which we expect to continue as a result of BMIT's initiatives to tap into new market segments.

GO will continue to invest in its networks and systems to be able to provide an unparalleled customer proposition. We are piloting the roll-out of Fibre-to-the-Home (FTTH), which will revolutionise our communications and home entertainment experience. Although the roll out of FTTH has not happened as quickly as we would wish, largely due to the rigid EU regulatory framework which I touched upon at the start of my review, we are hopeful that the recent more positive approach adopted by the MCA will result in an improvement in the situation, which will then allow us to press ahead with the upfront investment required to create the FTTH infrastructure.

The competitive and regulatory pressures on revenue are not expected to go away any time soon. GO is continuously looking at opportunities to generate new revenue streams, pursue new investments and release value from underutilised assets, such as the Group's significant property portfolio, as it strives to maximise shareholder value.

LOOKING AHEAD

As in any other developed European country, exciting technological developments are reshaping the way we live and work in Malta. GO is, of course, at the very heart of the country's life and economy, providing its people and businesses with the communications infrastructure they need and expect. This is a unique position, and one which brings with it great responsibility. It is a responsibility we take very seriously.

As technology continues to advance, GO will retain its steadfast focus on investing in those areas which will be crucial to Malta's continued competitiveness in the global economy. Concurrently, GO will also continue to strive to deliver the best possible communications and entertainment experience to all our customers.

Despite all the challenges we face, GO has been able to deliver a strong performance. Our four thrusts strategy has helped us to retain and acquire customers, to focus on growth areas, to improve efficiency and therefore free up the resources we need to explore new areas. It is a strategy that has worked well and we believe that it will continue to do so as we look ahead.

GO at the heart of the Community

'Kull Qalb Trid Ohra'. We all need a helping hand at times and some in our community need more support than others. As one of Malta's leading companies, GO takes its responsibilities towards the community very seriously and throughout 2013 we supported a number of important initiatives.

One of GO's most important commitments was to l-Istrina, Malta's biggest annual charity event. Once again, we supported this event through a €20,000 financial donation but, more importantly, GO also supported the event by installing and operating the telecommunications systems for free. This was made possible through the support of our staff who gave up more than 400 hours of their time to install and operate all the telephony, internet and broadcasting facilities needed.

L-Istrina was not the only event supported by GO during 2013. We also provided all the communications services required for the annual Maratona bir-Roti which took place at St George Preca College, Boys' Lyceum in Hamrun and also organised a number of walks to raise funds for numerous charitable causes, amongst many other events.

Another important milestone in 2013 was the launch of TelecarePlus. The Telecare system has been well established in Malta for more than 20 years, giving the elderly the opportunity to continue living independently in their own homes while also providing peace of mind to relatives. The key to Telecare's success is Malta's phone network and with new technology and ongoing investment in our phone network, it has been possible to make a qualitative leap forward in the support which Telecare delivers.

Corporate Social Responsibility is not just about helping those in need. It is also about enabling the community as a whole to move forward. This includes supporting young people who are looking to acquire the skills they need in a globalised economy, and to industries and businesses which are crucial to Malta's economy. GO has supported various professional bodies such as the Malta Hotels & Restaurants Assocation. In the education sector, GO has contributed in the fields of innovation, art and design through its involvement with MCAST and the University of Malta. In addition, GO also took a keen interest in Culture and the Arts, supporting a variety of events ranging from Hard Rock Rising to Teatru Unplugged, and the Malta Journalism Awards.

At GO, we also greatly value our employees. We acknowledge that none of our achievements would be possible without the support of our employees and the support of the Maltese community. During 2013, there has been considerable investment in training, wellbeing and reward and recognition programmes, all of which contribute to making the GO team more united and successful.

Looking forward, GO will continue to support the community in which it operates. As the country's leading telecommunications company we have the resources, technology and services to support and facilitate a range of charitable, cultural, and business initiatives. We firmly believe that through our efforts we are making a real difference to our community and, ultimately, to our business.

01. GO's Head of Marketing, Kurt Camilleri presenting GO's €20,000 donation to l-Istrina to H.E. Dr George Abela, President of Malta.

02. GO staff give more than 400 hours of their time to set up for l-Istrina, including the installation of 145 telephone lines.

03. GO's contribution to l-Istrina was also recognised by H.E. Dr George Abela, President of Malta, during a visit to GO's Head Offices.

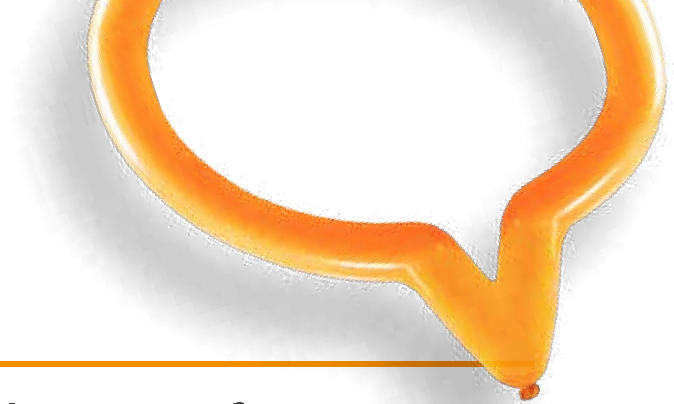
04. GO's CEO, Yiannos Michaelides talking with Mr and Mrs Agius of Birzebbuga who upgraded to Telecare Plus.

05. GO's commitment to Malta's economy was highlighted during a visit to GO's Head Offices in Marsa by the Minister for the Economy, Investment and Small Business, Dr Christian Cardona and the Parliamentary Secretary for Competitiveness and Economic Growth, Dr Edward Zammit Lewis.

06. During 2013, GO launched a number of wellbeing and reward and recognition initiatives to further promote team spirit among employees.

07. Yiannos Michaelides, GO Chief Executive Officer with Stephen Vella, Director at the MCAST Institute of Art and Design and Anthony Saliba, Deputy Principal at the MCAST Institute watch a design student working on a brass magazine holder.

08. Teatru Unplugged co-founder, Jonathan Shaw (left) and GO Chief Commercial Officer, Markus Golder during the presentation of GO's financial sponsorship of Teatru Unplugged at Teatru Manoel in Valletta.



A transformational year for GO

Our customers want peace of mind and with the launch of Limitless in April 2013, GO transformed the telecommunications landscape in Malta. By offering limitless calling and texting as well as significant internet access for a reasonable fixed monthly fee, GO gave its mobile customers the freedom to enjoy our services without the need to think about monthly allocations of minutes and messages. Additionally, by providing a facility to acquire the latest mobile devices with all Limitless Pay Monthly plans without any upfront costs, GO customers were the first to gain access to the latest smartphone and tablets.

Limitless proved to be extremely popular and throughout the rest of the year, GO upgraded its quad-play bundle, Home Pack, with Limitless calling and Limitless downloads from home. Additionally, a generous Limitless mobile plan was introduced to the student community. GO is committed to evolve the Limitless concept further, maintaining its focus to give its customers, including business clients, unrivalled communications and entertainment services with clear and reasonable pricing.

Limitless has been a success story

While the launch of Limitless was the commercial highlight of the year, it was by no means the only innovation brought to the market by GO. Other firsts for Malta included the launch of mobile internet sharing giving customers the possibility to share mobile internet bundles between their smartphone and tablet from different locations. We also worked hard to improve our service across all customer touch-points with investments in billing and operational support systems. Our efforts have not gone unnoticed with market research showing customer satisfaction improving consistently throughout the year.

GO is also now firmly established as the home of premium television. GO Stars continues to offer our TV customers an unrivalled range of award winning films and series. At the same time we continue to invest in premium sports broadcasting. In 2013, our most significant investment was in the renewal of the broadcasting rights for the Barclay's English Premier League which will now be broadcast exclusively on GO until 2016.

Our commercial activity throughout 2013 was, of course, not solely focused on domestic customers. GO has also worked hard to further improve the products and services available to our business customers. Our dedicated team of relationship managers work closely with these high value customers to deliver the solutions they need. In some cases, such as our relationship with the lotteries operator Maltco, and other operators in gaming, financial services, and hospitality, specific bespoke solutions are created to ensure these industries, have the communications and data services they need to compete globally.

Our efforts to support the Maltese business community will be further enhanced through a new range of cloud services which were launched towards the end of 2013 in collaboration with BMIT and Alcatel Lucent. These new services reflect the changing needs of businesses to create unified systems designed not only for communication and data management but also for collaboration.

Commercial innovations would not be possible without significant investment in our infrastructure and network and a close working relationship between the commercial and technical teams within the Company. Together we are committed to ensuring that GO remains Malta's leading telecommunications and entertainment services provider.

Directors' Report

DIRECTORS' REPORT

The Directors are pleased to present their report together with the financial statements of the Company for the year ended 31 December 2013.

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-network and mobile services, internet and TV for consumers and business clients. The Group also provides business clients with data centre facilities and ICT solutions.

Insofar as their electronic communications operations are concerned, the Company and certain of its subsidiary and associated companies are regulated by and are subject to the provisions of the Electronic Communications (Regulation) Act, 2004 and regulations issued thereunder.

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 of this Annual Report.

REVIEW OF FINANCIAL PERFORMANCE

The Maltese telecoms market is highly developed by international standards. It is characterised by innovation, a wide range of voice and data services, and television broadcasting. The market is in a state of transition, driven by the growing convergence of telecommunications, information technology, media and entertainment as people access the Internet from anywhere and at any time using a multitude of devices. Competition is no longer coming exclusively from operators in the domestic market as competing services are available free of charge through applications over the Internet provided by organisations with a global reach. In addition, disproportionate regulation at both the local and EU level has made access to technology more affordable for consumers but at significant cost to operators.

To counteract this trend, GO has further developed its business model. It relies on having a secure and always-available network for the benefit of its customers. The needs of its customers and a commitment to delivering a customer experience that is second to none are at the core of its business model.

Within this highly competitive environment GO retains a strong presence in the local market across all product lines and remains the leading telecommunications service provider, offering the most extensive product range. Its customer base increased by 1% during 2013 and stands in excess of 500,000 customer connections, making it the largest base of any operator on the Islands. The number of customers adopting bundles of services across fixed, broadband, TV and mobile continued to increase in 2013 and helped to deliver robust levels of revenues, profitability and cash generation from core operations.

Group revenue amounted to €122.1 million and represents a reduction of 4.0% over the prior year in spite of continued growth in usage of most services provided by the Group. The reduction is the result of a combination of price erosion at the retail level due to the competitive nature of the market and lower revenues from wholesale, including roaming, as regulators continue to mandate significant reductions in inter-operator tariffs particularly for terminating calls on mobile networks.

Cost of sales, administrative and related costs, excluding items of unusual nature, size or incidence, amounted to €102.4 million (2012: €106.1 million). The overall reduction of 3.5% is the result of focus on managing costs which enabled GO to benefit from lower costs in most areas, including employee related costs and certain costs directly liked to sales activity.

In 2013 GO is reporting an operating profit of €18.0 million, as against €22.4 million in the comparative year, however both years include items considered to be of unusual nature, size or incidence. Normalised operating profit of GO for the year ended 31 December 2013 is €20.8 million (2012: €22.2 million) whilst normalised EBITDA amounted to €48.4 (2012: €51.3 million). Furthermore, 2012 results were positively impacted by a one-off gain of €11.4 million following the disposal of a plot of land at Qawra which contributed to GO reporting a profit before tax for the year ended 31 December 2012 amounting to €26.8 million. In the year under review GO is reporting a profit before tax of €15.6 million. The earnings per share amounted to €0.116 as against €0.173 in 2012.

Net cash generated from operations amounted to €39.6 million (2012: €40.0 million). Both years include items considered to be of unusual nature, size or incidence relating to pensions and voluntary retirement costs. Normalised cash flow from operations for 2013 amounted to €42.7 million, an increase of €1.2 million over the €41.5 million generated in 2012. In 2013 the Group's investments implied a cash outflow of €19.3 million as the Group maintained an intensive investment programme through which it is upgrading its various networks and launches new technologies which allows for the provision of improved services and innovative products.

During 2013 GO reduced its loans by €4.6 million and paid dividends amounting to almost €10.0 million but still closed the year positive net movement in cash and cash equivalents of almost €2.9 million.

FINANCIAL POSITION

Following another year of robust operating performance, shareholders' funds as at year-end increased from €101.6 million as at December 2012 to €103.5 million as at end 2013 as the Group's performance during 2013 exceeded the distribution of retained earnings as a result of a dividend of €0.10 per share net of taxation paid during the year. The Group's net asset value per share stands at €1.02, an increase of 2% over 2012 which stood at €1.00. The Group's total asset base stands at €235.0 million of which almost €55.0 million are represented by property. The Group's total asset base is 44.0% funded through equity (2012: 42.7%).

GO's investment in Forthnet S.A. through Forgendo Limited has been retained at the written down value of nil. Whilst Forthnet's performance reflects the extremely challenging economic environment prevailing in Greece, the company's most recently available financial information covering the nine months period up to 30 September 2013 shows growth in subscriber base and connections but due to the adverse economic conditions this growth did not translate into improved financial performance. However, as disclosed in Note 38 to the financial statements, subsequent to the financial year-end Forthnet successfully completed a capital increase through which it raised €29.1 million. Forgendo has participated in the capital increase through two loans provided by its two shareholders in equal share. GO has the option, exercisable up to 15 July 2014, to convert the loan into equity. If GO elects not to convert the loan into equity, Emirates International Telecommunications Malta Ltd (EITML), as the other 50% shareholder in Forgendo is obliged to repay the GO loan on behalf of Forgendo in exchange for additional shares to be issued by Forgendo to EITML.

The Group's current assets amounted to €68.1 million (2012: €68.0 million) and are mainly represented by receivables of €30.6 million (2012: €32.4 million) and cash of €30.4 million (2012: €27.2 million). The healthy liquidity position, the result of robust operational performance, continues to allow the Group to fund its investments in technology, pursue new initiatives aimed at increasing shareholder value and honour its obligations with its bankers substantially from internal resources.

Non-current liabilities are down from €75.4 million in December 2012 to €73.9 million as at December 2013. Similarly, current liabilities amounted to €57.6 million (2012: €61.1 million). The total reduction in liabilities of €5.1 million is substantially due to a reduction in borrowings.

DIVIDENDS AND RESERVES

The Directors recommend that at the forthcoming Annual General Meeting, the shareholders approve the payment of a net dividend of €0.07 per share (after taxation) – such dividend to be payable on 9 May 2014. Total distributions relating to this year's operations amount to €0.07 per share.

Board of Directors

Mr. Deepak Padmanabhan
Chairman

Dr. Francis Galea Salomone LL.D.
Company Secretary

Mr. Norbert Prihoda

Mr. Nikhil Patil

Mr. Yasser Zeineldin

Mr. James Kinsella

The Noble Paul Testaferrata Moroni Viani

Mr. Paul Fenech

Mr. Joseph Agius
(resigned on 18 March 2014)

Chief Executive Team

Chief Executive Officer - Yiannos Michaelides
Chief Commercial Officer - Markus Golder
Chief Technology Officer - Kelvin Camenzuli
Chief Information Officer - Nigel Curmi

Chief Finance Officer - Edmond Brincat
Chief Corporate Strategy and Business Development - Arthur Azzopardi
Chief Executive Officer BM Companies - Christian Sammut

The amount of €7,091,734 has been transferred to the dividend payment reserve.

Retained profits carried forward at the reporting date amounted to €28.0 million (2012: €26.5 million) for the Group and €50.0 million (2012: €47.4 million) for the Company.

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 end of the reporting period held an executive appointment with the Company or its subsidiaries.

Mr. Deepak Padmanabhan (Chairman)
Mr. James Kinsella
Mr. Joseph Agius (resigned on 18 March 2014)
Mr. Nikhil Patil
Mr. Norbert Prihoda
Mr. Paul Fenech
The Noble Paul Testaferrata Moroni Viani
Mr. Yasser Zeineldin

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.

The Noble P. S. Testaferrata Moroni Viani, Mr. J. Agius and Mr. P. Fenech offered themselves for election at the Fifteenth Annual General Meeting for the three seats on the Board of Directors and consequently were elected to represent the Company's shareholders.

Of the Directors of the Company, Mr. D. Padmanabhan and the Noble P. S. Testaferrata Moroni Viani (and Mr. Y. Michaelides - Chief Executive Officer) were acting as Directors of the following subsidiary companies at 31 December 2013: *Innovate Software Limited, Mobisle Communications Limited and Worldwide Communications Limited.*

Mr. D. Padmanabhan and Mr. Y. Michaelides - Chief Executive Officer were acting as Directors of *GO Data Centre Services Limited.*

Mr. D. Padmanabhan and Mr. N. Patil (and Mr. Y. Michaelides – Chief Executive Officer) were acting as Directors of the following subsidiary companies at 31 December 2013: *Malta Properties Company Limited, MCB Property Company Limited, SGE Property Company Limited, MSH Property Company Limited, SPB Property Company Limited, SLM Property Company Limited, ZTN Property Company Limited and BKE Property Company Limited.*

Mr. D. Padmanabhan and Mr. Y. Michaelides – Chief Executive Officer were also acting as Directors of of *Forthnet S.A.* at 31 December 2013.

Mr J. Attard, Mr. N. Patil (and Mr. Y. Michaelides – Chief Executive Officer) were acting as Directors of the following subsidiary companies at 31 December 2013: *BM IT Limited, Bellnet Limited and BM Support Services Limited.*

None of the Directors have service contracts with either the Company or its subsidiaries.

REMUNERATION COMMITTEE AND CORPORATE GOVERNANCE

The activities of the remuneration committee and the Group's arrangements for corporate governance are reported on pages 22 to 29.

DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act (Cap 386 of the Laws of Malta) 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 judgments and estimates that are reasonable in the circumstances; 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 material misstatements, whether due to fraud or error, and that comply with the Companies Act, 1995. 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 2013 are included in the Annual Report 2013, 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 statement of financial position at year-end, as well as the business plan for the coming year, and they have a reasonable expectation that the 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 and 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 2013, only Emirates International Telecommunications (Malta) 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 55.3 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 55.1 (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 55.3, 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 every year at the Annual General Meeting of the Company.

(c) Shareholders entitled to appoint Directors pursuant to the provisions of sub-article 55.3 (a) 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 12% (twelve per centum) shareholding having voting rights held between them, by letter addressed to the Company in accordance with the provisions of sub-article 55.3 (a); and for the purposes of this paragraph and voting rights of persons entitled to vote pursuant to the provisions of sub-article 55.3 (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.

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, acquire its own shares and/or Equity Securities.

The Company confirms that only one Chief Officer has an indefinite contract that includes a severance payment clause.

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 2013, none of the requirements apply to the Company.

STATEMENT BY THE DIRECTORS PURSUANT TO *LISTING RULE 5.68*

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 the 18 March 2014 and signed on its behalf by:

Mr. Deepak Padmanabhan
Chairman

Mr. Nikhil Patil
Director

Registered office
GO
Fra Diegu Street
Marsa
Malta

18 March 2014

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 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 Mr. Yiannos Michaelides continued in his office as Chief Executive Officer.

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 ("AGM") 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 Mr. Deepak Padmanabhan and comprises eight (8) non-executive Directors. The following Directors served on the Board during the period under review:

Mr. Deepak Padmanabhan (Chairman)
Mr. James Kinsella
Mr. Joseph Agius (resigned on 18 March 2014)
Mr. Nikhil Patil
Mr. Norbert Prihoda
Mr. Paul Fenech
The Noble Paul Testaferrata Moroni Viani
Mr. Yasser Zeineldin

For the purposes of the Code, the non-executive Directors are independent. The Company deems that, although Mr. D. Padmanabhan has 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 his free judgement.

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 six (6) times.

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 monthly management accounts on the Group's 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 Mr. N. Patil, with the other members being Mr. Y. Zeineldin and the Noble P. S. Testaferrata Moroni Viani. The Audit Committee is independent and is constituted in accordance with the requirements of the Listing Rules, with the Noble P. S. Testaferrata Moroni Viani 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 five (5) meetings during the year. The external auditors attended four (4) 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 Group Remuneration Committee is currently chaired by Mr. D. Padmanabhan, the other members being the Noble P. S. Testaferrata Moroni Viani and Mr. P. Fenech. The Company Secretary, Dr. F. Galea Salomone, acts as Secretary to the Remuneration Committee.

The Group Remuneration Committee met three (3) times in 2013. The Report of the Committee to the shareholders is set out on pages 28 and 29.

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 is currently chaired by Mr. D. Padmanabhan with the other members being Mr. Y. Michaelides, Mr. N. Prihoda, Mr. E. Brincat and Mr. N. Patil. The Company Secretary acts as Secretary to the Executive Committee. The Committee held seven (7) 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 by-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. The Directors receive monthly management accounts 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 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 stockbrokers and financial intermediaries at least twice a year, 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 Maltese Companies Act, 1995 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 2013
Mr. Deepak Padmanabhan	nil
Mr. James Kinsella	nil
Mr. Joseph Agius	nil
Mr. Norbert Prihoda	nil
Mr. Nikhil Patil	nil
Mr. Paul Fenech	130,995
The Noble Paul Testaferrata Moroni Viani	78,394
Mr. Yasser Zeineldin	nil

Mr. 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.

As at 31 December 2013, the Noble P. S. Testaferrata Moroni Viani had a beneficial interest in the Company of 75,494 and 2,900 shares through the shareholding of Testaferrata Moroni Viani (Holdings) Ltd. and Testaferrata Moroni Viani Ltd. respectively in GO p.l.c. He also had a beneficial interest in Forthnet S.A. of 14,750 shares.

As at 31 December 2013, Mr. D. Padmanabhan had a beneficial interest in Forthnet S.A. of 8,416 shares.

During the rights issue process which was completed in January 2014, Mr. D. Padmanabhan exercised his pre-emption right and acquired a further 63,120 shares in Forthnet, thus increasing his shareholding to 71,536 shares.

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 18 February 2014.

Principle 12: Corporate Social Responsibility
As a major presence in the community, GO has always taken its corporate social responsibility very seriously and, as in previous years, in 2013 maintained a steady programme of activities aimed at improving the quality of life of its work force and their families, as well as of the local community and society at large. These ranged from support for non-governmental organisations active in various fields, to the recognition of local talent in various disciplines. The leading campaign remained the President of Malta's annual fundraiser, l-Istrina, which GO has been proud to support over the years.

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 the 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 the Compliance Section, 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 the Compliance Section, 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 8B: 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 and Bellnet 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 at least six (6) times a 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 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 it does through the Investor Relations Section on the Company's website, 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 Group Remuneration Committee is composed of Mr. D. Padmanabhan (Chairman), the Noble P. Testaferrata Moroni Viani and Mr. P. 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. F. Galea Salomone acts as Secretary to the Remuneration Committee.

B. MEETINGS

During the period under review the Committee held three (3) meetings. All Committee members attended the three (3) 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 CEO's performance bonus for 2012
- Bonus scheme for 2013

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 €11,647 per annum for Directors and €17,470 per annum for the Chairman. Since his appointment as Chairman of the Board of Directors, Mr. D. Padmanabhan opted to waive fees due to him as Chairman. As of 1 January 2013, Board Directors Mr. D. Padmanabhan, Mr. N. Patil, Mr. Y. Zeineldin and Mr. N. Prihoda opted to waive off fees due to them as Directors. No variable remuneration is paid to Directors.

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 CEO and the Chief Officers.

The base salaries of all Senior Management are established in accordance with the Company's salary structure. The Group's 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 Group's 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 objectives and the level of Group's earnings before interest, tax, depreciation and amortisation (EBITDA).

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. The Company confirms that only one Chief Officer has an indefinite contract that includes a severance payment clause.

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.

During the financial year under review the Company effected an ex gratia payment to one of the Chief Officers on termination of employment in the amount of €41,500.

E. CODE PROVISIONS 8.A.5

Emoluments of Directors

Fixed Remuneration	Variable Remuneration	Share Options	Others
€45,587	None	None	€1,547

Emoluments of Senior Management

Fixed Remuneration	Variable Remuneration	Share Options	Others
€1,155,869	€178,262	None	€22,038

Mr. Deepak Padmanabhan
Chairman, Group Remuneration Committee

18 March 2014

Independent Auditor's Report

pwc

INDEPENDENT AUDITOR'S REPORT

To the shareholders of GO p.l.c.

REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

We have audited the consolidated and stand-alone financial statements of GO p.l.c. (together the "financial statements") on pages 33 to 114, which comprise the consolidated and stand-alone statements of financial position as at 31 December 2013, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As explained more comprehensively in the Statement of Directors' responsibilities for the financial statements on page 19, the Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the Group and the parent Company as at 31 December 2013, and of their financial performance and their cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

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 22 to 27 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Matters on which we are required to report by exception

We also have responsibilities under:

- the Maltese Companies Act, 1995 to report to you if, in our opinion:
  - The information given in the Directors' report is not consistent with the financial statements.
  - 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.
- 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.

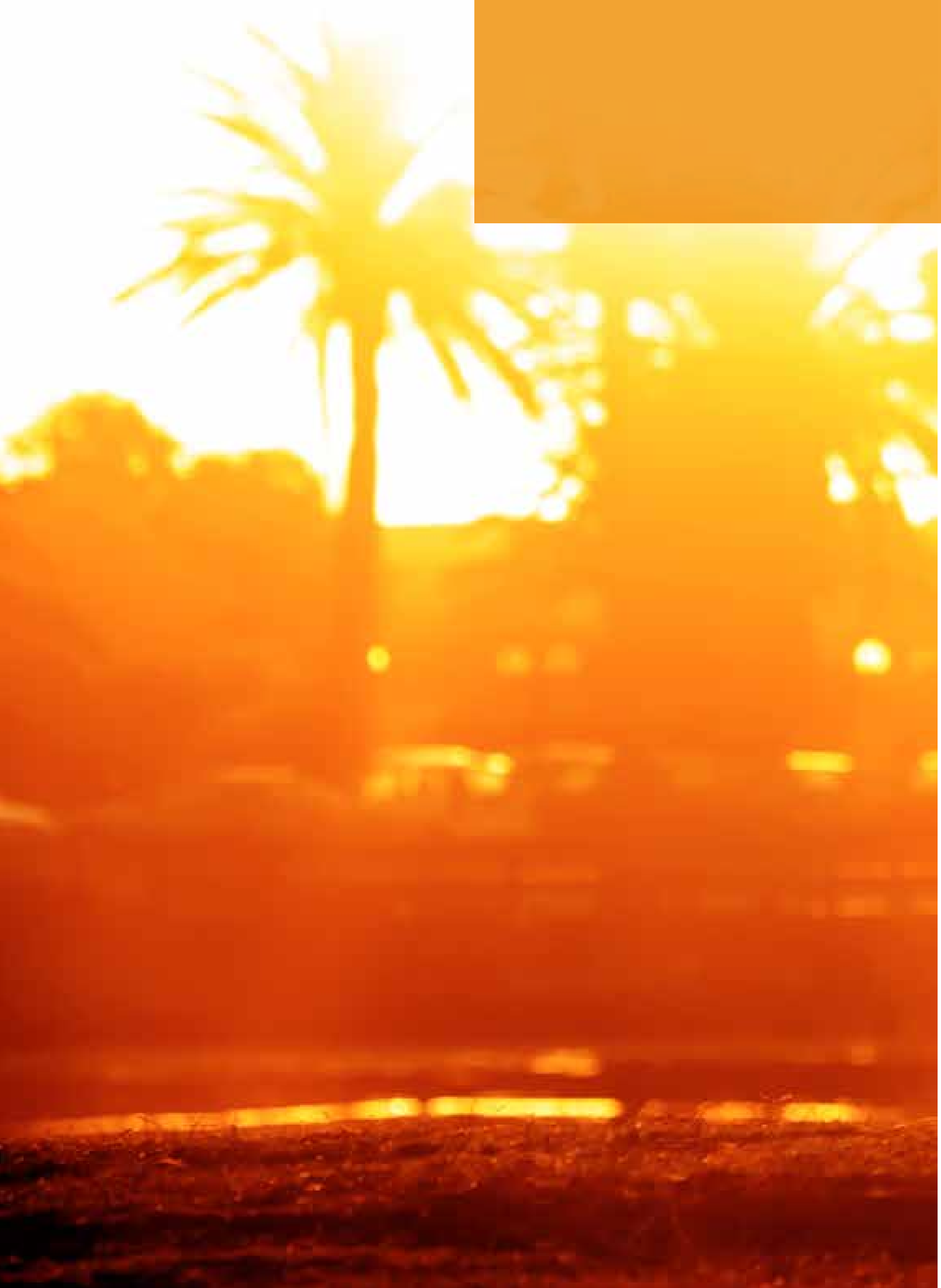
We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers
78 Mill Street
Qormi
Malta

Simon Flynn
Partner

18 March 2014

FINANCIAL STATEMENTS



Statements of Financial Position

	Notes	Group 2013 €000	Group 2012 €000 (restated)	Company 2013 €000	Company 2012 €000 (restated)
		As at 31 December			
ASSETS					
Non-current assets					
Property, plant and equipment	5	**136,170**	138,557	**70,075**	69,303
Investment property	6	**1,571**	1,571	**-**	-
Intangible assets	7	**19,268**	21,646	**9,580**	9,047
Investments in subsidiaries	8	**-**	-	**27,233**	27,233
Loans receivable from subsidiaries	10	**-**	-	**49,524**	49,524
Deferred tax assets	12	**8,627**	6,805	**5,709**	4,398
Trade and other receivables	14	**1,217**	1,637	**430**	418
Total non-current assets		**166,853**	170,216	**162,551**	159,923
Current assets					
Inventories	13	**6,915**	6,002	**5,434**	4,495
Trade and other receivables	14	**30,620**	32,412	**33,322**	36,865
Current tax assets		**186**	2,310	**186**	80
Cash and cash equivalents	15	**30,402**	27,243	**26,315**	23,493
Total current assets		**68,123**	67,967	**65,257**	64,933
Total assets		**234,976**	238,183	**227,808**	224,856

STATEMENTS OF FINANCIAL POSITION - continued

	Notes	As at 31 December			
		Group		Company	
		2013	2012	**2013**	2012
		€000	€000	**€000**	€000
EQUITY AND LIABILITIES			(restated)		(restated)
EQUITY					
Share capital	16	**58,998**	58,998	**58,998**	58,998
Reserves	17	**16,536**	16,144	**5,271**	4,879
Retained earnings		**27,961**	26,458	**49,983**	47,420
Total equity		**103,495**	101,600	**114,252**	111,297
LIABILITIES					
Non-current liabilities					
Borrowings	18	**59,246**	60,330	**54,327**	53,500
Derivative financial instruments	19	**512**	1,283	**512**	1,283
Deferred tax liabilities	12	**7,109**	7,752	**-**	-
Trade and other payables	21	**3,656**	2,958	**3,656**	2,958
Provisions for pensions	20	**3,370**	3,116	**3,370**	3,116
Total non-current liabilities		**73,893**	75,439	**61,865**	60,857
Current liabilities					
Trade and other payables	21	**41,896**	40,958	**37,164**	33,892
Current tax liabilities		**27**	358	**225**	110
Borrowings	18	**13,014**	16,977	**11,651**	15,849
Provisions for pensions	20	**2,651**	2,851	**2,651**	2,851
Total current liabilities		**57,588**	61,144	**51,691**	52,702
Total liabilities		**131,481**	136,583	**113,556**	113,559
Total equity and liabilities		**234,976**	238,183	**227,808**	224,856

The notes on pages 43 to 114 are an integral part of these consolidated financial statements.

The financial statements on pages 33 to 114 were authorised for issue by the Board on 18 March 2014 and were signed on its behalf by:

Mr. Deepak Padmanabhan
Chairman

Mr. Nikhil Patil
Director

INCOME STATEMENTS

	Notes	Year ended 31 December			
		Group		Company	
		2013	2012	**2013**	2012
		€000	€000	**€000**	€000
			(restated)		(restated)
Revenue	22	**122,141**	127,158	**74,691**	77,975
Cost of sales	23	**(75,355)**	(79,462)	**(50,464)**	(51,775)
Gross profit		**46,786**	47,696	**24,227**	26,200
Administrative and other related expenses	23	**(29,867)**	(26,567)	**(25,912)**	(21,852)
Other income	25	**1,165**	1,419	**1,251**	1,400
Other expenses	26	**(103)**	(178)	**(73)**	(91)
Operating profit/(loss)		**17,981**	22,370	**(507)**	5,657
Analysed as follows:					
Operating profit before non-recurring items		**20,775**	22,245	**2,287**	5,532
Non-recurring items presented within 'Administrative and other related expenses'	23	**(2,794)**	125	**(2,794)**	125
Operating profit/(loss) after non-recurring items		**17,981**	22,370	**(507)**	5,657
Finance income	27	**411**	517	**19,889**	18,396
Finance costs	28	**(2,755)**	(2,666)	**(2,470)**	(2,515)
Adjustments arising on fair valuation of property	5, 6	**-**	(771)	**-**	(367)
Gain on disposal of property	13	**-**	11,356	**-**	11,356
Impairment charge on available-for-sale financial assets and related charges	11	**-**	(329)	**-**	(329)
Losses attributable to investment in jointly-controlled entity	9	**-**	(3,726)	**-**	(3,726)
Profit before tax		**15,637**	26,751	**16,912**	28,472
Tax expense	29	**(3,887)**	(9,248)	**(4,102)**	(9,144)
Profit for the year - attributable to owners of the Company		**11,750**	17,503	**12,810**	19,328
Earnings per share (euro cents)	30	**11c6**	17c3		

The notes on pages 43 to 114 are an integral part of these consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group 2013 €000	Group 2012 €000 (restated)	Company 2013 €000	Company 2012 €000 (restated)
		Year ended 31 December			
Comprehensive income					
Profit for the year		**11,750**	17,503	**12,810**	19,328
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Surplus arising on revaluation of land and buildings	5	**-**	2,546	**-**	2,142
Remeasurements of defined benefit obligations	20	**(346)**	(272)	**(346)**	(272)
Income tax relating to components of other comprehensive income	29	**121**	(1,667)	**121**	(2,022)
Items that may be subsequently reclassified to profit or loss					
Change in fair value of derivative designated as hedging instrument in cash flow hedge	19	**771**	200	**771**	200
Available-for-sale financial assets:					
- Losses from changes in fair value	11	**-**	(100)	**-**	(100)
- Reclassification adjustments - net amounts reclassified to profit or loss upon impairment	11	**-**	100	**-**	100
Income tax relating to components of other comprehensive income	29	**(270)**	(70)	**(270)**	(70)
Total other comprehensive income for the year, net of tax		**276**	737	**276**	(22)
Total comprehensive income for the year		**12,026**	18,240	**13,086**	19,306

The notes on pages 43 to 114 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

Group

	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total €000
Balance at 1 January 2012		58,998	15,499	8,863	83,360
- As previously reported					
- Effect of change in accounting policy upon adoption of IAS 19 (revised), net of deferred tax	37	-	(208)	208	-
- As restated		58,998	15,291	9,071	83,360
Comprehensive income					
Profit for the year (restated)		-	-	17,503	17,503
Other comprehensive income (restated):					
Surplus arising on revaluation of land and buildings	5	-	2,546	-	2,546
Movements in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	12	-	(1,762)	-	(1,762)
Available-for-sale financial assets:					
- Losses from changes in fair value	11	-	(100)	-	(100)
- Reclassification adjustments - net amounts reclassified to profit or loss upon impairment	11	-	100	-	100
Cash flow hedge, net of deferred tax	19	-	130	-	130
Remeasurements of defined benefit obligations, net of deferred tax	20	-	(177)	-	(177)
Transfer from retained earnings in relation to insurance contingency reserve	17	-	116	(116)	-
Total other comprehensive income (restated)		-	853	(116)	737
Total comprehensive income		-	853	17,387	18,240
Balance at 31 December 2012 (restated)		**58,998**	**16,144**	**26,458**	**101,600**

Group - continued

	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total equity €000
Balance at 1 January 2013 (restated)		58,998	16,144	26,458	101,600
Comprehensive income					
Profit for the year		-	-	11,750	11,750
Other comprehensive income:					
Cash flow hedge, net of deferred tax	19	-	501	-	501
Remeasurements of defined benefit obligations, net of deferred tax	20	-	(225)	-	(225)
Transfer from retained earnings in relation to insurance contingency reserve	17	-	116	(116)	-
Total other comprehensive income		-	392	(116)	276
Total comprehensive income		-	392	11,634	12,026
Transactions with owners in their capacity as owners					
Distribution to owners:					
Dividends to equity holders	31	-	-	(10,131)	(10,131)
Balance at 31 December 2013		**58,998**	**16,536**	**27,961**	**103,495**

The Group and the Company's retained earnings include non-distributable profits amounting to €11,356,000, arising on disposal of property during the year ended 31 December 2012.

Company

	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total equity €000
Balance at 1 January 2012		58,998	4,849	28,144	91,991
- As previously reported					
- Effect of change in accounting policy upon adoption of IAS 19 (revised), net of deferred tax	37	-	(208)	208	-
- As restated		58,998	4,641	28,352	91,991
Comprehensive income					
Profit for the year (restated)		-	-	19,328	19,328
Other comprehensive income (restated):					
Surplus arising on revaluation of land and buildings	5	-	2,142	-	2,142
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	12	-	(2,117)	-	(2,117)
Transfer of surplus upon realisation through disposal of revalued land and buildings	17	-	(2,325)	2,325	-
Deferred tax on realisation of surplus through disposal of revalued land and buildings	17	-	2,469	(2,469)	-
Available-for-sale financial assets:					
- Losses from changes in fair value		-	(100)	-	(100)
- Reclassification adjustments - net amounts reclassified to profit or loss upon impairment	11	-	100	-	100
Cash flow hedge, net of deferred tax	19	-	130	-	130
Remeasurements of defined benefit obligations, net of deferred tax	20	-	(177)	-	(177)
Transfer from retained earnings in relation to insurance contingency reserve	17	-	116	(116)	-
Total other comprehensive income (restated)		-	238	(260)	(22)
Total comprehensive income (restated)		-	238	19,068	19,306
Balance at 31 December 2012 (restated)		**58,998**	**4,879**	**47,420**	**111,297**

STATEMENTS OF CHANGES IN EQUITY - continued

Company - continued

	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total equity €000
Balance at 1 January 2013 (restated)		58,998	4,879	47,420	111,297
Comprehensive income					
Profit for the year		-	-	12,810	12,810
Other comprehensive income:					
Cash flow hedge, net of deferred tax	19	-	501	-	501
Remeasurements of defined benefit obligations, net of deferred tax	20	-	(225)	-	(225)
Transfer from retained earnings in relation to insurance contingency reserve	17	-	116	(116)	-
Total other comprehensive income		-	392	(116)	276
Total comprehensive income		-	392	12,694	13,086
Transactions with owners in their capacity as owners					
Distributions to owners:					
Dividends paid to equity holders	31	-	-	(10,131)	(10,131)
Balance at 31 December 2013		**58,998**	**5,271**	**49,983**	**114,252**

The notes on pages 43 to 114 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

		Year ended 31 December			
		Group		Company	
	Notes	**2013 €000**	2012 €000	**2013 €000**	2012 €000
Cash flows from operating activities					
Cash generated from operations	32	**47,097**	47,457	**19,243**	57,557
Interest received		**124**	120	**113**	96
Interest paid on bank overdrafts		**(18)**	(136)	**(18)**	(18)
Tax paid		**(6,210)**	(7,992)	**(96)**	(1,680)
Tax refund received		**1,664**	2,034	**-**	2,034
Payments under voluntary retirement scheme		**(2,820)**	(1,461)	**(2,820)**	(1,461)
Payments in relation to pension obligations		**(266)**	(23)	**(266)**	(23)
Net cash from operating activities		**39,571**	39,999	**16,156**	56,505
Cash flows from investing activities					
Payments to acquire property, plant and equipment and intangible assets		**(19,341)**	(27,598)	**(15,695)**	(16,459)
Dividends received		**-**	-	**17,679**	11,600
Repayments received from jointly-controlled entity		**-**	-	**-**	3
Advances to subsidiaries		**-**	-	**-**	(27,728)
Repayments received in relation to advances to subsidiaries		**-**	-	**-**	720
Net cash (used in)/from in investing activities		**(19,341)**	(27,598)	**1,984**	(31,864)
Cash flows from financing activities					
Repayments of bank loans		**(20,120)**	(2,000)	**(19,000)**	(2,000)
Proceeds from bank loans		**15,500**	7,852	**15,500**	-
Dividends paid		**(9,930)**	-	**(9,930)**	-
Loan interest paid		**(2,815)**	(2,579)	**(2,820)**	(2,579)
Net cash (used in)/from financing activities		**(17,365)**	3,273	**(15,710)**	(4,579)
Net movements in cash and cash equivalents		**2,865**	15,674	**2,430**	20,062
Cash and cash equivalents at beginning of year		**21,886**	7,320	**18,954**	14
Exchange differences on cash and cash equivalents		**11**	(47)	**5**	(59)
Movement in cash pledged as guarantees		**-**	(1,061)	**-**	(1,063)
Cash and cash equivalents at end of year	15	**24,762**	21,886	**21,389**	18,954

The notes on pages 43 to 114 are an integral part of these consolidated financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2013

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, 1995. They have been prepared under the historical cost convention, except as modified by the fair valuation of derivative financial instruments, available-for-sale financial assets, 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 3.

Standards, interpretations and amendments to published standards effective in 2013

In 2013, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2013. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies impacting the Group's financial performance and position with the exception of IAS 19 (revised 2011) 'Employee benefits'.

- IAS 19 (revised 2011) amended the accounting for post-employment employee benefits. The Group was required to apply the revised standard retrospectively in accordance with the transition provisions of the standard. The impact has been in the following principal areas:

1. Under the revised standard, 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. These were charged or credited to profit or loss in the period in which they arose under the Group's previous accounting policy.
2. Past-service costs are recognised immediately in profit or loss. Under the Group's preceding accounting policy, past-service costs were recognised immediately in profit or loss, unless the employee was not yet unconditionally eligible to receive pension benefits (the vesting period), in which case the past-service costs were amortised on a straight-line basis over the vesting period.
3. The revised standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets as separate components with a net interest cost based on the net defined benefit asset/liability and the discount rate measured at the beginning of the year.
4. The revised standard introduced the term of "remeasurements", which consist of actuarial gains and losses together with the difference

between actual investment returns and the return implied by the net interest cost referred to above. Remeasurements are recognised in other comprehensive income.

The impact of the resultant change in accounting policy attributable to adoption of IAS 19 (revised 2011) is disclosed in Note 37 to the financial statements. The key impact on the Group is the revised accounting treatment of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions.

The Company also adopted the amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments).

The Company adopted IFRS 13, 'Fair value measurement', which aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard requires extensive disclosures about fair value measurements and this has a significant impact on the disclosures in the Group's financial statements with respect to fair valuation of non-financial assets.

The Company early adopted amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removes certain disclosures on the recoverable amount of CGUs which had been included in IAS 36 through the issue of IFRS 13. The amendment is not mandatory for the Company until 1 January 2014, however the Company has decided to early adopt the amendment as of 1 January 2013.

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 2013, including IFRS 9, 'Financial instruments', IFRS 14, 'Regulatory deferral accounts' and IFRIC 21, 'Levies', amongst other pronouncements. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, except as disclosed above, and the Company's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

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 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 loans and receivables in accordance with the requirements of IAS 39 (Note 1.10.1).

(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.

(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) Jointly-controlled entities

A jointly-controlled entity is an entity undertaking an economic activity that is subject to joint control. The Group's joint control over the activities of a jointly-controlled entity is established by contractual agreement and requires unanimous consent for strategic financial and operating decisions.

In the consolidated financial statements, investments in jointly-controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly-controlled entities includes goodwill identified on acquisition. The Group's share of its jointly-controlled entities' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly-controlled entity equals or exceeds its interest in the entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity. The interest in a jointly-controlled entity is the carrying amount of the investment under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the jointly-controlled entity. Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, an extension of the Group's investment in that entity. Loans to the jointly-controlled entity for which settlement is planned are classified as loans and receivables in accordance with the requirements of IAS 39 (Note 1.10.1).

Unrealised gains on transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the jointly-controlled entity are consistent with the policies adopted by the Group.

In the Company's separate financial statements, investments in jointly-controlled entities 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 jointly-controlled entities 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) 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 to account for transactions involving entities under common control. The Company accounts for business combinations involving entities under common control by recording:

(a) the transaction as if it had taken place at the beginning of the earliest period presented;
(b) the assets and liabilities of the acquired entity using predecessor book values from the consolidated financial statements of the controlling party; and
(c) 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'.

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 including the Company's head office. 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.

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	-	2
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
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 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 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. 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. Film or sports broadcasting rights are recognised in the statement of financial position when they are contracted and expensed when broadcast. The cost of sports rights is recognised in profit or loss on the first broadcast, or where the rights are for seasons or competitions, such rights are principally recognised on a straight-line basis across the seasons or competitions. The cost of movies and entertainment is recognised in profit or loss on a straight-line basis over the period of broadcast rights.

(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 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	4.75	-	24.75
Computer software	4	-	10
Licences	2	-	15
Brand names	6	-	10
Customer relationships		5	
Technical knowledge and other	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 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 jointly-controlled entity is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in a jointly-controlled entity is tested for impairment as a single asset when there is objective evidence that the investment in a jointly-controlled entity 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 remeasured at their fair value. 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);
(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.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 19. Movements in the hedging reserve in other comprehensive income are shown in Note 17. 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.

The Group designates 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.

1.10 Financial assets

1.10.1 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', 'loans receivable from jointly-controlled entity' and 'cash and cash equivalents' in the statement of financial position (Notes 1.12, 1.2.d and 1.14).

(c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives 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.

1.10.2 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 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.

1.10.3 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.

(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 1.12.

(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.

1.11 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.

1.12 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 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.

1.13 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

1.13 Deferred Expenditure - continued

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

benefits in kind as incentives to motivate subscribers to enter into a fixed-term contract for the provision of DTTV 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.

(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 two 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.

1.14 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. 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 which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. 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, except for derivative financial instruments, 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

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

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.

The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value (Note 1.13).

(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 the sale of prepaid credit is deferred until such time as the customer uses the credit or credit expires. Revenue from calls and messaging is recognised at the time the call or message is effected over the 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 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.

(c) 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.

(d) Interest income
Interest income is recognised using the effective interest method.

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

1.23 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.

1.23.1 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.

1.23.2 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.

1.24 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.

Subsequent to adoption of the revised standard IAS 19, under the revised accounting policy 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. These were charged or credited to profit or loss in the period in which they arose under the Group's previous accounting policy.

Past-service costs are recognised immediately in profit or loss. Under the Group's preceding accounting policy, past-service costs were recognised immediately in profit or loss, unless the employee was not yet unconditionally eligible to receive pension benefits (the vesting period), in which case the past-service costs were amortised on a straight-line basis over the vesting period.

(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.

1.25 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.

1.26 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.

2. FINANCIAL RISK MANAGEMENT
2.1 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:

	31 December 2013			31 December 2012		
	USD	**GBP**	**SDR**	USD	GBP	SDR
	€000	**€000**	**€000**	€000	€000	€000
Group						
Trade receivables	**351**	**248**	**32**	249	152	159
Trade payables	**(179)**	**(30)**	**(66)**	(638)	(17)	(71)
Gross statement of financial position exposure	**172**	**218**	**(34)**	(389)	135	88
Available funds in foreign currency	**85**	**263**	**-**	95	264	-
Net exposure	**257**	**481**	**(34)**	(294)	399	88
Company						
Trade receivables	**-**	**-**	**32**	-	2	159
Trade payables	**(76)**	**(9)**	**(66)**	(457)	-	(71)
Gross statement of financial position exposure	**(76)**	**(9)**	**(34)**	(457)	2	88
Available funds in foreign currency	**26**	**190**	**-**	58	102	-
Net exposure	**(50)**	**181**	**(34)**	(399)	104	88

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	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Financial assets				
Subject to floating rates				
Bank balances	**30, 402**	27,243	**26, 315**	23,493
Loans receivable from jointly-controlled entity *	**-**	463	**-**	463
	30,402	27,706	**26,315**	23,956
Subject to fixed rates				
Loans receivable from subsidiaries	**-**	-	**49, 524**	49,524
Loans receivable from jointly-controlled entity *	**-**	61,404	**-**	61,404
Other receivables	**229**	229	**229**	229
	229	61,633	**49,753**	111,157
Total	**30,631**	89,339	**76,068**	135,113
Financial liabilities				
Subject to floating rates				
Bank overdrafts	**(3,739)**	(3,456)	**(3,736)**	(3,349)
Bank loans	**(68,521)**	(73,851)	**(62,242)**	(66,000)
Total	**(72,260)**	(77,307)	**(65,978)**	(69,349)

* The amounts attributable to loans receivable from jointly-controlled entity and other receivables disclosed above, are stated gross of provisions for impairment.

The Group's significant instruments which are subject to fixed interest rates consist principally of loans receivable from the jointly-controlled entity. The Company's fixed interest instruments also comprise loans to subsidiaries. In this respect, the Group and the Company are 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. The Company is a party to a receive-variable, pay-fixed interest rate swap agreement to hedge its exposures to floating interest amounts on bank borrowings amounting to €24,000,000 as at 31 December 2013 (2012: €36,000,000) (Note 18).

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 (2012: 100 basis points) would have (decreased)/increased the profit for the Group and Company by €283,000 and €216,000 (2012: (decrease)/increase in loss by €418,000 and €338,000), respectively which principally takes into account the impact of this shift on the interest amounts arising on variable interest borrowings as at 31 December 2013, including the effects of the cash flow hedge in this respect. 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 which are classified as available-for-sale, in view of impairment charges reflected in relation to the cost of the investment, bringing its carrying amount down to nil (2012: nil) (Note 11).

(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	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Carrying amount				
Loans and receivables category:				
Loans receivable from subsidiaries	**-**	-	**49,524**	49,524
Trade and other receivables	**22,162**	26,557	**30,704**	34,510
Cash and cash equivalents	**30,402**	27,243	**26,315**	23,493
	52,564	53,800	**106,543**	107,527

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

Trade and other receivables
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 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 losses from non-performance by these customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific provisions against individual exposures with the amount of the provisions being equivalent to the balances attributable to impaired receivables. The movements in the allowance for impairment during the year were as follows:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Trade receivables				
Balance at 1 January	**10,471**	9,937	**7,733**	7,722
Increase in provisions	**1,533**	534	**356**	11
Balance at 31 December	**12,004**	10,471	**8,089**	7,733
Other receivables				
Balance at 1 January	**229**	1,600	**229**	1,600
Increase in provisions	**-**	229	**-**	229
Reversal of provisions	**-**	(1,600)	**-**	(1,600)
Balance at 31 December	**229**	229	**229**	229

The individually 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 balances with corporate trade customers relate to entities, which are in adverse trading and operational circumstances. Reversals of provisions for impairment 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 impaired assets.

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

	Gross 2013 €000	Impaired 2013 €000	Gross 2012 €000	Impaired 2012 €000
Group				
Current	**3,893**	**-**	6,351	-
Up to 30 days	**3,728**	**-**	3,010	-
31 to 60 days	**2,939**	**-**	2,580	-
61 to 90 days	**2,598**	**-**	1,624	-
Over 90 days	**15,707**	**12,004**	17,004	10,471
	28,865	**12,004**	30,569	10,471
Company				
Current	**1,447**	**-**	3,817	-
Up to 30 days	**2,596**	**-**	1,474	-
31 to 60 days	**2,207**	**-**	1,795	-
61 to 90 days	**1,926**	**-**	1,215	-
Over 90 days	**10,832**	**8,089**	12,417	7,733
	19,008	**8,089**	20,718	7,733

As at 31 December 2013, trade receivables of €1,031,000 (2012: €3,778,000) and €751,000 (2012: €3,037,000) for the Group and the Company respectively, were past due but not 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 2013 and 2012, the carrying amount of trade receivables that would otherwise be past due or impaired whose terms have been renegotiated is not deemed material in the context of the Group's trade receivables figures.

Loans receivable and amounts due from the jointly-controlled entity
With respect to advances and other amounts receivable from the jointly-controlled entity, the Group monitors these credit exposures on a regular basis. The Group assesses credit quality taking into account financial position, performance and other factors (Note 9). During the year ended 31 December 2012, the loans and the other amounts receivable (Notes 9 and 14) were deemed fully impaired and further impairment charges amounting to €3,726,000 were reflected in the financial statements for the year then ended, in addition to the impairment charges recognised in the preceding financial year.

	Group		Company	
	2013 €000	2012 €000	**2013 €000**	2012 €000
Loans receivable from joinly-controlled entity				
Balance at 1 January	**61,867**	55,582	**61,867**	55,582
Reclassification from amounts owed by jointly-controlled entity	**-**	2,663	**-**	2,663
Increase in provisions	**-**	3,622	**-**	3,622
Reclassification to investment in jointly-controlled entity, upon capitalisation of loans receivable	**(61,867)**	-	**(61,867)**	-
Balance at 31 December	**-**	61,867	**-**	61,867
Amounts owed by joinly-controlled entity				
Balance at 1 January	**1,789**	4,348	**1,789**	4,348
Increase in provisions	**-**	104	**-**	104
Reclassification to loans receivable from jointly-controlled entity	**-**	(2,663)	**-**	(2,663)
Balance at 31 December	**1,789**	1,789	**1,789**	1,789

Loans receivable and amounts due from subsidiaries
The Company's receivables include significant loans and amounts due from subsidiaries (Notes 10 and 14). The Group 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 losses from non-performance or default.

(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 18) 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 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.

	Carrying amount €000	Contractual cash flows €000	6 months or less €000	6-12 months €000	1-5 years €000	After 5 years €000
Group						
Bank loans	68,521	78,442	5,730	5,685	43,856	23,171
Bank overdrafts	3,739	3,739	3,739	-	-	-
Trade and other payables	42,956	42,956	37,212	2,088	3,656	-
31 December 2013	**115,216**	**125,137**	**46,681**	**7,773**	**47,512**	**23,171**
Bank loans	73,851	79,687	8,402	7,565	60,511	3,209
Bank overdrafts	3,456	3,456	3,456	-	-	-
Trade and other payables	39,658	39,658	35,456	1,244	2,958	-
31 December 2012	116,965	122,801	47,314	8,809	63,469	3,209
Company						
Bank loans	62,242	70,004	4,902	4,856	37,480	22,766
Bank overdrafts	3,736	3,736	3,736	-	-	-
Trade and other payables	40,097	40,097	34,353	2,088	3,656	-
31 December 2013	**106,075**	**113,837**	**42,991**	**6,944**	**41,136**	**22,766**
Bank loans	66,000	71,112	7,189	7,565	54,791	1,567
Bank overdrafts	3,349	3,349	3,349	-	-	-
Trade and other payables	36,087	36,087	31,885	1,244	2,958	-
31 December 2012	105,436	110,548	42,423	8,809	57,749	1,567

The tables below analyse the Group's net-settled derivative financial instruments 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.

Group and Company		**2013**	
	6 months or less €000	6-12 months €000	1-2 years €000
Interest rate swap			
Outflows	**258**	**173**	**83**

		2012	
	6 months or less €000	6-12 months €000	1-2 years €000
Interest rate swap			
Outflows	423	351	517

2.2 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.

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

	Group		Company	
	2013 €000	2012 €000	**2013 €000**	2012 €000
Borrowings (Note 18)	**72,260**	77,307	**65,978**	69,349
Less: Cash and cash equivalents (Note 15)	**(30,402)**	(27,243)	**(26,315)**	(23,493)
Net debt	**41,858**	50,064	**39,663**	45,856
Total equity	**103,495**	101,600	**114,252**	111,297
Total capital	**145,353**	151,664	**153,915**	157,153
Net debt ratio	**28.8%**	33.0%	**25.8%**	29.2%

The reduction in the net debt ratio reflected in the table above is primarily attributable to the profits registered during the current financial year.

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.

2.3 Fair values of financial instruments

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

The Group's financial instruments, which are carried at fair value, include derivative financial instruments designated as hedging instruments (Note 19), and the Group's available-for-sale financial assets (Note 11).

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 available-for-sale 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 available-for-sale 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.

The fair value of the interest rate swap with the carrying amount of €512,000 (2012: €1,283,000), designated as a hedging instrument, is determined by use of a valuation obtained from a financial institution and verified with observable market data. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. Accordingly, it has been categorised since inception as a level 2 instrument.

The Group's carrying amount of the available-for-sale financial assets has been written down to nil during the preceding financial year as a fair value loss of €100,000 was recognised.

Fair values of financial instruments not carried at fair value

At 31 December 2013 and 2012, 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.

3. 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.

3.1 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.

3.2 Business combinations

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.

3.3 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.

3.4 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.

3.5 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.

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.

4. SEGMENT INFORMATION

4.1 Operating segments

The Group has three reporting segments, as described below, which are the Group's strategic business units and cash-generating units. The strategic business units offer different services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Board of Directors reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Fixed Communication Services (Fixed-line CGU) comprise the Group's fixed-line telephony services, digital television services, sale of broadband, internet services and other business communication solutions.
- Mobile Communication Services (Mobile CGU) comprise the Group's mobile telephony services.
- Data Centre Services (Data Centre CGU) comprise the Group's data centre activities including co-location services.

The Group's internal reporting to the Board of Directors and Senior Management is analysed according to the above segments.

Information about reportable segments

	Fixed-line		Mobile		Data centre		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	€000	€000	**€000**	€000	**€000**	€000	**€000**	€000
		(restated)						(restated)
Total revenues	**75,128**	78,867	**39,807**	42,998	**12,310**	10,945	**127,245**	132,810
Inter-segment revenues	**(4,114)**	(4,387)	**(727)**	(1,265)	**(263)**	-	**(5,104)**	(5,652)
Revenue from external customers	**71,014**	74,480	**39,080**	41,733	**12,047**	10,945	**122,141**	127,158
Reportable segment profit before tax	**2,238**	5,492	**10,760**	11,105	**3,312**	2,438	**16,310**	19,035
Gain on disposal of property	**-**	11,356	**-**	-	**-**	-	**-**	11,356
Losses attributable to the jointly-controlled entity	**-**	(3,726)	**-**	-	**-**	-	**-**	(3,726)
Tax	**1,293**	(4,467)	**(4,060)**	(3,860)	**(1,119)**	(847)	**(3,886)**	(9,174)
Results for reportable segments	**3,531**	8,655	**6,700**	7,245	**2,193**	1,591	**12,424**	17,491
Information about profit or loss								
Finance income	**354**	495	**57**	22	**-**	-	**411**	517
Finance costs	**(2,470)**	(2,515)	**(285)**	(117)	**-**	-	**(2,755)**	(2,632)
Depreciation and amortisation	**(18,817)**	(19,493)	**(5,349)**	(6,713)	**(972)**	(946)	**(25,138)**	(27,152)
Other non-cash items								
Provisions for impairment of trade receivables	**(355)**	(11)	**(1,100)**	(485)	**(79)**	(38)	**(1,534)**	(534)
Reversal of provision for impairment of other receivables	**-**	1,600	**-**	-	**-**	-	**-**	1,600
Provisions for obsolescence and write-downs of inventories	**(42)**	(115)	**(25)**	(9)	**(5)**	(5)	**(72)**	(129)
Adjustments on fair valuation of land and buildings	**-**	(367)	**-**	-	**-**	-	**-**	(367)
Reportable segment assets	**225,372**	218,627	**56,212**	48,370	**10,638**	10,894	**292,222**	277,891
Capital expenditure	**12,529**	13,338	**2,047**	9,245	**1,139**	963	**15,715**	23,546
Reportable segment liabilities	**109,535**	115,728	**39,802**	24,711	**13,461**	12,027	**162,798**	152,466

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:

	2013	2012
	€000	€000
Profit		(restated)
Total profit for reportable segments	**12,424**	17,491
Consolidation adjustments	**(674)**	12
Consolidated profit after tax	**11,750**	17,503
Assets		
Total assets for reportable segments	**292,222**	277,891
Inter-segment eliminations	**(34,260)**	(13,765)
Consolidation adjustments	**(22,986)**	(25,943)
Consolidated total assets	**234,976**	238,183
Liabilities		
Total liabilities for reportable segments	**162,798**	152,466
Inter-segment eliminations	**(32,223)**	(13,765)
Consolidation adjustments	**906**	(2,118)
Consolidated total liabilities	**131,481**	136,583

	Reportable segment totals €000	Consolidation adjustments €000	Consolidated totals €000
Other material items 2013			
Depreciation and amortisation	**25,138**	**2,515**	**27,653**
Other material items 2012			
Depreciation and amortisation	27,152	1,895	29,047

4.2 Information about geographical segments

The Group's revenues are primarily derived from operations mainly carried out in Malta. However, the Fixed-line and Mobile segments also derive revenue from incoming interconnect traffic and inbound roaming from foreign operators worldwide respectively. Considering the nature of the Group's activities, except for the investment in the jointly-controlled entity its non-current assets are predominantly located in Malta.

4.3 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.

5. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Payments on account and assets in course of construction €000	Total €000
At 1 January 2012					
Cost or valuation	37,131	277,849	818	174	315,972
Accumulated depreciation	(1,807)	(192,674)	(702)	-	(195,183)
Net book amount	35,324	85,175	116	174	120,789
Year ended 31 December 2012					
Opening net book amount	35,324	85,175	116	174	120,789
Additions	17,774	17,296	3	17	35,090
Revaluation of land and buildings					
- effect on cost or valuation	255	-	-	-	255
- effect on accumulated depreciation	1,357	-	-	-	1,357
Reclassifications	-	121	-	(121)	-
Disposals and write-offs	-	(30,650)	(56)	(59)	(30,765)
Depreciation charge	(433)	(18,359)	(83)	-	(18,875)
Depreciation released on disposals and write-offs	-	30,650	56	-	30,706
Closing net book amount	54,277	84,233	36	11	138,557
At 31 December 2013					
Cost or valuation	55,160	264,616	765	11	320,552
Accumulated depreciation	(883)	(180,383)	(729)	-	(181,995)
Net book amount	54,277	84,233	36	11	138,557
Year ended 31 December 2013					
Opening net book amount	54,277	84,233	36	11	138,557
Additions	160	15,149	30	360	15,699
Disposals and write-offs	-	(5,727)	(35)	-	(5,762)
Depreciation charge	(921)	(17,128)	(37)	-	(18,086)
Depreciation released on disposals and write-offs	-	5,727	35	-	5,762
Closing net book amount	**53,516**	**82,254**	**29**	**371**	**136,170**
At 31 December 2013					
Cost or valuation	55,320	274,038	760	371	330,489
Accumulated depreciation	(1,804)	(191,784)	(731)	-	(194,319)
Net book amount	**53,516**	**82,254**	**29**	**371**	**136,170**

5. PROPERTY, PLANT AND EQUIPMENT - continued

Company

	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Payments on account and assets in course of construction €000	Total €000
At 1 January 2012					
Cost or valuation	12,260	191,536	818	54	204,668
Accumulated depreciation	(1,362)	(123,044)	(702)	-	(125,108)
Net book amount	10,898	68,492	116	54	79,560
Year ended 31 December 2012					
Opening net book amount	10,898	68,492	116	54	79,560
Additions	13,994	7,984	3	17	21,998
Revaluation of land and buildings					
- effect on cost or valuation	255	-	-	-	255
- effect on accumulated depreciation	1,357	-	-	-	1,357
Reclassifications	-	60	-	(60)	-
Transfers to subsidiaries	(22,378)	-	-	-	(22,378)
Disposals and write-offs	-	(1,791)	(56)	-	(1,847)
Depreciation charge	(137)	(11,269)	(83)	-	(11,489)
Depreciation released on disposals and write-offs	-	1,791	56	-	1,847
Closing net book amount	3,989	65,267	36	11	69,303
At 31 December 2012					
Cost or valuation	4,131	197,789	765	11	202,696
Accumulated depreciation	(142)	(132,522)	(729)	-	(133,393)
Net book amount	3,989	65,267	36	11	69,303
Year ended 31 December 2013					
Opening net book amount	3,989	65,267	36	11	69,303
Additions	141	11,724	30	360	12,255
Disposals and write-offs	-	(5,525)	(35)	-	(5,560)
Depreciation charge	(98)	(11,348)	(37)	-	(11,483)
Depreciation released on disposals and write-offs	-	5,525	35	-	5,560
Closing net book amount	**4,032**	**65,643**	**29**	**371**	**70,075**
At 31 December 2013					
Cost or valuation	4,272	203,988	760	371	209,391
Accumulated depreciation	(240)	(138,345)	(731)	-	(139,316)
Net book amount	**4,032**	**65,643**	**29**	**371**	**70,075**

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

Fair valuation of property
The Group's land and buildings within property, plant and equipment, were revalued on 31 December 2012 by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The Directors have reviewed the carrying amounts of the properties as at 31 December 2013, on the basis of an assessment by the independent property valuers, and no adjustments to the carrying amount were deemed necessary as at that date taking cognisance of developments that occured 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 2012, the carrying values of the properties, classified within property, plant and equipment, have been adjusted to the valuations and the net resultant adjustment comprised an increase in the carrying values for the Group and Company amounting to €1,612,000 to reflect the property's estimated open market value on an individual asset level. Decreases amounting to €934,000 for the Group and increases amounting to €530,000 for the Company were recognised in profit or loss, whereas the other net movements have been recognised in other comprehensive income as an adjustment to the revaluation reserve within shareholders' equity.

The Company 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);
- 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, comprises various exchanges, offices and retail outlets including the Company's head office. The Group's investment property comprises a commercial property leased out to third parties (refer to Note 6). All the recurring property fair value measurements at 31 December 2013 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Company'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 year ended 31 December 2013.

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 only movement reflects additions and depreciation charge for the year ended 31 December 2013.

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 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 analysis 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 Level 3 property have been performed using 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 Company'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)

Description by class based on highest and best use	Fair value at 31 December 2013 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average) €
Current use as office premises	**20,750**	Adjusted sales comparison approach	Sales price per square metre	1,300 – 2,350 (1,500)
Redevelopment into residential units	**7,700**	Adjusted sales comparison approach	Sales price factor per residential airspace	70,000 – 250,000 (110,000)
Developable land for residential/commercial use	**9,900**	Adjusted sales comparison approach	Sales price factor per square metre	500 – 1,100 (800)
Marketed as extended-commercial premises	**6,100**	Adjusted sales comparison approach	Sales price per square metre	850 – 1,220 (800)
Marketed as residential-commercial developments	**9,650**	Adjusted sales comparison approach	Commercial: sales price per square metre	1,275 – 2,000 (1,500)
			Residential: sales price factor per airspace	58,000 – 80,000 (65,000)
			Resdetial: sales price factor per square metre	1,000

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 highest and best use of the latter four classes of properties differs from their current use. These non-financial assets are currently being used as exchanges, offices or retail outlets, which is not deemed to constitute the highest and best use taking cognisance of the size and location of such properties.

5. PROPERTY, PLANT AND EQUIPMENT - continued

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

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
At 31 December	**32,531**	32,799	**2,269**	2,224

Depreciation charge

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

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Cost of sales	**17,792**	18,695	**11,483**	11,489
Administrative and other related expenses	**294**	180	**-**	-
	18,086	18,875	**11,483**	11,489

Recoverability of the telecommunications infrastructure
At 31 December 2013, the Group's infrastructure together with related tangible and intangible assets, attributable to the Fixed-line cash-generating unit, was carried at a total of €76,853,000 (2012: €77,321,000). The Group's telecommunications infrastructure and licences, together with related assets, attributable to the Mobile cash-generating unit, were carried at €15,923,000 (2012: €18,988,000) as at 31 December 2013. No impairment indicators were identified by management in respect of these cash-generating units as at the end of the reporting period (Note 7).

6. INVESTMENT PROPERTY

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Year ended 31 December				
Balance at 1 January	**1,571**	1,140	-	1,140
Additions	**-**	268	-	268
Gains from changes in fair value	**-**	163	-	163
Transfer to subsidiary	**-**	-	-	(1,571)
Balance at 31 December	**1,571**	1,571	-	-
At 31 December				
Cost	**279**	279	-	-
Fair value gains	**1,292**	1,292	-	-
Carrying amount	**1,571**	1,571	-	-

Investment property comprises a commercial property leased out to third parties. All the Group's investment property is secured as collateral for the Group's banking facilities.

The Group's investment property is fair valued annually by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. Fair values are determined on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its 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.

Disclosures required in terms of IFRS 13 in relation to fair value measurements attributable to investment property are presented in Note 5. The Group's investment property is an integral part of property categorised within the class termed as *Marketed as residential-commercial developments.*

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 2012							
Cost	1,210	11,384	11,359	5,945	4,368	18,863	53,129
Accumulated amortisation	(752)	(8,764)	(5,695)	(2,581)	(349)	(8,641)	(26,782)
Net book amount	458	2,620	5,664	3,364	4,019	10,222	26,347
Year ended 31 December 2012							
Opening net book amount	458	2,620	5,664	3,364	4,019	10,222	26,347
Additions	-	883	-	-	-	4,303	5,186
Development	-	285	-	-	-	-	285
Expiration of rights	-	-	-	-	-	(4,996)	(4,996)
Amortisation charge	(55)	(1,176)	(2,069)	(389)	-	(6,483)	(10,172)
Amortisation released on expiration of rights	-	-	-	-	-	4,996	4,996
Closing net book amount	403	2,612	3,595	2,975	4,019	8,042	21,646
At 31 December 2012							
Cost	1,210	12,552	11,359	5,945	4,368	18,170	53,604
Accumulated amortisation	(807)	(9,940)	(7,764)	(2,970)	(349)	(10,128)	(31,958)
Net book amount	403	2,612	3,595	2,975	4,019	8,042	21,646
Year ended 31 December 2013							
Opening net book amount	403	2,612	3,595	2,975	4,019	8,042	21,646
Additions	-	145	-	-	-	6,729	6,874
Development	-	315	-	-	-	-	315
Expiration of rights	(91)	-	-	-	-	(11,020)	(11,111)
Amortisation charge	(48)	(1,245)	(2,134)	(388)	-	(5,752)	(9,567)
Amortisation released on expiration of rights	91	-	-	-	-	11,020	11,111
Closing net book amount	**355**	**1,827**	**1,461**	**2,587**	**4,019**	**9,019**	**19,268**
At 31 December 2013							
Cost	1,119	13,012	11,359	5,945	4,368	13,879	49,682
Accumulated amortisation	(764)	(11,185)	(9,898)	(3,358)	(349)	(4,860)	(30,414)
Net book amount	**355**	**1,827**	**1,461**	**2,587**	**4,019**	**9,019**	**19,268**

7. INTANGIBLE ASSETS - continued

Company

	IRUs and DDPs €000	Computer software €000	Brand names and related assets €000	Broadcasting rights €000	Total €000
At 1 January 2012					
Cost	1,210	1,912	1,462	18,863	23,447
Accumulated amortisation	(752)	(1,536)	(839)	(8,641)	(11,768)
Net book amount	458	376	623	10,222	11,679
Year ended 31 December 2012					
Opening net book amount	458	376	623	10,222	11,679
Additions	-	-	-	4,303	4,303
Expiration of rights	-	-	-	(4,996)	(4,996)
Amortisation charge	(55)	(108)	(289)	(6,483)	(6,935)
Amortisation released on expiration of rights	-	-	-	4,996	4,996
Closing net book amount	403	268	334	8,042	9,047
At 31 December 2012					
Cost	1,210	1,912	1,462	18,170	22,754
Accumulated amortisation	(807)	(1,644)	(1,128)	(10,128)	(13,707)
Net book amount	403	268	334	8,042	9,047
Year ended 31 December 2013					
Opening net book amount	403	268	334	8,042	9,047
Additions	-	-	-	6,729	6,729
Expiration of rights	(91)	-	-	(11,020)	(11,111)
Amortisation charge	(48)	(107)	(289)	(5,752)	(6,196)
Amortisation released on expiration of rights	91	-	-	11,020	11,111
Closing net book amount	**355**	**161**	**45**	**9,019**	**9,580**
At 31 December 2013					
Cost	1,119	1,912	1,462	13,879	18,372
Accumulated amortisation	(764)	(1,751)	(1,417)	(4,860)	(8,792)
Net book amount	**355**	**161**	**45**	**9,019**	**9,580**

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

Goodwill
Goodwill amounting to €1,151,000 has been allocated to the Fixed-line CGU, whereas the amount of €2,868,000, arising from a past business combination, has been allocated to the Data Centre CGU. The recoverable amount of these 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 Fixed-line CGU have been principally based on past experience adjusted for market developments and trends, in particular the following factors over the five year period:

- expected continued downward trend in revenue from fixed voice services, projected decline in data services revenues in view of a downward revision of business tariffs and forecast growth in the revenue streams from TV; and
- higher margins expected due to lower cost base primarily in view of reduced interconnection charges, forecast containment of TV content costs and management of payroll costs.

Forecast EBITDA levels for the Data Centre CGU are based on past experience and industry trends, but have been specifically adjusted for:

- forecast overall growth in turnover over the five year period, considering a projected decline in initial years of the explicit period, taking advantage of the Group's competitive position in this respect and the introduction of new revenue streams; and
- expected increase in EBITDA margins mainly due to fixed nature of certain key elements in the cost base of the CGU.

The terminal value growth rate was estimated at 2.8% for the Data Centre CGU, whilst a growth rate of 1.0% has been estimated for the Fixed-line CGU. A post-tax discount rate of 8.7% has been applied to the cash flows of the Fixed-line CGU and the level of 15.9% after tax has been utilised as the discount rate for the Data Centre CGU. 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 reasonably 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 a business combination, and related assets
The fair value of customer relationships acquired in a past business combination was determined using the multi-period excess earnings method, whereby the subject asset was valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of the brand name acquired in the same business combination was based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned.

Other related intangible assets primarily comprise the customer bases acquired by the Group.

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	€000	€000
Carrying amount at 1 January and 31 December	**27,233**	27,233
At 31 December		
Cost	**27,711**	27,711
Accumulated impairment charges	**(478)**	(478)
Net book amount	**27,233**	27,233

The carrying amount of the investments at 31 December 2013 and 2012 is equivalent to the cost of the investments (net of impairment charges). The subsidiaries at 31 December 2013 and 2012 are shown below:

Subsidiaries	**Registered office**	**Percentage of shares held**		**Nature of business**
		2013	2012	
		%	%	
Mobisle Communications Limited	GO, Fra Diegu Street, Marsa, Malta	**99.9**	99.9	Operation of mobile and wireless telecommunication systems and networks
Innovate Software Limited	GO, Fra Diegu Street, Marsa, Malta	**99.9**	99.9	Development of software, including implementation, support and maintenance
GO Data Centre Services Limited	GO, Fra Diegu Street, Marsa, Malta	**99.9**	99.9	Investment holding
Malta Properties Company Limited	GO, Fra Diegu Street, Marsa, Malta	**99.9**	99.9	Investment holding
Worldwide Communications Limited	GO, Fra Diegu Street, Marsa, Malta	**99.9**	99.9	Dormant

At 31 December 2013, all the above investments were fully paid-up, with the exception of the investment in Worldwide Communications Limited, which was 75% (2012: 75%) paid-up.

GO Data Centre Services Limited holds 99.9% (2012: 99.9%) in Bellnet Limited, BM IT Limited and BM Support Services Limited, which provide co-location and internet services, technical assistance and leasing of plant and equipment. The registered office of all these companies is 10, Triq ic-Cawsli, Qormi, Malta.

Malta Properties Company Limited holds 99.9% (2012: 99.9%) in MSH Property Company Limited, SGE Property Company Limited, MCB Property Company Limited, ZTN Property Company Limited, SLM Property Company Limited, BKE Property Company Limited and SPB Property Company Limited. The main activity of Malta Properties Company Limited and its subsidiary companies is that of acquiring and holding of property. The registered office of all these companies is GO, Fra Diegu Street, Marsa, Malta.

9. INVESTMENT IN JOINTLY-CONTROLLED ENTITY

GO p.l.c. controls 50% of the share capital and voting rights of a jointly-controlled entity, Forgendo Limited ("Forgendo"), a company registered in Cyprus. The jointly-controlled entity's sole activity is that of holding investments in an associated undertaking, Hellenic Company for Telecommunications and Telematic Applications S.A. ("Forthnet S.A." or "Forthnet"), a Greek company listed on the Athens Stock Exchange. As at 31 December 2013, the ownership interest of the jointly-controlled entity in Forthnet S.A. was 41.27% (2012: 41.27%).

Equity investment
Details of the cost of the investment and the accounting for the share of losses of the jointly-controlled entity are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Cost				
Funds contributed	**10,000**	10,000	**10,000**	10,000
Expenses related to acquisition	**296**	296	**296**	296
Loans receivable capitalised	**114,397**	52,530	**114,397**	52,530
	124,693	62,826	**124,693**	62,826
Share of losses				
At 1 January and 31 December	**(62,530)**	(62,530)	**-**	-
Impairment losses				
At 1 January	**(296)**	(296)	**(62,826)**	(62,826)
Reclassification of impairment losses upon capitalisation of loans recievable	**(61,867)**	-	**(61,867)**	-
At 31 December	**(62,163)**	(296)	**(124,693)**	(62,826)
Carrying value at 31 December	**-**	-	**-**	-

During the current financial year, loans receivable from the jointly-controlled entity with nominal amount of €61,867,000 have been capitalised. These advances had been deemed fully impaired as at 31 December 2012.

9. INVESTMENT IN JOINTLY-CONTROLLED ENTITY - continued

Equity investment - continued

The carrying amount of GO's equity investment in the jointly-controlled entity was reduced to nil as a result of the partial recognition of GO's share of the financial results of Forgendo in accordance with the requirements of equity accounting. In determining the impact of equity accounting for the investment in the jointly-controlled entity, reference was made to the financial statements of this entity, which reflected the impact of accounting for the investment in Forthnet S.A. using the equity method. The carrying amount of the equity investment in Forgendo remained nil at 31 December 2013 in view of Forgendo's further registered losses subsequent to 31 December 2012. The Group also has exposures to the jointly-controlled entity in the form of loans and other amounts receivable as referred to below. The unrecognised share of losses registered by Forgendo has in substance necessitated impairment losses on the loans and other amounts receivable from Forgendo.

Loans receivable
The Group and Company had advanced loans to the jointly-controlled entity subject to the following terms:

	Interest %	2012 Carrying amount €000
Loan 2	4.75	597
Loan 3	4.75	54,882
Loan 4	6 months Euribor + 2%	463
Loan 5	4.75	5,925
Impairment losses		(61,867)
		-

These loans were still outstanding at 31 December 2012 but have been capitalised during the current financial year as highlighted above.

During the year ended 31 December 2012, GO's Board of Directors resolved to reflect further impairment losses on loans receivable and other receivables, such that the carrying amount of these remaining exposures was adjusted downwards to nil as such exposures were deemed fully impaired. Impairment losses of €3,726,000 were registered accordingly during 2012; €3,622,000 of the impairment loss was recognised in relation to loans, and €104,000 of the impairment loss was reflected with respect to other receivables from the jointly-controlled entity.

Financial information relating to jointly-controlled entity
In view of the matters highlighted above, disclosure of the Group's share of the assets and liabilities of the jointly-controlled entity as at 31 December 2013 was not deemed necessary and relevant for the purposes of understanding the Group's financial results and position, taking cognisance of the fact that the Group had no remaining exposures to Forgendo as at the end of the reporting period.

Amounts recognised in profit or loss in respect of the jointly-controlled entity are as follows:

	2013	2012
	€000	€000
Impairment loss on loans and other amounts receivable from jointly-controlled entity	**-**	(3,726)

Information on events that occurred subsequent to the end of the reporting in relation to the jointly-controlled entity is disclosed in Note 38 to the financial statements.

10. LOANS RECEIVABLE FROM SUBSIDIARIES

	Company	
	2013	2012
	€000	€000
Year ended 31 December		
Cost and carrying amount at 1 January	**49,524**	22,516
Advances	**-**	27,728
Repayments received	**-**	(720)
Cost and carrying amount at 31 December	**49,524**	49,524

These loans are analysed as follows:

	Company	
	2013	2012
	€000	€000
Non-current	**49,524**	49,524

The non-current advances at 31 December 2013, mainly mature in 2015. Loans receivable from subsidiaries are unsecured and are subject to fixed interest rates as follows:

	Company	
	2013	2012
	%	%
Non-current	**3.75**	3.75

11. OTHER INVESTMENTS

	Group and Company	
	2013	2012
Available-for-sale financial assets	**€000**	€000
Year ended 31 December		
Opening carrying amount	**-**	100
Losses from changes in fair value (Note 17)	**-**	(100)
Closing carrying amount	**-**	-
At 31 December		
Cost	**1,770**	1,770
Accumulated fair value losses	**(1,770)**	(1,770)
Carrying amount	**-**	-

At 31 December 2013 and 2012, the available-for-sale financial assets consisted of the Group's equity investment in Loqus Holdings p.l.c. (formerly Datatrak Holdings p.l.c.). This equity investment was deemed to be impaired as at 31 December 2012 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, had also been written down to nil in view of the impairment indicators highlighted above (Note 14).

12. 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 enacted by the end of the reporting period. The principal tax rate used is 35% (2012: 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. tax effect of 12% (2012: 12%) of the transfer value.

The balance at 31 December represents temporary differences attributable to:

Group

	Assets		Liabilities		Net	
	2013	2012	**2013**	2012	**2013**	2012
	€000	€000	**€000**	€000	**€000**	€000
Depreciation of property, plant and equipment	**-**	-	**(1,710)**	(2,978)	**(1,710)**	(2,978)
Fair valuation of land and buildings	**-**	-	**(6,568)**	(6,564)	**(6,568)**	(6,564)
Fair valuation of investment property	**-**	-	**(188)**	(188)	**(188)**	(188)
Intangible assets	**-**	-	**(1,493)**	(2,536)	**(1,493)**	(2,536)
Provisions for pensions and other liabilities	**2,099**	2,380	**-**	-	**2,099**	2,380
Provisions on trade receivables and other assets	**4,187**	3,682	**-**	-	**4,187**	3,682
Cash flow hedge	**179**	449	**-**	-	**179**	449
Unabsorbed tax and capital losses	**683**	867	**-**	-	**683**	867
Unabsorbed capital allowances	**3,097**	2,665	**-**	-	**3,097**	2,665
Investment tax credits	**1,232**	1,232	**-**	-	**1,232**	1,232
Others	**-**	44	**-**	-	**-**	44
Tax assets/(liabilities)	**11,477**	11,319	**(9,959)**	(12,266)	**1,518**	(947)
Offsetting	**(2,850)**	(4,514)	**2,850**	4,514	**-**	-
Net tax assets/(liabilities)	**8,627**	6,805	**(7,109)**	(7,752)	**1,518**	(947)

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 cash flow hedge.

12. DEFERRED TAX ASSETS AND LIABILITIES - continued

Company

	Assets		Liabilities		Net	
	2013	2012	**2013**	2012	**2013**	2012
	€000	€000	**€000**	€000	**€000**	€000
Depreciation of property plant and equipment	**-**	-	**(1,985)**	(2,807)	**(1,985)**	(2,807)
Fair valuation of land and buildings	**-**	-	**(303)**	(303)	**(303)**	(303)
Intangible assets	**-**	-	**(1,085)**	(1,482)	**(1,085)**	(1,482)
Investments in subsidiaries	**166**	166	**-**	-	**166**	166
Provisions for pensions and other liabilities	**2,103**	2,085	**-**	-	**2,103**	2,085
Provisions on trade receivables and other assets	**2,852**	2,714	**-**	-	**2,852**	2,714
Cash flow hedge	**179**	449	**-**	-	**179**	449
Unabsorbed tax and capital losses	**683**	867	**-**	-	**683**	867
Unabsorbed capital allowances	**3,099**	2,665	**-**	-	**3,099**	2,665
Others	**-**	44	**-**	-	**-**	44
Tax assets/(liabilities)	**9,082**	8,990	**(3,373)**	(4,592)	**5,709**	4,398
Offsetting	**(3,373)**	(4,592)	**3,373**	4,592	**-**	-
Net tax assets	**5,709**	4,398	**-**	-	**5,709**	4,398

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 01.01.12 €000	Recognised in profit or loss €000 (restated)	Recognised in other comprehensive income €000 (restated)	Balance 31.12.12 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	**Balance 31.12.13 €000**
Property, plant and equipment	(7,555)	(225)	(1,762)	(9,542)	1,264	-	**(8,278)**
Investment property	(137)	(51)	-	(188)	-	-	**(188)**
Intangible assets	(2,646)	110	-	(2,536)	1,043	-	**(1,493)**
Provisions for pensions and other liabilities	2,306	(21)	95	2,380	(402)	121	**2,099**
Provisions on trade receivables and other assets	4,337	(655)	-	3,682	505	-	**4,187**
Cash flow hedge	519	-	(70)	449	-	(270)	**179**
Unabsorbed tax on capital losses	867	-	-	867	(184)	-	**683**
Unabsorbed capital allowances	3,830	(1,165)	-	2,665	432	-	**3,097**
Investment tax credits	1,232	-	-	1,232	-	-	**1,232**
Others	44	-	-	44	(44)	-	**-**
	2,797	(2,007)	(1,737)	(947)	2,614	(149)	**1,518**

12. DEFERRED TAX ASSETS AND LIABILITIES - continued

Recognition of deferred tax assets by a subsidiary with respect to investment tax credits

During the year under review, a Company's subsidiary, Innovate Software Limited (Note 8) continued to generate taxable profit. As a result, a deferred tax asset representing the tax effect of investment tax credits has been partly recognised in the Group's financial statements. The Directors have based this estimate on evidence supporting their views that the subsidiary will have sufficient taxable profits in future against which this deferred tax asset can be utilised. The unrecognised portion of deferred tax assets in relation to investment tax credits is disclosed below.

Unrecognised deferred tax assets

The movement in the Group's unrecognised deferred tax assets during the year are analysed below:

	Balance 1 January 2012 €000	Movement €000	Balance 31 December 2012 €000	Movement €000	**Balance 31 December 2013 €000**
Investment tax credits	3,767	(2,102)	1,665	(79)	**1,586**
Impairment and other losses on investments in jointly-controlled entity	42,965	1,303	44,268	-	**44,268**
	46,732	(799)	45,933	(79)	**45,854**

12. DEFERRED TAX ASSETS AND LIABILITIES - continued

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 01.01.12 €000	Recognised in profit or loss €000 (restated)	Recognised in other comprehensive income €000 (restated)	Transfer to subsidiaries* €000	Balance 31.12.12 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	**Balance 31.12.13 €000**
Property, plant and equipment	(3,752)	290	(2,117)	2,469	(3,110)	822	-	**(2,288)**
Investment property	(137)	(51)	-	188	-	-	-	**-**
Intangible assets	(1,068)	(414)	-	-	(1,482)	397	-	**(1,085)**
Investments in subsidiaries	166	-	-	-	166	-	-	**166**
Loans receivable from jointly-controlled entity	44	-	-	-	44	(44)	-	**-**
Provisions for pensions and other liabilities	2,038	(48)	95	-	2,085	(103)	121	**2,103**
Provisions on trade receivables and other assets	3,536	(822)	-	-	2,714	138	-	**2,852**
Cash flow hedge	519	-	(70)	-	449	-	(270)	**179**
Unabsorbed tax and capital losses	867	-	-	-	867	(184)	-	**683**
Unabsorbed capital allowances	3,830	(1,165)	-	-	2,665	434	-	**3,099**
	6,043	(2,210)	(2,092)	2,657	4,398	1,460	(149)	**5,709**

* During the financial year ended 31 December 2012, an amount of €2,657,000 attributable to deferred taxation arising on revaluation of property was transferred to subsidiaries, upon the disposal of these properties to the subsidiaries.

13. INVENTORIES

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Operating spares	**5,282**	4,141	**4,565**	3,419
Goods held for resale	**1,633**	1,861	**869**	1,076
	6,915	6,002	**5,434**	4,495

During the year ended 31 December 2012, the Company concluded an agreement with the Government of Malta (GOM) to acquire eleven properties, collectively referred to as the 'GOM Properties' from the Government at the transfer price of €13,809,000. The GOM Properties were already occupied by the Company and are required for its core operations. However, the Company did not have full and proper title to the GOM Properties until acquisition.

In exchange for the GOM Properties, the Company transferred to the GOM the full ownership and all rights pertaining to, or on, the land situated in Qawra, limits of St. Paul's Bay, previously recognised within inventories, with a carrying amount of €2,453,000. The market value and transfer price of the land situated in Qawra was established at €13,809,000 and accordingly GO recognised a gain of €11,356,000 in profit or loss during the year ended 31 December 2012.

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 €44,000 (2012: decrease of €285,000) and €42,000 (2012: decrease of €259,000) for the Group and Company respectively, has been reflected in these financial statements. Inventory write-downs during the year amounted to €31,000 (2012: €414,000) and nil (2012: €374,000) for the Group and Company respectively. These amounts have been included within 'cost of sales' in profit or loss.

Provisions for obsolescence of inventories are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
At 31 December	**84**	40	**60**	18

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Non-current				
Amounts receivable under finance leases	**55**	84	**55**	84
Deferred expenditure	**1,162**	1,553	**375**	334
	1,217	1,637	**430**	418

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Current				
Trade receivables - net of provisions	**16,861**	20,098	**10,919**	12,985
Amounts owed by subsidiaries	**-**	-	**16,053**	17,727
Other receivables - net of provisions	**1,503**	2,246	**745**	140
Prepayments and accrued income	**8,443**	7,078	**4,426**	4,891
Amounts receivable under finance leases	**84**	144	**84**	144
Deferred expenditure	**3,729**	2,846	**1,095**	978
	30,620	32,412	**33,322**	36,865

Amounts owed by subsidiaries are unsecured, interest free and repayable on demand.

Deferred expenditure consists of installation and equipment costs, and redeemable credits provided as incentives to subscribers, by the Group. These costs are amortised over the shorter of the customer contract term and customer churn rate.

Receivables, disclosed in the table above, are stated net of provisions for impairment as follows:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Trade receivables	**12,004**	10,471	**8,089**	7,733
Other receivables	**229**	229	**229**	229
Amounts owed by jointly-controlled entity	**1,789**	1,789	**1,789**	1,789
Total provisions for impairment	**14,022**	12,489	**10,107**	9,751

14. TRADE AND OTHER RECEIVABLES - continued

Finance lease receivables are analysed as follows:

	Group and Company	
	2013	2012
	€000	€000
Non-current		
Gross receivables	**60**	90
Unearned finance income	**(5)**	(6)
	55	84
Current		
Gross receivables	**90**	155
Unearned finance income	**(6)**	(11)
	84	144
Gross finance lease receivables:		
Not later than 1 year	**90**	155
Later than 1 year and not later than 5 years	**60**	90
	150	245
Unearned finance income on finance leases	**(11)**	(17)
Net investment in finance leases	**139**	228

15. CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Cash at bank and in hand	**30,402**	27,243	**26,315**	23,493
Bank overdrafts (Note 18)	**(3,739)**	(3,456)	**(3,736)**	(3,349)
Cash pledged as guarantees	**(1,901)**	(1,901)	**(1,190)**	(1,190)
	24,762	21,886	**21,389**	18,954

16. SHARE CAPITAL

	Company	
	2013	2012
	€000	€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

17. RESERVES

Group

	Insurance contingency reserve €000	Adjustments relating to non-controlling interests €000	Investment fair value reserve €000	Property revaluation reserve €000	Hedging reserve €000	Other reserve €000	Total €000
Balance at 1 January 2012							
- As previously reported	1,046	(2,964)	-	17,738	(964)	643	15,499
- Effect of change in accounting policy upon adoption of IAS 19 (revised), net of deferred tax	-	-	-	-	-	(208)	(208)
- As restated	1,046	(2,964)	-	17,738	(964)	435	15,291
Surplus arising on revaluation of land and buildings	-	-	-	2,546	-	-	2,546
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	-	-	-	(1,762)	-	-	(1,762)
Available-for-sale financial assets:							
- Losses from changes in fair value	-	-	(100)	-	-	-	(100)
- Reclassification adjustments							
- net amounts reclassified to profit or loss upon impairment	-	-	100	-	-	-	100
Cash flow hedge:							
- Gains from changes in fair value	-	-	-	-	901	-	901
- Deferred taxes thereon	-	-	-	-	(315)	-	(315)
- Reclassification adjustments							
- net amounts reclassified to profit or loss	-	-	-	-	(701)	-	(701)
- deferred taxes thereon	-	-	-	-	245	-	245
Remeasurements of defined benefit obligations							
- Actuarial losses	-	-	-	-	-	(272)	(272)
- Deferred taxes thereon	-	-	-	-	-	95	95
Transfer from retained earnings	116	-	-	-	-	-	116
Balance at 31 December 2012 (restated)	1,162	(2,964)	-	18,522	(834)	258	16,144
Balance at 1 January 2013 (restated)	1,162	(2,964)	-	18,522	(834)	258	16,144
Cash flow hedge:							
- Gains from changes in fair value	-	-	-	-	(10)	-	(10)
- Deferred taxes thereon	-	-	-	-	3	-	3
- Reclassification adjustments							
- net amounts reclassified to profit or loss	-	-	-	-	781	-	781
- deferred taxes thereon	-	-	-	-	(273)	-	(273)
Remeasurements of defined benefit obligations							
- Actuarial losses	-	-	-	-	-	(346)	(346)
- Deferred taxes thereon	-	-	-	-	-	121	121
Transfer from retained earnings	116	-	-	-	-	-	116
Balance at 31 December 2013	**1,278**	**(2,964)**	**-**	**18,522**	**(333)**	**33**	**16,536**

17. RESERVES - continued

Company	Merger reserve €000	Insurance contingency reserve €000	Investment fair value reserve €000	Property revaluation reserve €000	Hedging reserve €000	Other reserve €000	Total €000
Balance at 1 January 2012							
- As previously reported	3,843	1,046	-	924	(964)	-	4,849
- Effect of change in accounting policy upon adoption of IAS 19 (revised), net of deferred tax	-	-	-	-	-	(208)	(208)
- As restated	3,843	1,046	-	924	(964)	(208)	4,641
Surplus arising on revaluation of land and buildings	-	-	-	2,142	-	-	2,142
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	-	-	-	(2,117)	-	-	(2,117)
Transfer of surplus upon realisation through disposal of revalued land and buildings	-	-	-	(2,325)	-	-	(2,325)
Deferred income taxes on realisation of surplus through disposal of revalued land and buildings	-	-	-	2,469	-	-	2,469
Cash flow hedge:							
- Gains from changes in fair value	-	-	-	-	901	-	901
- Deferred taxes thereon	-	-	-	-	(315)	-	(315)
- Reclassification adjustments							
- net amounts reclassified to profit or loss	-	-	-	-	(701)	-	(701)
- deferred taxes thereon	-	-	-	-	245	-	245
Remeasurements of defined benefit obligations							
- Actuarial losses	-	-	-	-	-	(272)	(272)
- Deferred taxes thereon	-	-	-	-	-	95	95
Available-for-sale financial assets:							
- Losses from changes in fair value	-	-	(100)	-	-	-	(100)
- Reclassification adjustments							
- net amounts reclassified to profit or loss upon impairment	-	-	100	-	-	-	100
Transfer from retained earnings	-	116	-	-	-	-	116
Balance at 31 December 2012 (restated)	3,843	1,162	-	1,093	(834)	(385)	4,879
Balance at 1 January 2013 (restated)	3,843	1,162	-	1,093	(834)	(385)	4,879
Cash flow hedge:							
- Gains from changes in fair value	-	-	-	-	(10)	-	(10)
- Deferred taxes thereon	-	-	-	-	3	-	3
- Reclassification adjustments							
- net amounts reclassified to profit or loss	-	-	-	-	781	-	781
- deferred taxes thereon	-	-	-	-	(273)	-	(273)
Remeasurements of defined benefit obligations							
- Actuarial losses	-	-	-	-	-	(346)	(346)
- Deferred taxes thereon	-	-	-	-	-	121	121
Transfer from retained earnings	-	116	-	-	-	-	116
Balance at 31 December 2013	**3,843**	**1,278**	**-**	**1,093**	**(333)**	**(610)**	**5,271**

These reserves are non-distributable.

Merger reserve
The merger reserve represents the net asset value of Telepage Limited, which was merged into the Company's subsidiary, Mobisle Communications Limited, through an increase in the Company's investment in this subsidiary.

Insurance contingency reserve
The insurance contingency reserve represents amounts that are intended to be utilised in the event that adequate coverage for an incident would not be provided by the current Company's insurance policies.

Investment fair value reserve
The fair value reserve reflects the cumulative net changes in fair value of available-for-sale financial assets held by the Group, net of related deferred tax impacts.

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.

Hedging reserve
The hedging reserve reflects changes in fair value of the derivative financial instruments designated as effective hedging instruments in cash flow hedges.

The net fair value losses as at 31 December 2013 on the Group's interest rate swap, which hedges variable interest payments on borrowings, will be reclassified from the hedging reserve to profit or loss when the hedged transactions affect profit or loss as variable interest amounts accrue, up to expiry of the agreement in 2015.

Other reserve
Subsequent to the change in accounting policy upon adoption of IAS 19 (revised), the other reserve also reflects the impact of actuarial gains and losses recognised in other comprehensive income in accordance with the Group's revised accounting policy. The effect of the change in accounting policy as at 1 January 2012 upon restatement has been reflected in the other reserve.

18. BORROWINGS

	Group 2013 €000	Group 2012 €000	Company 2013 €000	Company 2012 €000
Non-current liabilities				
Secured bank loans (i)	**59,246**	60,330	**54,327**	53,500
Current liabilities				
Secured bank loans (i)	**9,275**	13,521	**7,915**	12,500
Bank overdrafts (ii)	**3,739**	3,456	**3,736**	3,349
	13,014	16,977	**11,651**	15,849

(i) Secured bank loans

Group

	Currency	Year of maturity	2013 Face value €000	2013 Carrying amount €000	2012 Face value €000	2012 Carrying amount €000
Loan 1	Euro	2019	**31,500**	**31,269**	36,000	36,000
Loan 2	Euro	2019	**18,500**	**18,500**	24,000	24,000
Loan 3	Euro	2019	**5,500**	**5,500**	6,000	6,000
Loan 4	Euro	2019	**6,729**	**6,279**	7,851	7,851
Loan 5	Euro	2020	**7,000**	**6,973**	-	-
			69,229	**68,521**	73,851	73,851

Company

	Currency	Year of maturity	2013 Face value €000	2013 Carrying amount €000	2012 Face value €000	2012 Carrying amount €000
Loan 1	Euro	2019	**31,500**	**31,269**	36,000	36,000
Loan 2	Euro	2019	**18,500**	**18,500**	24,000	24,000
Loan 3	Euro	2019	**5,500**	**5,500**	6,000	6,000
Loan 5	Euro	2020	**7,000**	**6,973**	-	-
			62,500	**62,242**	66,000	66,000

18. BORROWINGS - continued

The bank loans are subject to financial covenants and are secured by guarantees for a maximum amount of €97,018,000 (2012: €101,618,000) provided by the Company and a number of subsidiaries. Loans 1 and 3 are term loans with scheduled repayments, while Loan 2 is a revolving term loan. The floating interest rate applicable on Loan 1 is computed using a margin over the 3 or 6 month Euribor rate, which margin is based on Net Debt/EBITDA ratio. As at 31 December 2013 and 2012, Loan 2 was subject to a floating interest rate based on the 3 or 6 month Euribor rate, while Loans 3 and 5 were subject to a variable interest rate linked to the bank's base rate.

Loan 4 is a term loan, taken out by a subsidiary from a European bank, with scheduled repayments and is subject to a floating interest rate computed using a margin over the 6 month Euribor rate. This loan is secured by guarantees given by GO and by special hypothecs over the present and future assets of the Company, its immediate parent and its fellow subsidiaries.

The Company has entered into an interest rate swap (Note 19) with a notional amount matching a proportion of the principal amount of Loan 1, with the intentions of hedging the Company's exposure to floating interest rates with respect to this borrowing. The terms and conditions of this interest rate swap are disclosed in Note 19.

As at 31 December 2013, the Company had an unutilised loan facility amounting to €5,500,000 (2012: €7,000,000), whilst a subsidiary also held an unutilised loan facility amounting to €1,667,000 (2012: €1,667,000).

The weighted average effective interest rates as at the end of the reporting period are as follows:

	Group 2013 %	Group 2012 %	Company 2013 %	Company 2012 %
Bank loans	**2.82**	3.23	**2.91**	3.32

(ii) Bank overdrafts

The Company's banking facilities at 31 December 2013 amounted to €9,000,000 (2012: €9,000,000) with local financial institutions. Also, at the end of the reporting period a subsidiary's facilities amounted to €2,000,000 (2012: €4,000,000) and were secured by guarantees provided by the Company and by special hypothecs over the present and future assets of the Group. As at 31 December 2013 and 2012, Group facilities were 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 2013 %	Group 2012 %	Company 2013 %	Company 2012 %
Bank overdrafts	**4.93**	4.19	**4.93**	4.19

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2013	2012
	€000	€000
Non-current liabilities		
Interest rate swap designated as hedging instrument in cash flow hedge	**512**	1,283

The Company is a party to a receive-variable, pay-fixed interest rate swap arrangement with a notional amount matching a proportion of the principal amount of Loan 1 (Note 18). The Company has designated this derivative contract as a hedging instrument in a cash flow hedge with the hedged risk being the Group's exposure to cash flow interest rate risk arising on the variable interest amounts payable with respect to Loan 1. Under the interest rate swap arrangement, the Group will, at six monthly intervals, exchange fixed interest amounts payable determined at the fixed interest rate of 3.19% with variable interest amounts receivable based on the 3 or 6 month floating Euribor rate. The derivative expires in 2015. Fair value changes arising on this instrument are recognised in other comprehensive income directly in the cash flow hedging reserve.

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 2013, a significant number of beneficiaries have taken up this offer. As at 31 December 2013, the Company estimated that its obligations towards the remaining potential beneficiaries amounted to €6,021,000 (2012: €5,967,000).

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 upon 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.

20. PROVISIONS FOR PENSIONS - continued

As at 31 December, the Company estimates the present value of the benefit obligation as follows:

	Group and Company	
	2013	2012
	€000	€000
Carrying amount of pension obligations	**6,021**	5,967

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 obligation throughout the year is analysed as follows:

	Group and Company	
	2013	2012
	€000	€000
At 1 January	**5,967**	5,727
Actuarial losses - attributible to financial assumptions	**346**	272
Interest costs	**2**	1
Effect of settlements recognised in profit or loss	**(72)**	-
Settlements paid	**(266)**	(46)
Current service costs	**44**	13
At 31 December	**6,021**	5,967

The provision is analysed in the statement of financial position as follows:

	Group and Company	
	2013	2012
	€000	€000
Non-current	**3,370**	3,116
Current	**2,651**	2,851
	6,021	5,967

20. PROVISIONS FOR PENSIONS - continued

The amounts recognised in profit or loss are as follows:

	Group and Company	
	2013	2012
	€000	€000
		(restated)
Interest costs	**(2)**	(1)
Effect of settlements	**72**	-
Current service costs	**(44)**	(13)
Total recognised in profit or loss	**26**	(14)

The amounts recognised in profit or loss are as follows:

	Group and Company	
	2013	2012
	€000	€000
		(restated)
Actuarial losses	**(346)**	(272)

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 2013, the weighted average discount rate used was 3.35% (2012: 3.75%).

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:

	Change in assumption	Increase in obligation	Decrease in obligation
Discount rate	1.0%	4.6%	4.0%

	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy	5.0%	2.8%

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	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Non-current				
Trade payables	**3,656**	2,958	**3,656**	2,958
Current				
Trade payables	**16,223**	11,645	**10,260**	8,034
Amounts owed to subsidiaries	**-**	-	**15,583**	14,032
Other payables	**3,513**	3,343	**-**	-
Indirect tax payable	**3,054**	4,149	**1,624**	2,383
Accruals and deferred income	**19,106**	21,821	**9,697**	9,443
	41,896	40,958	**37,164**	33,892

Amounts owed to subsidiaries are unsecured, interest free and repayable on demand.

22. REVENUE

The Group's turnover, which is substantially generated within Malta, is analysed as follows:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Category of activity				
Voice, data and TV services	**114,240**	120,550	**72,344**	75,665
Sale of goods	**4,910**	4,493	**591**	717
Other services	**1,675**	1,699	**500**	837
Sundry income	**1,316**	416	**1,256**	756
	122,141	127,158	**74,691**	77,975

23. EXPENSES BY NATURE

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
		(restated)		(restated)
Cost of goods sold	**5,765**	4,883	**1,421**	1,254
Third party network charges, content costs and other direct costs	**33,226**	35,762	**24,487**	25,789
Employee benefit expense (Note 24)	**25,638**	24,956	**20,819**	19,727
Depreciation of property, plant and equipment (Note 5)	**18,086**	18,875	**11,483**	11,489
Amortisation of intangible assets (Note 7)	**9,567**	10,172	**6,196**	6,935
Increase in provisions and write-offs relating to inventories (Note 13)	**75**	129	**42**	115
Increase/(decrease) in provisions for impairment of trade and other receivables (Note 14)	**1,533**	534	**356**	11
Reversal of provision for impairment of other receivables	**-**	(1,600)	**-**	(1,600)
Bad debts (recovered)/written off	**(725)**	258	**226**	179
Operating lease rentals payable	**1,546**	1,656	**3,491**	1,974
Other	**10,511**	10,404	**7,855**	7,754
Total cost of sales, administrative and other related expenses	**105,222**	106,029	**76,376**	73,627

The following items of an unusual nature, size or incidence have been charged to operating profit within 'administrative and other related expenses' during the year:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Non-recurring items		(restated)		(restated)
Voluntary retirement costs (see note below)	**2,820**	1,461	**2,820**	1,461
Movement in provisions for pensions (Note 20)	**(26)**	14	**(26)**	14
Reversal of provision for impairment of other receivables (see note below)	**-**	(1,600)	**-**	(1,600)
	2,794	(125)	**2,794**	(125)

The Company continued with its right-sizing programme by offering voluntary retirement schemes to its employees. The reversal of provision for impairment of other receivables in 2012 relates to specific receivables not attributable to the Group's trading activities.

<u>Auditor's fees</u>

Fees charged by the auditor for services rendered during the financial years ended 31 December 2013 and 2012 relate to the following:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Annual statutory audit	**210**	210	**147**	147
Other assurance services	**128**	158	**128**	158
Other non-audit services	**6**	27	**6**	27
	344	395	**281**	332

24. EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Directors' emoluments:				
Fees	**47**	94	**47**	94
Benefits in kind	**2**	2	**2**	2
Total Directors' emoluments:	**49**	96	**49**	96

Directors' emoluments are included within 'administrative and other related expenses'.

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
		(restated)		(restated)
Wages and salaries	**23,460**	23,832	**19,495**	18,327
Social security costs	**1,531**	1,549	**1,268**	1,216
Capitalised labour costs	**(2,147)**	(1,900)	**(1,832)**	(1,615)
Recharged (to)/from subsidiaries	**-**	-	**(906)**	324
	22,844	23,481	**18,025**	18,252
Voluntary retirement costs	**2,820**	1,461	**2,820**	1,461
Movement in provisions for pensions	**(26)**	14	**(26)**	14
	2,794	1,475	**2,794**	1,475
Total employee benefit expense	**25,638**	24,956	**20,819**	19,727

Wages, salaries and social security costs, other than those relating to capital works, are allocated between operational expenses (included within 'cost of sales') and 'administrative expenses' as follows:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
		(restated)		(restated)
Operational expenses	**7,441**	7,670	**6,411**	6,307
Administrative and other related expenses	**18,197**	17,286	**14,408**	13,420
	25,638	24,956	**20,819**	19,727

24. EMPLOYEE BENEFIT EXPENSE - continued

The average number of persons employed by the Group and the Company, including part-timers, students and secondees, during the year amounted to 891 (2012: 937) and 729 (2012: 689) respectively. The number of persons employed by the Group and the Company, including part-timers, students and secondees, at the end of the year was as follows:

	Group		Company	
	2013	2012	**2013**	2012
Operational	**327**	352	**290**	314
Management and administration	**539**	569	**444**	418
	866	921	**734**	732
Seconded to subsidiaries	**-**	-	**(2)**	(2)
Seconded from subsidiaries	**-**	-	**-**	8
	866	921	**732**	738

25. OTHER INCOME

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Rent receivable on immovable property				
- from investment property	**151**	151	**-**	-
- from other immovable property	**107**	208	**411**	394
Other rent receivable	**225**	214	**225**	214
Realised operating exchange gains	**-**	7	**-**	7
Unrealised operating exchange gains	**27**	115	**-**	61
Late payment charges	**377**	265	**372**	265
Gain on disposal of plant and equipment	**-**	13	**-**	13
Others	**278**	446	**243**	446
	1,165	1,419	**1,251**	1,400

26. OTHER EXPENSES

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Realised operating exchange losses	**95**	178	**65**	91
Others	**8**	-	**8**	-
	103	178	**73**	91

27. FINANCE INCOME

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Dividend income from subsidiaries	**-**	-	**17,679**	16,993
Bank interest receivable	**96**	69	**85**	54
Interest receivable from subsidiaries	**-**	-	**1,857**	909
Income from finance leases	**24**	16	**24**	16
Late payment interest receivable	**225**	343	**225**	335
Other interest receivable	**66**	89	**19**	89
	411	517	**19,889**	18,396

28. FINANCE COSTS

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Bank loan interest	**2,391**	2,517	**2,251**	2,423
Other bank interest and charges	**364**	149	**219**	92
	2,755	2,666	**2,470**	2,515

29. TAX EXPENSE

The Group's and the Company's tax expense recognised in profit or loss is analysed below:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
		(restated)		(restated)
Current tax				
Current tax expense	**6,501**	7,241	**5,562**	6,934
Deferred tax				
Deferred tax (credit)/expense (Note 12)	**(2,614)**	2,007	**(1,460)**	2,210
Tax expense	**3,887**	9,248	**4,102**	9,144

29. TAX EXPENSE - continued

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:

	2013			2012 (restated)		
	Before tax €000	**Tax (charge)/ credit €000**	**Net of tax €000**	Before tax €000	Tax (charge)/ credit €000	Net of tax €000
Group						
Fair valuation of land and buildings	-	-	-	2,546	(1,762)	784
Cash flow hedge	**771**	**(270)**	**501**	200	(70)	130
Remeasurement of defined benefit obligations	**(346)**	**121**	**(225)**	(272)	95	(177)
	425	**(149)**	**276**	2,474	(1,737)	737
Company						
Fair valuation of land and buildings	-	-	-	2,142	(2,117)	25
Cash flow hedge	**771**	**(270)**	**501**	200	(70)	130
Remeasurement of defined benefit obligations	**(346)**	**121**	**(225)**	(272)	95	(177)
	425	**(149)**	**276**	2,070	(2,092)	(22)

29. TAX EXPENSE - continued

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 to the results of the consolidated entities as follows:

	Group		Company	
	2013 €000	2012 €000 (restated)	**2013 €000**	2012 €000 (restated)
Profit before tax	**15,637**	26,751	**16,912**	28,472
Tax on profit at 35%	**5,473**	9,363	**5,919**	9,966
Tax effect of:				
Expenses disallowed for tax purposes	**59**	748	**49**	700
Depreciation charges not deductible by way of capital allowances in determining taxable income	**183**	69	**190**	69
Impairment and other losses attributable to available-for-sale assets	**-**	115	**-**	115
Further allowances on rental income	**(245)**	(137)	**(28)**	(28)
Benefits available under the Business Promotion Act, comprising investment tax credits and allowances	**(823)**	(673)	**-**	-
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	**-**	141	**-**	-
Deferred taxation on fair value gains arising on property determined on the basis applicable to property disposals	**-**	796	**-**	126
Gain on disposal of property taxed on the basis of 12% of transfer value	**-**	(2,317)	**-**	(2,317)
Different tax rates applied to investment income	**(24)**	(8)	**(781)**	(609)
Share of results and other movements relating to jointly-controlled entity	**-**	1,303	**-**	1,303
Other differences	**(736)**	(152)	**(1,247)**	(181)
Tax expense	**3,887**	9,248	**4,102**	9,144

30. 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	
	2013	2012
		(restated)
Profit attributable to equity holders of the Company (€000)	**11,750**	17,503
Weighted average number of shares in issue (thousands)	**101,310**	101,310
Earnings per share (euro cents)	**11c6**	17c3

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.

31. DIVIDENDS

	Company	
	2013	2012
	€000	€000
Net dividends paid on ordinary shares	**10,131**	-
Dividends per share (euro cents)	**10c0**	-

A dividend in respect of the year ended 31 December 2013 of €0.07 per share, amounting to €7,091,734, was proposed by the Board of Directors subsequent to the end of the reporting period. The financial statements do not reflect this proposed dividend.

32. CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit/(loss) to cash generated from operations:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
		(restated)		(restated)
Operating profit/(loss)	**17,981**	22,370	**(507)**	5,657
Adjustments for:				
Depreciation and amortisation	**27,653**	29,047	**17,679**	18,424
Write-offs and net gain arising on disposal of intangible assets and property, plant and equipment	**-**	(13)	**-**	(13)
Net increase in provisions and write-downs in relation to receivables and inventories	**883**	911	**624**	305
Financial liabilities written back	**-**	(332)	**-**	(316)
Voluntary retirement costs	**2,820**	1,461	**2,820**	1,461
Provisions for pensions	**(26)**	14	**(26)**	14
Reversal of impairment of other receivables	**-**	(1,600)	**-**	(1,600)
Changes in working capital:				
Inventories	**(988)**	(152)	**(981)**	38
Trade and other receivables	**(2,388)**	2,888	**1,236**	4,618
Trade and other payables	**1,162**	(7,137)	**(1,254)**	(7,157)
Group undertakings' balances	**-**	-	**(348)**	36,126
Cash generated from operations	**47,097**	47,457	**19,243**	57,557

33. OPERATING LEASE COMMITMENTS

(a) *Operating leases – where the Group/the Company is lessee*
Operating lease rentals under non-cancellable leases at 31 December are payable as follows:

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Less than one year	**653**	667	**194**	231
Between one and five years	**1,034**	937	**573**	557
More than five years	**500**	586	**500**	586
	2,187	2,190	**1,267**	1,374

The Group and the Company lease various premises 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. Certain lease agreements provide that the lease payments increase by a predetermined percentage every year, which increases have been reflected in the figures above.

33. OPERATING LEASE COMMITMENTS - continued

(a) Operating leases – where the Group/the Company is lessee - continued

During the current year, operating lease payments in respect of cancellable and non-cancellable leases amounting to €1,546,000 (2012: €1,656,000) for the Group and €3,491,000 (2012: €1,974,000) for the Company, were recognised as an operating expense in profit or loss.

(b) Operating leases – where the Group/the Company is 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	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Less than one year	**31**	12	**50**	12
Between one and five years	**31**	9	**87**	9
More than five years	**-**	-	**33**	-
	62	21	**170**	21

During the current year, amounts of €483,000 (2012: €572,000) for the Group and €636,000 (2012: €607,000) for the Company, were recognised as rental income in profit or loss within other operating income. Out of the Company's rental income, an amount of €151,000 (2012: €35,000) was receivable from subsidiaries (Note 36).

As at 31 December 2013 and 2012, the Group and the Company also have a non-cancellable lease agreement for an indefinite period with a third party for an annual charge receivable of €225,000.

34. CAPITAL COMMITMENTS

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Contracted for:				
Property, plant and equipment	**2,153**	1,807	**1,746**	1,084
Authorised but not contracted for:				
Property, plant and equipment	**1,431**	263	**442**	263
	3,584	2,070	**2,188**	1,347

In view of the matters highlighted in Note 9, disclosure of the Group's share of the capital commitments of the associate of the jointly-controlled entity as at 31 December 2013 was not deemed necessary and relevant for the purposes of understanding the Group's financial results and position.

The Company's investment in Worldwide Communications Limited reflects 25% of the share capital, amounting to €233,000 (2012: €233,000), which has not yet been called up.

35. 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 2013, contingent liabilities arising from:

- Guarantees in favour of third parties and performance bonds given amounting to €6,034,000 and €5,321,000 for the Group and the Company respectively;
- Claims by employees for damages arising from alleged irregularities or unjust measures;
- A current year overseas court judgement against a subsidiary demanding that the company takes certain actions with respect to services provided to a specific client and ordering that it pays certain fines together with court expenses; and
- Actual or potential claims and litigation arising from disruption of services, alleged breach of contract, warranties given, acquisition of goods and services by the Group and other claims in relation to legal issues;

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.

35. CONTINGENCIES - continued

(b) Contingencies relating to pension liabilities

As disclosed in Note 20 following a judgement by the Court of Appeal on 7 July 2008, 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.

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 interest.

(c) Other contingencies

- The Company has guaranteed the banking facilities of Mobisle Communications Limited for the amount of €13,518,000 (2012: €13,518,000).
- At the end of the reporting period, the Company was subject to a case requesting the Commission of Fair Trading to investigate alleged abusive prices for the provision of IP Transit and ADSL Services. No provision has been made for any possible losses the Company may incur if an adverse decision results.

(d) Contingencies attributable to the jointly-controlled entity

- In view of the matters highlighted in Note 9, disclosure of the Group's share of the contingent liabilities of the associate of the jointly-controlled entity as at 31 December 2013 was not deemed necessary and relevant for the purposes of understanding the Group's financial results and position.

36. RELATED PARTY TRANSACTIONS

The Company and its subsidiaries have related party relationships with Dubai Holding LLC, the Company's ultimate controlling party (Note 40), related entities ultimately controlled by Dubai Holding LLC, and the Group's jointly-controlled entity (Note 9), together with the Group companies' Directors ('key management personnel').

36. RELATED PARTY TRANSACTIONS - continued

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	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Ultimate controlling party and related entities				
Services provided to	**241**	360	**229**	310
Services provided by	**1,299**	1,174	**1,267**	1,094
Expenses paid on behalf of	**8**	-	**8**	-
Expenses paid on behalf of the Company by	**499**	-	**499**	-
Dividends paid to	**6,079**	-	**6,079**	-

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Jointly-controlled entities				
Repayment of loans advanced to	**-**	3	**-**	3
Capitalisation of amounts due	**61,867**	2,663	**61,867**	2,663
Amounts paid on behalf of	**665**	104	**665**	104

	Company	
	2013	2012
	€000	€000
Subsidiaries		
Services provided to	**3,692**	2,875
Services provided by	**3,335**	3,537
Expenses paid on behalf of the Company by	**28**	644
Expenses paid by the Company on behalf of	**3,361**	2,234
Dividends and interest received from	**19,536**	17,902
Rental income receivable from	**152**	35
Rental charges payable to	**3,091**	1,566
Loans advanced to	**-**	27,728
Repayment of loans advanced to	**-**	720
Property transferred to	**-**	24,268
Transfer of deferred tax liability, on property transferred, to	**-**	2,657

36. RELATED PARTY TRANSACTIONS - continued

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 to key management personnel (Note 24), the Group has not entered into material transactions with these related parties 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 9, 10, 14 and 21 to these financial statements.

37. IMPACT OF CHANGE IN ACCOUNTING POLICY

The Company has adopted IAS 19 (revised 2011) *'Employee benefits'*, which amended the accounting for post-employment employee benefits. The Group was required to apply the revised standard retrospectively in accordance with the transition provisions of the standard. The impact, reflected in the tables below, is mainly in relation to the revised treatment of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, which are charged or credited to equity in other comprehensive income in the period in which they arise under IAS 19 (revised 2011). These were charged or credited to profit or loss in the period in which they arose under the Group's previous accounting policy.

The tables below reflect the effects of the change in accounting policy and the retrospective restatement on the financial statement line items impacted. The effects on the statements of comprehensive income and of changes in equity are reflected in the statements. The impact of adoption of IAS 19 (revised 2011) on earnings per share is deemed to be insignificant.

The Company has applied an accounting policy retrospectively in this respect and accordingly a third statement of financial position as at the beginning of the preceding period presented is required. However, the retrospective change in policy does not have a significant effect on this earliest statement of financial position as the restatement consists of a reclassification from retained earnings to the other reserves. Hence the presentation of a third statement of financial position was not deemed necessary.

37. IMPACT OF CHANGE IN ACCOUNTING POLICY - continued

Statements of financial position

	At 31 December 2013			At 31 December 2012			At 1 January 2012		
	Prior to effects of change in accounting policy	Effects of adoption of IAS 19 (revised 2011)	As presented	As previously reported	Effects of adoption of IAS 19 (revised 2011)	As restated	As previously reported	Effects of adoption of IAS 19 (revised 2011)	As restated
	€000	€000	€000	€000	€000	€000	€000	€000	€000
Group									
EQUITY									
Reserves	17,146	(610)	16,536	16,529	(385)	16,144	15,499	(208)	15,291
Retained earnings	27,351	610	27,961	26,073	385	26,458	8,863	208	9,071
Company									
EQUITY									
Reserves	5,881	(610)	5,271	5,264	(385)	4,879	4,849	(208)	4,641
Retained earnings	49,373	610	49,983	47,035	385	47,420	28,144	208	28,352

Income statements	**Year ended 31 December 2013**			Year ended 31 December 2012		
	Prior to effects of change in accounting policy	Effects of adoptionof IAS 19 (revised 2011)	As presented	As previously reported	Effects of adoptionof IAS 19 (revised 2011)	As restated
	€000	€000	€000	€000	€000	€000
Group						
Administrative and other related expenses	30,213	(346)	29,867	27,423	(272)	27,151
Tax expense	3,766	121	3,887	9,153	95	9,248
Statement of comprehensive income						
Other comprehensive income:						
Remeasurement of defined benefit obligations	-	346	346	-	272	272
Income tax relating to components of other comprehensive income	270	(121)	149	1,832	(95)	1,737
Company						
Administrative and other related expenses	26,258	(346)	25,912	22,554	(272)	22,282
Tax expense	3,981	121	4,102	9,049	95	9,144
Statement of comprehensive income						
Other comprehensive income:						
Remeasurement of defined benefit obligations	-	346	346	-	272	272
Income tax relating to components of other comprehensive income	270	(121)	149	2,187	(95)	2,092

38. EVENTS AFTER THE END OF THE REPORTING PERIOD

In January 2014, the Company's jointly-controlled entity, Forgendo (refer to Note 9) has participated in the share capital increase of Forthnet exercising in full its pre-emption rights as an existing shareholder of Forthnet. Accordingly, Forgendo acquired 40,094,535 new shares in Forthnet at a cost of €12,028,000.

The Company further announced that Giradena Limited ("Giradena"), a Cyprus–incorporated company which is owned 50% by Forgendo and 50% by Massar Investments LLC. has also exercised in full its pre-emption rights as an existing shareholder of Forthnet. Giradena acquired 2,670,000 new shares in Forthnet at a cost of €801,000.

Forgendo has also exercised its oversubscription rights and as a result of this process Forgendo has been allotted a further 1,034,720 new shares in Forthnet (equivalent to 0.94% of Forthnet's share capital) at a cost of €310,000. Forgendo has transferred the shares acquired through the oversubscription process to Giradena.

Subsequent to the capital increase of Forthnet, Forgendo and Giradena hold 49,501,193 shares in Forthnet equivalent to a total of 44.96% of the share capital of Forthnet. GO has provided Forgendo with 50% of the funding required by Forgendo to participate in Forthnet's capital increase. The other 50% of the funding has been provided by Emirates International Telecommunications (Malta) Limited ("EITML"). The funding provided by the Company and by EITML has been effected through an interest-free loan granted by each of the Company (the "GO Loan") and EITML (the "EITML Loan") to Forgendo.

The GO Loan shall, at the option of the Company, be convertible into equity within the period of six months from the date on which the new Forthnet shares begin to trade following the final transfer of such shares to the accounts of the Forthnet shareholders (the "Conversion Period") on 16 January 2014. If for any reason, GO elects not to convert the GO Loan into equity within the Conversion Period, EITML shall convert the EITML Loan into equity and shall concurrently be obliged to repay to the Company the GO Loan on behalf of Forgendo in exchange for additional shares to be issued by Forgendo to EITML.

39. COMPARATIVE INFORMATION

Certain comparative figures disclosed in the income statement have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation. A reclassification adjustment from 'administrative and other related expenses' to 'cost of sales' in respect of employee benefit expense amounting to €584,000 and €430,000 for the Group and Company respectively, was effected. This reclassification adjustment has no impact on the statements of financial position as at 1 January and 31 December 2012.

40. STATUTORY INFORMATION

GO p.l.c. is a public limited liability company domiciled and incorporated in Malta. The Company's ultimate controlling parent is Dubai Holding LLC, the registered office of which is situated at Emirates Towers, Level 43, Office Block, Sheikh Zayed Road, Dubai, UAE. Emirates International Telecommunications (Malta) Limited, which owns 60% of the Company's shares, is ultimately controlled by Dubai Holding LLC as it forms part of the group of companies of which Dubai Holding LLC is the ultimate parent. Dubai Holding LLC is owned by H.H. Sheikh Mohammed Bin Rashid Al Makhtoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

FIVE YEAR RECORD

Group

	2013	2012	2011	2010	2009
	€M	€M	€M	€M	€M
Revenue	122.1	127.2	131.6	132.3	123.7
Results from operating activities	18.0	22.4	18.4	22.8	7.4
Profit/(loss) before tax	15.6	26.8	(45.2)	(9.1)	(3.2)
Profit/(loss) for the year	11.8	17.5	(50.5)	(18.2)	(6.2)
Total assets	235.0	238.2	215.0	285.9	309.8
Total liabilities	131.5	136.6	131.7	136.4	131.7
Total equity	103.5	101.6	83.4	149.5	178.1
Operating cash flow	39.6	40.0	35.1	43.2	18.4
Investing cash flow	(19.3)	(27.6)	(25.6)	(25.5)	(28.4)
Financing cash flow	(17.4)	3.3	(9.7)	(14.6)	8.1
	€	€	€	€	€
Earnings per share	0.116	0.171	(0.503)	(0.189)	(0.066)
Proposed dividends per share	0.070	0.100	0.000	0.050	0.100

COMPANY INFORMATION

COMPANY SECRETARY
Dr. Francis Galea Salomone L.L.D.

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants
Malta

REGISTRAR
Malta Stock Exchange
Malta

LEGAL COUNSEL
Mamo TCV
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Gatt Tufigno Gauci (Advocates)
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REGISTERED OFFICE
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COMPANY NUMBER
C 22334

FINANCIAL CALENDAR

Preliminary Announcement of Results	18 March 2014
Record date: Final dividend	4 April 2014
Ex-dividend date	5 April 2014
Annual General Meeting	6 May 2014
Final dividend payment date	9 May 2014
Announcement of half yearly results (provisional)	August 2014

SHAREHOLDER INFORMATION

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