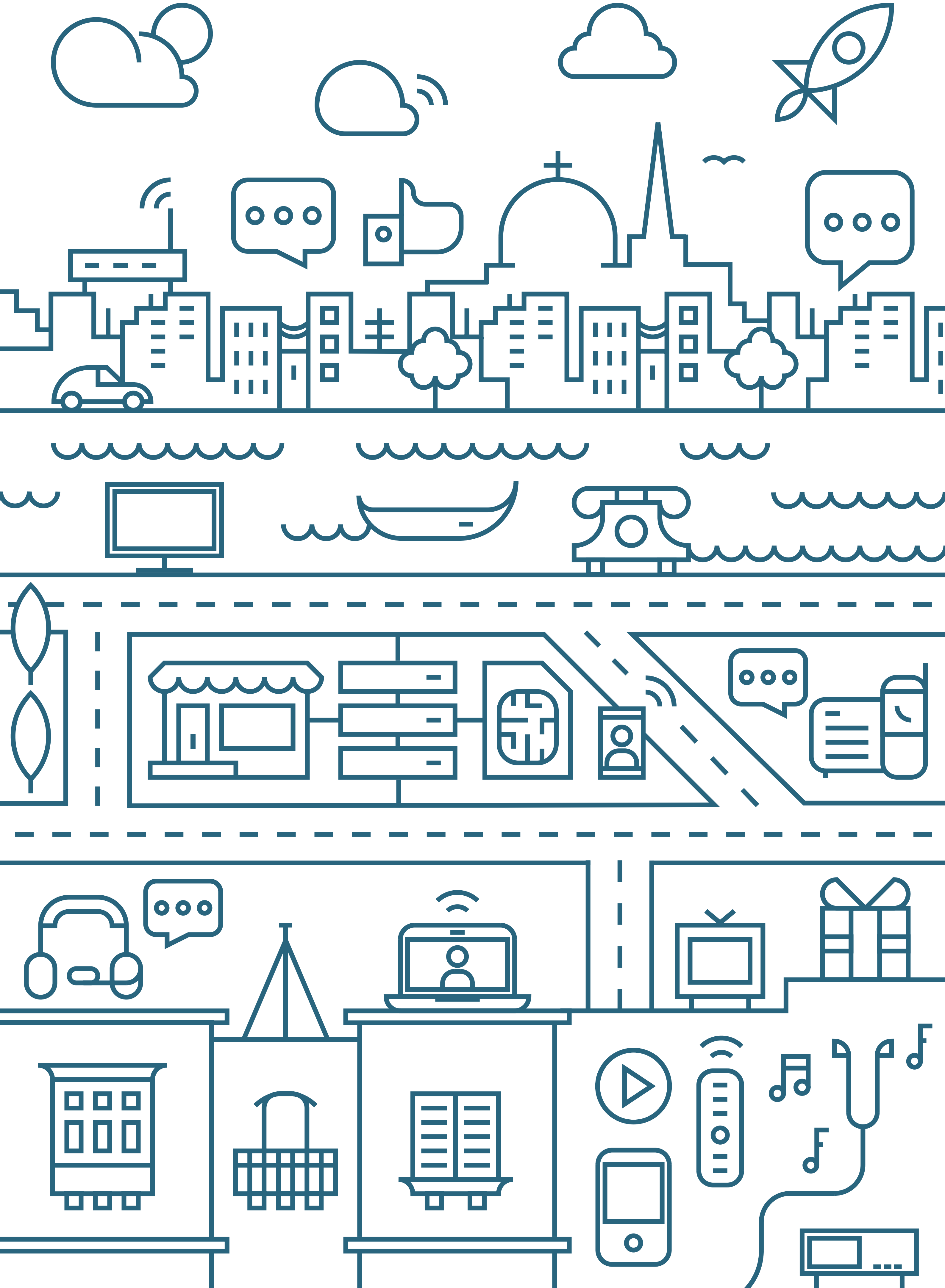
Annual Report
2014

GO



Contents

Chairman's Message

A strong performance as we mark several milestones on GO's strategic journey

In 2014 GO achieved, by several key measures, a strong and encouraging performance, and delivered an impressive set of results. We have registered notable improvements over 2013, which as we all recall was in itself a robust and healthy year for our business.

Our profit before tax for 2014 amounted to €20.3 million, up from €15.6 million, an increase of 30.0%. Operating profits increased to €21.8 million, up 21.0%, whilst normalised operating group profit for 2014 amounted to €24.3 million, representing an increase of 17.3%.

As a result of these solid numbers, the Board is in a position to propose a dividend of €0.07 net of tax, subject to approval at our Annual General Meeting.

Once again therefore, we are reaping the fruit of a sound and clear long-term strategy, and of the commitment of our management and staff to pursue our ambitious goals with determination.

Apart from a stronger balance sheet and healthy cash flows, over the past year GO has also reached several milestones in terms of our on-going investment in technology and infrastructure. These should enable us to sustain our positive momentum in spite of ever increasing pressures on various fronts.

The context we operate in

Of course, our success cannot be taken for granted and we need to remain focused, and highly determined. Our strong performance in 2014 needs, firstly, to be put in the context of a European telecommunications sector which is under considerable strain. The European economy in general and our sector in particular continue to be under commercial and regulatory pressure, as is widely known.

While Malta's economy has continued to show remarkable resilience, the competitive and regulatory challenges are as intense in Malta as anywhere in the EU. This makes our success in 2014 even more encouraging.

Moreover, technology and customer expectations also continue to develop at phenomenal speed. This necessitates an effective investment strategy in infrastructure and content to meet new demands and possibilities.

Our well planned and executed investments in TV and our mobile network are, in 2015, being enhanced with the roll out of several major projects of national importance. Fibre-to-the-home (FTTH), 4G, and various other strategic enhancements to our fixed and mobile network infrastructures will continue to ensure that GO is well placed to deliver the services customers rightly expect. Of course, we live in an unpredictable world but it is indeed pleasing to see that GO is well placed to look to the future with optimism.

Property Portfolio

Innovation is one of our core values, and this applies not only to our quad play telecommunications operations, but also to the holistic way we look at our business, and the opportunities which may be available to us, as we seek to maximise shareholder value and explore alternative sources of revenue going forward.

As you will doubtless recall, we have a number of property assets in Malta which are gradually being released. I am pleased to be able to report that the group is actively working to release substantial parts of the exchanges at Marsa, Birkirkara, Zejtun, Sliema and St. Paul's Bay either to be sold or developed over the next few years.

In Pursuit of Further Growth

Boldness is another one of GO's core values. Naturally, though boldness needs to be tempered with prudence and caution, it is essential for the long term success we all seek. We have not shied away from bold decisions in the past, and are committed to maintaining an open mind and an entrepreneurial world view going forward.

The Maltese market is, we believe, resilient and interesting in its own right, as our significant investments testify. However, looking beyond the obvious limitations of our domestic market, we have also ventured further afield in pursuit of opportunities in other markets.

Though, as we know, such a strategy is not devoid of risk, we believe that it is the proper path to sustainable growth over the long term.

In all such efforts we align with what the GO brand stands for, and with our mission to provide, ultimately, a better future to this country thanks to enhanced connectivity and unmatched telecommunications and entertainment services.

During 2014 GO's investment in Greek operator Forthnet S.A. through Forgendo Limited has been reclassified as 'Investment held for sale' at a value of €6.6 million. This represents GO's share of the investment made by Forgendo to participate in the capital increase process undertaken by Forthnet in January 2014. This reclassification is the result of offers received by Forthnet in 2014 which may result in GO disposing of its investment in Forgendo.

In September 2014 GO concluded the acquisition of 25% shareholding in Cablenet Systems Limited, a cable company incorporated and operating in Cyprus. This shareholding was acquired in return for a loan of €12 million which GO will extend to Cablenet over a maximum period of two years and which can be converted into equity, part of a path that can see GO owning 51% of the share capital of Cablenet.

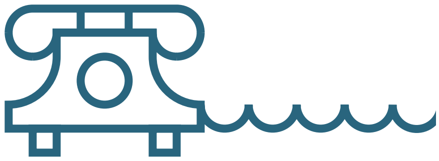
Looking ahead

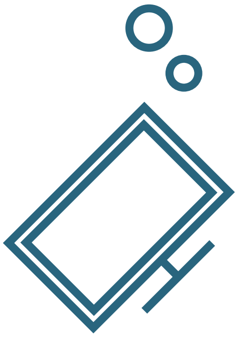
As we continue to forge ahead, we are also caring, ever mindful of the major role we play in Maltese society.

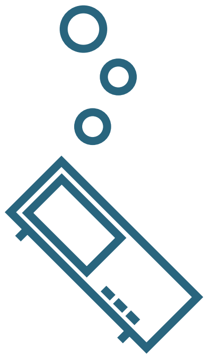
Our most high profile association is with the L-Istrina fund raising marathon in aid of the Malta Community Chest Fund, which we support every year not only with a cash donation but, much more significantly, with services and infrastructure of considerable value. As you can see in this Annual Report however, we actually prioritise a number of key areas where we actively get involved and make a difference, such as education, innovation, entertainment and social responsibility.

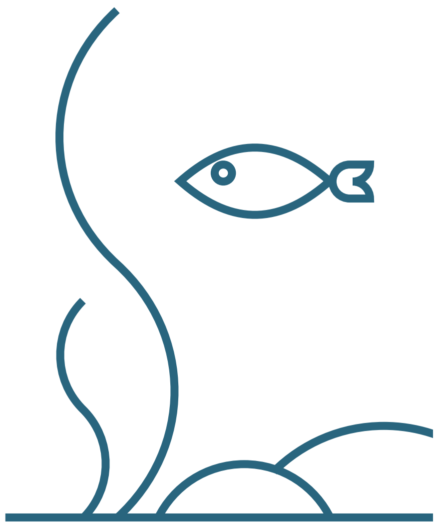
In all such efforts we align with what the GO brand stands for, and with our mission to provide, ultimately, a better future to this country thanks to enhanced connectivity and unmatched telecommunications and entertainment services.

It goes without saying that we are only able to deliver on our promise because each and every member of staff and of our management team are themselves passionate about our future. With the ongoing support of all our shareholders, I have little doubt that it is a future which promises to be an exciting one.









Chief Executive Officer's Review

Our focussed strategy continues to deliver

GO reports significantly improved profitability

2014 was another successful year for GO, which has continued to maintain its positive momentum. Our financial results show that profit before tax amounted to €20.3 million. This is a 30.0% increase on the €15.6 million recorded in 2013. This strong performance clearly demonstrates GO's ability to out-perform the sector, and is in stark contrast to the challenged profitability levels across many other EU markets, which like Malta are highly competitive and overly regulated. In the year under review, our operating profits also increased by 21.0% from €18.0 million in 2013 to €21.8 million. Normalised operating group profit for the year amounted to €24.3 million, an encouraging increase of 17.3%.

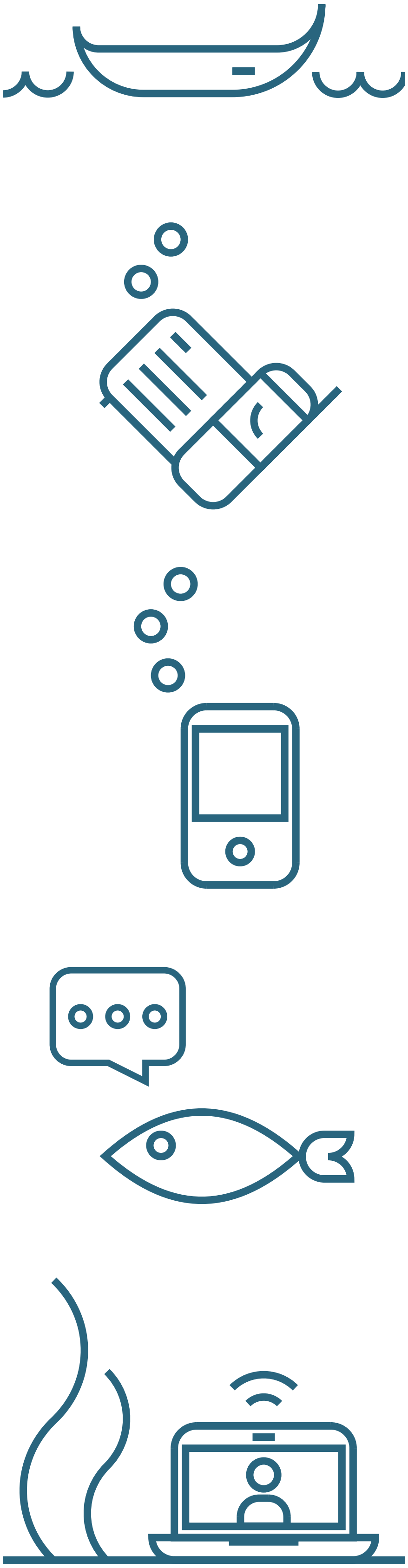
GO's successful strategy

There are a number of key factors which have contributed to this success. Our ability to continue to grow market share in broadband, TV and mobile has more than compensated for the decline in traditional fixed voice telephone. This demonstrates our strong market position as a quad play operator active across the various segments of our industry. GO continues to service more than 500,000 customer connections. The growth in the number of customers opting to bundle products, underpinned by our highly successful Homepack and Limitless tariffs, has also contributed to robust revenues which in 2014 remained stable at €122.3 million. In addition to our product offering, we have also continued to invest in customer service, enhancing our systems and improving the skills of our staff to deliver a better experience to all our customers. Another positive factor was our ability to grow retail activities which compensated for the decline in revenues from wholesale activities, which occurred as a direct result of regulatory intervention.

In addition to healthy revenues, during 2014, GO was also able to further improve efficiency. As you know operational efficiency has been a principal area of focus for our management team in recent years and shall continue to be a priority. It is therefore satisfying to report that our cost of sales as well as administrative and related costs declined by 3.4% to €101.7 million (2013: €105.2 million), further improving our profitability.

None of the above could have been achieved without having the right strategy in place to invest in the infrastructure, systems and content, needed to give our customers the communications and entertainment experiences they expect. These investments, which are continuing in 2015 with the roll out of fibre-to-the-home, 4G, and various strategic enhancements to our fixed line and mobile network infrastructures, have enabled us to meet constantly evolving customer demands and service requirements, while ensuring greater efficiency across our operations. As a result GO is uniquely placed to be able to offer customers in Malta a seamless, always on service across fixed and mobile telephony, internet and TV.

The success of our strategy is further reinforced by the fact that during 2014, normalised EBITDA amounted to €49.2 million (2013: €48.4 million) and earnings per share amounted to €0.144 as against €0.116 in 2013. Cash generation from operations amounted to €48.8 million, an increase of €1.7 million over 2013.



Maintaining Momentum

The Company's healthy cash flow position presents a clear opportunity to maintain this positive momentum. Our previous investments in infrastructure have, in 2014, already led to the launch of several new products, particularly in TV. The launch of TV Anywhere, which gives GO TV subscribers the ability to watch their favourite TV programmes live on mobile devices from wherever they are in Malta is, of course, reliant on our strong mobile network which is the only one in Malta to be completely fibre connected. The enhancements to our Interactive TV service, allowing customers to make use of more than one interactive set top box in their homes, needs a robust internet connection and speeds which can handle the volumes of data this service requires. Our ability to deliver a great TV product to our customers when, where and how they want it, also depends on the investment in content and in 2014, through GO Stars and GO Sports, our TV offering continued to deliver the very best in films, TV series and sports. The investment in our networks which have resulted in these new services has also contributed to giving customers a better experience across all our mobile and internet based products.

Despite the challenges that face us and the uncertainty of the world around us, GO finds itself well placed to look forward with optimism.

In 2014 we also began to lay the foundations for the next leap forward in how we use the internet. Significant resources have already been committed to bring fibre connections directly into Maltese homes. The roll out of fibre-to-the-home will mean a dramatic rise in speeds and deliver real improvements to the lives of our customers.. The full roll out of fibre, which due to the levels of investment required will necessarily take some years, coupled with the additional major upgrades to our mobile network, particularly the launch of 4G, will give GO the capacity to continue providing Malta with bold, innovative products and services that will continue to sustain our future success and offer real choice to customers.

At the same time, we will also continue to invest in IT and systems which improve efficiency. In 2014, we have made significant strides in strengthening our IT systems and data storage facilities. This means we are able to successfully respond to customer queries and requests for assistance faster. Improvements in our billing systems have also facilitated the growth in the use of e-billing and direct debit mandates by our customers, with obvious benefits to both our customers and to GO.

We also continue to lead with communications services to businesses operating in and from Malta, with a suite of dedicated connectivity solutions which offer performance and value. As leaders in the telecommunications industry in Malta, we also provide services that help our corporate customers become more efficient and secure through data centre and cloud services offered by our subsidiary BMIT. This is now well established as Malta's leading data centre and a leading European provider of data centre services for specialised industries. It is worth noting that BMIT have recently won the 2014/15 European Business Awards Ruban D'Honneur award, further proof that it is recognised as a leader in its field.

The growth in revenue and decrease in costs which these investments have generated are having a very significant effect on our bottom line and will continue to give us a real advantage in the market.

Leading a great team

Without the support and commitment of our staff, all our investments in infrastructure, systems and content would be futile. Our customer service representatives, whether in our retail outlets or call centre, all our technical and engineering staff, and all our operations, back office, and marketing teams, have all played an important part in our success. GO maintains an ongoing staff reward and recognition programme and invests in the development of its employees to give them the skills and motivation needed to deliver the experience our customers demand.

Connecting Malta to the future

Despite the challenges that face us and the uncertainty of the world around us, GO finds itself well placed to look forward with optimism. Technology continues to evolve rapidly as does customer behavior. Our strategy of investing in the right areas, growing value where we can, and managing costs without negatively affecting customer service has placed us in a strong position. With many new exciting developments on the horizon for 2015, which will bring real changes to the way we use the internet in our lives, GO is uniquely placed to connect Malta to the future.


Our technology, our products, and our content, are at the heart of the community.

GO in the community

As Malta's leading provider of telecommunications services, GO has always understood that we are not just a business. Our products, services, and infrastructure play a key role in many different spheres of life. Whether it's enabling businesses to tap into new markets, helping families to stay connected and entertained, helping elderly residents to stay in their homes, or giving NGOs the tools to be more effective, GO, our technology, our products, and our content, are at the heart of the Maltese community.

Being an enabler, however, is not enough. At GO, we feel that it is our responsibility to also be proactive in supporting organisations and events which not only help those who need it now but also aspire to provide a better future for us all. In 2014, our Corporate Social Responsibility (CSR) programme continued to focus on several pillars; supporting those in need, the environment, music, culture and sports.

For a number of years, one of GO's major CSR initiatives has been the support we provide to *l-Istrina*, the annual fund raising marathon organised by the Office of The President of Malta, in aid of The Malta Community Chest Fund. Once again, GO was instrumental in making this event, a truly national expression of solidarity, a great success. We provided all of the communications infrastructure required for free, thanks also to our employees who annually give up their Christmas to install and manage all the telephone, TV, and internet services needed. This year, GO also increased its direct financial donation to *l-Istrina*, further strengthening our commitment to this event. GO will continue to expand its support to The Malta Community Chest Fund and the valuable work it does to support people in need.

Although The Malta Community Chest Fund is central to the support GO gives to those in need, our activity extends to several other initiatives. In 2014, GO once again supported Caritas and was also one of the main supporters of LifeCycle. The latter, which this year took place in Japan, once again raised significant funds to facilitate research and the purchase of equipment for the Renal Unit at Mater Dei Hospital.

Assisting the community is not only about helping those in need. It's also about helping the natural environment to give everyone who lives in Malta more and better open spaces to enjoy. We have continued to work with various NGOs, including Nature Trust, to ensure more trees are planted. Our concern for the environment, which is also supported by initiatives to reduce paper consumption by encouraging customers to make greater use of e-billing, is matched by a similar concern for animal welfare. On this front, GO has also continued to support a number of organisations including SPCA Malta, the Association for Abandoned Animals (AAA) and Animal Care Malta.

In 2014, GO also remained very active in supporting cultural, sporting, and entertainment events. This third pillar of our approach to CSR aims to provide everyone in Malta with more opportunity to enjoy great events and entertainment and to fulfil their own cultural and sporting aspirations. During the year, there were several initiatives which we supported. One particular highlight was our sponsorship of the Junior Eurovision Song Contest finals which were held in Malta for the first time. This event not only showcased some great Maltese singing talent but also demonstrated Malta's ability to organise and broadcast an event of genuine international significance. Our support for musical talent during the past year also incorporated our ongoing sponsorship of Teatru Unplugged, a highlight of Malta's cultural calendar, and always a showcase for great talent. In the field of sports we continued to focus on sailing, a sport where Malta continues to develop talent with the potential to compete effectively at international level.

Supporting the community is of course not only about giving money. As already highlighted in this review, GO staff have an essential role to play in *l-Istrina*. But this is not the only initiative in which our staff play a big part. Through the GO Cares employee committee, activities are organised throughout the year in which staff get involved to provide practical, hands on support, to various organisations. As well as giving their time, many employees also make a monthly voluntary donation from their salaries, a shining example of solidarity from across the Company.

Looking ahead, GO will continue to do its bit to support those in the Community who need support most. We will also remain committed to pursuing initiatives that provide a better environment, more cultural and entertainment opportunities, from which all of Malta can benefit.

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CORPORATE SOCIAL RESPONSIBILITY

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1. GO was one of the main sponsors of the Junior Eurovision Finals.

2. Every year, GO provides all the communications infrastructure for l-Istrina for free.

3. GO staff contribute greatly to all that the Company does in the Community.

4. The GO Cares employee committee organises events throughout the year to support animal charities.

5. In addition to providing the communications infrastructure for l-Istrina, GO also makes a significant financial contribution.

6. As part of its efforts to support culture and entertainment in Malta, GO also sponsors Teatru Unplugged.

7. GO is also very active in the field of sports, with a focus on sailing where Malta continues to develop talent with international potential.

8. In 2014, GO also supported Nature Trust (Malta).

9. GO supports a number of organisations which help those in need, including Caritas.

10. GO CEO Yiannos Michaelides visiting the Malta at War Museum with Fondazzjoni Wirt Artna Chairman Mario Farrugia.

11. This year's LifeCycle, which took place in Japan, was once again supported by GO and raised funds for the Renal Unit at Mater Dei Hospital.

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Caritas
MALTA
CHURCH SECRETARIAT FOR
SOCIAL & CHARITABLE ACTION
CARITAS MALTA COUNCIL

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Investment, Innovation, Choice

2014 marked another year of change for GO. We continued to invest and innovate, delivering new technologies and greater choice to our customers so as to keep delivering the best communications and entertainment experience.

In line with this strategy, we have made significant progress in our Television offering. GO is now firmly established as the home of great TV, offering the very best in movies, TV series and sports through its GO Stars and GO Sports channels. In addition, the launch in 2014 of TV Anywhere and the introduction of multiple interactive set top boxes in customers' homes further enhanced our Interactive TV experience. GO Interactive TV subscribers can now use TV Anywhere to watch more than 65 channels - live - from their mobile phones or tablets, for free. By installing a second Interactive TV set top box they can enjoy all the benefits of interactive TV, including play, pause, rewind, and record facilities on different TV sets in the house.

TV is of course just one of the services which GO offers to its customers. In the mobile sector we continued to focus on our Limitless product range. The straightforward nature of Limitless which gives customers everything they need from their mobile connection for a clear and reasonable monthly fee, has helped GO to continue improving its market share in this highly competitive sector. The Limitless concept is one which is constantly evolving, with new options also available for our business customers and for our home pack customers, giving the latter even greater benefits from combining their mobile, fixed line, internet and TV services into one bundle with GO.

Product innovation and simplification are two strategic pillars on which GO's success in 2014 was built. The launch of the new GO website early in the year was another milestone in this process. By presenting product information clearly and making it easy to access through a straightforward navigation, as well as providing access to account information through the revamped MyGO service, we have made it much easier for customers to manage their accounts with GO through the internet. Our investments in digital channels, including e-billing, will continue through 2015 as we aim to provide a seamless always on service to customers.

Investment in technology, systems and content, together with the development of exciting product propositions lie at the heart of the success GO has achieved in 2014. Supporting this success has been a series of well executed promotions and marketing campaigns. Throughout the year GO gave both new and existing customers numerous opportunities to win great prizes including free mobile credit and even a brand new Alfa Romeo MiTo car. These campaigns not only help to maintain and enhance GO's profile as Malta's leading provider of telecommunications services, but play a significant role in retaining existing customers and attracting new ones.

2014 was indeed a demanding but rewarding year. 2015 will undoubtedly be equally demanding as competition across all our product lines continues to be fierce. We will continue to invest in technology, as evidenced by the recent announcements on 4G and Fibre-To-The-Home, and in content where we have recently also renewed GO's exclusive rights to broadcast the UEFA Champions League. GO remains committed to winning more customers and improving their experience. As we continue to look ahead, 2015 will be another eventful and important year on both of these fronts.

We remain committed to winning more customers and improving their experience. As we look ahead, 2015 will be another eventful and important year for GO

Directors' Report

The Directors are pleased to present their report together with the financial statements of the Company for the year ended on 31 December 2014.

Principal activities

The Group is Malta's leading telecommunications and ancillary services provider. The services provided by the Group include fixed-line and mobile telephony services, broadband and Internet services including Voice over Internet Protocol services (VoIP), digital and IPTV.

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 on page 7 of the Annual Report.

Review of financial performance

The Maltese telecoms market follows trends similar to those experienced across Europe, characterised by extensive competition which stimulates innovation and leads to a wide range of services for voice, data or television broadcasting.

Consumer behaviour remains 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. Domestic operators not only compete against each other but have to contend with competing services which are available free of charge through applications over the Internet provided by organisations with a global reach. Consumer expectations and innovative technologies imply increased costs to deliver the quality service that customers have come to expect, however disproportionate regulation at both the local and EU level has made access to technology more affordable for consumers as price pressure increased.

Acknowledging this trend, GO continues to invest in its networks to ensure that its customers have access to secure and always-available networks that will enable them to enjoy service offerings seamlessly over wired and wireless networks. Beyond investment in technology and innovation, at the core of this business model is a determination to strive to satisfy the needs of customers and a commitment to deliver a customer experience that is second to none.

The Group's strategy is also resulting in positive financial results as the Group reports improved operating profit from €18.0 million in 2013 to €21.8 million in 2014, an increase of 21.0%. However both years include items considered to be of unusual nature, size or incidence. Normalised operating Group profit for the year ended 31 December 2014 amounted to €24.3 million (2013: €20.8 million) whilst normalised EBITDA amounted to €49.2 million (2013: €48.4 million). In the year under review GO is reporting

Review of Financial Performance - continued

a profit before tax of €20.3 million (2013: €15.6 million). The earnings per share amounted to €0.144 as against €0.116 in 2013. This growth in profitability is the result of stable revenues and lower costs.

The Group achieved positive results in revenue generation. Although at €122.3 million Group revenues are at the same level of those achieved in the comparative year, the Group managed to grow revenue from retail activities which growth made up for the decline in income from wholesale activities, a direct consequence of regulatory intervention. Whilst retail revenue from legacy fixed voice service continued to decline, GO experienced growth in all other retail sectors, particularly mobile.

Cost of sales, administrative and related costs, excluding items of unusual nature, size or incidence, amounted to €99.1 million (2013: €102.4 million). The overall reduction of €3.3 million (3.2%) is the result of a combination of lower wholesale costs and continued focus on managing costs without compromising on customer experience.

Cash generated from operations amounted to €48.8 million, an increase of €1.7 million over 2013. In 2014 the Group's investments amounted to a cash outflow of €30.6 million. If one excludes the investment in the joint venture of €6.6 million, and associate of €4.5 million, €20.1 million investment in property, plant, equipment and intangible assets are €0.7 million more than the value invested in 2013 as the Group maintains an intensive investment programme through which it is upgrading its various networks and launching new technologies which enable the provision of improved services and innovative products. One of the main initiatives which gained momentum during the year under review is investments in Fibre-to-the-Home (FTTH). Investments in FTTH will be maintained in the coming years and complimented with investments in 4G to ensure that GO customers continue to enjoy the best possible fixed-line and mobile broadband experience.

During 2014 GO reduced its borrowings by €14.6 million, extended a loan of €4.5 million to Cablenet Systems Limited and paid dividends amounting to €7.0 million but still closed the year with cash and cash equivalents of €11.6 million.

GO's business model is delivering results as GO continues to service in excess of 500,000 customer connections, making it the largest customer base of any operator on the islands. GO also continues to enjoy year-on-year growth in customer connections as growth in broadband, TV and mobile more than compensate for the decline in traditional fixed voice connections. Equally encouraging is the annual growth in the number of customers adopting bundles of services across fixed, broadband, TV and mobile. The trust shown by customers in GO's product portfolio continues to deliver robust levels of revenues, profitability and cash generation from core operations. Within this highly competitive environment these results continue to augur well for GO to retain a strong presence in the local market across all product lines and to remain the leading telecommunications service provider and operator of choice, offering the most extensive product range.

Financial position

Following another year of robust operating performance, shareholders' funds as at year end increased from €103.5 million as at December 2013 to €110.0 million as at end 2014 as the Group's performance during 2014 exceeded the distribution of retained earnings as a result of a dividend of €0.07 per share net of taxation paid during the year. The Group's net asset value per share stands at €1.09, an increase of 6.3% over 2013 which stood at €1.02.

The Group's total asset base stands at €223.9 million of which €55.4 million are represented by property. The Group's total asset base is 49.1% funded through equity (2013: 44.0%).

GO's investment in Forthnet S.A. through Forgendo Limited has been classified as 'Non-current assets held for sale' at a value of €6.6 million, representing GO's share of the investment made by Forgendo to participate in the capital increase process undertaken by Forthnet in January 2014. As explained in Note 10 to the financial statements this classification is the result of offers received by Forthnet in 2014 which may result in GO disposing of its investment in Forgendo.

In September 2014 GO concluded the acquisition of 25% shareholding in Cablenet Systems Limited, a cable company incorporated and operating in Cyprus, in return for a loan of €12.0 million which GO will extend to Cablenet over a maximum period of two years. This loan is interest free up to 31 December 2017 and during this period GO enjoys the option to convert this loan into equity, part of a path that can see GO owning 51% of the share capital of Cablenet.

The Group's current assets amounted to €50.3 million (2013: €68.1 million) and are mainly represented by receivables of €30.3 million

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. Saviour Baldacchino

Chief Executive Team

Chief Executive Officer
Yiannos Michaelides

Chief Commercial Officer
Kurt Camilleri

Chief Technology Officer
Kelvin Camenzuli

Chief Financial Officer
Edmond Brincat

Chief Human Resources Officer
Ayrton Caruana

Chief Information Officer
Nigel Curmi

Chief Corporate Strategy and Business Development
Arthur Azzopardi

Chief Business Planning and Transformation Officer
Charmaine Farrugia

Chief Executive Officer BM Companies
Christian Sammut

Review of Financial Performance - continued
Financial Position - continued

(2013: €30.6 million) and cash of €12.5 million (2013: €30.4 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 €73.9 million as at December 2013 to €58.9 million as at December 2014. Similarly, current liabilities are lower and amounted to €55.0 million as against €57.6 million as at December 2013. The total reduction in liabilities of €17.6 million is substantially due to a reduction in borrowings and are matched by a reduction of €17.9 million in cash and cash equivalents.

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 8 May 2015. Total distributions relating to this year's operations amount to €0.07 per share.

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

Retained profits carried forward at the balance sheet date amounted to €35.4 million (2013: €28.0 million) for the Group and €60.0 million (2013: €50 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 balance sheet date held an executive appointment with the Company or its subsidiaries.

Mr. Deepak Padmanabhan (Chairman)
Mr. James Kinsella
Mr. Nikhil Patil
Mr. Norbert Prihoda
Mr. Paul Fenech
The Noble Paul Testaferrata Moroni Viani
Mr. Saviour Baldacchino (elected to the Board on 6 May 2014)
Mr. Yasser Zeineldin
Mr. Joseph Agius (resigned on the 18 March 2014)

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. Testaferrata Moroni Viani, Mr. S. Baldacchino, Mr. Cory Greenland and Mr. P. Fenech offered themselves for election at the Sixteenth Annual General Meeting for the three seats on the Board of Directors. The Noble P. Testaferrata Moroni Viani, Mr. S. Baldacchino and Mr. P. Fenech were the three directors elected to represent the Company's shareholders.

Of the Directors of the Company, Mr. D. Padmanabhan and the Noble P. Testaferrata Moroni Viani (together with Mr. Yiannos Michaelides - Chief Executive Officer) were acting as Directors of the following subsidiary companies at 31 December 2014: *Innovate Software Limited, Mobisle Communications Limited* and *Worldwide Communications Limited.*

Mr. D. Padmanabhan (together with Mr. Yiannos Michaelides - Chief Executive Officer) were acting as Directors of *GO Data Centre Services Limited.*

Mr. D. Padmanabhan and Mr. N. Patil (together with Mr. Yiannos Michaelides – Chief Executive Officer) were acting as Directors of the following subsidiary companies at 31 December 2014: *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. M. Warrington (together with Mr. Yiannos Michaelides – Chief Executive Officer) were also acting as Directors of *Forthnet S.A.* at 31 December 2014.

Mr. N. Patil (together with Mr. Yiannos Michaelides – Chief Executive Officer) were acting as Directors of the following subsidiary companies at 31 December 2014: *BM IT Limited, Bellnet Limited* and *BM Support Services Limited.*

Mr. N. Patil (together with Mr. Yiannos Michaelides – Chief Executive Officer and Mr. Edmond Brincat – Chief Finance Officer) were acting as Directors of *Cablenet Limited* at 31 December 2014.

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 24 to 31.

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:

- Selecting and applying consistently suitable accounting policies;
- Making accounting judgments and estimates that are reasonable; and
- Ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

Directors' responsibilities - continued

The Directors are also responsible for designing, implementing and maintaining such internal control as they deem necessary for the preparation of financial statements that are free from financial misstatements, whether due to fraud or error.

Information provided in accordance with *Listing Rule 5.70.1*

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

Going concern

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

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

A resolution to re-appoint the auditors and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Information provided in accordance with *Listing Rule 5.64*

The authorised share capital of the Company is three hundred 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 2014, 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 in every year at the Annual General Meeting of the Company.

(c) Shareholders entitled to appoint Directors pursuant to the provisions of paragraph (a) sub-article 55.3 shall not be entitled to participate in the election of Directors in terms of paragraph (b) of this sub-article.

(d) Members shall be entitled in lieu of voting at an election of Directors, to aggregate their shareholdings, and to appoint one Director for every twelve per cent (12%) shareholding

Information provided in accordance with *Listing Rule 5.64* - continued

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 2014, 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 10 March 2015 and signed on its behalf by:

Deepak Padmanabhan
Chairman

Nikhil Patil
Director

Registered office
GO
Fra Diegu Street
Marsa
Malta

10 March 2015

Corporate Governance - Statement of Compliance

A. Introduction

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

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

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

B. Compliance

Principle 1: The Board

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

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

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

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

Principle 2: Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are filled by separate individuals, and the Chief Executive Officer is appointed by the Board for a definite period of time. During the period under review Mr. Yiannos Michaelides continued in his office as Chief Executive Officer.

B. Compliance - continued
Principle 2: Chairman and Chief Executive Officer - continued

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

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

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

Principle 3: Composition of the Board

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

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

The Board of Directors is currently chaired by 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. Norbert Prihoda
Mr. Nikhil Patil
Mr. Paul Fenech
The Noble Paul Testaferrata Moroni Viani
Mr. Saviour Baldacchino (elected to the Board on 6 May 2014)
Mr. Yasser Zeineldin
Mr. Joseph Agius (resigned on the 18 March 2014)

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 judgment.

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

During the year under review the Board met nine (9) times.

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 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.

B. Compliance - continued
Principles 4 and 5: The Responsibilities of the Board and Board Meetings - continued

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. Testaferrata Moroni Viani. The Audit Committee is independent and is constituted in accordance with the requirements of the Listing Rules, with the Noble P. 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 four (4) meetings during the year. The external auditors attended all of these meetings.

Remuneration Committee

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

The Group Remuneration Committee is currently chaired by Mr. D. Padmanabhan, the other members being the Noble P. 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 two (2) times in 2014. The Report of the Committee to the shareholders is set out on pages 30 and 31.

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 ("EC"). The EC is equipped with the necessary decision making tools and strict Board oversight to facilitate the successful execution of its duties. The EC 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 EC 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 EC. The Committee held nine (9) meetings during the year under review.

Principle 6: Information and Professional Development

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

On joining the Board, Board members are informed in writing by the Company Secretary of the Directors' duties and obligations, relevant legislation as well as rules and bye-laws. In addition, Directors have access to the advice and services of the Company Secretary and the Board is also advised directly, as appropriate, by its legal advisors. Directors are also provided with a presentation by the departmental heads on the activities of their respective business unit in the Company and subsidiaries. The Directors receive monthly management accounts on the Group 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.

B. Compliance - continued

Principle 7: Evaluation of the Board's Performance

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

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

Principle 8: Committees

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

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

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

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

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

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

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

In addition, the Company holds meetings with 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 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 2014
Mr. Deepak Padmanabhan	nil
Mr. James Kinsella	nil
Mr. Nikhil Patil	nil
Mr. Norbert Prihoda	nil
Mr. Yasser Zeineldin	nil
Mr. Paul Fenech	130,995
The Noble Paul Testaferrata Moroni Viani	78,394
Mr. Saviour Baldacchino	10,600

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.

B. Compliance - continued
Principle 11: Conflicts of Interest - continued

As at year end, Mr. Saviour Baldacchino had a beneficial interest in the Company of 10,600 shares.

As at 31 December 2014, The Noble P. 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 2014, Mr. Deepak Padmanabhan had a beneficial interest in Forthnet S.A. of 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 24 February 2015.

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 2014 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. L-Istrina was once again an event which was heavily supported by GO, not only in terms of a substantial donation but also in terms of equipment, communications infrastructure, and hundreds of man hours, freely given to ensure the success of this annual fundraiser. GO also continued to support various NGOs, particularly animal welfare organisations, as well as other national events which this year also included Junior Eurovision.

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

Principle 4: Succession Policy for the Board (code provision 4.2.7)

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

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

Principle 6: Succession Plan for Senior Management

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

Principle 8 B: Nomination Committee

Pursuant to the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders. Shareholders holding not less than 12% (twelve per centum) of the issued share capital of the Company having voting rights shall be entitled to appoint one Director for every such 12% holding by letter addressed to the Company. The other shareholders are entitled to appoint the remaining Board members at the AGM in accordance with the provisions of the Articles of Association. The nomination of a candidate by a shareholder is to be seconded by a shareholder or shareholders holding at least 15,000 shares.

C. Non-compliance with the code - continued
Principle 8 B: Nomination Committee - continued

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 regularly during the year and, within its terms of reference as approved by the Listing Authority, reviews the effectiveness of the Group's systems of internal financial controls. The committee receives reports from management, internal audit and the external auditors.

E. General meetings

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

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

Remuneration Committee Report

A. Terms of reference and membership

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

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

B. Meetings

During the period under review the Committee held two meetings. All Committee members attended both 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 2014
- Bonus scheme for 2015

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. Deepak Padmanabhan opted to waive fees due to him as Chairman. As of 1 January 2013, Board Directors Mr. D. Padmanabhan, Mr. N. Patil 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.

C. Remuneration policy - Directors - continued

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

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

D. Remuneration policy – Senior Management

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

The base salaries of all Senior Management are established in accordance with the Company's salary structure. The 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 organizations 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, departmental and Company objectives. Total amounts are subject to the discretion of the Remuneration Committee and the Board of Directors.

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

E. Code provisions 8.A.5

Emoluments of Directors

Fixed Remuneration	Variable Remuneration	Share Options	Others
€48,889	None	None	€1,680

Emoluments of Senior Management

Fixed Remuneration	Variable Remuneration	Share Options	Others
€997,424	€341,275	None	€24,230

Deepak Padmanabhan
Chairman, Group Remuneration Committee

10 March 2015

Independent Auditor's Report

Independent auditor's report

To the shareholders of GO p.l.c.

Report on the financial statements for the year ended 31 December 2014

We have audited the consolidated and stand-alone financial statements of GO p.l.c. (together the "financial statements") on pages 35 to 110, which comprise the consolidated and stand-alone statements of financial position as at 31 December 2014, 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 pages 21 to 22, 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 2014, 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 for the year ended 31 December 2014

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 24 to 29 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

10 March 2015

Financial Statements

Statements of financial position

		As at 31 December			
		Group		Company	
	Notes	**2014**	2013	**2014**	2013
		€000	€000	**€000**	€000
Assets					
Non-current assets					
Property, plant and equipment	5	**133,640**	136,170	**67,656**	70,075
Investment property	6	**2,199**	1,571	**-**	-
Intangible assets	7	**13,526**	19,268	**5,368**	9,580
Investments in subsidiaries	8	**-**	-	**27,233**	27,233
Investment in associate	9	**1,681**	-	**1,681**	-
Loans receivable from subsidiaries	11	**-**	-	**49,524**	49,524
Loans receivable from associate	11	**3,673**	-	**3,673**	-
Deferred tax assets	13	**8,497**	8,627	**6,261**	5,709
Derivative financial instruments	20	**2,383**	-	**2,383**	-
Trade and other receivables	15	**1,387**	1,217	**668**	430
Total non-current assets		**166,986**	166,853	**164,447**	162,551
Current assets					
Inventories	14	**7,468**	6,915	**6,170**	5,434
Trade and other receivables	15	**30,311**	30,620	**31,669**	33,322
Current tax assets		**-**	186	**10**	186
Cash and cash equivalents	16	**12,509**	30,402	**9,505**	26,315
Total current assets		**50,288**	68,123	**47,354**	65,257
Non-current assets classified as held for sale	10	**6,592**	-	**6,592**	-
Total assets		**223,866**	234,976	**218,393**	227,808

Statements of financial position - continued

		As at 31 December			
		Group		Company	
	Notes	**2014**	2013	**2014**	2013
		€000	€000	**€000**	€000
Equity and Liabilities					
Equity					
Share capital	17	**58,998**	58,998	**58,998**	58,998
Reserves	18	**15,640**	16,536	**5,188**	5,271
Retained earnings		**35,379**	27,961	**59,637**	49,983
Total equity		**110,017**	103,495	**123,823**	114,252
Liabilities					
Non-current liabilities					
Borrowings	19	**44,573**	59,246	**39,896**	54,327
Deferred tax liabilities	13	**7,178**	7,109	**-**	-
Provisions for pensions	21	**3,667**	3,370	**3,667**	3,370
Derivative financial instruments	20	**2,049**	512	**2,049**	512
Trade and other payables	22	**1,388**	3,656	**1,388**	3,656
Total non-current liabilities		**58,855**	73,893	**47,000**	61,865
Current liabilities					
Borrowings	19	**9,425**	13,014	**7,978**	11,651
Provisions for pensions	21	**2,834**	2,651	**2,834**	2,651
Derivative financial instruments	20	**91**	-	**91**	-
Trade and other payables	22	**42,522**	41,896	**35,487**	37,164
Current tax liabilities		**122**	27	**1,180**	225
Total current liabilities		**54,994**	57,588	**47,570**	51,691
Total liabilities		**113,849**	131,481	**94,570**	113,556
Total equity and liabilities		**223,866**	234,976	**218,393**	227,808

The notes on pages 45 to 110 are an integral part of these consolidated financial statements.

The financial statements on pages 35 to 110 were authorised for issue by the Board on 10 March 2015 and were signed on its behalf by:

Mr. Deepak Padmanabhan
Chairman

Mr. Nikhil Patil
Director

Income Statements

		Year ended 31 December			
		Group		Company	
	Notes	**2014**	2013	**2014**	2013
		€000	€000	**€000**	€000
Revenue	23	**122,258**	122,141	**73,394**	74,691
Cost of sales	24	**(71,890)**	(75,355)	**(47,311)**	(50,464)
Gross profit		**50,368**	46,786	**26,083**	24,227
Administrative and other related expenses	24	**(29,801)**	(29,867)	**(25,758)**	(25,912)
Other income	26	**1,337**	1,165	**937**	1,251
Other expenses	27	**(140)**	(103)	**(109)**	(73)
Operating profit/(loss)		**21,764**	17,981	**1,153**	(507)
Analysed as follows:					
Operating profit before non-recurring items		**24,367**	20,775	**3,756**	2,287
Non-recurring items presented within 'Administrative and other related expenses'	24	**(2,603)**	(2,794)	**(2,603)**	(2,794)
Operating profit/(loss) after non-recurring items		**21,764**	17,981	**1,153**	(507)
Finance income	28	**390**	411	**24,343**	19,889
Finance costs	29	**(2,315)**	(2,755)	**(1,957)**	(2,470)
Adjustments arising on fair valuation of property	5, 6	**491**	-	**69**	-
Profit before tax		**20,330**	15,637	**23,608**	16,912
Tax expense	30	**(5,704)**	(3,887)	**(6,746)**	(4,102)
Profit for the year - attributable to owners of the Company		**14,626**	11,750	**16,862**	12,810
Earnings per share (euro cents)	31	**14c4**	11c6		

The notes on pages 45 to 110 are an integral part of these consolidated financial statements.

Statements of comprehensive income

		Year Ended 31 December			
		Group		Company	
	Notes	**2014**	2013	**2014**	2013
		€000	€000	**€000**	€000
Comprehensive income					
Profit for the year		**14,626**	11,750	**16,862**	12,810
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Surplus arising on revaluation of land and buildings	5	**38**	-	**19**	-
Remeasurements of defined benefit obligations	21	**(566)**	(346)	**(566)**	(346)
Income tax relating to components of other comprehensive income:					
- Surplus arising on revaluation of land and buildings		**(956)**	-	**(124)**	-
- Remeasurements of defined benefit obligations	13	**198**	121	**198**	121
Items that may be subsequently reclassified to profit or loss					
Change in fair value of derivative designated as hedging instrument in cash flow hedge	20	**421**	771	**421**	771
Income tax relating to components of other comprehensive income	13	**(147)**	(270)	**(147)**	(270)
Total other comprehensive income for the year, net of tax		**(1,012)**	276	**(199)**	276
Total comprehensive income for the year		**13,614**	12,026	**16,663**	13,086

The notes on pages 45 to 110 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 as at 1 January 2013		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	20	-	501	-	501
Remeasurements of defined benefit obligations, net of deferred tax	21	-	(225)	-	(225)
Transfer from retained earnings in relation to insurance contingency reserve	18	-	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	32	-	-	(10,131)	(10,131)
Balance at 31 December 2013		**58,998**	**16,536**	**27,961**	**103,495**

Statements of changes in equity - continued

Group - continued	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total €000
Balance as at 1 January 2014		58,998	16,536	27,961	103,495
Comprehensive income					
Profit for the year		-	-	14,626	14,626
Other comprehensive income:					
Surplus arising on revaluation of land and buildings		-	38	-	38
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposal		-	(956)	-	(956)
Cash flow hedge, net of deferred tax	20	-	274	-	274
Remeasurements of defined benefit obligations, net of deferred tax	21	-	(368)	-	(368)
Transfer from retained earnings in relation to insurance contingency reserve	18	-	116	(116)	-
Total other comprehensive income		-	(896)	(116)	(1,012)
Total comprehensive income		-	(896)	14,510	13,614
Transactions with owners in their capacity as owners					
Distribution to owners:					
Dividends to equity holders	32	-	-	(7,092)	(7,092)
Balance at 31 December 2014		**58,998**	**15,640**	**35,379**	**110,017**

Statements of changes in equity - continued

Company	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total €000
Balance as at 1 January 2013		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	20	-	501	-	501
Remeasurements of defined benefit obligations, net of deferred tax	21	-	(225)	-	(225)
Transfer from retained earnings in relation to insurance contingency reserve	18	-	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					
Distribution to owners:					
Dividends paid to equity holders	32	-	-	(10,131)	(10,131)
Balance at 31 December 2013		**58,998**	**5,271**	**49,983**	**114,252**

Statements of changes in equity - continued

Company - continued	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total €000
Balance as at 1 January 2014		58,998	5,271	49,983	114,252
Comprehensive income					
Profit for the year		-	-	16,862	16,862
Other comprehensive income:					
Surplus arising on revaluation of land and buildings		-	19	-	19
Movement in deferred tax liability on revaluation of land and buildings determined on the basis applicable to property disposal		-	(124)	-	(124)
Cash flow hedge, net of deferred tax	20	-	274	-	274
Remeasurements of defined benefit obligations, net of deferred tax	21	-	(368)	-	(368)
Transfer from retained earnings in relation to insurance contingency reserve	18	-	116	(116)	-
Total other comprehensive income		-	(83)	(116)	(199)
Total comprehensive income		-	(83)	16,746	16,663
Transactions with owners in their capacity as owners					
Distribution to owners:					
Dividends paid to equity holders	32	-	-	(7,092)	(7,092)
Balance at 31 December 2014		**58,998**	**5,188**	**59,637**	**123,823**

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.

The notes on pages 45 to 110 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	Year Ended 31 December			
		Group		Company	
		2014	2013	**2014**	2013
		€000	€000	**€000**	€000
Cash flows from operating activities					
Cash generated from operations	33	**48,778**	47,097	**37,710**	19,243
Interest received		**390**	124	**25**	113
Interest paid on bank overdrafts		**(194)**	(18)	**(24)**	(18)
Tax paid		**(6,669)**	(6,210)	**(110)**	(96)
Tax refund received		**724**	1,664	**-**	-
Payments under voluntary retirement scheme		**(2,595)**	(2,820)	**(2,595)**	(2,820)
Payments in relation to pension obligations		**(90)**	(266)	**(90)**	(266)
Net cash from operating activities		**40,344**	39,571	**34,916**	16,156
Cash flows from investing activities					
Payments to acquire property, plant and equipment and intangible assets		**(20,105)**	(19,341)	**(13,910)**	(15,695)
Dividends received		**-**	-	**-**	17,679
Loans advanced to associate		**(4,500)**	-	**(4,500)**	-
Loans advanced to joint venture		**(6,014)**	-	**(6,014)**	-
Net cash (used in)/from investing activities		**(30,619)**	(19,341)	**(24,424)**	1,984
Cash flows from financing activities					
Repayments of bank loans		**(14,771)**	(20,120)	**(14,500)**	(19,000)
Proceeds from bank loans		**-**	15,500	**-**	15,500
Dividends paid		**(7,011)**	(9,930)	**(7,011)**	(9,930)
Loan interest paid		**(2,121)**	(2,815)	**(2,121)**	(2,280)
Net cash used in financing activities		**(23,903)**	(17,365)	**(23,632)**	(15,710)
Net movements in cash and cash equivalents		**(14,178)**	2,865	**(13,140)**	2,430
Cash and cash equivalents at beginning of year		**24,762**	21,886	**21,389**	18,954
Exchange differences on cash and cash equivalents		**(23)**	11	**19**	5
Movement in cash pledged as guarantees		**1,043**	-	**1,045**	-
Cash and cash equivalents at end of year	16	**11,604**	24,762	**9,313**	21,389

The notes on pages 45 to 110 are an integral part of these consolidated financial statements.

Index

Notes to the Financial Statements
For the Year Ended 31 December 2014

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 2014

In 2014, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2014. 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.

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 2014, including IFRS 9, 'Financial instruments', amongst other pronouncements. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, except as disclosed below, 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.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the

1. Summary of significant accounting policies - continued
1.1 Basis of preparation - continued

entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The Group is yet to assess the full impact of IFRS 9 and intends to adopt IFRS 9 subject to endorsement by the EU, no later than the accounting period beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Group is assessing the impact of IFRS 15.

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 1.11.1).

1. Summary of significant accounting policies - continued
1.2 Consolidation - continued

(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) Joint ventures

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

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(e) Associates

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

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

1. Summary of significant accounting policies - continued
1.2 Consolidation - continued
(e) Associates - continued

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

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

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

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

(f) Business combinations involving entities under common control

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

The Company has chosen to apply the pooling of interests method 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

1. Summary of significant accounting policies - continued
1.4 Foreign currency translation - continued
(b) Transactions and balances - continued

foreign exchange gains and losses are presented in the income statement within 'other income' or 'other expenses'.

1.5 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings comprise various exchanges, offices and outlets around the Maltese islands. Land and buildings are shown at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

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

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

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

1. Summary of significant accounting policies - continued
1.5 Property, plant and equipment - continued

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.

1. Summary of significant accounting policies - continued
1.6 Intangible assets - continued

(e) Brand names

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

(f) Customer relationships

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

(g) Broadcasting rights

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

(h) Technical knowledge

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

(i) Other intangible assets

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

Amortisation

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

	Years
Indefeasible rights of use (IRUs)	4.75 - 24.75
Computer software	4 - 10
Licences	2 - 15
Brand names	6 - 10
Customer relationships	5
Technical knowledge	2 -15
Broadcasting rights	over the period of rights

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

1.7 Investment property

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

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

After initial recognition, investment property is carried at fair value, representing open market

1. Summary of significant accounting policies - continued
1.7 Investment property - continued

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 joint venture is not recognised

1. Summary of significant accounting policies - continued
1.8 Impairment of non-financial assets - continued

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

1.9 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Certain derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible loan, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the consolidated income statement unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

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 20. Movements in the hedging reserve in other comprehensive income are shown in Note 18. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

Cash flow hedge

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

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

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the consolidated income statement under 'Net gains/(losses) on financial instruments classified as held for trading'. However, the gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets or financial liabilities designated at fair value are included in 'Net gains on financial instruments designated at fair value'.

1. **Summary of significant accounting policies** - continued

1.10 Non-current assets held for sale

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

1.11 Financial assets

1.11.1 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' and 'cash and cash equivalents' in the statement of financial position (Notes 1.13 and 1.15).

(c) Available-for-sale financial assets

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

1.11.2 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.

1.11.3 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 1.13.

(b) Assets classified as available-for-sale

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

1.12 Inventories

Goods held for resale and other inventories

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

Property held for resale

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

1.13 Trade and other receivables

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

1.14 Deferred expenditure

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

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

(b) Accounting for free credits and subsidised mobile handsets

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

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

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

1.15 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. **Summary of significant accounting policies** - continued

1.16 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.

1.17 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.

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 Provisions

Provisions for legal and other claims are recognised when the Group has a present legal or

1. Summary of significant accounting policies - continued
1.22 Provisions - continued

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.

1.23 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.

(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.

1.24 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. Summary of significant accounting policies - continued
1.24 Leases - continued

1.24.1 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.

1.24.2 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.

1.25 Employee benefits

(a) Provisions for pensions

As explained in Note 21, 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.

Similarly, under the revised standard IAS 19, past-service costs are recognised immediately in profit or loss.

(b) Termination benefits

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

1.26 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. **Summary of significant accounting policies** - continued

1.27 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 2014			31 December 2013		
	USD	**GBP**	**SDR**	USD	GBP	SDR
	€000	**€000**	**€000**	€000	€000	€000
Group						
Trade receivables	**1,146**	**83**	**14**	351	248	32
Trade payables	**(384)**	**(40)**	**(47)**	(179)	(30)	(66)
Net recognised receivables / (payables) denominated in foreign currency	**762**	**43**	**(33)**	172	218	(34)
Available funds in foreign currency	**802**	**375**	**-**	85	263	-
Net exposure	**1,564**	**418**	**(33)**	257	481	(34)
Company						
Trade receivables	**376**	**-**	**14**	-	-	32
Trade payables	**(107)**	**(26)**	**(47)**	(76)	(9)	(66)
Net recognised receivables / (payables) denominated in foreign currency	**269**	**(26)**	**(33)**	(76)	(9)	(34)
Available funds in foreign currency	**-**	**180**	**-**	26	190	-
Net exposure	**269**	**154**	**(33)**	(50)	181	(34)

2. Financial risk management - continued
2.1 Financial risk factors - continued
(a) Market risk - continued
(i) Foreign exchange risk - continued

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	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Financial assets				
Subject to floating rates				
Bank balances	**12,509**	30,402	**9,505**	26,315
Subject to fixed rates				
Loans receivable from subsidiaries	**-**	-	**49,524**	49,524
Loans receivable from associate	**3,673**	-	**3,673**	-
Other receivables*	**229**	229	**229**	229
	3,902	229	**53,426**	49,753
Total	**16,411**	30,631	**62,931**	76,068
Financial liabilities				
Subject to floating rates				
Bank overdrafts	**(47)**	(3,739)	**(47)**	(3,736)
Bank loans	**(53,951)**	(68,521)	**(47,827)**	(62,242)
Total	**(53,998)**	(72,260)	**(47,874)**	(65,978)

* The amounts attributable to 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 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 €6,000,000 as at 31 December 2014 (2013: €18,000,000) (Note 19, 20).

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 (2013: 100 basis points) would have increased/(decreased) the profit for the Group and Company by €290,000 and €225,000 (2013: increase/(decrease) in profit by €283,000 and €216,000), respectively which principally takes into account the impact of this shift on the interest amounts arising on variable interest borrowings as at 31 December 2014, 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.

2. Financial risk management - continued
2.1 Financial risk factors - continued
(a) Market risk - continued

(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 (2013: nil) (Note 12).

(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	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Carrying amount				
Loans and receivables category:				
Loans receivable from subsidiaries	**-**	-	**49,524**	49,524
Loans receivable from associate	**3,673**	-	**3,673**	-
Trade and other receivables	**22,924**	22,162	**28,354**	30,704
Cash and cash equivalents	**12,509**	30,402	**9,505**	26,315
	39,106	52,564	**91,056**	106,543

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

2. Financial risk management - continued
2.1 Financial risk factors - continued
(b) Credit risk - continued

equivalent to the balances attributable to impaired receivables. The movements in the allowance for impairment during the year were as follows:

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Trade receivables				
Balance at 1 January	**12,004**	10,471	**8,089**	7,733
Increase in provisions	**31**	1,533	**3,374**	356
Decrease in provisions	**(614)**	-	**(614)**	-
Balance at 31 December	**11,421**	12,004	**10,849**	8,089
Other receivables				
Balance as at 1 January and 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	Impaired	Gross	Impaired
	2014	2014	2013	2013
	€000	€000	€000	€000
Group				
Current	1,749	-	3,893	-
Up to 30 days	2,765	-	3,728	-
31 to 60 days	2,968	-	2,939	-
61 to 90 days	2,242	-	2,598	-
Over 90 days	20,908	11,421	15,707	12,004
	30,632	**11,421**	28,865	12,004
Company				
Current	1,309	-	1,447	-
Up to 30 days	1,593	-	2,596	-
31 to 60 days	2,457	-	2,207	-
61 to 90 days	1,808	-	1,926	-
Over 90 days	20,217	10,849	10,832	8,089
	27,384	**10,849**	19,008	8,089

2. Financial risk management - continued
2.1 Financial risk factors - continued
(b) Credit risk - continued

As at 31 December 2014, trade receivables of €1,868,000 (2013: €1,031,000) and €1,868,000 (2013: €751,000) 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 2014 and 2013, 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 from associate and subsidiaries and amounts due from subsidiaries

The Group's and Company's receivables include loans from associate, whereas in the case of the Company, they also include loans receivable and amounts due from subsidiaries (Notes 11 and 15). The Group's exposure to the associate is attributable to the convertible loans outstanding at 31 December 2014, which are highlighted in Note 9. The Company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Company assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default. Credit risk in respect of loans receivable from the associate is also mitigated through the option available to the entity to convert those loans into an equity stake.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 19) and trade and other payables (Note 22). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

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

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

2. Financial risk management - continued
2.1 Financial risk factors - continued
(c) Liquidity risk - continued

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5 years	After 5 years
	€000	€000	€000	€000	€000	€000
Group						
Bank loans	53,951	59,136	5,557	5,501	47,057	1,021
Bank overdrafts	47	47	47	-	-	-
Trade and other payables	39,955	39,955	37,772	985	1,198	-
31 December 2014	**93,953**	**99,138**	**43,376**	**6,486**	**48,255**	**1,021**
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
Company						
Bank loans	47,827	52,350	4,699	4,652	41,978	1,021
Bank overdrafts	47	47	47	-	-	-
Trade and other payables	35,129	35,129	32,946	985	1,198	-
31 December 2014	**83,003**	**87,526**	**37,692**	**5,637**	**43,176**	**1,021**
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

The Company is committed to effect advances in installments to its associate, with an aggregate amount of €7.5 million as described further in Note 9. The drawdowns shall be effected in five equal amounts on a quarterly basis as from 1 January 2015.

The tables below analyse the Group's net-settled derivative financial instruments, which expose the reporting entity to liquidity risk, into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Group and Company	6 months or less	6-12 months	1-2 years
	€000	€000	€000
Interest rate swap - outflows			
31 December 2014	**91**	**-**	**-**
31 December 2013	258	173	83

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.

2. Financial risk management - continued
2.2 Capital risk management - continued

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

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Borrowings (Note 19)	**53,998**	72,260	**47,874**	65,978
Less: Cash and cash equivalents (Note 16)	**(12,509)**	(30,402)	**(9,505)**	(26,315)
Net debt	**41,489**	41,858	**38,369**	39,663
Total equity	**110,017**	103,495	**123,823**	114,252
Total capital	**151,506**	145,353	**162,192**	153,915
Net debt ratio	**27.4%**	28.8%	**23.7%**	25.8%

The movement in the Group 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 and non-recurring fair value measurements

Fair value estimation in relation to financial instruments measured at fair value and non-recurring fair value measurements

The Group's financial instruments, which are carried at fair value, include derivative financial instruments designated as hedging instruments and other derivative instruments (Note 20), together with the Group's available-for-sale financial assets (Note 12).

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

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

The fair value of 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 €91,000 (2013: €512,000), 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 swap 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.

As a result of the share purchase agreement with Cablenet Communications Systems Limited and Mr Nicolas Shiacolas (refer to Notes 9 and 20), GO acquired an interest in an associate. Upon acquisition, the fair values of the Group's investment in the associate, loans receivable from the associate

2. Financial risk management - continued
2.3 Fair values of financial instruments and non-recurring fair value measurements - continued

and derivative instruments, comprising options, embedded in the share purchase agreement have been determined on the basis of a professional valuation report by an independent firm of professional valuers. This valuation report was reviewed and assessed by the Group's management and Board of Directors in line with the valuation process described within Note 5 in respect of the fair valuation of property.

The fair value of the investment in associate and the loans receivable has been determined utilising a discounted cash flow model as a valuation technique. The key assumption used, in respect of these non-recurring fair value measurements as a result of the acquisition, is the discount rate estimated at 7%. This is deemed to be a significant unobservable input. The loans advanced to the associate till 31 December 2014, with a nominal value of €4.5 million, are measured at €3.7 million reflecting the discount attributable to the fact that the advances will not be subject to interest. The initial 25% equity stake in the company, is measured at €1.7 million, representing the estimated fair value of this stake. This amount reflects a portion of the discount on the €4.5 million advances effected by year end, amounting to €0.5 million (with the remaining portion of the discount being attributable to the initial measurement of the derivatives embedded within the share purchase agreement; together with the discount of €1.2 million in relation to the remaining committed loan drawdowns of €7.5 million).

The fair value of the embedded options, which have been described extensively in Note 20, has been determined through the use of an option valuation model. In view of the terms and conditions of the embedded derivatives, considered as European-styled options for valuation purposes, Monte Carlo simulations were utilised by the independent experts to determine the probability distribution of the derivatives' value as at 31 December 2017 (expiry date of key embedded derivative). For each trial, the Black Scholes model was used to value the options; with the estimated value of the derivatives constituting the average of all the trials, discounted to present value as at 31 December 2014. The value of the derivatives is also derived from the estimated enterprise value of the acquiree as at 31 December 2017, which is based on the enterprise value at 31 December 2014 and the simulated 2014 – 2017 average rate of returns.

The fair values of the embedded options comprise financial assets amounting to €2.4 million and financial liabilities amounting to €2 million. The key assumptions used in respect of these recurring fair value measurements comprise the WACC, at 13.3%, and the asset volatility measure, at 22%. Both are deemed to be significant unobservable inputs. An increase in asset volatility measure of 5% would result in an increase in the net fair value of the derivatives of 26.3%; whereas a decline of 5% would give rise to a decline in the net fair value of 23.1%. An increase of 0.5% in the WACC level would give rise to an increase the net fair value of 43.7%; whilst a decrease of 0.5% would result in a decrease of 43.4%. No interrelationships between unobservable inputs used in the fair valuation has been identified.

The valuation techniques referred to above make use of significant unobservable inputs and accordingly the respective fair values are classified as level 3. The fair values are recognised in whole or in part, using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument.

Taking cognisance of the date of acquisition of the associate and of the associate's performance since that date, the board of Directors considers that the fair values of the derivative assets and liabilities embedded with the Share Purchase Agreement has not changed significantly between the date of acquisition and 31 December 2014.

Fair values of financial instruments not carried at fair value

At 31 December 2014 and 2013, 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 and associate fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's non-current

2. Financial risk management - continued

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

Fair values of financial instruments not carried at fair value - continued

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. **Critical accounting estimates and judgements** - continued

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

During the year under review, the Group has modified its internal reporting organisation and structure such that Fixed Communication Services and Mobile Communication Services are treated as one business segment taking cognisance of continued technology, market and product developments, which further demonstrate the inextricable linkage of these services. Cash flows generated and returns secured from these services are significantly interdependent, also in the context of the commonality of risks to which the Group is exposed as a result of the provision of these services. Accordingly, the composition of the Group's reportable segments for the purposes of IFRS 8, 'Operating Segments' has changed.

Subsequent to this change, the Group has two reportable segments, as described below, which are effectively 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. The Group's internal reporting to the Board of Directors and Senior Management is analysed according to these segments. 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:

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

- Data Centre Services (Data Centre CGU) comprise the Group's data centre activities including co-location services.

Prior to the change in the Group's internal reporting organisation and structure, the provision of mobile telephony services was considered as a separate reportable segment (Mobile CGU), with the other services within the Telecommunications CGU constituting the separate Fixed-line CGU. As a result of the change in the composition of its reportable segments, the Group has restated all comparative financial information in respect of segment information reflected within the tables below.

4. Segment information - continued
4.1 Operating segments - continued

	Telecommunications		Data centre		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€000	€000	**€000**	€000	**€000**	€000
		(restated)		(restated)		(restated)
Total revenues	**110,658**	111,064	**12,973**	12,310	**123,631**	123,374
Inter-segment revenues	**(1,034)**	(970)	**(339)**	(263)	**(1,373)**	(1,233)
Revenue from external customers	**109,624**	110,094	**12,634**	12,047	**122,258**	122,141
Reportable segment profit before tax	**16,037**	12,999	**4,855**	3,312	**20,892**	16,311
Tax	**(3,561)**	(2,768)	**(2,143)**	(1,119)	**(5,704)**	(3,887)
Results for reportable segments	**12,476**	10,231	**2,712**	2,193	**15,188**	12,424
Information about profit or loss						
Finance income	**390**	411	**-**	-	**390**	411
Finance costs	**(2,315)**	(2,755)	**-**	-	**(2,315)**	(2,755)
Depreciation and amortisation	**(22,481)**	(24,166)	**(1,112)**	(972)	**(23,593)**	(25,138)
Other non-cash items						
Provisions for impairment of trade receivables	**594**	(1,454)	**(11)**	(79)	**583**	(1,533)
Adjustments on fair valuation of land and buildings	**491**	-	**-**	-	**491**	-
Reportable segment assets	**249,021**	250,973	**6,560**	10,638	**255,581**	261,611
Capital expenditure	**13,529**	14,576	**1,790**	1,139	**15,319**	15,715
Reportable segment liabilities	**109,907**	125,437	**12,780**	13,461	**122,687**	138,898

4. Segment information - continued
4.1 Operating segments - continued

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:

	2014	2013
	€000	€000
Profit		(restated)
Total profit for reportable segments	**15,188**	12,424
Consolidation adjustments	**(562)**	(674)
Consolidated profit after tax	**14,626**	11,750
Assets		
Total assets for reportable segments	**255,581**	261,611
Inter-segment eliminations	**(7,580)**	(3,649)
Consolidation adjustments	**(24,135)**	(22,986)
Consolidated total assets	**223,866**	234,976
Liabilities		
Total liabilities for reportable segments	**122,687**	138,898
Inter-segment eliminations	**(9,595)**	(8,322)
Consolidation adjustments	**757**	905
Consolidated total liabilities	**113,849**	131,481

	Reportable segment totals	Consolidation adjustments	Consolidated totals
	€000	€000	€000
Other material items 2014			
Depreciation and amortisation	**23,593**	**1,235**	**24,828**
Other material items 2013			
Depreciation and amortisation	25,138	2,515	27,653

4.2 Information about geographical segments

The Group's revenues are primarily derived from operations mainly carried out in Malta. However, the Telecommunications segment also derives revenue from incoming interconnect traffic and inbound roaming from foreign operators worldwide. Considering the nature of the Group's activities, 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 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
Year ended 31 December 2014					
Opening net book amount	53,516	82,254	29	371	136,170
Additions	306	11,489	70	3,602	15,467
Impairment charges on revalued land and buildings					
- effect on cost or valuation	(295)	-	-	-	(295)
- effect on accumulated depreciation	196	-	-	-	196
Reclassifications	28	(28)	-	-	-
Disposals and write-offs	-	(13,990)	-	(359)	(14,349)
Depreciation charge	(943)	(16,545)	(11)	-	(17,499)
Depreciation released on disposals and write-offs	-	13,950	-	-	13,950
Closing net book amount	**52,808**	**77,130**	**88**	**3,614**	**133,640**
At 31 December 2014					
Cost or valuation	55,359	271,509	830	3,614	331,312
Accumulated depreciation	(2,551)	(194,379)	(742)	-	(197,672)
Net book amount	**52,808**	**77,130**	**88**	**3,614**	**133,640**

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 2013					
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
Year ended 31 December 2014					
Opening net book amount	4,032	65,643	29	371	70,075
Additions	75	8,716	70	-	8,861
Revaluation of land and buildings					
- effect on cost or valuation	(108)	-	-	-	(108)
- effect on accumulated depreciation	196	-	-	-	196
Reclassifications	28	(28)	-	-	-
Disposals and write-offs	-	(8,268)	-	(359)	(8,627)
Depreciation charge	(249)	(10,749)	(11)	-	(11,009)
Depreciation released on disposals and write-offs	-	8,268	-	-	8,268
Closing net book amount	**3,974**	**63,582**	**88**	**12**	**67,656**
At 31 December 2014					
Cost or valuation	4,267	204,408	830	12	209,517
Accumulated depreciation	(293)	(140,826)	(742)	-	(141,861)
Net book amount	**3,974**	**63,582**	**88**	**12**	**67,656**

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

5. **Property, plant and equipment** - continued

Fair valuation of property

The Group's land and buildings within property, plant and equipment, were revalued on 31 December 2014 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 2014, on the basis of the valuations carried out by the independent property valuers. Adjustments to the carrying amounts were deemed necessary and accordingly recognised 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 2014, the carrying values of the properties, classified within property, plant and equipment, have been adjusted to the valuations and the net resultant adjustment comprised a decrease of €99,000 and an increase of €88,000 in the carrying values for the Group and Company respectively to reflect the property's estimated open market value on an individual asset level. Increases amounting to €491,000 for the Group and increases amounting to €69,000 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. The Group's investment property comprises a commercial property leased out to third parties (Note 6). All the recurring property fair value measurements at 31 December 2014 and 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 years ended 31 December 2014 and 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 movement reflects changes in fair value, additions and depreciation charge.

Valuation processes

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

- information provided by the 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 Financial Officer (CFO). This includes a review of fair value movements over the period. When the CFO considers that the valuation report is appropriate, the valuation report is recommended to the Audit Committee. The Audit Committee considers the valuation report as part of its overall responsibilities.

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

5. **Property, plant and equipment** - continued

Valuation techniques

The external valuations of the Level 3 property have been performed predominantly 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)

	As 31 December 2014			
Description by class based on highest and best use	**Fair value €000**	**Valuation technique**	**Significant unobservable input**	**Range of unobservable inputs (weighted average) €**
Current use as office premises	**19,300**	Adjusted sales comparison approach	Sales price per square metre	1,000 – 2,650 (1,500)
Redevelopment into residential units	**7,000**	Adjusted sales comparison approach	Sales price factor per residential airspace	80,000 – 105,000 (85,000)
Developable land for residential /commercial use	**11,100**	Adjusted sales comparison approach	Sales price factor per square metre	600 – 3,000 (1,000)
Marketed as extended-commercial premises	**6,100**	Adjusted sales comparison approach	Sales price per square metre	1,150
Marketed as residential-commercial developments	**10,360**	Adjusted sales comparison approach	Commercial: sales price per square metre	2,000
			Residential: sales price factor per square metre	600 – 1,150 (700)
			Residential: sales price factor per square metre	1,150

5. Property, plant and equipment - continued

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

	As 31 December 2013			
Description by class based on highest and best use	**Fair value €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)
			Residential: 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.

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

	Group		**Company**	
	2014 €000	2013 €000	**2014 €000**	2013 €000
At 31 December	**32,402**	32,531	**2,298**	2,269

5. **Property, plant and equipment** - continued

Depreciation charge

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

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Cost of sales	**17,134**	17,792	**11,009**	11,483
Administrative and other related expenses	**365**	294	**-**	-
	17,499	18,086	**11,009**	11,483

Recoverability of the telecommunications infrastructure

At 31 December 2014, the Group's telecommunications infrastructure and licences together with other related tangible and intangible assets, attributable to the Telecommunications cash-generating unit, were carried at a total of €79,611,000 (2013: €82,296,000). No impairment indicators were identified by management in respect of this cash-generating unit as at the end of the reporting period (Note 7).

6. Investment property

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Year ended 31 December				
Balance at 1 January	**1,571**	1,571	**-**	-
Gains from changes in fair value	**628**	-	**-**	-
Balance at 31 December	**2,199**	1,571	**-**	-
At 31 December				
Cost	**279**	279	**-**	-
Fair value gains	**1,920**	1,292	**-**	-
Carrying amount	**2,199**	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 2013							
Cost	1,210	12,552	11,359	5,945	4,368	18,170	53,604
Accumulated amortisation / impairment	(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 / impairment	(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
Year ended 31 December 2014							
Opening net book amount	355	1,827	1,461	2,587	4,019	9,019	19,268
Additions	-	434	-	-	-	940	1,374
Development	-	213	-	-	-	-	213
Expiration of rights	-	-	-	-	-	(236)	(236)
Amortisation charge	(48)	(1,206)	(733)	(388)	-	(4,954)	(7,329)
Amortisation released on expiration of rights	-	-	-	-	-	236	236
Closing net book amount	**307**	**1,268**	**728**	**2,199**	**4,019**	**5,005**	**13,526**
At 31 December 2014							
Cost	1,119	13,659	11,359	5,945	4,368	14,583	51,033
Accumulated amortisation / impairment	(812)	(12,391)	(10,631)	(3,746)	(349)	(9,578)	(37,507)
Net book amount	**307**	**1,268**	**728**	**2,199**	**4,019**	**5,005**	**13,526**

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 2013					
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
Year ended 31 December 2014					
Opening net book amount	355	161	45	9,019	9,580
Additions	-	-	-	940	940
Expiration of rights	-	-	-	(236)	(236)
Amortisation charge	(48)	(108)	(42)	(4,954)	(5,152)
Amortisation released on expiration of rights	-	-	-	236	236
Closing net book amount	**307**	**53**	**3**	**5,005**	**5,368**
At 31 December 2014					
Cost	1,119	1,912	1,462	14,583	19,076
Accumulated amortisation	(812)	(1,859)	(1,459)	(9,578)	(13,708)
Net book amount	**307**	**53**	**3**	**5,005**	**5,368**

Amortisation charge

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

7. **Intangible assets** - continued

Goodwill

Goodwill amounting to €1,151,000 (2013: €1,151,000) has been allocated to the Telecommunications CGU (refer to Note 4), whereas the amount of €2,868,000 (2013: €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 Telecommunications 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, but forecast growth in revenue streams from data services, TV and mobile driven by growth in subscribers and ARPU; 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% for the Data Centre CGU, whilst a growth rate of 1.5% has been estimated for the Telecommunications CGU. A post-tax discount rate of 7.8% has been applied to the cash flows of the Telecommunications CGU and the level of 13.4% 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 reasonable possible changes in key assumptions on which it has based its determination of the CGUs' recoverable amount that would cause the carrying amount to exceed VIU.

Brand names and customer relationships acquired in 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	
	2014	2013
	€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

8. Investments in subsidiaries - continued

The carrying amount of the investments at 31 December 2014 and 2013 is equivalent to the cost of the investments (net of impairment charges). The subsidiaries at 31 December 2014 and 2013 are shown below:

Subsidiaries	Registered office	Percentage of shares held 2014 %	2013 %	Nature of business
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 2014, all the above investments were fully paid-up, with the exception of the investment in Worldwide Communications Limited, which was 75% (2013: 75%) paid-up.

GO Data Centre Services Limited holds 99.9% (2013: 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% (2013: 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, developing, selling, holding and leasing of property. The registered office of all these companies is GO, Fra Diegu Street, Marsa, Malta.

9. Investment in associate

	Group and Company 2014 €000	2013 €000
Additions during the year and carrying amount at 31 December	**1,681**	-

On 28 March 2014, GO entered into a share purchase agreement with (i) Cablenet Communications Systems Limited ("Cablenet"), a limited liability company incorporated under the Laws of Cyprus, and (ii) Mr Nicolas Shiacolas (being the legal, registered and beneficial owner of the entire issued share capital in Cablenet), for the purchase by GO from Mr. Shiacolas of an initial stake of 25% of the issued share capital (with an equivalent amount of voting rights) of Cablenet in exchange for a convertible loan of €12 million to be granted in instalments on pre-established dates to Cablenet. The loan will bear no interest until 31 December 2017.

The instalments of the loan advanced to Cablenet till 31 December 2014, with a nominal value of €4.5 million, are carried at €3.7 million in these financial statements, at fair value, reflecting the discount attributable to the fact that the advances will not be subject

9. Investment in associate - continued

to interest (refer to Note 11). The initial 25% equity stake in the company, is measured at €1.7 million as at 31 December 2014, representing the estimated fair value of this stake. This amount reflects a portion of the discount on the €4.5 million advances effected by year end, amounting to €0.5 million (with the remaining portion of the discount being attributable to the initial measurement of the derivatives embedded within the share purchase agreement as at 31 December 2014 as reflected in Note 20); together with the discount of €1.2 million in relation to the remaining committed loan drawdowns of €7.5 million. This €1.2 million is also reflected as a financial liability at the end of the reporting period, which is to be settled through the discount element on the loan drawdowns to be effected post 31 December 2014 (Note 22). The fair values of all instruments emanating from this arrangement were determined on the bases described in Note 2.3.

The agreement was executed and implemented on 4 September 2014 subsequent to the attainment of regulatory approval from the Competition Authority in Cyprus.

The Group's associate is not deemed material to GO as a reporting entity in terms of the requirements of IFRS 12 'Disclosure of interest in other entities' and the disclosure of summarised financial information of the associate is accordingly not deemed necessary. The investment in associate is measured using the equity method of accounting. Taking cognisance of the date of acquisition of the associate, the effects of applying the equity method of accounting as at 31 December 2014 were insignificant.

10. Non-current assets classified as held for sale

GO p.l.c. controls 50% of the share capital and voting rights of a joint venture, Forgendo Limited ("Forgendo"), a company registered in Cyprus. Furthermore Forgendo and Massar Investments LLC each control 50% of Giradena Limited ("Giradena"), a company also registered in Cyprus. The sole activity of both Forgendo and Giradena is that of holding investments in Hellenic Company for Telecommunications and Telematic Applications S.A. ("Forthnet S.A." or "Forthnet"), a Greek company listed on the Athens Stock Exchange which is treated as an associated undertaking of Forgendo. As at 31 December 2014, the ownership interest of Forgendo in Forthnet S.A. was 41.27% (31 December 2013: 41.27%), whereas Giradena's ownership interest in Forthnet was 3.94% (31 December 2013: nil).

Details of the cost of the equity investment and the accounting for the share of losses of the joint venture are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	€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				
- in prior years	**114,397**	52,530	**114,397**	52,530
- in current year	**-**	61,867	**-**	61,867
Investment effected during the year	**6,592**	-	**6,592**	-
	131,285	124,693	**131,285**	124,693
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	**(61,867)**	(61,867)	**(61,867)**	(61,867)
At 31 December	**(62,163)**	(62,163)	**(124,693)**	(124,693)
Carrying value at 31 December	**6,592**	-	**6,592**	-

10. Non-current assets classified as held for sale - continued

This asset has been classified as held for sale as described further in the note below.

Carrying amount of equity investment until 31 December 2013

The carrying amount of GO's equity investment in the joint venture was reduced to nil during the financial year ended 31 December 2011 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 joint venture, 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 2011. The impact of GO's share of such losses was accordingly not recognised. The Group also had exposures to the joint venture in the form of loans and other amounts receivable. The unrecognised share of losses registered by Forgendo has in substance necessitated impairment losses on the loans and other amounts receivable from Forgendo. During the financial year ended 31 December 2013, loans receivable from the joint venture with a nominal amount of €61,867,000 have been capitalised into equity of Forgendo. These advances had been deemed fully impaired as at 31 December 2012.

Loans granted during the year and conversion of such loans receivable into equity investment

During the financial year under review, the Company effected advances amounting to €6,079,000 to the joint venture, Forgendo. In January 2014, the Company's joint venture 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. Giradena 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 also exercised its oversubscription rights and as a result of this process Forgendo was 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 since transferred the shares acquired through the oversubscription process to Giradena.

Subsequent to the capital increase of Forthnet, Forgendo and Giradena hold an aggregate amount of 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, directly through its 50% shareholding in Giradena, through advances amounting to €6.6 million. The other 50% of the funding was provided by Emirates International Telecommunications (Malta) Limited ("EITML"). The funding provided by the Company and by EITML was 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 was, at the option of the Company, convertible into equity within the period of six months from the date on which the new Forthnet shares began to trade following the final transfer of such shares to the accounts of the Forthnet shareholders (the "Conversion Period") on 16 January 2014. On 9 July 2014 GO elected to convert the GO Loan into equity within the Conversion Period.

This conversion has given rise to an equity investment with a carrying amount of €6.6 million.

Developments in relation to Forthnet

On 10 June 2014 Forthnet informed the investing public that it had received communication from the Vodafone group that under the terms of an agreement dated 4 June 2014 between Vodafone Greece and Wind Hellas Telecommunications S.A. ("Wind Hellas"), Vodafone Greece has been granted an option to acquire 14,584,853 ordinary shares of Forthnet. This option is exercisable one year after the date of the above agreement. If the above option is exercised, the direct participation of Vodafone Greece and the indirect participation of Vodafone in Forthnet, would increase from 6.51% to 19.75% of the total share capital and voting rights of Forthnet.

Furthermore on 1 July 2014 Forthnet informed the investing public that it had received a non-binding offer by OTE S.A. for the acquisition of the activity of NOVA, its pay-TV operating company, for a consideration ranging between €250-300 million, on a debt-free, cash-free basis. Also, on 17 July 2014 Forthnet announced that Vodafone Group Services Ltd (on behalf of its affiliate) and Wind Hellas Telecommunications S.A. (which entities jointly hold 39.5% of the share capital of Forthnet) submitted a joint non-binding indicative proposal to Forthnet's board of directors for the possible acquisition of all shares of Forthnet which are not owned by them, at an indicative and conditional price in the range of €1.70-€1.90 per share. The abovementioned also includes the terms and conditions (performance of financial and legal due diligence, conduct of exclusive negotiations) the satisfaction of which could potentially lead to the submission of a tender offer to Forthnet's shareholders.

10. **Non-current assets classified as held for sale** - continued

Classification of investment as asset held for sale

In view of the announcements made by Forthnet, on 9 July 2014 GO's Board of Directors resolved to convert the loans to Forgendo into equity as previously stated and simultaneously resolved that the equity investment in Forgendo actually reflected an investment which was held for sale as at that date. Accordingly, the investment has been classified as an asset held for sale in accordance with the requirements of IFRS 5, 'Non-current Assets Held for sale and Discontinued Operations'. Whilst Forthnet has put in place a formal process intended to lead to formal binding offers by each of OTE and Wind/Vodafone, the disposal process has experienced certain delays due to the political, economic and market conditions in Greece.

In accordance with the requirements of IFRS 5, 'Non-current Assets Held for sale and Discontinued Operations', the decision to classify the investment as an asset held for sale was based on the following criteria:

- the investment was available for immediate sale in its present condition at date of classification; and
- its sale is deemed to be highly probable, i.e. there is evidence of Board commitment; there is an active programme to locate a buyer and complete the plan; the asset is actively marketed for sale at a reasonable price compared to its fair value; the sale is expected to be completed within 12 months of the date of classification; and actions required to complete the plan indicate that it is unlikely that there will be significant changes to the plan or that it will be withdrawn.

The current economic and political situation in Greece may result in certain delays; however a scenario where delays are attributable to reasons not within the seller's control is contemplated by the IFRS 5 classification criteria.

The existence of a carrying amount of equity investment in the joint venture would trigger the reinstatement of equity accounting in the consolidated financial statements of GO in relation to accounting for the joint venture. Accordingly, equity accounting would have required the additional amount of €6.6 million to be written off to profit or loss in view of GO's share of losses registered by Forgendo which have not been recognised by GO within its consolidated financial statements in prior financial years. Classification of the equity investment in Forgendo as an investment held for sale effected on 9 July 2014, the date on which the equity investment originated, has suspended the application of equity accounting. The investment classified as held for sale is carried at the amount of €6.6 million, subject to impairment testing. The listed price of the equity of Forgendo's associate (Forthnet) as at 31 December 2014 and movements subsequent to the end of the reporting period are primary indicators that the carrying amount of the investment is deemed recoverable and accordingly no impairment issues arise in respect of this carrying amount.

As at 31 December 2014, the market price of Forthnet's equity quoted on the Athens Stock Exchange, within the Companies under Surveillance segment was €0.90 per ordinary share. Accordingly, the value of GO's interest in Forgendo's investment in this associate, based on the quoted market price of the associate's equity, at the end of the reporting period was €21.4 million.

11. Loans receivable from subsidiaries and associate

	Company	
Loans receivable from subsidiaries	**2014**	2013
	€000	€000
Non-current		
Cost and carrying amount as at 1 January and 31 December	**49,524**	49,524

11. Loans receivable from subsidiaries and associate - continued

The non-current advances at 31 December 2014, mature in 2017. Loans receivable from subsidiaries are unsecured and are subject to fixed interest rates as follows:

	Company	
	2014	2013
	%	%
Non-current	**3.75**	3.75

Loans receivable from associate	Group and Company	
	2014	2013
	€000	€000
Non-current		
Cost and carrying amount as at 31 December	**3, 673**	-

The loans receivable from associate are not subject to interest until 31 December 2017 and the Company has the option to convert the loans into an equity stake in the associate by that date (Note 9).

12. Other investments

	Group and Company	
	2014	2013
Available-for-sale financial assets	**€000**	€000
At 31 December		
Cost	**1,770**	1,770
Accumulated fair value losses	**(1,770)**	(1,770)
Carrying amount	**-**	-

At 31 December 2014 and 2013, 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 (2013: €229,000), had also been written down to nil in view of the impairment indicators highlighted above (Note 15).

13. Deferred tax assets and liabilities

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period. The principal tax rate used is 35% (2013: 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% (2013: 12%) of the transfer value.

The balance at 31 December represents temporary differences attributable to:

Group

	Assets		Liabilities		Net	
	2014	2013	**2014**	2013	**2014**	2013
	€000	€000	**€000**	€000	**€000**	€000
Depreciation of property, plant and equipment	**-**	-	**(1,596)**	(1,710)	**(1,596)**	(1,710)
Fair valuation of land and buildings	**-**	-	**(6,517)**	(6,568)	**(6,517)**	(6,568)
Fair valuation of investment property	**-**	-	**(264)**	(188)	**(264)**	(188)
Intangible assets	**-**	-	**(921)**	(1,493)	**(921)**	(1,493)
Provisions for pensions and other liabilities	**2,275**	2,099	**-**	-	**2,275**	2,099
Provisions on trade receivables and other assets	**3,998**	4,187	**-**	-	**3,998**	4,187
Cash flow hedge	**31**	179	**-**	-	**31**	179
Unabsorbed tax and capital losses	**683**	683	**-**	-	**683**	683
Unabsorbed capital allowances	**2,398**	3,097	**-**	-	**2,398**	3,097
Investment tax credits	**1,232**	1,232	**-**	-	**1,232**	1,232
Tax assets/(liabilities)	**10,617**	11,477	**(9,298)**	(9,959)	**1,319**	1,518
Offsetting	**(2,120)**	(2,850)	**2,120**	2,850	**-**	-
Net tax assets/(liabilities)	**8,497**	8,627	**(7,178)**	(7,109)	**1,319**	1,518

13. Deferred tax assets and liabilities - continued

Company

	Assets		Liabilities		Net	
	2014	2013	**2014**	2013	**2014**	2013
	€000	€000	**€000**	€000	**€000**	€000
Depreciation of property, plant and equipment	**-**	-	**(1,908)**	(1,985)	**(1,908)**	(1,985)
Fair valuation of land and buildings	**-**	-	**(435)**	(303)	**(435)**	(303)
Intangible assets	**-**	-	**(748)**	(1,085)	**(748)**	(1,085)
Investments in subsidiaries	**166**	166	**-**	-	**166**	166
Provisions for pensions and other liabilities	**2,275**	2,103	**-**	-	**2,275**	2,103
Provisions on trade receivables and other assets	**3,797**	2,852	**-**	-	**3,797**	2,852
Cash flow hedge	**31**	179	**-**	-	**31**	179
Unabsorbed tax and capital losses	**683**	683	**-**	-	**683**	683
Unabsorbed capital allowances	**2,400**	3,099	**-**	-	**2,400**	3,099
Tax assets/(liabilities)	**9,352**	9,082	**(3,091)**	(3,373)	**6,261**	5,709
Offsetting	**(3,091)**	(3,373)	**3,091**	3,373	**-**	-
Net tax assets	**6,261**	5,709	**-**	-	**6,261**	5,709

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, cash flow hedge, and movements in provisions for pensions attributable to changes in actuarial assumptions.

Changes to the taxation rules on capital gains arising on transfer of immovable property were announced by the Minister for Finance during the Budget Speech for the financial year 2015, and in respect of which a Bill entitled 'An Act to implement Budget measures for the financial year 2015 and other administrative measures' was published in December 2014. With effect from 1 January 2015, the final tax on transfers of immovable property acquired after 1 January 2004 will be reduced to 8% of the transfer value while the rate in respect of transfers of property acquired before 1 January 2004 will be 10%. The announcement of the revised tax regime by the Minister for Finance and the subsequent publication of the Budget Bill in December 2014 do not, as at 31 December 2014, have the substantive effect of actual enactment. Accordingly, tax rates used for the measurement of deferred taxation as at 31 December 2014 are those applicable prior to the measures announced in the Budget Speech for the financial year 2015, which are disclosed above. The net impact of the application of the changed tax regime on the deferred tax liability attributable to fair valuation of GO's property would be a decrease amounting to €1,475,000, of which principally would be recognised in other comprehensive income.

13. Deferred tax assets and liabilities - continued

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 01.01.13 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31.12.13 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31.12.14 €000
Property, plant and equipment	(9,542)	1,264	-	(8,278)	1,121	(956)	**(8,113)**
Investment property	(188)	-	-	(188)	(76)	-	**(264)**
Intangible assets	(2,536)	1,043	-	(1,493)	572	-	**(921)**
Provisions for pensions and other liabilities	2,380	(402)	121	2,099	(22)	198	**2,275**
Provisions on trade receivables and other assets	3,682	505	-	4,187	(190)	-	**3,997**
Cash flow hedge	449	-	(270)	179	-	(147)	**32**
Unabsorbed tax and capital losses	867	(184)	-	683	-	-	**683**
Unabsorbed capital allowances	2,665	432	-	3,097	(699)	-	**2,398**
Investment tax credits	1,232	-	-	1,232	-	-	**1,232**
Others	44	(44)	-	-	-	-	**-**
	(947)	2,614	(149)	1,518	706	(905)	**1,319**

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 2013 €000	Movement €000	Balance 31 December 2013 €000	Movement €000	**Balance 31 December 2014 €000**
Investment tax credits	1,665	(79)	1,586	(820)	**766**
Impairment and other losses on investments in joint venture	44,268	-	44,268	-	**44,268**
	45,933	(79)	45,854	(820)	**45,034**

13. **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 01.01.13 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31.12.13 €000	Transfer from subsidiaries* €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31.12.14 €000
Property, plant and equipment	(3,110)	822	-	(2,288)	-	69	(124)	**(2,343)**
Intangible assets	(1,482)	397	-	(1,085)	-	337	-	**(748)**
Investments in subsidiaries	166	-	-	166	-	-	-	**166**
Loans receivable from joint venture	44	(44)	-	-	-	-	-	**-**
Provisions for pensions and other liabilities	2,085	(103)	121	2,103	-	(26)	198	**2,275**
Provisions on trade receivables and other assets	2,714	138	-	2,852	1,181	(237)	-	**3,796**
Cash flow hedge	449	-	(270)	179	-	-	(147)	**32**
Unabsorbed tax and capital losses	867	(184)	-	683	-	-	-	**683**
Unabsorbed capital allowances	2,665	434	-	3,099	-	(699)	-	**2,400**
	4,398	1,460	(149)	5,709	1,181	(556)	(73)	**6,261**

* During the financial year ended 31 December 2014, an asset of €1,181,000 attributable to provisions for impairment of trade receivables was transferred from a subsidiary, subsequent to the allocation of trade receivables to the Company.

14. Inventories

	Group		Company	
	2014 €000	2013 €000	**2014 €000**	2013 €000
Operating spares	**5,543**	5,282	**4,966**	4,565
Goods held for resale	**1,925**	1,633	**1,204**	869
	7,468	6,915	**6,170**	5,434

The cost of inventories recognised as expense is disclosed in Note 24. During the current financial year, an increase in provisions for obsolescence of inventories amounting to €21,000 (2013: increase of €44,000) and decrease of €5,000 (2013: increase of €42,000) for the Group and Company respectively, has been reflected in these financial statements. Inventory write-downs during the year amounted to €23,000 (2013: €31,000) and nil (2013: nil) 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	
	2014 €000	2013 €000	**2014 €000**	2013 €000
At 31 December	**105**	84	**55**	60

15. Trade and other receivables

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Non-current				
Amounts receivable under finance leases	**38**	55	**38**	55
Deferred expenditure	**1,349**	1,162	**630**	375
	1,387	1,217	**668**	430

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Current				
Trade receivables – net of provisions	**19,211**	16,861	**16,535**	10,919
Amounts owed by subsidiaries	**-**	-	**10,049**	16,053
Other receivables – net of provisions	**1,153**	1,503	**88**	745
Prepayments and accrued income	**5,874**	8,443	**3,292**	4,426
Amounts receivable under finance leases	**41**	84	**41**	84
Deferred expenditure	**4,032**	3,729	**1,664**	1,095
	30,311	30,620	**31,669**	33,322

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	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Trade receivables	**11,421**	12,004	**10,849**	8,089
Other receivables	**229**	229	**229**	229
Amounts owed by joint venture	**-**	1,789	**-**	1,789
Total provisions for impairment	**11,650**	14,022	**11,078**	10,107

15. **Trade and other receivables** - continued

Finance lease receivables are analysed as follows:

	Group and Company	
	2014	2013
	€000	€000
Non-current		
Gross receivables	**42**	60
Unearned finance income	**(4)**	(5)
	38	55
Current		
Gross receivables	**45**	90
Unearned finance income	**(4)**	(6)
	41	84
Gross finance lease receivables:		
Not later than 1 year	**38**	90
Later than 1 year and not later than 5 years	**41**	60
	79	150
Unearned finance income on finance leases	**(8)**	(11)
Net investment in finance leases	**71**	139

16. Cash and cash equivalents

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

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Cash at bank and in hand	**12,509**	30,402	**9,505**	26,315
Bank overdrafts (Note 19)	**(47)**	(3,739)	**(47)**	(3,736)
Cash pledged as guarantees	**(858)**	(1,901)	**(145)**	(1,190)
	11,604	24,762	**9,313**	21,389

17. Share capital

	Company	
	2014	2013
	€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

18. Reserves

Group

	Insurance contingency reserve €000	Adjustments relating to non-controlling interests €000	Property revaluation reserve €000	Hedging reserve €000	Other reserve €000	Total €000
Balance at 1 January 2013	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
Balance at 1 January 2014	1,278	(2,964)	18,522	(333)	33	16,536
Surplus arising on revaluation of land and buildings	-	-	38	-	-	38
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	-	-	(956)	-	-	(956)
Cash flow hedge:						
- Gains from changes in fair value	-	-	-	851	-	851
- Deferred taxes thereon	-	-	-	(297)	-	(297)
- Reclassification adjustments						
- net amounts reclassified to profit or loss	-	-	-	(430)	-	(430)
- deferred taxes thereon	-	-	-	150	-	150
Remeasurements of defined benefit obligations:						
- Actuarial losses	-	-	-	-	(566)	(566)
- Deferred taxes thereon	-	-	-	-	198	198
Transfer from retained earnings	116	-	-	-	-	116
Balance at 31 December 2014	**1,394**	**(2,964)**	**17,604**	**(59)**	**(335)**	**15,640**

18. **Reserves** - continued

Company

	Merger reserve €000	Insurance contingency reserve €000	Property revaluation reserve €000	Hedging reserve €000	Other reserve €000	Total €000
Balance at 1 January 2013	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
Balance at 1 January 2014	3,843	1,278	1,093	(333)	(610)	5,271
Surplus arising on revaluation of land and buildings	-	-	19	-	-	19
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	-	-	(124)	-	-	(124)
Cash flow hedge:						
- Gains from changes in fair value	-	-	-	851	-	851
- Deferred taxes thereon	-	-	-	(297)	-	(297)
- Reclassification adjustments						
- net amounts reclassified to profit or loss	-	-	-	(430)	-	(430)
- deferred taxes thereon	-	-	-	150	-	150
Remeasurements of defined benefit obligations:						
- Actuarial losses	-	-	-	-	(566)	(566)
- Deferred taxes thereon	-	-	-	-	198	198
Transfer from retained earnings	-	116	-	-	-	116
Balance at 31 December 2014	**3,843**	**1,394**	**988**	**(59)**	**(978)**	**5,188**

These reserves are non-distributable.

Adjustments relating to non-controlling interest

The adjustments relating to non-controlling interest reflect the excess of the purchase consideration paid to acquire non-controlling interests in Group entities over the net carrying amount of such non-controlling interests in the consolidated financial statements.

18. Reserves - continued

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.

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 2014 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 derivative contract in 2015.

Other reserve

Subsequent to the change in accounting policy upon adoption of IAS 19 (revised) as at 1 January 2012, the other reserve also reflects the impact of actuarial gains and losses recognised in other comprehensive income in respect of provisions for pensions (Note 21) in accordance with the Group's revised accounting policy.

19. Borrowings

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Non-current liabilities				
Secured bank loans (i)	**44,573**	59,246	**39,896**	54,327
Current liabilities				
Secured bank loans (i)	**9,378**	9,275	**7,931**	7,915
Bank overdrafts (ii)	**47**	3,739	**47**	3,736
	9,425	13,014	**7,978**	11,651

(i) Secured bank loans

Group			**2014**		2013	
	Currency	**Year of maturity**	**Face value**	**Carrying amount**	Face value	Carrying amount
			€000	**€000**	€000	€000
Loan 1	Euro	2019	**25,500**	**25,346**	31,500	31,269
Loan 2	Euro	2019	**12,000**	**12,000**	18,500	18,500
Loan 3	Euro	2019	**4,500**	**4,500**	5,500	5,500
Loan 4	Euro	2019	**6,000**	**5,981**	6,729	6,279
Loan 5	Euro	2020	**6,459**	**6,124**	7,000	6,973
			54,459	**53,951**	69,229	68,521

19. **Borrowings** - continued

Company			2014		2013	
	Currency	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
			€000	€000	€000	€000
Loan 1	Euro	2019	25,500	25,346	31,500	31,269
Loan 2	Euro	2019	12,000	12,000	18,500	18,500
Loan 3	Euro	2019	4,500	4,500	5,500	5,500
Loan 5	Euro	2020	6,000	5,981	7,000	6,973
			48,000	47,827	62,500	62,242

The bank loans are subject to financial covenants and are secured by guarantees for a maximum amount of €97,018,000 (2013: €97,018,000) 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 2014 and 2013, 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 20) 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 20.

As at 31 December 2014, the Company had an unutilised loan facility amounting to €12,000,000 (2013: €5,500,000), whilst a subsidiary also held an unutilised loan facility amounting to €275,000 (2013: €1,667,000).

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

	Group		Company	
	2014	2013	2014	2013
	%	%	%	%
Bank loans	2.61	2.82	2.73	2.91

(ii) Bank overdrafts

The Company's banking facilities at 31 December 2014 amounted to €9,000,000 (2013: €9,000,000) with local financial institutions. Also, at the end of the reporting period a subsidiary's facilities amounted to €2,000,000 (2013: €2,000,000) 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 2014 and 2013, 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		Company	
	2014	2013	2014	2013
	%	%	%	%
Bank overdrafts	4.05	4.93	4.05	4.93

20. Derivative financial instruments

	Group and Company	
	2014	2013
	€000	€000
Non-current assets		
Call and put options embedded in host contract	**2,383**	-
Non-current liabilities		
Call options embedded in host contract	**2,049**	-
Interest rate swap designated as hedging instrument in cash flow hedge	**-**	512
Current liabilities		
Interest rate swap designated as hedging instrument in cash flow hedge	**91**	-
	2,140	512

Interest rate swap designated as hedging instrument

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 19). 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.

Call and put options embedded in host contract

As disclosed in Note 9, on 28 March 2014, GO entered into a share purchase agreement with (i) Cablenet Communications Systems Limited and (ii) Mr Nicolas Shiacolas, for the purchase by GO from Mr. Shiacolas of an initial stake of 25% of the issued share capital of Cablenet in exchange for a convertible loan of €12 million to Cablenet.

(i) Derivative assets

The Company has the option to convert the loan into equity by 31 December 2017, such that upon conversion the total number of shares held by the Company will be equal to 45% of the issued share capital of Cablenet.

If GO exercises the option to convert the loan, the agreement also grants the Company an option to acquire a controlling stake in Cablenet until 30 June 2018, by acquiring an additional number of shares at a pre-determined price such that upon acquisition the total number of shares held by the Company will be equal to 51% of the issued share capital of Cablenet.
If GO does not convert the loan into shares, the Company shall have the right by 31 March 2018 to demand Mr Shiacolas to buy back the initial 25% stake by 30 June 2018 at a pre-determined price. As a credit risk mitigant in respect of this option, upon failed settlement GO will have the option to convert the loan into a number of shares such that upon conversion the total number of shares held by the Company will be equal to 55% of the issued share capital of Cablenet. The aggregate fair value and carrying amount of the derivative assets as at 31 December 2014 is €2.4 million.

Taking into account the nature of these derivative instruments the Group is not exposed to significant credit risk in respect of the resultant financial assets.

(ii) Derivative liabilities

If GO does not convert the loan into shares and does not exercise the option to sell back the initial 25% stake, Mr Shiacolas will have the option to buy back this stake until 31 December 2018 at a pre-determined price. The fair value and carrying amount of this derivative assets as at 31 December 2014 is €2 million.

21. 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

21. Provisions for pensions - continued

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 2014, a significant number of beneficiaries have taken up this offer. As at 31 December 2014, the Company estimated that its obligations towards the remaining potential beneficiaries amounted to €6,501,000 (2013: €6,021,000).

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.

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

	Group and Company	
	2014	2013
	€000	€000
Carrying amount of pension obligations	**6,501**	6,021

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	
	2014	2013
	€000	€000
At 1 January	**6,021**	5,967
Actuarial losses – attributable to financial assumptions	**566**	346
Interest costs	**-**	2
Effect of settlements recognised in profit or loss	**-**	(72)
Settlements paid	**(94)**	(266)
Current service costs	**8**	44
At 31 December	**6,501**	6,021

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

	Group and Company	
	2014	2013
	€000	€000
Non-current	**3,667**	3,370
Current	**2,834**	2,651
	6,501	6,021

21. Provisions for pensions - continued

The amounts recognised in profit or loss are as follows:

	Group and Company	
	2014	2013
	€000	€000
Interest costs	**-**	(2)
Effect of settlements	**-**	72
Current service costs	**(8)**	(44)
Total recognised in profit or loss	**(8)**	26

The amounts recognised in other comprehensive income are as follows:

	Group and Company	
	2014	2013
	€000	€000
Actuarial losses	**(566)**	(346)

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 2014, the weighted average discount rate used was 2.26% (2013: 3.35%).

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.

21. Provisions for pensions - continued

The sensitivity of the pension obligation to changes in the key assumptions is disclosed below:

	Impact on defined benefit obligation		
2014	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1.0%	decrease by 4.2%	increase by 4.6%
		Increase by 1 year assumption	**Decrease by 1 year assumption**
Life expectancy		2.9%	3.1%
2013	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1.0%	decrease by 4.6%	increase by 4.0%
		Increase by 1 year assumption	**Decrease by 1 year 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.

22. Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Non-current				
Trade payables	**1,198**	3,656	**1,198**	3,656
Amounts due to associate	**190**	-	**190**	-
	1,388	3,656	**1,388**	3,656
Current				
Trade payables	**14,470**	16,223	**9,788**	10,260
Amounts owed to subsidiaries	**-**	-	**12,923**	15,583
Amounts owed to associate	**998**	-	**998**	-
Other payables	**4,559**	3,513	**-**	-
Indirect tax payable	**4,004**	3,054	**2,217**	1,624
Accruals and deferred income	**18,491**	19,106	**9,561**	9,697
	42,522	41,896	**35,487**	37,164

Amounts owed to subsidiaries are unsecured, interest free and repayable on demand. Amounts owed to associate amounting to €1.2 million reflect the discount arising on the remaining committed loan instalments attributable to the fact these advances to the associate are not subject to interest (refer to Note 9).

23. Revenue

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

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Category of activity				
Voice, data and TV services	**114,308**	114,240	**71,501**	72,344
Sale of goods	**4,772**	4,910	**628**	591
Other services	**1,703**	1,675	**111**	500
Sundry income	**1,475**	1,316	**1,154**	1,256
	122,258	122,141	**73,394**	74,691

24. Expenses by nature

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Cost of goods sold	**6,010**	5,765	**1,728**	1,421
Third party network charges, content costs and other direct costs	**33,230**	33,226	**22,707**	24,487
Employee benefit expense (Note 25)	**25,493**	25,638	**21,491**	20,819
Depreciation of property, plant and equipment (Note 5)	**17,499**	18,086	**11,009**	11,483
Amortisation of intangible assets (Note 7)	**7,329**	9,567	**5,152**	6,196
Increase/(decrease) in provisions and write-offs relating to inventories (Note 14)	**44**	75	**(5)**	42
(Decrease)/increase in provisions for impairment of trade and other receivables (Note 15)	**(583)**	1,533	**(614)**	356
Bad debts written off/(recovered)	**1,229**	(725)	**739**	226
Operating lease rentals payable	**1,672**	1,546	**3,495**	3,491
Other	**9,768**	10,511	**7,367**	7,855
Total cost of sales, administrative and other related expenses	**101,691**	105,222	**73,069**	76,376

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	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Non-recurring items				
Voluntary retirement costs (Note 25)	**2,595**	2,820	**2,595**	2,820
Movement in provisions for pensions (Note 21)	**8**	(26)	**8**	(26)
	2,603	2,794	**2,603**	2,794

The Company continued with its right-sizing programme by offering voluntary retirement schemes to its employees.

24. **Expenses by nature** - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2014 and 2013 relate to the following:

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Annual statutory audit	**200**	210	**139**	147
Other assurance services	**128**	128	**128**	128
Other non-audit services	**10**	6	**10**	6
	338	344	**277**	281

25. Employee benefit expense

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Directors' emoluments:				
Fees	**49**	47	**49**	47
Benefits in kind	**2**	2	**2**	2
Total Directors' emoluments	**51**	49	**51**	49

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

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Wages and salaries	**23,532**	23,460	**20,885**	19,495
Social security costs	**1,433**	1,531	**1,320**	1,268
Capitalised labour costs	**(2,075)**	(2,147)	**(1,627)**	(1,832)
Recharged to subsidiaries	**-**	-	**(1,690)**	(906)
	22,890	22,844	**18,888**	18,025
Voluntary retirement costs	**2,595**	2,820	**2,595**	2,820
Movement in provisions for pensions	**8**	(26)	**8**	(26)
	2,603	2,794	**2,603**	2,794
Total employee benefit expense	**25,493**	25,638	**21,491**	20,819

25. Employee benefit expense - continued

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	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Operational expenses	**6,938**	7,441	**6,244**	6,411
Administrative and other related expenses	**18,555**	18,197	**15,247**	14,408
	25,493	25,638	**21,491**	20,819

The average number of persons employed by the Group and the Company, including part-timers, students and secondees, during the year amounted to 860 (2013: 891) and 748 (2013: 729) 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	
	2014	2013	**2014**	2013
Operational	**293**	327	**281**	290
Management and administration	**558**	539	**535**	444
	851	866	**816**	734
Seconded to subsidiaries	**-**	-	**(3)**	(2)
	851	866	**813**	732

26. Other income

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Rent receivable on immovable property				
- from investment property	**151**	151	**-**	-
- from other immovable property	**153**	107	**358**	411
Other rent receivable	**211**	225	**211**	225
Realised operating exchange gains	**83**	-	**7**	-
Unrealised operating exchange gains	**27**	27	**-**	-
Late payment charges	**235**	377	**235**	372
Others	**477**	278	**126**	243
	1,337	1,165	**937**	1,251

27. Other expenses

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Realised operating exchange losses	**93**	95	**90**	65
Others	**47**	8	**19**	8
	140	103	**109**	73

28. Finance income

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Dividend income from subsidiaries	**-**	-	**22,136**	17,679
Bank interest receivable	**63**	96	**23**	85
Interest receivable from subsidiaries	**-**	-	**1,857**	1,857
Income from finance leases	**7**	24	**7**	24
Late payment interest receivable	**301**	225	**301**	225
Other interest receivable	**19**	66	**19**	19
	390	411	**24,343**	19,889

29. Finance costs

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Bank loan interest	**1,959**	2,391	**1,819**	2,251
Other bank interest and charges	**356**	364	**138**	219
	2,315	2,755	**1,957**	2,470

30. Tax expense

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

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Current tax				
Current tax expense	**6,410**	6,501	**6,190**	5,562
Deferred tax				
Deferred tax (credit)/expense (Note 13)	**(706)**	(2,614)	**556**	(1,460)
Tax expense	**5,704**	3,887	**6,746**	4,102

30. 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:

	2014			2013		
	Before tax	**Tax (charge) / credit**	**Net of tax**	Before tax	Tax (charge) / credit	Net of tax
	€000	**€000**	**€000**	€000	€000	€000
Group						
Fair valuation of land and buildings	**38**	**(956)**	**(918)**	-	-	-
Cash flow hedge	**421**	**(147)**	**274**	771	(270)	501
Re-measurement of defined benefit obligations	**(566)**	**198**	**(368)**	(346)	121	(225)
	(107)	**(905)**	**(1,012)**	425	(149)	276
Company						
Fair valuation of land and buildings	**19**	**(124)**	**(105)**	-	-	-
Cash flow hedge	**421**	**(147)**	**274**	771	(270)	501
Re-measurement of defined benefit obligations	**(566)**	**198**	**(368)**	(346)	121	(225)
	(126)	**(73)**	**(199)**	425	(149)	276

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**	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Profit before tax	**20,330**	15,637	**23,608**	16,912
Tax on profit at 35%	**7,116**	5,473	**8,263**	5,919
Tax effect of:				
Expenses disallowed for tax purposes	**38**	59	**34**	49
Depreciation charges not deductible by way of capital allowances in determining taxable income	**357**	183	**156**	190
Further allowances on rental income	**(241)**	(245)	**(25)**	(28)
Benefits available under the Business Promotion Act, comprising investment tax credits and allowances	**(826)**	(823)	**-**	-
Deferred taxation on fair value gains arising on property determined on the basis applicable to property disposals	**83**	-	**(15)**	-
Different tax rates applied to investment income	**(5)**	(24)	**(1,667)**	(781)
Other differences	**(818)**	(736)	**-**	(1,247)
Tax expense	**5,704**	3,887	**6,746**	4,102

31. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Group	
	2014	2013
Profit attributable to equity holders of the Company (€000)	**14,626**	11,750
Weighted average number of shares in issue (thousands) (Note 17)	**101,310**	101,310
Earnings per share (euro cents)	**14c4**	11c6

The Company has no instruments or arrangements which give rise to potential ordinary shares and accordingly diluted earnings per share is equivalent to basic earnings per share.

32. Dividends

	Company	
	2014	2013
	€000	€000
Net dividends paid on ordinary shares	**7,092**	10,131
Dividends per share (euro cents)	**7c0**	10c0

A dividend in respect of the year ended 31 December 2014 of €0.07 (2013: €0.07) per share, amounting to €7,091,734 (2013: €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.

33. Cash generated from operations

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

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Operating profit/(loss)	**21,764**	17,981	**1,153**	(507)
Adjustments for:				
Depreciation and amortisation	**24,828**	27,653	**16,161**	17,679
Net increase in provisions and write-downs in relation to receivables and inventories	**690**	883	**1,705**	620
Voluntary retirement costs	**2,595**	2,820	**2,595**	2,820
Provisions for pensions	**8**	(26)	**8**	(26)
Changes in working capital:				
Inventories	**(597)**	(988)	**(731)**	(981)
Trade and other receivables	**(1,003)**	(2,388)	**(6,589)**	1,236
Trade and other payables	**493**	1,162	**1,956**	(1,250)
Group undertakings' balances	**-**	-	**21,452**	(348)
Cash generated from operations	**48,778**	47,097	**37,710**	19,243

34. Operating lease commitments

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

Operating lease rentals under non-cancellable leases at 31 December are payable as follows:

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Less than one year	**572**	653	**241**	194
Between one and five years	**1,088**	1,034	**915**	573
More than five years	**1,001**	500	**1,001**	500
	2,661	2,187	**2,157**	1,267

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.

During the current year, operating lease payments in respect of cancellable and non-cancellable leases amounting to €1,672,000 (2013: €1,546,000) for the Group and €3,495,000 (2013: €3,491,000) for the Company, were recognised as an operating expense in profit or loss.

34. Operating lease commitments - continued

(b) Operating leases – where the Group/the Company is the lessor

The Group and the Company lease out certain premises and plant and equipment under operating leases. The future minimum lease payments under non-cancellable leases at 31 December are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Less than one year	**31**	31	**50**	50
Between one and five years	**31**	31	**101**	87
More than five years	**-**	-	**-**	33
	62	62	**151**	170

During the current year, amounts of €515,000 (2013: €483,000) for the Group and €569,000 (2013: €636,000) 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 €53,000 (2013: €151,000) was receivable from subsidiaries (Note 37).

As at 31 December 2014 and 2013, 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.

35. Capital commitments

	Group		Company	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Contracted for:				
Property, plant and equipment	**4,725**	2,153	**1,514**	1,746
Authorised but not contracted for:				
Property, plant and equipment	**10,391**	1,431	**10,391**	442
	15,116	3,584	**11,905**	2,188

In view of the matters highlighted in Note 10, disclosure of the Group's share of the capital commitments of the joint venture as at 31 December 2014 was not deemed necessary and relevant for the purposes of understanding the Group's financial results and position. The Group's associate is not deemed material to GO as a reporting entity and accordingly disclosure of the Group's share of the associate's capital commitments as at 31 December 2014 was not also deemed necessary.

The Company's investment in Worldwide Communications Limited reflects 25% (2013: 25%) of the share capital, amounting to €233,000 (2013: €233,000), which has not yet been called up.

36. Contingencies

The contingencies of the Group and the Company are listed below:

(a) Contingent liabilities arising in the ordinary course of business

As a result of its operations and activities in the ordinary course of the Group's business, the Group has, as at 31 December 2014, contingent liabilities arising from:

- Guarantees in favour of third parties and performance bonds given amounting to €857,883 (2013: €6,034,000) and €145,130 (2013: €5,321,000) for the Group and the Company respectively;
- 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; and
- Claims by a restricted number of employees for damages arising from alleged irregularities or unjust measures;

in respect of which no losses which are deemed material, individually or in aggregate, in the context of understanding the Group's financial results and financial position, are expected.

At the end of the reporting period, the Group had a contingent liability arising from an overseas court judgement requiring that a Group company implements measures to prevent a specific client from providing certain services. The company was ordered to pay for the costs of the court proceedings and to pay a fine of €100,000 per day subsequent to service of the said judgement, unless and until the company complies with it. On the basis of legal advice obtained by the Group, the company has not been yet been correctly served with the judgement and, additionally, the judgement can be enforced in Malta only in the event that it is declared enforceable by the Courts in Malta. This legal advice obtained by the Group highlights serious doubts on the enforceability of the overseas court judgement in Malta and accordingly no provision has been recognised as the Directors are of the opinion that an outflow is not probable. During the year ended 31 December 2014, another overseas court proceeding has been instituted against the same group commpany with respect to similar claims in relation to services provided to another client. Until the date of authorisation for issue of these financial statements, no judgement has been delivered by the court. No provision for expected losses was deemed necessary by the Directors as at the end of the reporting period taking cognisance of legal advice received.

(b) Contingencies relating to pension liabilities

As disclosed in Note 21 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 €9,518,000 (2013: €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 joint venture and associate

In view of the matters highlighted in Note 10, disclosure of the Group's share of the contingent liabilities of the joint venture as at 31 December 2014 was not deemed necessary and relevant for the purposes of understanding the Group's financial results and position. The Group's associate is not deemed material to GO as a reporting entity and accordingly disclosure of the Group's share of the associate's contingent liabilities as at 31 December 2014 was not also deemed necessary.

37. Related party transactions

The Company and its subsidiaries have related party relationships with Dubai Holding LLC, the Company's ultimate controlling party (Note 38), related entities ultimately controlled by Dubai Holding LLC, the Group's associate (Note 9) and the Group's joint venture (Note 10), together with the Group companies' Directors ('key management personnel').

37. 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	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Ultimate controlling party and related entities				
Services provided to	**324**	241	**292**	229
Services provided by	**1,443**	1,299	**1,431**	1,267
Expenses paid on behalf of	**68**	8	**68**	8
Expenses paid on behalf of the Company by	**20**	499	**20**	499
Dividends paid to	**4,255**	6,079	**4,255**	6,079
Joint venture				
Capitalisation of amounts due	**-**	61,867	**-**	61,867
Amounts paid on behalf of	**-**	665	**-**	665
Associate				
Loans advanced to	**3,673**	-	**3,673**	-

	Company	
	2014	2013
	€000	€000
Subsidiaries		
Services provided to	**3,763**	3,692
Services provided by	**2,925**	3,335
Expenses paid on behalf of the Company by	**47**	28
Expenses paid by the Company on behalf of	**4,867**	3,361
Dividends and interest received from	**23,993**	19,536
Rental income receivable from	**53**	152
Rental charges payable to	**3,091**	3,091

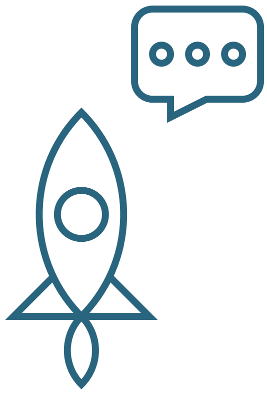
In the opinion of the Directors, disclosure of related party transactions, which are generally carried out on commercial terms and conditions, is only necessary when the transactions effected have a material impact on the operating results and financial position of the Group. The aggregate invoiced amounts in respect of a number of transaction types carried out with related parties are not considered material and accordingly they do not have a significant effect on these financial statements.

Except for remuneration payable (Note 25), the Group has not entered into material transactions with key management personnel which would warrant disclosure thereof for the purpose of understanding the Group's financial results or its financial position. Also the Group has not entered into material transactions with entities in which the Group's key management personnel directly or indirectly have an interest or over which they have direct or indirect influence. Any such transactions would constitute normal operating transactions under normal market and commercial terms relating to provision of operational services by the Group, and would not comprise financing transactions.

Year end balances with related parties, arising principally from the above transactions, are disclosed in Notes 11, 15 and 22 to these financial statements.

38. Statutory information

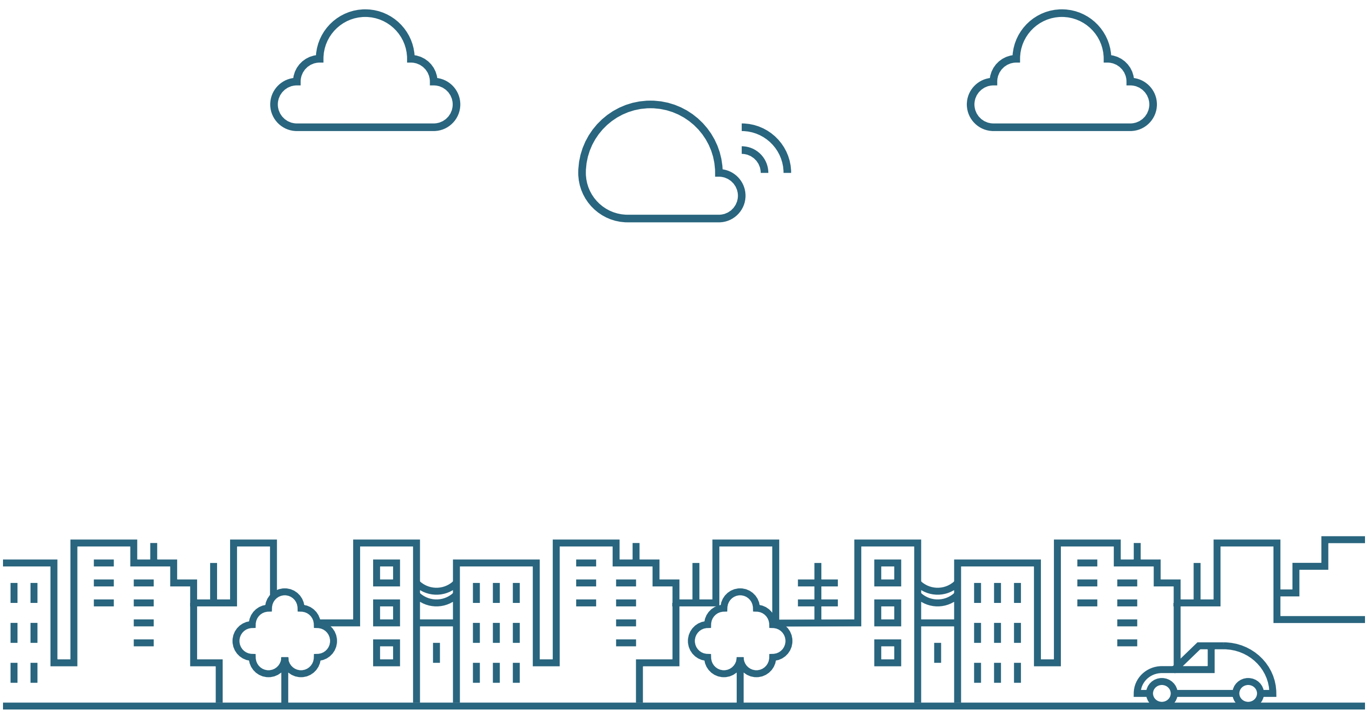
GO p.l.c. is a public limited liability company domiciled and incorporated in Malta. The Company's ultimate controlling parent is Dubai Holding LLC, the registered office of which is situated at Emirates Towers, Level 43, Office Block, Sheikh Zayed Road, Dubai, UAE. Emirates International Telecommunications (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

	2014	2013	2012	2011	2010
	€M	€M	€M	€M	€M
Revenue	122.3	122.1	127.2	131.6	132.3
Results from operating activities	21.8	18.0	22.4	18.4	22.8
Profit/(loss) before tax	20.3	15.6	26.8	(45.2)	(9.1)
Profit/(loss) for the year	14.6	11.8	17.5	(50.5)	(18.2)
Total assets	223.9	235.0	238.2	215.0	285.9
Total liabilities	113.9	131.5	136.6	131.7	136.4
Total equity	110.0	103.5	101.6	83.4	149.5
Operating cash flow	40.3	39.6	40.0	35.1	43.2
Investing cash flow	(30.6)	(19.3)	(27.6)	(25.6)	(25.5)
Financing cash flow	(23.9)	(17.4)	3.3	(9.7)	(14.6)
	€	€	€	€	€
Earnings/(loss) per share	0.144	0.116	0.171	(0.503)	(0.189)
Proposed dividends per share	0.07	0.07	0.10	0.00	0.05




GO's mission is to provide a better future thanks to enhanced connectivity and unmatched telecommunications and entertainment services.

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
Malta

Gatt Tufigno Gauci (Advocates)
Malta

Registered Office
GO
Fra Diegu Street
Marsa MRS 1501

Company Number
C 22334

Financial Calendar

Preliminary Announcement of Results	10 March 2015
Record date: Final dividend	2 April 2015
Ex-dividend date	6 April 2015
Annual General Meeting	5 May 2015
Final dividend payment date	8 May 2015
Announcement of half yearly results (provisional)	August 2015

Shareholder Information

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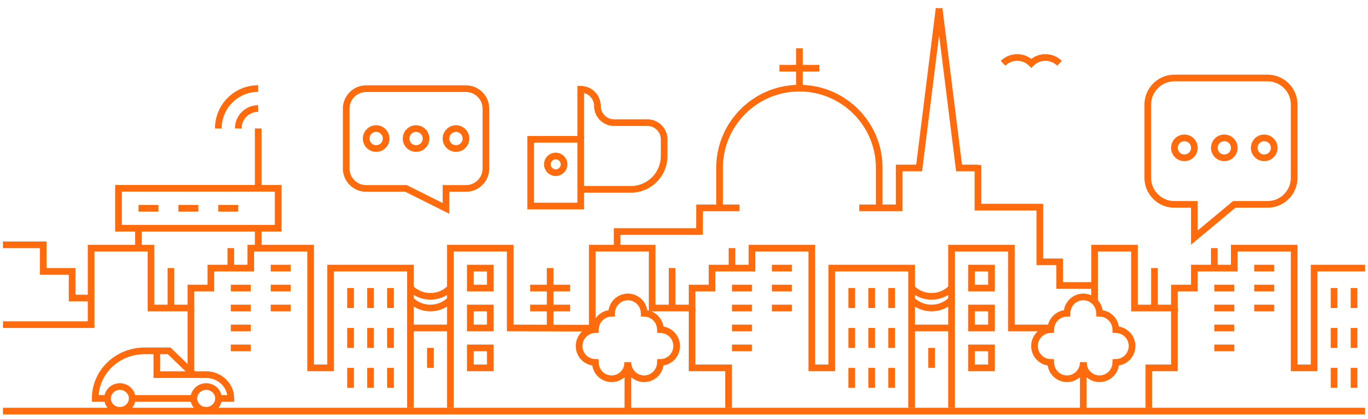

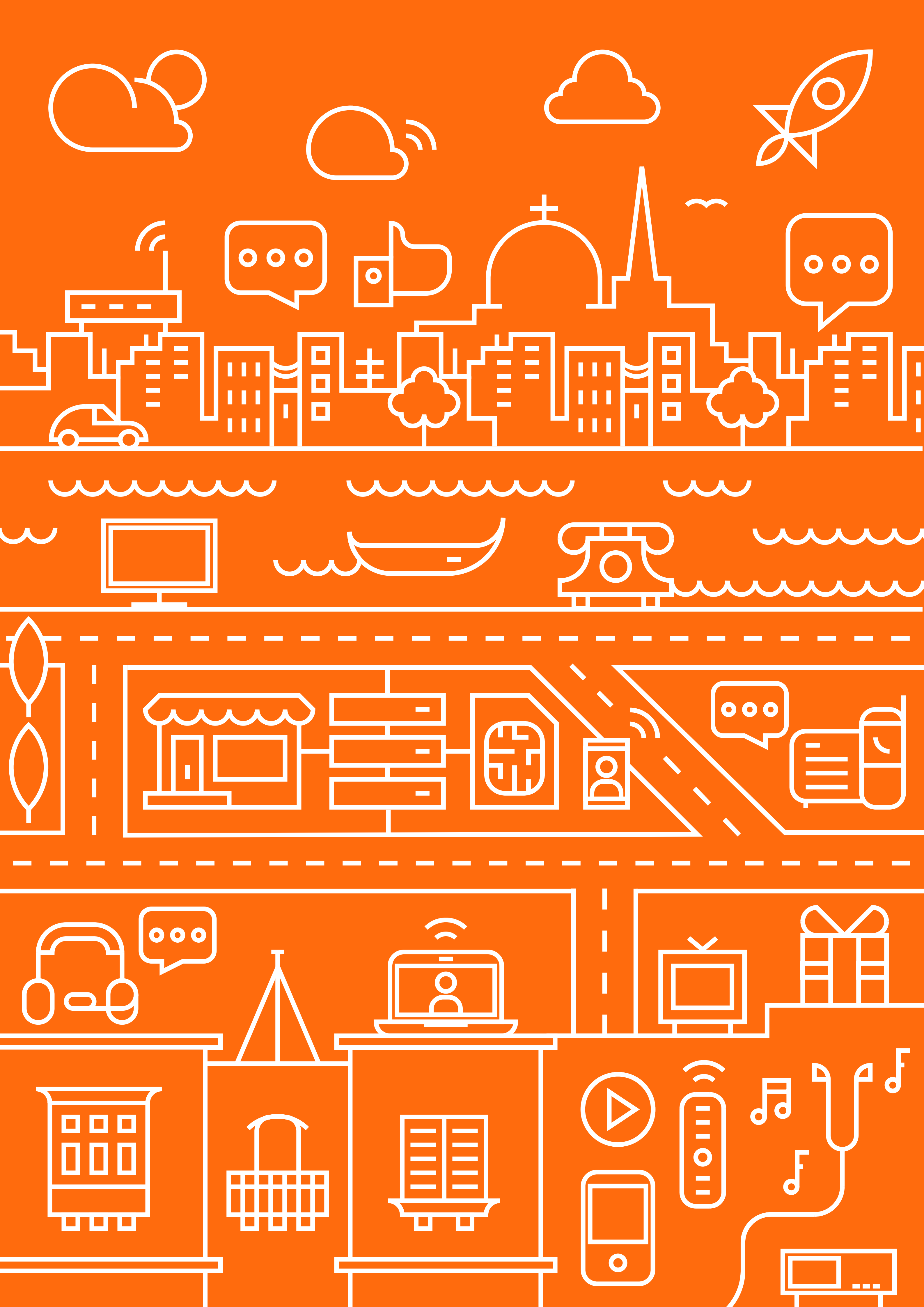

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