



GO

**Annual
Report 2019**

& Financial Statements

**Customer
Connections**

at the heart of our business

Annual Report 2019

& Financial Statements



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

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

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

GO p.l.c.
Annual Report and Consolidated
Financial Statements

31 December 2019

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Chairman's message

GO has long established itself as a strong and integral part of the Maltese community and has contributed significantly to the success of the Maltese economy. It has taken a leading role as one of the largest investors in Malta's digital infrastructure, which is critical if the country is to keep up with the speed of digital transformation.

GO has taken considerable measures to enable Maltese citizens to improve their quality of life delivering products and services that connect everyone to all things digital.

It has been just over two years that I have been part of GO's bright and successful 45-year legacy of doing what it does best – connecting Malta, its people and businesses to what matters most to them. I am very proud, that together with my fellow Board Members and the exceptional team at GO, we have collectively and successfully left our mark and contributed positively to this long journey.

During 2019, GO generated close to €177.8 million in revenue, an increase of 3.5% over 2018, resulting in an operating profit of €25.8 million, €7.2 million lower than that recorded in 2018. This is due to higher costs in providing a better experience for our end customer.

Based on this performance, the Board is in a position to recommend a dividend of €0.14 per share.

Our strategic investments continue to contribute greatly to the Group's success.

Our investment in Cyprus continues to drive positive returns. Our strategy to invest in Cablenet today contributes 19% to Group EBITDA. Today more than ever, we are even more committed to this investment following the acquisition of a further 9.26% stake in Cablenet during the course of 2019, bringing our total shareholding to 60.26%. I am convinced that this investment will continue to drive even higher returns.

On the national front, BMIT Technologies, for which we remain majority shareholders, continues to go from strength to strength, confirming its position as the leading IT service provider for local and global enterprises operating from Malta. BMIT Technologies further demonstrates GO's successful investment strategy, proving to be yet another significant contributor to GO's growing portfolio.

GO has an unrivalled record of investment. It has invested in its people, in its technology and in the country's digital infrastructure, creating unprecedented opportunities for citizens and businesses to thrive. We remain committed to continue investing in promising businesses that will complement and support GO's vision through the GO Ventures arm, which was set up and launched last year with a dedicated €2 million fund.

GO has invested heavily in its promise to ensure that every household has access to TrueFibre technology. During 2019, it continued on this mission, reaching close to 120,000 households. This means that these households have the opportunity to enjoy the fastest, most resilient and future-ready technology that exists today. GO has invested more than €240 million in its infrastructure in the past 10 years alone. We are on track to deliver TrueFibre to the majority of households over the next 5 years.

This year we committed to invest a further €24 million in our international connectivity. This means that GO will have a third submarine cable, becoming the only operator in Malta with full in-house redundancy measures, but more importantly, for the first time in telecoms history, GO will be the only provider connecting Malta to France and the middle and far east.

Our vision and commitment is clear: we want to be the main drivers that will deliver a true digital Malta; we want to deliver higher returns for our shareholders; and as for our customers, we want to ensure that they all have the opportunity to enjoy exceptional quality products and services, of the latest technology, at prices that are second to none, today and for years to come.

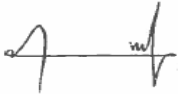
Chairman's message - continued

It has been a privilege and a great honour to have worked alongside a sterling group of like-minded individuals who have made GO what it is today – a respectable communications company that was bold enough to look beyond the restrictions of a small island state, a company that is a true embodiment of determination and pride in bringing life-changing technology to the Maltese people.

Committed to Our Vision

It is now time for me to pass on the baton to my successor as I take on new responsibilities as the Minister for Telecommunications in Tunisia, a role that required my resignation from Tunisie Telecom and consequently from GO. I am confident that whoever takes on this role will continue to steer GO on its success path in years to come.

I take this opportunity to thank the Board Members, Nikhil Patil, CEO, the Executive Team and all the very talented and dedicated employees for all their hard work throughout the years.



Mohamed Fadhel Kraiem
Chairman

Chief Executive Officer's review

2019 has been an exciting year to say the least, but also a year of challenges and of many learnings. There are three main questions that drive our decisions at GO. We always ask ourselves whether our actions will be adding more value to our customers' lives; whether they will be delivering more returns to our shareholders; and also, whether we are learning and developing as an organisation. This filter continued to guide our strategic direction during 2019.

During the past year, we worked extremely hard to continue connecting homes and businesses with TrueFibre technology - a technology which is the best in broadband provision, one that promises unprecedented speeds and reliability and which is ready to cater for any future demand. GO is the only company that is providing TrueFibre technology that goes straight into one's premises, whether it's one's living room, office or alternative workspace. We now have close to 120,000 homes passed with TrueFibre and we are well on track to have all Malta and Gozo covered in the next 5 years.

We fully appreciate how dependent the world is on 24/7 connectivity. Whether it is a private individual who needs to connect to family and friends, or a business which operations are dependent on a resilient and reliable connection, an 'always on' connection is critical. Our own engineers worked hand in hand with foreign experts to develop the 'SmartHub', a hybrid device that automatically switches to mobile data in the event of an outage on the fixed cable, thus promising an uninterrupted internet service. This is not the only benefit. SmartHub is easily self-installed, meaning that customers do not need our technicians to install the service. Consequently, this also results in increased capacity for our technicians.

The launch of Mix and Match was another step forward in improving the overall experience for our customers. With Mix and Match, today customers have full autonomy over our products with the facility to pick and choose their own service bundles.

We also worked hard on the TV front, delivering a whole new TV experience for our customers. Our focus has remained that of connecting people to the content they love, and what better way of doing this than investing in our systems to deliver a platform that can support increased interactivity, push content based on users' preferences, and which can also deliver TV content over mobile devices at the click of a button. We went a step further and replicated this experience on our TV Anywhere APP that allows our customers to enjoy their most favourite TV content outside the comfort of their home, without consuming data from their bundle.

Our customers are online and expect to be serviced online. Our newly designed website, online chat facility and mobile APP have contributed greatly to our customers' digital engagement with us. We are now in the third year of our digitalisation and simplification programme which has required a transformation in many areas, while at the same time maintaining customer centricity in what we do. This has led to increased efficiencies, which are ultimately translating into a better experience for our customers.

We have been serving the Maltese community for the past 45 years. Just like any other organisation of our size and nature, we have gone through numerous transformations, have experienced downturns, as well as many positive times. What has remained constant is our commitment to being the lead investor in Malta's digital infrastructure. Our commitment to ensuring a true digital future for Malta, where no one – no business, or private person is left behind, is as strong as ever.

Whilst 2019 proved to be a positive year in terms of revenue, which reached €177.8 million, compared to €171.8 million in 2018, operating profit declined to €25.8 million (€33.1 million in 2018). The decrease is mainly attributed to an increase in depreciation and amortisation charges as a result of hefty capital expenditure undertaken by the Group in recent years and to Cablenet's launch of football sports content. All this contributed to GO reporting €22.8 million profit before tax which is €8.8 million lower than last year.

Chief Executive Officer's review - continued

2019 was a milestone year for our subsidiary BMITT, with the listing of the company on the Malta Stock Exchange. Through a very successful IPO, we now share the success with hundreds of shareholders. BMITT is one of the leading go-to companies to provide upcoming businesses with one-stop-service solutions. In fact, in 2019, BMITT continued to grow both in terms of revenue and profits.

In Cyprus, during the course of 2019, Cablenet started the process to roll out a mobile network. This investment will enable Cablenet to offer its customers the whole suite of telecommunications services. Cablenet continues to experience growth in subscribers, with more Cypriots choosing Cablenet as their telecommunications provider. In turn Cablenet continues with its commitment to invest in its network to retain the leading edge in the provision of quality broadband, TV and mobile.

During 2019, the Group invested €28.2 million (2018: €26.2 million) in our networks and €9.2 million (2018: €5.9 million) in customer premises equipment. We are committed to continue expanding our fibre network and upgrading our customer premises equipment so that our customers can have the best customer experience.

Our investment strategy always takes a long-term view. Our next major investment is linked to our international connectivity. Just like we were the first company to lay a submarine cable back in 1995, we are now the first company to be providing Malta with a submarine link to a country other than Italy. We will be the first to connect Malta to mainland Europe and the first to connect Malta directly to Africa, thus reducing dependency on Sicily.

For the past 45 years, GO has been at the very heart of the community. We took on an incredibly important role in society – seamlessly connecting people, businesses and Malta to the rest of the world, creating a digital future for Malta where no one is left behind. We shall continue to look at ways of delivering sustainable value to our customers and society that reflects both the economic and environmental needs of tomorrow.

I strongly believe in GO and what we have, and what we can continue to achieve together as one team. I am incredibly proud of where we have got to over the past two years and look towards the future with increased energy and enthusiasm.

I thank the GO Board for their support and direction, the esteemed shareholders for their trust and my fellow colleagues for their unwavering dedication and hard work.



Nikhil Patil
Chief Executive Officer

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 2019.

Principal activities

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

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

Business review

A review of the business of the Group during the year under review, events which took place since the end of the accounting period and an indication of likely future developments are given in the Chief Executive Officer's Review on pages 3 to 4.

Review of financial performance

The telecommunications sector continues to be driven by innovation where our customers are driving our Company to constantly find ways to providing 24/7 connectivity and products that suit their lifestyle. GO is committed to keep investing in its network infrastructure so that our customers enjoy the latest technology to benefit from and contribute through the digital revolution that will happen over the coming years.

The telecommunications sector in Malta continues to be characterised by significant competition. Despite this, GO managed to increase its subscriber base by 1.5%, the major increase coming from its mobile arm. GO remains committed to be the operator that helps achieve Malta's digital transformation. Our investment programme is designed to meet the challenges and opportunities that arise from the changing customer behaviours and innovative technologies that will shape the future of Malta. During the current year, GO's fibre network coverage was extended to cover another 21,000 households exceeding 116,000 households, representing 40% of Maltese households. Over the coming years, GO intends to continue investing heavily in its FTTH network with the intention to cover the Maltese Islands in the shortest possible time. In Cyprus, Cablenet's network currently covers approximately 53.4% of households. Coverage is being extended as part of a multi-year programme which also includes ongoing improvements in systems and processes to retain the leading edge in the provision of quality broadband and TV in this market. During the year under review, Cablenet continued to increase its broadband client base by 9.1%, bringing the total customer base to nearly 70,000 subscribers. On the other hand, our Data Centre services over 500 corporate customers from various industries.

Directors' report - continued

The Group generated revenue of €177.8 million (2018: €171.8 million), an increase of €6.0 million over the comparative year. Revenue from GO's local telecommunications segment suffered a decline of 1.4% compared to 2018. This reduction was partly due to the fact that in 2018, GO had sizeable revenues from a one-off contract for the supply of hardware systems which was not repeated in 2019. The substitution of legacy fixed voice services with other telecommunication services, which generate a lower ARPU, further contributed to the reduction in revenue. To offset this decline, GO is offering its customers different packages which allow the customer the freedom to choose the package which suits best their lifestyle. GO has also revamped its popular Homepack brand with the introduction of Mix and Match. This change was a success with bundled package subscribers increasing by 5.5%.

Our subsidiary, BMITT, the leading data centre services provider in Malta, had a positive year registering total revenues of €22.4 million, equivalent to an increase of 5.4% over the prior year. Revenue growth was achieved across all major services and the company continues to enjoy a healthy pipeline of business opportunities.

Cablenet generated total revenues of €39.8 million (2018: €33.4 million), an increase of 19.2%. Revenue growth was mainly due to an increase in the customer base following the expansion of the Company's network in new areas and the introduction of new football-related packages in mid-2019.

Group cost of sales and administrative and related costs amounted to €154.3 million, an increase of €13.9 million over the prior year. The increase is mainly attributed to three main factors: an increase of €4.8 million in depreciation and amortisation charges as a result of hefty capital expenditure undertaken by the Group in recent years; Cablenet's investment in content which had an impact of €6.3 million on this year's costs; and an increase in provision for bad debts which in 2019 amounted €0.5 million (2018: decrease of €1.1 million).

Group Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) grew by 5.3% to €73.2 million, an increase of €3.7 million over the comparative year. After eliminating the effect of IFRS 16, the adjusted EBITDA would be €66.6 million, a reduction of 4.2%. At Company level, the adjusted EBITDA would have been €43.5 million, a reduction of 7.3%. Operating profit amounted to €25.8 million (2018: €33.1 million) representing a decline in the operating performance of the Group.

The investment in Cablenet was this year impacted by the launch of football content. The investment in Sports premium was done to attract more customers and therefore more revenue. This aim was achieved with an increase in revenue of 19.2%. However, the cost of content affected EBITDA and operating profit, both seeing a decline of €3.2 million and €4 million respectively. This downward trend is expected to be reversed in the near future as the company reaps the benefit of the investment in the sports package.

Profit before tax amounted to €22.8 million (2018: €31.7 million) resulting in an earnings per share of €0.115 (2018: €0.187). The adoption of IFRS 16 on profit before tax saw a decline in profit of €1.2 million. The Company profit before tax was positively impacted by the gain on sale of 49% share in BMITT.

Net cash generated from operations amounted to €63 million (2018: €52.8 million), an increase of €10.3 million compared to 2018. The Group managed to increase its net cash generated from operating activities, notwithstanding a €3.5 million increase in tax payments. The adoption of IFRS 16 impacted positively the net cash from operating activities since the principal elements of lease payments are now included with the cashflows from financing activities. These amount to €5.4 million for the Group and €4 million for the Company. The Group's investments in 2019 netted a cash outflow of €0.9 million. The reduction in cash outflow for investing activities was this year caused by the proceeds received from the disposal of non-controlling interest in BMITT. At Company level, the investments in property, plant, equipment and intangible assets amounted to €28 million, €3.4 million more than the value invested during 2018, as the Group maintains its commitment to continue investing in the latest technologies and expanding its fibre network. This investment programme extends also to Cyprus wherein 2019 it invested €9.6 million more than that invested during the preceding year. Through these investments, the Group will ensure that the Maltese and Cypriot customers will continue to enjoy the best possible telecommunications experience. Our Data Centre arm invested €1.7 million in property, plant and equipment, maintaining the same levels of investment as in previous years.

Directors' report - continued

In addition to its investing activities, GO repaid the equivalent of €9.8 million in bank loans and paid out dividends amounting to €55.3 million. During the year, the Group made €13.4 million drawdowns from its unutilised bank loan facilities. The Group's cash and cash equivalents as at year end increased by €4 million. GO has adequate facilities in place, enabling it to maintain its investment programme and honour loan repayment obligations as and when these fall due.

It is encouraging to note that even though this year, compared to previous years, showed a decline, GO has continued to grow, and this sustained growth is being driven by an ever-increasing number of customers choosing GO as their telecommunications company of choice. Thanks to the loyalty shown by customers across the three segments, the Group continues to deliver robust levels of revenues, profitability and cash generation from its core operations.

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

Throughout the past year, GO has also continued to focus on having employees with the right skill set to further improve its operations and customer service. Therefore, the Company has every intention of continuing to invest further in its people. We operate in a technology-led and rapidly evolving sector, and our skilled and committed teams are fundamental as we adapt to change and continue to innovate and drive this business forward together. Total employee benefit expense for the year amounted to €32.2 million (2018: €34.9 million). The average number of persons employed by the Group during the year, including part-timers and students, amounted to 1,232 (2018:1,226).

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

Financial position

The Group continues to enjoy a healthy financial position with shareholders' funds as at year end amounting to €110.4 million (2018: €112.6 million), a decrease of €2.2 million over the prior year in spite of a dividend distribution of €55.7 million during the year. The Group's net asset value per share stands at €1.24 (2018: €1.19), whilst the Group's equity position stands at 2.24x (2018: 2.13x) the Group's net debt position.

The Group's total asset base stands at €327.7 million (2018: €255.4 million), an increase of €72.3 million over the prior year. The introduction of IFRS 16 saw the Group capitalise €50.1 million in right-of-use assets. The Group's total asset base is 38.3% (2018: 47%) funded through equity. The reduction is also due to the adoption of the new accounting standard IFRS 16.

During 2019, through an IPO, the Group offered for sale 99,761,701 shares in its subsidiary BMITT at the offer price of forty nine euro cent (€0.49) per share. This offer was oversubscribed and accordingly GO disposed of 49% of its shareholding in BMITT whilst retaining control over the subsidiary. BMITT is now a listed company on the Malta Stock exchange and the value of the investment as at 31 December 2019 was €54.0 million.

The Group's current assets amounted to €57.4 million (2018: €54.2 million) and are mainly represented by trade and other receivables of €36.5 million (2018: €34.9 million), inventories of €6.1 million (2018: €7.5 million) and cash of €13.2 million (2018: €11.7 million). Total liabilities increased from €135.3 million as at December 2018 to €202.2 million as at December 2019.

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

Directors' report - continued

The Directors recommend that at the forthcoming Annual General Meeting, the shareholders approve the payment of a net dividend of €0.14 per share (after taxation). Total distributions during the year amounted to €0.55 per share.

Our principal risks and uncertainties

Security and resilience

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

Customer data processing

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

Ability to grow

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

i-gaming industry

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

Communications industry regulation

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

Directors' report - continued

Pensions

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

Financial risk management

The Group's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management, covering risk exposures for all subsidiaries, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective company's financial performance. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Accordingly, the Company's Board of Directors provides principles for overall Group risk management, as well as risk management policies covering risks referred to above and specific areas such as investment of excess liquidity. A detailed review of the risk management policies employed by the Group is included in Note 3 to the financial statements.

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

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

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

Throughout the years, GO has proven to be a major contributor to society, both environmentally and socially, and has taken one of the top spots as a leading employer on the island, attracting top talent locally and internationally. However, GO has not yet adopted formal policies in relation to issues such as environmental, social and employee matters. Also GO does not track its progress in these areas by reference to specific non-financial key performance indicators set in the context of formal policies and procedures. Hence, the content of GO's non-financial statement is impacted in a significant manner by these two factors.

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

Directors' report - continued

Employee matters

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

Our people are a vital part of our ambition to deliver a great customer experience, sustainable profit and revenue growth. Our people strategy supports this ambition by creating an environment where talented people can do excellent things as part of a dynamic business; we want great people to work for GO. We want management and staff members to feel engaged and inspired to be the best they can be. Together we can create a high-performing, thriving organisation where difference and innovation are celebrated. At the heart of this are GO's people values. Every employee has a role to play in bringing these values to life. We will deliver on our objectives in this manner and use the power of communications to make the community a better place. We know the majority of our employees want to do and will do the right thing, highlighting the necessity to live GO's values and work in an ethical way at all times.

We continue to grow our workforce and recruit highly talented people. Total employee benefit expense for the year amounted to €32.3 million (2018: €34.9 million). The average number of persons employed by the Group, including part-timers and students, during the year amounted to 1,232 (2018: 1,226).

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

At GO our people do not stop learning – whether that is on the job, with colleagues or in a formal training environment, so that the Group adapts to a changing world and rises to the challenges of tomorrow. We invest in our leadership capability, developing effective leaders at all levels and in all parts of our business. GO has continued to invest substantially in its employees by supporting learning opportunities which are targeted to not only secure the necessary skill set on modern technologies and innovation but also to support career development.

We engage our people by giving them the opportunity to provide any feedback whatsoever that will make GO a better place to work, that will improve levels of employee engagement and that will give rise to actions that improve the way we serve our customers. We keep our people informed about Company results, major business decisions and other things that affect them using a variety of channels. Leaders regularly connect with their teams. GO strives to be an inclusive and gender-balanced employer. It is pleased to report an increased number of female employees across different levels, year in year out. GO is also very proud of its flexible work environment that encompasses various family-friendly measures, which enables its workforce to ensure a better work-life blend. Our maternity return rate continues to improve. Diversifying the mix of our people continues to be a priority within our people strategy. We are particularly keen to encourage women into technology careers. We have run recruitment campaigns for certain posts that aim to attract more women. We want to create an environment where our people can feel open about being themselves at work. We firmly believe in equality and respect for human rights. We actively encourage the recruitment, development and retention of persons with disability.

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

Directors' report - continued

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

We committed to a strategy which embeds effective management of health and safety into all our operations and promotes health and wellbeing to help improve business performance. Our health, safety and wellbeing strategy includes that every line of business is responsible for the safety of their employees and third parties which may be effected by their operations. Managers take responsibility for making sure their teams know how to comply with health and safety standards. Our people receive specific health and safety training and/or are provided with the necessary health and safety information. Policies and programmes are in place to make sure we adhere to our own standards and that these standards meet or exceed minimum legal requirements. We will also work to make sure our products comply with safety regulations, including meeting industry standards. We provide direction to help teams understand and control health and safety risks and help everyone feel involved in health, safety and wellbeing issues.

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

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

Social support

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

As a major presence in the community, GO has always taken its social responsibility very seriously. As in previous years, the Group has maintained a steady programme of activities aimed at improving the quality of life of its workforce and their families, as well as of the local community and society at large. Support towards the Malta Community Chest Fund Foundation continued throughout the year, not solely through two key events - L-Istrina and Festa Citru. L-Istrina was once again an event which was heavily supported by GO, not only in terms of a substantial donation but also in terms of equipment, communications infrastructure and hundreds of man-hours, freely granted to ensure the success of this annual fundraiser. GO also supported various NGOs. During the year, GO also continued to build on the activities of previous years related to various educational initiatives which encourage reading and a passion for science namely the Malta Robotics Olympiad and the 'Aqra Kemm Tiflah' literacy programme. Once again, it supported the annual Joseph Calleja concert. GO also embarked on a three year sponsorship programme with the popular obstacle challenge – the GRID.

Directors' report - continued

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

The Group recognises how important it is for everyone to have access to fast broadband and the Group is focusing on increasing in a significant manner, in the next few months, the number of homes covered by the FTTH project. GO also has the objective of promoting digital inclusion as digital transformation has the power to improve quality of life, boost the economy and protect the environment. It has always been our aim to ensure that no one is left out, especially vulnerable groups like the elderly, disabled or financially disadvantaged. The Group's view is that the next generation are great tech customers, but few are active creators. So much of our life and work depends on technology that tech literacy may be the difference between moving ahead and being left behind. The answer is to build a culture of tech literacy, so that young people grow up with the tech know-how to step up to the jobs of the future and to shape a more inclusive society that works for them.

Environmental matters

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

However, from an environmental perspective, the Company has been successful in its attempts at reducing its carbon footprint. This is a result of consistent and extensive investment in new technologies and equipment which are more efficient in terms of energy consumption. It has also invested in renewable energy by installing PV panels on its main rooftops. GO has undertaken every effort to ensure that its car fleet is modern and that all vehicles are meeting or exceeding low emission standards. Efforts have also been extended to increasing the necessary awareness and encouraging best practice internally. A number of awareness programmes on waste management and recycling have been implemented. All employees are strongly encouraged to recycle, not only waste generated at work, but also electronic waste at home through the provision of proper disposal facilities within the Company's main offices including collection points for e-waste.

Respect for human rights

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

Privacy and free expression are the rights most at risk from communication services. We want our customers to know they can trust us with their information. We have in place policies, procedures and controls to ensure that customer data is managed in a lawful, ethical and responsible manner.

Directors' report - continued

Anti-corruption and bribery matters

One of GO's key objectives is to strive for ethical behaviour with regards to its interactions with all its stakeholders. Our Company's long-standing commitment to doing business with integrity means avoiding corruption in any form, including bribery, and complying with the local legislation in this respect. GO has set up a formal policy in respect of these matters.

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

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

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

Financial and other controls play an important part in our ability to prevent and detect inappropriate and unethical behaviour. This behaviour includes fraud, deliberate financial misstatement and improper accounting practices, as well as breaches of anti-corruption, bribery, or sanctions legislation. If the design, operation or the assurance over these controls is ineffective or circumvented, there is a greater risk that the impacts described above may materialise.

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

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

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

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

Directors' report - continued

Our services are regulated to make sure that providers comply with common standards and rules, and that nobody is disadvantaged by providers with strong positions in the marketplace. Electronic communications networks and services are governed by directives and regulations set by the European Commission (EC). These create a Europe-wide framework (known as the European Common Regulatory Framework) covering services such as fixed and mobile voice, broadband, cable and satellite transmission. The directives include rules covering:

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

Board of Directors

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

Sofiane Antar
Lassaad Ben Dhiab (appointed on 6 May 2019)
Paul Fenech
Faker Hnid (interim Chairman)
Deepak Padmanabhan
Norbert Pihoda (appointed on 6 February 2020)
Paul Testaferrata Moroni Viani
Jamel Sakka (resigned on 6 May 2019)
Mohsin Majid (resigned on 1 January 2020)
Mohamed Fadhel Kraiem (resigned on 28 February 2020)

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.

Paul Fenech, Deepak Padmanabhan and Paul Testaferrata Moroni Viani offered themselves for election at the twenty-first Annual General Meeting for the three seats on the Board of Directors and thus there was no need for an election and the three were re-appointed to represent the Company's minor shareholders.

Nikhil Patil (GO's Chief Executive Officer) was acting as Director of BMITT. Reuben Attard (GO's Chief Finance Officer) was appointed director on BMITT on 2 October 2019.

Christian Sammut (BMITT's Chief Executive Officer), together with Nikhil Patil (GO's Chief Executive Officer) acted as Directors of Kinetix IT Solutions Limited.

Nikhil Patil (GO's Chief Executive Officer) and Charmaine Farrugia (GO's Chief Corporate, Strategy and Business Planning Officer) were appointed directors on 9 October 2018 and 25 January 2019 respectively on the boards of the following subsidiaries: on BMIT Limited, Bellnet Limited and BM Support Services Limited. Reuben Attard (GO's Chief Finance Officer) was also appointed as director on these subsidiaries on 2 October 2019, replacing Reuben Zammit (former GO's Chief Finance Officer) who was appointed as director on 25 January 2019 and resigned on 2 October 2019.

Directors' report - continued

Mohamed Fadhel Kraiem, Faker Hnid and Paul Testaferrata Moroni Viani, together with Nikhil Patil (GO's Chief Executive officer) were acting as Directors of Cablenet Communications Systems Limited during the year ended 31 December 2019.

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 18 to 27.

Directors' responsibilities

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

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

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

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

The financial statements of GO p.l.c. for the year ended 31 December 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and may be made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Information provided in accordance with *Listing Rule 5.70.1*

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

Going concern

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

Directors' report - continued

Auditors

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

Information provided in accordance with *Listing Rule 5.64*

The authorised share capital of the Company is three hundred forty nine million four hundred and five thousand eight hundred euro (€349,405,800) divided into six hundred million (600,000,000) shares of fifty eight point two three four three euro cent (58.2343 euro cent) 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 cent (€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 cent (58.2343 euro cent) 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 2019, only TT ML Limited held a shareholding in excess of 5% of the total issued share capital.

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

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

The Directors shall be appointed as set out hereunder:

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

Directors' report - continued

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

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

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

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

Pursuant to Listing Rules 5.64.2, 5.64.4, 5.64.5, 5.64.6, 5.64.7, 5.64.10 and 5.64.11 it is hereby declared that, as at 31 December 2019, none of the requirements apply to the Company.

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

Approved by the Board of Directors on 12 March 2020 and signed on its behalf by:



Faker Hnid
Interim Chairman



Paul Testaferrata Moroni Viani
Director

Registered office
GO
Fra Diegu Street
Marsa
Malta

12 March 2020

Corporate governance - Statement of compliance

A. Introduction

Pursuant to the Malta Financial Services Authority Listing Rules, GO p.l.c. ('the Company' or GO) 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 currently composed of seven Directors (one of whom is the Chairman) all of whom are non-executive Directors.

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

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

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

Principle 2: Chairman and Chief Executive Officer

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

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

Corporate governance - Statement of compliance - continued

Principle 2: Chairman and Chief Executive Officer - continued

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.

Following the resignation of Mohamed Fadhel Kraiem on 28 February 2020, the Board of Directors is currently chaired by Faker Hnid and comprises seven (7) non-executive Directors. The following Directors served on the Board during the period under review:

Sofiane Antar
Lassaad Ben Dhiab (appointed on 6 May 2019)
Paul Fenech
Faker Hnid
Deepak Padmanabhan
Norbert Prihoda (appointed on 6 February 2020)
Paul Testaferrata Moroni Viani
Jamel Sakka (resigned on 6 May 2019)
Mohsin Majid (resigned on 1 January 2020)
Mohamed Fadhel Kraiem (resigned on 28 February 2020)

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

Corporate governance - Statement of compliance - continued

Principle 3: Composition of the Board - continued

Application of Diversity Policy in relation to the Board of Directors

The Company does not have in place a formal diversity policy which is applied in relation to the Board of Directors with regard to aspects such as age, gender or educational and professional backgrounds. This is principally attributable to the fact that the Company is controlled by Tunisie Telecom and accordingly policies such as this which govern the composition of the Board necessarily have to take into account the circumstances, direction and strategy of the controlling party. Notwithstanding the absence of a diversity policy, the Company endeavours to have in place a Board composed of members who possess a diverse range of skills, characteristics and qualities. The objective of the Company is that the Board composition contributes to different views and opinions, enhancing the level and quality of challenge together with oversight exercised at Board level.

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

The Board has a formal schedule of matters reserved to it for decisions, but also delegates specific responsibilities to various board committees and sub-committees, the most prominent being the Audit Committee, the Remuneration Committee and the Executive Committee. Directors receive board and committee papers in advance of meetings and have access to the advice and services of the Company Secretary. Directors may, in the course of their duties, take independent professional advice on any matter at the Company's expense. The Directors are fully aware of their responsibility to 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 seven (7) times and attendance by Board members was as follows:

	Attended
Mohamed Fadhel Kraiem (resigned on 28 February 2020)	7
Sofiane Antar	7
Mr. Lassaad Ben Dhiab (appointed on 6 May 2019)	6
Paul Fenech	6
Faker Hnid	7
Mohsin Majid (resigned on 1 January 2020)	7
Deepak Padmanabhan	7
Paul Testaferrata Moroni Viani	6
Jamel Sakka (resigned on 6 May 2019)	1

Norbert Prihoda was appointed as director on 6 February 2020 and hence no meetings were attended during 2019.

On joining the Board, a Director is provided with a presentation by the departmental heads on the activities of their respective business unit in the Company and its subsidiaries. The Directors receive, on a regular basis, information on the Group financial performance and position. The Board has the responsibility to ensure that the activities are organised in such a way that the accounts, management of funds and financial conditions in all other respects are controlled in a satisfactory manner and that the risks inherent in the activities are identified, defined, measured, monitored and controlled in accordance with external and internal rules, including the Articles of Association of the Company. The Board of Directors, through the work carried out by the Executive Committee, continuously assesses and monitors the Company's operational and financial performance, assesses and controls risk, and monitors competitive forces in all areas of operation. It also ensures that both the Company and its employees maintain the highest standards of corporate conduct.

Corporate governance - Statement of 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 Faker Hnid, with the other members being Deepak Padmanabhan and Paul Fenech. The Audit Committee is independent and is constituted in accordance with the requirements of the Listing Rules, with Faker Hnid being chosen as the member competent in accounting and/or auditing in view of his experience in the field. The Internal Auditor is present at Audit Committee meetings. The Chief Finance Officer and the external auditors of the Company attend the meetings of the Committee by invitation. Other executives are requested to attend when required. The Company Secretary also acts as Secretary to the Audit Committee.

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

As part of its duties, the Committee receives and considers reports on the system of internal financial controls and the audited statutory financial statements of all companies comprising the Group. The Committee held five (5) meetings during the year. The external auditors attended all of these meetings.

Remuneration Committee

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

The Remuneration Committee was chaired by Mohamed Fadhel Kraiem, the other members being Paul Testaferrata Moroni Viani and Paul Fenech. The Company Secretary, Dr. Francis Galea Salomone, acts as Secretary to the Remuneration Committee. The Remuneration Committee met three (3) times in 2019. The Report of the Committee to the shareholders is set out on pages 28 to 30.

Executive Committee

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

The Executive Committee, which was chaired by Mohamed Fadhel Kraiem, is also comprised of Nikhil Patil, Lassad Ben Dhiab and Sofiane Antar. The Company Secretary acts as Secretary to the Executive Committee. The Executive Committee held one (1) meeting during the year under review.

Corporate governance - Statement of compliance - continued

Principle 6: Information and Professional Development

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

On joining the Board, Board members are informed in writing by the Company Secretary of the Directors' duties and obligations, relevant legislation as well as rules and bye-laws. In addition, Directors have access to the advice and services of the Company Secretary and the Board is also advised directly, as appropriate, by its legal advisors. Directors are also provided with a presentation by the departmental heads on the activities of their respective business unit in the Company and subsidiaries. On a regular basis, the Directors receive periodic information on the Group's financial performance and position. The Company Secretary ensures effective information flows within the Board, committees and between senior management and Directors, as well as facilitating professional development. The Company Secretary advises the Board through the Chairman on all governance matters.

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

Principle 7: Evaluation of the Board's Performance

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

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

Principle 8: Committees

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

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

Corporate governance - Statement of compliance - continued

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 himself and the Chairman of the Audit Committee are available to answer questions.

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

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

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

The office of the Company Secretary maintains regular communication between the Company and its investors. Individual shareholders can raise matters relating to their shareholdings and the business of the Group at any time throughout the year, and are given the opportunity to ask questions at the AGM or to submit written questions in advance.

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

Principle 11: Conflicts of Interest

The Directors are fully aware of their responsibility to 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 2019
Mohamed Fadhel Kraiem	nil
Sofiane Antar	nil
Lassaad Ben Dhiab	nil
Paul Fenech	130,995
Faker Hnid	nil
Mohsin Majid	nil
Deepak Srinivas Padmanabhan	nil
Norbert Prihoda	nil
Paul Testaferrata Moroni Viani	78,394
Jamel Sakka	nil

Corporate governance - Statement of compliance - continued

Principle 11: Conflicts of Interest - continued

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

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

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

There were no other changes in the Directors' interest in the shareholding of the Company between year-end and 27 February 2020.

Principle 12: Corporate Social Responsibility

As a major presence in the community, GO has always taken its corporate social responsibility very seriously. As in previous years, in 2019 the Group has 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. During the year GO also continued to build on the 'GO for the Future' campaign supporting various educational initiatives which encourage reading and a passion for science.

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

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

C. Non-compliance with the code

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

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

Corporate governance - Statement of compliance - continued

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

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

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

Principle 6: Succession Plan for Senior Management

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

Principle 8 B: Nomination Committee

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

Within this context, the Board believes that the setting up of a Nomination Committee is currently not suited to the Company since it will not be able to undertake satisfactorily its full functions and responsibilities as envisaged by the spirit of the Code. The Company also considers that some of the functions of the Nomination Committee (particularly those relating to succession planning and the appointment of senior management) are already dealt with by the Remuneration Committee.

Principle 9: Conflicts between Shareholders (code provision 9.3)

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

Corporate governance - Statement of compliance - continued

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.

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.

Corporate governance - Statement of compliance - continued

E. General meetings

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

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

Remuneration Committee report

A. Terms of reference and membership

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

The Remuneration Committee was composed of Mohamed Fadhel Kraiem (Chairman), Paul Testaferrata Moroni Viani and Paul Fenech, all of whom are non-executive Directors of the Company. Faker Hnid was appointed as an Interim Chairman following Mohamed Fadhel Kraiem's resignation on 28 February 2020. 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 three meetings. All Committee members attended the meetings held.

The Committee discussed the following matters:

- Remuneration report;
- Remuneration of Senior Management;
- Approval of bonus to Senior Management and other staff;
- Resignation and appointment of new Chief Officers;
- Approval of performance bonus for 2018; and
- Bonus scheme for 2019.

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 €300,000.

No Board Committee fees were payable to any of the Directors during the year under review.

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

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

Remuneration Committee report - continued

C. Remuneration policy - Directors - continued

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

D. Remuneration policy - Senior Management

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

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

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

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

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

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

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

Remuneration Committee report - continued

E. Code provisions 8.A.5

Emoluments of Directors

Fixed Remuneration	Variable Remuneration	Share Options	Others
€280,314	None	None	None

Emoluments of Senior Management

Fixed Remuneration	Variable Remuneration	Share Options	Others
€1,285,125	€501,485	None	€3,240



Faker Hnid
Chairman, Remuneration Committee

12 March 2020



Independent auditor's report

To the Shareholders of GO p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- GO p.l.c.'s Group financial statements and Parent Company financial statements (the financial statements) give a true and fair view of the Group's and the Parent Company's financial position as at 31 December 2019, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

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

What we have audited

GO p.l.c.'s financial statements, set out on pages 41 to 143 comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2019;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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



Independent auditor's report - continued

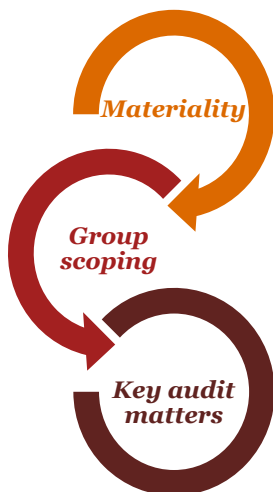
To the Shareholders of GO p.l.c.

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

The non-audit services that we have provided to the Group and its subsidiaries, in the period from 1 January 2019 to 31 December 2019, are disclosed in Note 25 to the financial statements.

Our audit approach

Overview



Overall group materiality: €1.2 million, which represents 5% of profit before tax

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

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

Materiality

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



Independent auditor's report - continued

To the Shareholders of GO p.l.c.

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

Overall group materiality	€1.2 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of quantitative thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €65,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Assessment of carrying amount of goodwill and intangible assets attributable to the Group Goodwill with a carrying amount of €27.9 million and intangible assets having a carrying amount of €10.4 million as at 31 December 2019, have arisen from a number of acquisitions effected during the preceding financial years. An assessment is required annually to establish whether goodwill and intangible assets that have an indefinite useful life should continue to be recognised, or if any impairment is required. The assessment was performed at the lowest level at which the Group could allocate and assess goodwill, which is referred to as a cash generating unit (CGU). Goodwill and intangible assets arising from acquisitions have been allocated to the Group CGUs.	We evaluated the suitability and appropriateness of the impairment methodology applied and the discounted cash flow model as prepared by management or independent experts appointed by management. We assessed the methodology and assumptions used by utilising our independent valuation experts. The calculations used in the model were re-performed to check accuracy and the key inputs in the model were agreed to approved sources. Management's cash flow forecasts used in the model were assessed by:



Independent auditor's report - continued

To the Shareholders of GO p.l.c.

Key audit matter	How our audit addressed the Key audit matter
<p>The impairment assessment relied on the calculation of a value in use for each of the CGUs. This calculation was based on estimated future cash flows for each CGU, including assumptions around revenue growth, margins and EBITDA levels, discounted at an appropriate weighted average cost of capital. The Group used its business plan as the basis for the first 5 years of cash flows and then extrapolated returns into perpetuity using a terminal growth factor.</p> <p>The assumptions supporting the underlying forecast cash flows reflect significant judgements as these are affected by unexpected future market or economic conditions. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires judgement. The extent of judgement and the size of the goodwill and intangible assets, resulted in this matter being identified as an area of audit focus.</p> <p>Relevant references in the Annual Report and Financial Statements:</p> <ul style="list-style-type: none">• Accounting policy: Note 1.6 and 1.8• Note on intangible assets: Note 8• Critical accounting estimates and judgements: Note 4.1	<ul style="list-style-type: none">• testing that the forecasts agreed to the most recent business plan which had been approved by the Board of Directors;• considering current year performance against plan and the reasons for any deviation also through discussion with management for each CGU; and• assessing historical forecasting accuracy through back-testing by reviewing the historical achievement of the business plan given the uncertainties in forecasting, comparing the actual historical cash flow results with previous forecasts, including forecast profit margins to historical margins. <p>We also focused on understanding and challenging management's future plans for the CGUs and understanding the manner in which the related cash flow forecasts were drawn up. We benchmarked key assumptions in management's forecasts in respect of revenue growth, gross margins and EBITDA margins, to the extent practicable, to relevant economic and industry indicators, where possible.</p> <p>Our independent valuation experts critically assessed the discount rate and terminal growth rates used in the discounted cash flow models.</p> <p>The challenge of our valuation experts was focused on the methodology used to determine the discount rates utilised by each CGU by reference to the overall calculated cost of capital for the Group, and on which benchmarks were the most appropriate in determining the terminal growth rate of cash flows for each CGU. We independently calculated a weighted average cost of capital by making reference to market data and benchmarked the long-term growth rates to market data. We concluded that the parameters utilised by the Group were reasonable, given historic results, economic outlook, industry forecasts and other market data.</p>



Independent auditor's report - continued

To the Shareholders of GO p.l.c.

Key audit matter	How our audit addressed the Key audit matter
	<p>Our discussions with the Audit Committee in respect of this key audit matter focused on the key assumptions, both individually and when combined together. During these discussions, management confirmed their view that the forecast for each CGU remained appropriate and that the key assumptions were subject to oversight.</p> <p>We assessed the sufficiency of the sensitivity analysis performed by management or independent experts appointed by the Group. Independent sensitivity analysis was performed, making adjustments to a number of modelled assumptions simultaneously to identify any CGUs which were most sensitive to a change in value in use. We critically assessed whether or not a reasonably possible change to the assumptions could result in an impairment considering the sensitivity of the valuations to these assumptions. The deterioration in performance or long-term growth rates which would need to occur, or the increase in discount rate which would need to be applied to the model, that may lead to impairment in one or more CGUs is significant in view of the comfortable levels of headroom with respect to CGU carrying values. We determined that a movement in those key assumptions of this extent is unlikely. The value in use of the CGUs remains in excess of the carrying amounts by a comfortable headroom.</p> <p>The appropriateness of disclosures made in relation to goodwill and intangible assets was also reviewed.</p>
<p><i>Accuracy of the Company's revenue due to complex billing systems and revenue recognition</i></p> <p>The accuracy of revenue amounts recorded is an inherent industry risk. This is because telecoms billing systems are complex and process large volumes of data with a combination of different products sold and tariff changes during the year, through a number of different systems.</p>	<p>We evaluated the relevant systems and the design of controls, and tested the operating effectiveness of automated and non-automated controls over the:</p> <ul style="list-style-type: none">• capture and recording of revenue transactions comprising services supplied to customers;



Independent auditor's report - continued

To the Shareholders of GO p.l.c.

Key audit matter	How our audit addressed the Key audit matter
<p>The Company retails subscription packages to customers which include multiple elements and may include discounts and offers, such as services sold for a single package price. The allocation of revenue to each element of a bundled transaction is complex and requires judgement, as described in the Company's accounting policy on Note 1.22. There is a risk that inappropriate allocations could lead to non-compliance with accounting standards and inaccurate acceleration or deferral of revenue.</p> <p>Relevant references in the Annual Report and Financial Statements:</p> <ul style="list-style-type: none">Accounting policy: Note 1.22	<ul style="list-style-type: none">authorisation of tariff changes and the input of this information to the billing systems; andcalculation of amounts billed to customers. <p>We also tested the accuracy of a sample of customer bills.</p> <p>We evaluated the Company's revenue recognition policy and management's current year assessment in respect of accounting for bundled transactions against relevant accounting standards and guidance taking cognisance of IFRS 15, 'Revenue from contracts with customers'.</p> <p>We tested the policy's implementation by:</p> <ul style="list-style-type: none">performing tests to confirm our understanding of the process by which revenue is calculated by the relevant billing systems as reflected above;performing an assessment of the different product bundles and offers made available to customers during the year and confirming the fair value of the different elements of these packages to appropriate evidence of fair value;assessing whether revenue should be accelerated or deferred based on the relative fair value of elements delivered at different points during the contract, when compared to the revenue calculated by the relevant billing system; andwhere differences arose between the revenue calculated by the billing system and the revenue recognition profile calculated in accordance with the Company's revenue recognition policy, we assessed the accuracy of those adjustments recognised to align revenue recognised with the Company's accounting policy. <p>In respect of this key audit matters, we found no significant exceptions in our controls testing and no material misstatements were identified in our substantive testing.</p>



Independent auditor's report - continued

To the Shareholders of GO p.l.c.

How we tailored our Group audit scope

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

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

The group audit engagement team in Malta carried out a full scope audit on all components located in Malta, accounting for 78% of Group revenues and 99% of Group profit before tax. The financial statements of Cablenet Communications Systems Limited (the remaining subsidiary within the Group), based in Cyprus, was audited by other auditors, to whom we issued instructions.

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

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

Other information

The Directors are responsible for the other information. The other information comprises the *Chairman's Message*, the *Chief Executive Officer's Review*, the *Directors' Report*, the *Remuneration Committee Report*, and the *Five-Year Record* (but does not include the financial statements and our auditor's report thereon).

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

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

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

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

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



Independent auditor's report - continued

To the Shareholders of GO p.l.c.

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

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

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



Independent auditor's report - continued

To the Shareholders of GO p.l.c.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

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

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



Independent auditor's report - continued

To the Shareholders of GO p.l.c.

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

Other matters on which we are required to report by exception

We also have responsibilities:

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

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

Appointment

We were first appointed as auditors of the Company on 17 May 2010. Our appointment has been renewed annually by shareholders' resolution representing a total period of uninterrupted engagement appointment of 10 years.

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta

Fabio Axisa
Partner

12 March 2020

Statements of financial position

		Group		Company	
		As at 31 December			
Notes	2019 €000	2018 €000	2019 €000	2018 €000	
ASSETS					
Non-current assets					
Property, plant and equipment	6	147,091	139,646	104,750	102,181
Right-of-use assets	7	50,131	-	42,028	-
Intangible assets	8	71,035	57,606	6,777	4,350
Investments in subsidiaries	9	-	-	50,077	43,445
Investments in associate	10	18	18	-	-
Loans receivable from subsidiary	12	-	-	4,549	15,600
Deferred tax assets	14	-	1,391	-	1,385
Trade and other receivables	16	2,106	2,559	4,730	3,965
Total non-current assets		270,381	201,220	212,911	170,926
Current assets					
Inventories	15	6,146	7,541	5,943	7,314
Trade and other receivables	16	36,535	34,946	27,337	29,711
Current tax assets		1,488	-	1,488	-
Cash and cash equivalents	17	13,186	11,725	7,552	10,626
Total current assets		57,355	54,212	42,320	47,651
Total assets		327,736	255,432	255,231	218,577

Statements of financial position - continued

		Group		Company	
		As at 31 December			
Notes		2019 €000	2018 €000	2019 €000	2018 €000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	18	58,998	58,998	58,998	58,998
Reserves	19	37,544	(2,343)	4,096	4,269
Retained earnings		13,853	55,983	51,630	57,340
Total capital and reserves attributable to owners of the Company		110,395	112,638	114,724	120,607
Non-controlling interests		15,175	7,539	-	-
Total equity		125,570	120,177	114,724	120,607
LIABILITIES					
Non-current liabilities					
Lease liabilities	21	43,781	-	36,976	-
Borrowings	20	53,865	50,286	41,088	35,884
Deferred tax liabilities	14	2,451	2,354	787	362
Provisions for pensions	22	1,931	2,918	1,931	2,918
Trade and other payables	23	8,478	1,947	-	-
Total non-current liabilities		110,506	57,505	80,782	39,164
Current liabilities					
Borrowings	20	15,380	17,971	9,921	15,090
Lease liabilities	21	6,228	-	4,805	-
Provisions for pensions	22	3,237	3,474	3,237	3,474
Trade and other payables	23	66,280	53,273	41,762	37,403
Current tax liabilities		535	3,032	-	2,839
Total current liabilities		91,660	77,750	59,725	58,806
Total liabilities		202,166	135,255	140,507	97,970
Total equity and liabilities		327,736	255,432	255,231	218,577

The notes on pages 50 to 143 are an integral part of these consolidated financial statements.

The financial statements on pages 41 to 143 were authorised for issue by the Board on 12 March 2020 and were signed on its behalf by:



Faker Hnid
Chairman



Paul Testaferrata Moroni Viani
Director

Income statements

	Notes	Group		Company	
		Year ended 31 December			
		2019 €000	2018 €000	2019 €000	2018 €000
Revenue	24	177,792	171,812	117,875	119,594
Cost of sales	25	(107,385)	(96,069)	(69,411)	(64,891)
Gross profit		70,407	75,743	48,464	54,703
Administrative and other related expenses	25	(46,868)	(44,287)	(31,220)	(32,489)
Other income	28	2,390	1,816	2,239	1,424
Other expenses	29	(83)	(186)	(27)	(100)
Operating profit		25,846	33,086	19,456	23,538
Analysed as follows:					
EBITDA		73,192	69,486	48,588	46,969
Depreciation and amortisation	25	(47,346)	(36,400)	(29,132)	(23,431)
Operating profit		25,846	33,086	19,456	23,538
Gain on disposal of non-controlling interest in subsidiary	9	-	-	38,740	-
Finance income	30	339	345	1,665	8,264
Finance costs	31	(3,358)	(1,761)	(2,588)	(1,255)
Profit before tax		22,827	31,670	57,273	30,547
Tax expense	32	(9,837)	(11,227)	(7,263)	(10,721)
Profit for the year		12,990	20,443	50,010	19,826
Attributable to:					
Owners of the Company		11,660	18,971	50,010	19,826
Non-controlling interests		1,330	1,472	-	-
Profit for the year		12,990	20,443	50,010	19,826
Earnings per share (euro cent)	33	11c5	18c7		

The notes on pages 50 to 143 are an integral part of these consolidated financial statements.

Statements of comprehensive income

	Notes	Group		Company	
		Year ended 31 December			
		2019 €000	2018 €000	2019 €000	2018 €000
Comprehensive income					
Profit for the year		12,990	20,443	50,010	19,826
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of defined benefit obligations	22	(265)	(129)	(265)	(129)
Income tax relating to components of other comprehensive income: Remeasurements of defined benefit obligations	14	92	45	92	45
Total other comprehensive income for the year, net of tax		(173)	(84)	(173)	(84)
Total comprehensive income for the year		12,817	20,359	49,837	19,742

The notes on pages 50 to 143 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Attributable to owners of the Company			Non-controlling interests €000	Total equity €000	
		Share capital €000	Reserves €000	Retained earnings €000			Total €000
Balance at 1 January 2018		58,998	616	48,440	108,054	8,073	116,127
Comprehensive income							
Profit for the year		-	-	18,971	18,971	1,472	20,443
Other comprehensive income:							
Remeasurements of defined benefit obligations, net of deferred tax	14, 22	-	(84)	-	(84)	-	(84)
Realisation of insurance contingency reserve - transfer to retained earnings	19	-	(1,742)	1,742	-	-	-
Total other comprehensive income		-	(1,826)	1,742	(84)	-	(84)
Total comprehensive income		-	(1,826)	20,713	18,887	1,472	20,359
Transactions with owners in their capacity as owners							
Distributions to owners:							
Dividends paid to equity holders	34	-	-	(13,170)	(13,170)	(1,267)	(14,437)
Changes in ownership interest that do not result in loss of control:							
Acquisition of non-controlling interests in subsidiary	9	-	(1,133)	-	(1,133)	(739)	(1,872)
Total transactions with owners in their capacity as owners		-	(1,133)	(13,170)	(14,303)	(2,006)	(16,309)
Balance at 31 December 2018		58,998	(2,343)	55,983	112,638	7,539	120,177

Statements of changes in equity - continued

Group - continued

	Notes	Attributable to owners of the Company			Non-controlling interests €000	Total equity €000	
		Share capital €000	Reserves €000	Retained earnings €000			Total €000
Balance at 1 January 2019		58,998	(2,343)	55,983	112,638	7,539	120,177
Comprehensive income							
Profit for the year		-	-	11,660	11,660	1,330	12,990
Other comprehensive income:							
Remeasurements of defined benefit obligations, net of deferred tax	14, 22	-	(173)	-	(173)	-	(173)
Total other comprehensive income		-	(173)	-	(173)	-	(173)
Total comprehensive income		-	(173)	11,660	11,487	1,330	12,817
Transactions with owners in their capacity as owners							
Distributions to owners:							
Dividends paid to equity holders	34	-	-	(55,720)	(55,720)	(587)	(56,307)
Changes in ownership interest that do not result in loss of control							
Disposal of non-controlling interests in subsidiary		-	45,290	-	45,290	3,593	48,883
Deemed acquisition of further non-controlling stake in subsidiary	9	-	(5,230)	-	(5,230)	5,230	-
Other transfers		-	-	1,930	1,930	(1,930)	-
Total transactions with owners in their capacity as owners		-	40,060	(53,790)	(13,730)	6,306	(7,424)
Balance at 31 December 2019		58,998	37,544	13,853	110,395	15,175	125,570

Statements of changes in equity - continued

Company

	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total €000
Balance at 1 January 2018		58,998	6,095	48,942	114,035
Comprehensive income					
Profit for the year		-	-	19,826	19,826
Other comprehensive income:					
Remeasurements of defined benefit obligations, net of deferred tax	14, 22	-	(84)	-	(84)
Realisation of insurance contingency reserve - transfer to retained earnings	19	-	(1,742)	1,742	-
Total other comprehensive income		-	(1,826)	1,742	(84)
Total comprehensive income		-	(1,826)	21,568	19,742
Transactions with owners in their capacity as owners					
Distributions to owners:					
Dividends paid to equity holders	34	-	-	(13,170)	(13,170)
Total transactions with owners in their capacity as owners		-	-	(13,170)	(13,170)
Balance at 31 December 2018		58,998	4,269	57,340	120,607

Statements of changes in equity - continued

Company - continued

	Notes	Share capital €000	Reserves €000	Retained earnings €000	Total €000
Balance at 1 January 2019		58,998	4,269	57,340	120,607
Comprehensive income					
Profit for the year		-	-	50,010	50,010
Other comprehensive income:					
Remeasurements of defined benefit obligations, net of deferred tax	14, 22	-	(173)	-	(173)
Total other comprehensive income		-	(173)	-	(173)
Total comprehensive income		-	(173)	50,010	49,837
Transactions with owners in their capacity as owners					
Distributions to owners:					
Dividends paid to equity holders	34	-	-	(55,720)	(55,720)
Total transactions with owners in their capacity as owners		-	-	(55,720)	(55,720)
Balance at 31 December 2019		58,998	4,096	51,630	114,724

The notes on pages 50 to 143 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	Group		Company	
		Year ended 31 December			
		2019 €000	2018 €000	2019 €000	2018 €000
Cash flows from operating activities					
Cash generated from operations	35	79,545	63,807	54,918	46,538
Interest received		6	3	6	3
Interest paid on bank overdrafts		(16)	(34)	(16)	(34)
Interest charges on lease liabilities		(1,687)	-	(1,460)	-
Tax paid		(12,182)	(8,642)	(9,687)	(5,171)
Tax refund received		-	57	-	-
Payments under voluntary retirement scheme		(2,570)	(2,352)	(2,570)	(2,352)
Payments in relation to pension obligations		(78)	(82)	(78)	(82)
Net cash from operating activities		63,018	52,757	41,113	38,902
Cash flows from investing activities					
Payments to acquire property, plant and equipment and intangible assets		(49,302)	(37,793)	(27,978)	(24,627)
Proceeds from disposal of property right		500	-	500	-
Payment for acquisition of non-controlling stake in subsidiary		-	(1,872)	-	-
Proceeds from disposal of non-controlling interest in subsidiary, net of expenses		47,914	-	47,914	-
Loans advanced to subsidiary		-	-	(5,375)	-
Loan interest received from subsidiary		-	-	202	388
Dividend received from subsidiary		-	-	800	-
Net cash (used in)/from investing activities		(888)	(39,665)	16,063	(24,239)
Cash flows from financing activities					
Proceeds from bank loans		13,400	15,000	13,400	15,000
Repayment of bank loans		(9,341)	(14,911)	(9,341)	(14,911)
Repayment of other loans		(501)	-	-	-
Principal element of lease payments		(5,407)	-	(4,049)	-
Dividends paid		(55,317)	(13,687)	(55,317)	(13,687)
Loan interest paid		(1,012)	(1,656)	(1,012)	(1,228)
Net cash used in financing activities		(58,178)	(15,254)	(56,319)	(14,826)
Net movements in cash and cash equivalents		3,952	(2,162)	857	(163)
Cash and cash equivalents at beginning of year					
		4,693	6,013	5,974	5,295
Exchange differences on cash and cash equivalents		3	(7)	3	(7)
Movement in cash pledged as guarantees		33	849	33	849
Cash and cash equivalents at end of year	17	8,681	4,693	6,867	5,974

The notes on pages 50 to 143 are an integral part of these consolidated financial statements.

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

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

Restatement of comparative financial information

During the year, GO announced that its subsidiary, Innovate Software Limited, was merged into the Company. This merger was accounted for utilising predecessor accounting, as if the merger had already taken place as at 1 January 2018. Accordingly, the stand-alone financial position of GO as at 1 January 2018 and 31 December 2018 has been restated to incorporate assets and liabilities pertaining to the subsidiary. The stand-alone financial results and cash flows of GO for the year ended 31 December 2018 have also been restated to include the results and cash flows attributable to Innovate Software Limited as if the merger had already occurred on 1 January 2018 (refer to Note 9 for further information).

In view of the immaterial impacts of the restatement, GO's restated statement of financial position as at 1 January 2018 has not been presented separately on the face of the statement of financial position. Also restated comparative financial information has not been designated as such within these financial statements.

Financial position of the Group

As at 31 December 2019, the Group's current liabilities exceeded its current assets by €34.3 million (2018: €23.5 million). The Group envisages that a significant level of earnings will be generated throughout the forthcoming financial year, through its cash generating units, which will enable the Group to manage effectively its forecasted cash flows and liquidity needs. Furthermore, the Group has unutilised banking facilities which are considered in the context of the Group's liquidity management programme. These factors are embedded within the Group's cash flow forecasts.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2019

In 2019, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the Group's accounting policies impacting the financial performance and position. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16, *Leases*, but recognised the cumulative effect of initially applying the new standard, on 1 January 2019. The new accounting policies are disclosed in Note 1 below. The impact of the adoption of this standard at Group and Company level is disclosed in Note 2. The other amendments did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2019. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Directors are of the opinion that, there are no requirements that will have a possible significant impact on the Group's and Company's financial statements in the period of initial application.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 applies the acquisition method of accounting to account for business combinations that fall within the scope of IFRS 3. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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 (identifiable net assets) 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 interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

Goodwill is initially measured as the excess of the consideration transferred, the amount of any non-controlling interest 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 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.

Upon consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries are 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 an impairment in value. Where there has been an 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.

(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 remeasured 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.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(d) Joint ventures

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. 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.

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.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

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

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

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

(f) Business combinations involving entities under common control

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

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

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

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

1.3 Segment reporting

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

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. Summary of significant accounting policies - continued

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 remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All foreign exchange gains and losses are presented in the income statement within 'other income' or 'other expenses'.

1.5 Property, plant and equipment

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment - continued

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:

	%
<i>Land and buildings</i>	
Buildings	1 - 3
Improvements to leasehold premises	7.14 - 10
<i>Plant and equipment</i>	
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
<i>Customer premises equipment and related assets</i>	25 - 50
<i>Motor vehicles</i>	20 - 35

The assets' 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. Summary of significant accounting policies - continued

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 optic 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.

1. Summary of significant accounting policies - continued

1.6 Intangible assets - continued

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

(d) Licences

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

(e) Brand names

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

(f) Customer relationships

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

(g) Broadcasting rights

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

(h) Technical knowledge

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

1. Summary of significant accounting policies - continued

1.6 Intangible assets - continued

(i) Other intangible assets

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

Amortisation

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

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

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

1.7 Investment property

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

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

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

1. Summary of significant accounting policies - continued

1.7 Investment property - continued

Investment property that is being redeveloped for continued 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. Summary of significant accounting policies - continued

1.8 Impairment of non-financial assets

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

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

1.9 Derivative financial instruments and hedge accounting

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

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

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

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

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.

1. Summary of significant accounting policies - continued

1.9 Derivative financial instruments and hedge accounting - continued

Cash flow hedge

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

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

Derivatives that do not qualify for hedge accounting

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

1.10 Non-current assets held for sale

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

1.11 Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

1. Summary of significant accounting policies - continued

1.11 Financial assets - continued

Recognition and derecognition

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

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which an asset is delivered to or by the Group. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or has not retained control of the asset.

Measurement

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

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

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss, subject to materiality.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVPL:** assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

1. Summary of significant accounting policies - continued

1.11 Financial assets - continued

Equity instruments

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

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

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (See Note 3.1 for further information).

For all others financial assets that are subject to impairment under IFRS 9, the Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit impaired on initial recognition is classified in stage 1.

Financial assets in stage 1, have their expected credit loss measured at amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months, or until contractual maturity if shorter. If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to stage 2 and its expected credit loss is measured on a lifetime basis, that is up until contractual maturity. If the Group determines that a financial asset is credit impaired, the asset is transferred to stage 3 and the expected credit loss is measured on a lifetime credit loss basis.

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. Summary of significant accounting policies - continued

1.13 Trade and other receivables

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

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

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

1.14 Cash and cash equivalents

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

1.15 Share capital

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

1.16 Financial liabilities

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

1.17 Trade and other payables

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

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

1. Summary of significant accounting policies - continued

1.18 Borrowings

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

1.19 Offsetting financial instruments

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

1.20 Current and deferred tax

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

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

1.21 Provisions for legal and other claims

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

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

1. Summary of significant accounting policies - continued

1.22 Revenue recognition

Revenues include all revenues from the ordinary business activities of GO. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax. GO's business includes mobile services, broadband access to the fixed network and the internet, television, connection and roaming fees billed to other mobile operators (wholesale business), and sales of mobile handsets, other telecommunications equipment, and accessories.

(a) Sale of goods and services

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

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

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

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

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognised as revenue on fulfillment of the obligation to the customer. This especially concerns the sale of a mobile handset or other telecommunications equipment combined with the conclusion of a mobile or fixed-network telecommunications contract. The total transaction price of the bundled contract is allocated among the individual performance obligations based on their relative – possibly estimated – stand-alone selling prices, i.e., based on a ratio of the stand-alone selling price of each separate element to the aggregated stand-alone selling prices of the contractual performance obligations. As a result, the revenue to be recognised for products (often delivered in advance) such as mobile handsets that are sold at a subsidised or nil price in combination with a long-term service contract is higher than the amount billed or collected. This leads to the recognition of a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position. The contract asset is reversed and reduced over the remaining minimum contract period, lowering revenue from the other performance obligations (in this case mobile service revenues) compared with the amounts billed. In contrast to the amounts billed, this results in higher revenue from the sale of goods and lower revenue from the provision of services.

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

1. Summary of significant accounting policies - continued

1.22 Revenue recognition - continued

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

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

Service offers

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

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

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

Fees consisting primarily of monthly charges for access to broadband, other internet access and connected services, TV and voice services, are recognised as revenue as the service is provided.

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

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

1. Summary of significant accounting policies - continued

1.22 Revenue recognition - continued

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

Separate equipment sales

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

Bundled equipment and service offers

GO proposes offers to its customers comprising equipment (e.g. a mobile handset) and services (e.g. a communication contract). Equipment revenue is recognised separately if the two components are distinct (i.e. if the customer can receive the service separately). Where one of the components in the offer is not at its separate selling price, revenue is allocated to each component in proportion to their individual selling prices. This is notably the case in offers combining the sales of a mobile phone at a reduced or nil price, where the individual selling price of the mobile phone is considered equal to its purchase cost and logistics expenses plus a commercial margin based on market practice.

Wholesale services offers

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

Financing

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

(b) Rental income

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

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

1. Summary of significant accounting policies - continued

1.23 Contract costs

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

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

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

1.24 Customer contract assets and liabilities

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

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

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

1. Summary of significant accounting policies - continued

1.25 Leases

The Group is the lessee

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As explained in Note 1.1 above, the Group has changed its accounting policy for leases where the Group is the lessee. The impact of the change is described in Note 2.

Until 31 December 2018, leases of assets in which a significant portion of the risks and rewards of ownership were effectively retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

With effect from 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, where there is no third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1. Summary of significant accounting policies - continued

1.25 Leases - continued

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The Group is the lessor

Operating leases

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.

Finance leases

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. Summary of significant accounting policies - continued

1.26 Employee benefits

(a) Provisions for pensions

As explained in Note 22, following a judgement by the Court of Appeal on 7 July 2008, the Group was required to set up a pension scheme in favour of its eligible employees and former employees within three months of the judgement on a basis similar to that prescribed by the Pensions Ordinance, 1937. Such a scheme is in the form of a defined benefit plan.

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

The liability recognised in the statement of financial position in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. A defined benefit obligation is calculated annually using the projected unit credit method. The present value of a defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields of government or high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

(b) Termination benefits

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

1.27 Dividend distribution

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

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

1. Summary of significant accounting policies - continued

1.28 Borrowing costs

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

2. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements.

As indicated in Note 1.1 above, the Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 1.25.

(a) The Group's leasing activities

The Group leases various properties, motor vehicles and IT equipment. Rental contracts are typically made for periods of up to 25 years but may have extension options to renew the lease after the original period as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in the majority of property and motor vehicles leases. These terms are used to maximise operational flexibility in respect of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In respect of the majority of lease arrangements, the extension periods have been included in determining lease term for the respective arrangement.

(b) Adjustments recognised upon adoption of IFRS 16 in the statement of financial position on 1 January 2019

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17, *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3% for the Group and the Company.

2. Changes in accounting policies - continued

(b) Adjustments recognised upon adoption of IFRS 16 in the statement of financial position on 1 January 2019 - continued

The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by €58,040,000 (Group); increase by €49,466,000 (Company)
- lease liabilities – increase by €57,388,000 (Group); increase by €48,814,000 (Company)

The recognised right-of-use assets relate to the following types of assets:

	Group	Company
	As at 1 January	
	2019	2019
	€000	€000
Properties	37,246	29,525
Equipment	1,901	1,048
Spectrum licences	18,893	18,893
Total right-of-use assets	58,040	49,466

Measurement of lease liabilities

	Group	Company
	2019	2019
	€'000	€'000
Operating lease commitments disclosed as at 31 December 2018	49,454	44,071
Add: adjustments as a result of different treatment of spectrum licences	18,241	18,241
Add: adjustments as a result of different treatment of extensions	4,249	-
Discounted using the incremental borrowing rate at the date of initial application	(13,250)	(12,198)
Less: short-term leases not recognised as a liability	(1,306)	(1,300)
Lease liabilities recognised as at 1 January 2019	57,388	48,814
Of which are:		
Current lease liabilities	6,227	4,844
Non-current lease liabilities	51,161	43,970
	57,388	48,814

2. Changes in accounting policies - continued

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(c) Amounts recognised in profit and loss

The income statement includes the following amounts relating to leases:

	Group	Company
	Year ended 31 December	
	2019	2019
	€000	€000
<i>Depreciation charge of right-of-use assets</i>		
Properties	3,277	2,027
Equipment	556	310
Spectrum licences	2,321	2,321
	6,154	4,658
 <i>Interest expense (included in finance costs)</i>	1,687	1,460
 <i>Expense relating to short-term leases</i>	1,349	1,140
<i>Expense relating to leases of low value assets</i>	485	485

Operating lease charges (including charges for spectrum fees) to be reflected within the profit and loss during the period from 1 January 2019 to 31 December 2019 utilising the accounting principles of IAS 17, *Leases*, had IFRS 16 not been adopted, would have amounted to €6,642,000 for the Group and €5,046,000 for the Company. Hence, EBITDA for the year ended 31 December 2019 has been impacted favourably by these amounts in view of the adoption of the requirements of IFRS 16.

2. Changes in accounting policies - continued

EBITDA, segment assets and segment liabilities for the 31 December 2019 reporting period all increased as a result of the change in accounting policy. Right-of-use assets are now included in segment assets and lease liabilities are now included in segment liabilities. Segment information has been impacted by the change in policy as reflected in the table below:

	Impact on EBITDA	Impact on depreciation and amortisation	Impact on segment assets	Impact on segment liabilities
	2019 €000	2019 €000	As at 31 December 2019 €000	
Malta				
Telecommunications	5,046	4,658	42,028	(41,781)
Data Centre	719	714	4,504	(4,636)
Cyprus				
Telecommunications	877	782	3,599	(3,592)
	6,642	6,154	50,131	(50,009)

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the prior year (refer to Note 5).

3. Financial risk management

3.1 Financial risk factors

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

3. Financial risk management - continued

3.1 Financial risk factors - continued

(a) Market risk - continued

(i) *Foreign exchange risk* - continued

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:

Group	31 December 2019			31 December 2018		
	USD €000	GBP €000	SDR €000	USD €000	GBP €000	SDR €000
Trade receivables	304	214	1	463	72	2
Trade payables	(912)	(47)	(51)	(1,388)	(25)	(30)
Net recognised receivables/ (payables) denominated in foreign currency	(608)	167	(50)	(925)	47	(28)
Available funds in foreign currency	81	223	-	47	386	-
Net exposure	(527)	390	(50)	(878)	433	(28)

Company	31 December 2019			31 December 2018		
	USD €000	GBP €000	SDR €000	USD €000	GBP €000	SDR €000
Trade receivables	304	214	1	463	72	2
Trade payables	(246)	(47)	(51)	(833)	(25)	(30)
Net recognised receivables/ (payables) denominated in foreign currency	58	167	(50)	(370)	47	(28)
Available funds in foreign currency	81	223	-	47	386	-
Net exposure	139	390	(50)	(323)	433	(28)

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

3. Financial risk management - continued

3.1 Financial risk factors - continued

(a) Market risk - continued

(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	
	2019	2018	2019	2018
	€000	€000	€000	€000
Financial assets measured at amortised cost				
<i>Subject to floating rates</i>				
Bank balances	13,186	11,725	7,552	10,626
	13,186	11,725	7,552	10,626
<i>Subject to fixed rates</i>				
Loans receivables from subsidiaries	-	-	4,549	15,600
Other receivables *	229	229	229	229
	229	229	4,778	15,829
Total	13,415	11,954	12,330	26,455
	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Financial liabilities measured at amortised cost				
<i>Subject to floating rates</i>				
Bank overdrafts	(3,855)	(6,349)	(35)	(3,969)
Bank loans	(65,390)	(61,908)	(50,974)	(47,005)
Total	(69,245)	(68,257)	(51,009)	(50,974)

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

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

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

3. Financial risk management - continued

3.1 Financial risk factors - continued

(a) Market risk - continued

(ii) *Cash flow and fair value interest rate risk* - continued

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 (2018: 100 basis points) would have (decreased)/increased the profit for the Group and Company by €722,000 and €494,000 respectively (2018: (decrease)/ increase in profit by €684,000 and €511,000), which principally takes into account the impact of this shift on the interest amounts arising on variable interest borrowings as at 31 December 2019. Accordingly, the Group's financial results are substantially independent of changes in market interest rates and the level of interest risk to the Group is deemed to be quite contained.

(iii) *Price risk*

The Group is not exposed to equity securities price risk attributable to investments held by the Group in view of impairment charges reflected in relation to the cost of the investment, bringing its carrying amount down to nil (2018: nil) (Note 13).

(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	
	2019	2018	2019	2018
	€000	€000	€000	€000
Carrying amount				
Financial assets measured at amortised cost:				
Loans receivable from subsidiaries	-	-	4,549	15,600
Trade and other receivables	19,831	17,735	18,436	17,146
Cash and cash equivalents	13,186	11,725	7,552	10,626
	33,017	29,460	30,537	43,372

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

3. Financial risk management - continued

3.1 Financial risk factors - continued

(b) Credit risk - continued

Trade and other receivables (including contract assets)

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

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

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

Impairment of trade and other receivables (including contract assets)

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

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

3. Financial risk management - continued

3.1 Financial risk factors - continued

(b) Credit risk - continued

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows:

Group	30 days past due	60 days past due	90 days past due	120 days past due	150 days past due	+ 150 days past due	Total
31 December 2019							
Weighted average expected loss rate	2%	4%	10%	19%	17%	75% - 100%	
Gross carrying amount (€000)	4,549	4,961	2,984	3,304	869	9,446	26,113
Loss allowance (€000)	121	204	262	791	145	8,630	10,153
31 December 2018							
Weighted average expected loss rate	3%	5%	10%	16%	25%	75% - 100%	
Gross carrying amount (€000)	9,433	2,621	2,297	951	1,030	9,445	25,777
Loss allowance (€000)	213	161	284	156	181	8,601	9,596
Company							
31 December 2019							
Weighted average expected loss rate	2%	4%	8%	13%	20%	75% - 100%	
Gross carrying amount (€000)	2,165	4,437	2,792	1,716	844	8,296	20,250
Loss allowance (€000)	96	190	235	194	134	8,206	9,055
31 December 2018							
Weighted average expected loss rate	2%	4%	8%	12%	18%	75% - 100%	
Gross carrying amount (€000)	4,894	3,581	2,459	1,189	741	8,331	21,195
Loss allowance (€000)	52	144	225	155	178	7,777	8,531

The weighted average expected credit loss rates changed from prior year in view of changes in the relative weighting of specific asset categories within the respective buckets.

3. Financial risk management - continued

3.1 Financial risk factors - continued

(b) Credit risk - continued

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. The Group considers that there is evidence of impairment if any of the following indicators is present:

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

The closing loss allowances for trade and other receivables as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
<i>Trade receivables</i>				
Balance at 1 January	9,596	10,766	8,531	9,418
Change in loss allowances recognised in profit or loss during the year	557	(1,170)	524	(887)
Balance at 31 December	10,153	9,596	9,055	8,531
<i>Other receivables</i>				
Balance as at 1 January and 31 December	229	229	229	229

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

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

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

As at 31 December 2019, trade receivables of €2,617,000 (2018: €3,487,000) and €1,917,000 (2018: €3,952,000) for the Group and the Company respectively, were past due but not credit impaired. Such past due debtors comprise mainly debts allocated to the over 180 days past due 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.

3. Financial risk management - continued

3.1 Financial risk factors - continued

(b) Credit risk - continued

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 2019 and 2018, the carrying amount of trade receivables that would otherwise be past due or credit impaired and whose terms have been renegotiated is not deemed material in the context of the Group's trade receivables figures.

Cash and cash equivalents

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

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

Loans receivable from subsidiaries and amounts due from subsidiaries

The Company's receivables include loans receivable from subsidiaries and other amounts owed by subsidiaries (Notes 12 and 16). The Company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Company assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Company takes cognisance of the related party relationship with these entities and management does not expect any significant losses from non-performance or default.

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

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

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 20), lease liabilities (Note 21) and trade and other payables (Note 23). 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.

3. Financial risk management - continued

3.1 Financial risk factors - continued

(c) Liquidity risk - continued

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.

Group	Carrying amount €000	Contractual cash flows €000	Within 1 year €000	1 to 2 years €000	2 to 5 years €000	After 5 years €000
Bank loans	65,390	69,504	12,827	14,792	38,688	3,197
Bank overdrafts	3,855	3,855	3,855	-	-	-
Lease liabilities	50,009	61,226	6,582	6,112	16,919	31,613
Trade and other payables	70,374	70,374	61,803	4,466	4,105	-
31 December 2019	189,628	204,959	85,067	25,370	59,712	34,810
Bank loans	61,908	66,569	13,041	12,650	30,142	10,736
Bank overdrafts	6,349	6,349	6,349	-	-	-
Trade and other payables	50,007	50,007	48,060	1,947	-	-
31 December 2018	118,264	122,925	67,450	14,597	30,142	10,736
Company	Carrying amount €000	Contractual cash flows €000	Within 1 year €000	1 to 2 years €000	2 to 5 years €000	After 5 years €000
Bank loans	50,974	53,998	10,907	10,072	31,433	1,586
Bank overdrafts	35	35	35	-	-	-
Lease liabilities	41,781	52,085	4,954	4,873	12,929	29,329
Trade and other payables	39,438	39,438	39,438	-	-	-
31 December 2019	132,228	145,556	55,334	14,945	44,362	30,915
Bank loans	47,005	49,818	12,107	10,648	22,850	4,213
Bank overdrafts	3,969	3,969	3,969	-	-	-
Trade and other payables	33,803	33,803	33,803	-	-	-
31 December 2018	84,777	87,590	49,879	10,648	22,850	4,213

3. Financial risk management - continued

3.2 Capital risk management

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

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

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

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Borrowings (Note 20)	69,245	68,257	51,009	50,974
Less: Cash and cash equivalents (Note 17)	(13,186)	(11,725)	(7,552)	(10,626)
Net debt	56,059	56,532	43,457	40,348
Total equity	125,570	120,177	114,724	120,518
Total capital	181,629	176,709	158,181	160,866
Net debt ratio	30.9%	32.0%	27.5%	25.1%

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

3. Financial risk management - continued

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

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

The Group's financial instruments, which are carried at fair value, include the Group's investments (Note 13).

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); and
- inputs for the asset or liability that are not based on observable market data i.e. unobservable inputs (Level 3).

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

Fair values of financial instruments not carried at fair value

At 31 December 2019 and 2018, the carrying amounts of certain financial instruments not carried at fair value comprising cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances to related parties and other balances with related parties, which are short-term or repayable on demand, is equivalent to their carrying amount. The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount of the Company's non-current loans receivable from subsidiaries fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's non-current floating interest rate bank borrowings at the end of the reporting period is not significantly different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2.

4. Critical accounting estimates and judgements

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

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

4.1 Impairment testing

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

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

4.2 Business combinations

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

4. Critical accounting estimates and judgements - continued

4.2 Business combinations - continued

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 customer bases and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exist. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

4.3 Provisions for pension obligations

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

4.4 Fair valuation of property

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

4.5 Estimation of useful life

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

Assessment of matters referred to above

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

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

5. Segment information

5.1 Operating segments

Prior to the disposal of the non-controlling interest in BMIT Technologies p.l.c. (BMITT) during the current year, the Group had two reportable segments, which were effectively the Group's strategic business units and cash-generating units. The two segments were Malta Operations and Cyprus Operations. Malta Operations included Malta Telecommunications Services and Data Services. Following the disposal of the non-controlling stake in BMITT, the Group has modified its internal reporting organisation and structure such that Malta Telecommunication Services and Data Services are treated as two business segments. The Group has now three reportable segments, which are effectively the Group's key and distinct strategic business units and cash-generating units, as they represent the lowest level at which separately identifiable cash flows can be identified. The strategic business units are managed separately with their own separate management structure and board of directors.

The following summary describes the operations in each of the Group's reportable segments:

Malta Telecommunication Services (Malta 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 provided within Malta.

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

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

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

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.

5. Segment information - continued

Information about reportable segments

	Malta operations				Cyprus operations		Total	
	Telecommunications		Data Centre		Telecommunications			
	2019 €000	2018 €000	2019 €000	2018 €000	2019 €000	2018 €000	2019 €000	2018 €000
Total revenue	117,875	119,594	22,430	21,280	39,844	33,415	180,149	174,289
Inter-segment revenue	(1,577)	(1,621)	(780)	(856)	-	-	(2,357)	(2,477)
Revenue from external customers	116,298	117,973	21,650	20,424	39,844	33,415	177,792	171,812
Reportable segment profit before tax	16,141	21,757	7,956	7,930	(1,270)	1,983	22,827	31,670
Tax	(7,263)	(8,353)	(2,726)	(2,655)	152	(219)	(9,837)	(11,227)
Results for reportable segments	8,878	13,404	5,230	5,275	(1,118)	1,764	12,990	20,443
<i>Information about profit or loss:</i>								
Finance income	1,665	8,264	-	-	-	-	1,665	8,264
Finance costs	(2,588)	(1,255)	(138)	-	(1,059)	(955)	(3,785)	(2,210)
Depreciation and amortisation	(29,132)	(23,431)	(2,702)	(2,374)	(15,512)	(10,595)	(47,346)	(36,400)
Other non-cash items								
Change in credit loss allowances in respect of trade receivables	(524)	(887)	(33)	(54)	-	(229)	(557)	(1,170)
Reportable segment assets	196,641	159,164	33,074	30,918	105,956	83,887	335,671	273,969
Capital expenditure	26,046	21,803	1,679	1,549	20,607	11,051	48,332	34,403
Reportable segment liabilities	140,920	76,506	12,579	13,886	56,602	63,400	210,101	153,792

5. Segment information - continued

5.1 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:

	2019	2018
	€000	€000
Profit		
Total profit for reportable segments and consolidated profit after tax	12,990	20,443
Assets		
Total assets for reportable segments	335,671	273,969
Inter-segment eliminations	(7,935)	(18,537)
Consolidated total assets	327,736	255,432
Liabilities		
Total liabilities for reportable segments	210,101	153,792
Inter-segment eliminations	(7,935)	(18,537)
Consolidated total liabilities	202,166	135,255

5.2 Information about geographical segments

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

5.3 Information about major customers

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

6. Property, plant and equipment

Group	Land and buildings €000	Plant and equipment €000	Customer premises equipment and related assets €000	Motor vehicles €000	Payments on account and assets in course of construction €000	Total €000
At 1 January 2018						
Cost or valuation	6,437	317,089	13,464	1,018	-	338,008
Accumulated depreciation	(941)	(196,413)	(5,956)	(761)	-	(204,071)
Net book amount	5,496	120,676	7,508	257	-	133,937
Year ended 31 December 2018						
Opening net book amount	5,496	120,676	7,508	257	-	133,937
Additions	15	26,204	5,936	77	442	32,674
Disposals and write-offs	-	(21,469)	-	(499)	-	(21,968)
Depreciation charge	(219)	(22,638)	(3,994)	(90)	-	(26,941)
Depreciation released on disposals and write-offs	-	21,445	-	499	-	21,944
Closing net book amount	5,292	124,218	9,450	244	442	139,646
At 31 December 2018						
Cost or valuation	6,452	321,824	19,400	596	442	348,714
Accumulated depreciation	(1,160)	(197,606)	(9,950)	(352)	-	(209,068)
Net book amount	5,292	124,218	9,450	244	442	139,646
Year ended 31 December 2019						
Opening net book amount	5,292	124,218	9,450	244	442	139,646
Additions	735	28,244	9,192	640	44	38,855
Disposals and write-offs	-	(33,330)	-	(111)	-	(33,441)
Depreciation charge	(246)	(23,817)	(7,192)	(155)	-	(31,410)
Depreciation released on disposals and write-offs	-	33,330	-	111	-	33,441
Closing net book amount	5,781	128,645	11,450	729	486	147,091
At 31 December 2019						
Cost or valuation	7,187	316,738	28,592	1,125	486	354,128
Accumulated depreciation	(1,406)	(188,093)	(17,142)	(396)	-	(207,037)
Net book amount	5,781	128,645	11,450	729	486	147,091

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

6. Property, plant and equipment - continued

Company	Land and buildings €000	Plant and equipment €000	Customer premises equipment and related assets €000	Motor vehicles €000	Total €000
At 1 January 2018					
Cost or valuation	4,022	270,681	4,754	800	280,257
Accumulated depreciation	-	(181,015)	-	(768)	(181,783)
Net book amount	4,022	89,666	4,754	32	98,474
Year ended 31 December 2018					
Opening net book amount	4,022	89,666	4,754	32	98,474
Additions	-	17,422	4,770	-	22,192
Disposals and write-offs	-	(21,407)	-	(431)	(21,838)
Depreciation charge	(50)	(15,822)	(2,588)	(25)	(18,485)
Depreciation released on disposals and write-offs	-	21,407	-	431	21,838
Closing net book amount	3,972	91,266	6,936	7	102,181
At 31 December 2018					
Cost or valuation	4,022	266,696	9,524	369	280,611
Accumulated depreciation	(50)	(175,430)	(2,588)	(362)	(178,430)
Net book amount	3,972	91,266	6,936	7	102,181
Year ended 31 December 2019					
Opening net book amount	3,972	91,266	6,936	7	102,181
Additions	410	18,113	5,450	-	23,973
Disposals and write-offs	-	(15,980)	-	-	(15,980)
Depreciation charge	(50)	(17,188)	(4,154)	(5)	(21,397)
Depreciation released on disposals and write-offs	-	15,973	-	-	15,973
Closing net book amount	4,332	92,184	8,232	2	104,750
At 31 December 2019					
Cost or valuation	4,432	268,829	14,974	369	288,604
Accumulated depreciation	(100)	(176,645)	(6,742)	(367)	(183,854)
Net book amount	4,332	92,184	8,232	2	104,750

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

6. Property, plant and equipment - continued

Subsequent to the adoption of IFRS 15, free customer premises equipment and free TV installation services are treated as property, plant and equipment taking into account prevailing market accounting practice and guidance in this respect in the context of the interpretation of IFRS 15 principles. These assets were previously categorised as deferred expenditure upon installation and as inventories prior to installation. The unamortised carrying amount of installed assets and the carrying amount of assets not yet installed as at 1 January 2018 were reclassified to property, plant and equipment.

With effect from 1 January 2018, the depreciation period of these assets was modified from 2 years to 4 years to reflect the estimated useful life of these assets. The impact of this change in accounting estimate on the results for the current financial year was equivalent to a favourable impact of €1,895,000 (2018: €1,198,000).

Fair valuation of property

The Company's land and buildings within property, plant and equipment were revalued on 31 December 2019 by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. Management have reviewed the carrying amounts of the properties as at 31 December 2019, on the basis of assessments by the independent property valuers, and no adjustments to the carrying amounts were deemed necessary as at that date taking cognisance of the developments that occurred during the current financial year.

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

The subsidiary's leasehold property was revalued on 31 December 2016 by an independent firm of property valuers having appropriate professional qualifications and experience in the category of the property being valued. Management has reviewed the carrying amount of the property as at 31 December 2019 and no adjustments to the carrying amounts were deemed necessary as at that date.

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

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

6. Property, plant and equipment - continued

The Group's land and buildings, within property, plant and equipment, comprise exchanges, warehouses, offices and retail outlets. All the recurring property fair value measurements at 31 December 2019 and 2018 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the years ended 31 December 2019 and 2018.

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

Valuation processes

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

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

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

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

Valuation techniques

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

6. Property, plant and equipment - continued

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

Company

Description by class based on highest and best use	At 31 December 2019 and 2018		
	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average) €
Current use as office premises	Adjusted sales comparison approach	Sales price per square metre	1,000 – 2,650 (1,500)

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

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

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

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Cost	6,277	5,649	3,883	3,473
Accumulated depreciation	(1,264)	(1,079)	(546)	(509)
Net book amount	5,013	4,570	3,337	2,964

Depreciation charge

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

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Cost of sales	30,619	26,108	21,040	18,143
Administrative and other related expenses	791	833	357	342
	31,410	26,941	21,397	18,485

6. Property, plant and equipment - continued

Recoverability of the telecommunications infrastructure

At 31 December 2019, the Group's telecommunications infrastructure and licences together with other related tangible and intangible assets, attributable to the Malta Telecommunication and Cyprus Telecommunications CGUs, were carried at an aggregate amount of €105,562,000 (2018: €104,723,000) and €45,071,000 (2018: €38,024,000) respectively. No impairment indicators were identified by management in respect of these CGUs as at the end of the reporting period (Note 8).

7. Right-of-use assets

The statement of financial position reflects the following assets relating to leases:

	Group		Company	
	As at 31 December 2019 €000	As at 1 January 2019 €000	As at 31 December 2019 €000	As at 1 January 2019 €000
Properties	31,220	37,246	24,330	29,525
Equipment	2,483	1,901	1,270	1,048
Spectrum licences	16,428	18,893	16,428	18,893
Total right-of-use assets	50,131	58,040	42,028	49,466

The movement in the carrying amount of these assets is analysed in the following table:

	Group €000	Company €000
As at 1 January 2019	58,040	49,466
Additions	3,428	2,403
Impacts of reassessment of lease term, in respect of extensions	(5,183)	(5,183)
Depreciation	(6,154)	(4,658)
As at 31 December 2019	50,131	42,028

8. Intangible assets

Group

	IRUs and DDPs €000	Computer software €000	Brand names, customer relationships and related assets €000	Broadcasting rights €000	Licences €000	Goodwill €000	Total €000
At 1 January 2018							
Cost	15,924	1,413	21,725	12,301	5,945	28,266	85,574
Accumulated amortisation and impairment charges	(3,689)	-	(6,489)	(7,834)	(4,908)	(349)	(23,269)
Net book amount	12,235	1,413	15,236	4,467	1,037	27,917	62,305
Year ended 31 December 2018							
Opening net book amount	12,235	1,413	15,236	4,467	1,037	27,917	62,305
Additions	1,643	514	-	1,773	-	-	3,930
Development	-	830	-	-	-	-	830
Expiration of rights	(432)	-	(1,456)	(4,062)	-	-	(5,950)
Amortisation charge	(1,466)	(920)	(2,699)	(3,989)	(385)	-	(9,459)
Amortisation released on expiration of rights	432	-	1,456	4,062	-	-	5,950
Closing net book amount	12,412	1,837	12,537	2,251	652	27,917	57,606
At 31 December 2018							
Cost	17,135	2,757	20,269	10,012	5,945	28,266	84,384
Accumulated amortisation and impairment charges	(4,723)	(920)	(7,732)	(7,761)	(5,293)	(349)	(26,778)
Net book amount	12,412	1,837	12,537	2,251	652	27,917	57,606

8. Intangible assets - continued

Group - continued

Year ended	IRUs and DDPs €000	Computer software €000	Brand names, customer relationships and related- assets €000	Broadcasting rights €000	Licences €000	Goodwill €000	Total €000
31 December 2019							
Opening net book amount - as originally stated	12,412	1,837	12,537	2,251	652	27,917	57,606
Reclassification on 1 January 2019 upon adoption of IFRS 16, of spectrum licences, to right- of-use assets:							
Effect on cost	-	-	-	-	(5,832)	-	(5,832)
Effect on accumulated amortisation	-	-	-	-	5,180	-	5,180
Opening net book amount - as restated	12,412	1,837	12,537	2,251	-	27,917	56,954
Additions	901	449	-	20,266	-	-	21,616
Development	-	2,247	-	-	-	-	2,247
Disposals/write-offs	-	(461)	-	-	(113)	-	(574)
Expiration of rights	-	-	-	(8,727)	-	-	(8,727)
Amortisation charge	(1,535)	(1,095)	(2,116)	(5,036)	-	-	(9,782)
Amortisation released on disposals/write-offs	-	461	-	-	113	-	574
Amortisation released on expiration of rights	-	-	-	8,727	-	-	8,727
Closing net book amount	11,778	3,438	10,421	17,481	-	27,917	71,035
At 31 December 2019							
Cost	18,036	4,992	20,269	21,551	-	28,266	93,114
Accumulated amortisation and impairment charges	(6,258)	(1,554)	(9,848)	(4,070)	-	(349)	(22,079)
Net book amount	11,778	3,438	10,421	17,481	-	27,917	71,035

8. Intangible assets - continued

Company

	IRUs and DDPs €000	Computer software €000	Brand names and related assets €000	Broadcasting rights €000	Licences €000	Total €000
At 1 January 2018						
Cost	1,119	4,132	1,462	12,301	5,945	24,959
Accumulated amortisation	(1,102)	(2,961)	(1,462)	(7,834)	(4,908)	(18,267)
Net book amount	17	1,171	-	4,467	1,037	6,692
Year ended						
31 December 2018						
Opening net book amount	17	1,171	-	4,467	1,037	6,692
Additions	-	830	-	1,774	-	2,604
Expiration of rights	(432)	-	(1,456)	(4,062)	-	(5,950)
Amortisation charge	(13)	(559)	-	(3,989)	(385)	(4,946)
Amortisation released on expiration of rights	432	-	1,456	4,062	-	5,950
Closing net book amount	4	1,442	-	2,252	652	4,350
At 31 December 2018						
Cost	687	4,962	6	10,013	5,945	21,613
Accumulated amortisation	(683)	(3,520)	(6)	(7,761)	(5,293)	(17,263)
Net book amount	4	1,442	-	2,252	652	4,350
Year ended						
31 December 2019						
Opening net book amount	4	1,442	-	2,252	652	4,350
Reclassification on 1 January 2019 upon adoption of IFRS 16 of spectrum licences to right-of-use assets:						
Effect on cost	-	-	-	-	(5,832)	(5,832)
Effect on accumulated amortisation	-	-	-	-	5,180	5,180
Opening net book amount - as restated	4	1,442	-	2,252	-	3,698
Additions	-	-	-	3,909	-	3,909
Development	-	2,247	-	-	-	2,247
Disposals/write-offs	-	-	-	-	(113)	(113)
Expiration of rights	-	-	-	(8,727)	-	(8,727)
Amortisation charge	-	(847)	-	(2,230)	-	(3,077)
Amortisation released on disposals/write-offs	-	-	-	-	113	113
Amortisation released on expiration of rights	-	-	-	8,727	-	8,727
Closing net book amount	4	2,842	-	3,931	-	6,777
At 31 December 2019						
Cost	687	7,209	6	5,195	-	13,097
Accumulated amortisation	(683)	(4,367)	(6)	(1,264)	-	(6,320)
Net book amount	4	2,842	-	3,931	-	6,777

8. Intangible assets - continued

Subsequent to the adoption of IFRS 16, spectrum licences are treated as right-of-use assets taking into account prevailing market accounting practice and guidance in this respect in the context of the interpretation of IFRS 16 principles. These assets were previously categorised as 'intangible assets'. The unamortised carrying amount of spectrum licences as at 1 January 2019, amounting to €652,000 was reclassified from intangible assets to right-of-use assets.

Amortisation charge

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

Goodwill

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

	2019	2018
	€000	€000
Cyprus Telecommunications	23,563	23,563
Malta Telecommunications	1,151	1,151
Data Centre	3,203	3,203

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

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

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

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

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.

8. Intangible assets - continued

The estimated terminal value growth rates and post-tax discount rates for CGUs, applied as at 31 December 2019 and 2018, are disclosed in the table below:

	Terminal value growth rate %	Post-tax discount rate %	Terminal value growth rate %	Post-tax discount rate %
	2019	2019	2018	2018
Cyprus Telecommunications CGU	2.0	8.7	2.0	11.0
Data Centre CGU	1.9	9.5	2.0	13.4

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 appears 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.

Disclosures in respect of goodwill attributable to the Malta Telecommunications CGU were not deemed necessary in view of the immateriality of the carrying amount of the goodwill allocated to this CGU.

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

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

	Brand names			Customer relationships		
	Acquisition date fair value	Year-end carrying amount 2019	Year-end carrying amount 2018	Acquisition date fair value	Year-end carrying amount 2019	Year-end carrying amount 2018
	€000	€000	€000	€000	€000	€000
Cyprus Telecommunications CGU	4,295	4,295	4,295	12,480	5,080	6,930
Data Centre CGU	1,876	228	257	9,778	255	450

The intangibles acquired through the Cablenet acquisition have been allocated to the Cyprus Telecommunications CGU, constituting the aggregate of the assets allocated to this CGU, whereas those attributable to the acquisition of Kinetix with an acquisition date fair value of €507,000 for brand and €1,122,000 for customer relationships, have been allocated to the Data Centre CGU. Other intangible assets arising on business combinations effected in previous financial years have been allocated to the Data Centre CGU. The carrying amount of intangible assets attributable to the Data Centre CGU at 31 December 2019 and 2018 mainly pertains to assets arising on the acquisition of Kinetix.

8. Intangible assets - continued

Brands acquired through business combinations incorporate trade names, trademarks, service marks, trade dress, branding and internet domain names. These have been generally valued using the Relief From Royalty method (RFR). The brand name acquired through the acquisition of Kinetix with an acquisition date fair value of €507,000 and a carrying amount of €507,000 (prior to impairment charge) was deemed to be impaired as at 31 December 2018, since the use of this brand name was discontinued during 2019.

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

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

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

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

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

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

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

8. Intangible assets - continued

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

9. Investments in subsidiaries

	Company	
	2019	2018
	€000	€000
Cost and carrying amount at 1 January	43,445	32,195
Capitalisation of amounts receivable from subsidiary	16,721	11,250
Disposal of non-controlling interest in subsidiary	(10,143)	-
Additions/acquisitions	54	-
Cost and carrying amount at 31 December	50,077	43,445

The carrying amount of the investments at 31 December 2019 and 2018 is equivalent to the cost of the investments. The subsidiaries at 31 December 2019 and 2018 are shown below:

Subsidiaries	Registered office	Percentage of shares held		Nature of business
		2019	2018	
		%	%	
BMIT Technologies p.l.c. (previously known as GO Data Centre Services Limited)	Building SCM02 Level 2 SmartCity Ricasoli, Kalkara Malta	51.0	99.9	Investment holding
Cablenet Communications Systems Limited	41 – 49 Agiou Nicolaou Street Block A, Nimeli Court 3 rd Floor, 2408, Egkomi Nicosia Cyprus	60.3	51.0	Provision of broadband, cable television and telephony services
Connectedcare Limited	GO, Fra Diegu Street Marsa Malta	51.0	-	Electronic and mobile care solutions
GO Ventures Limited	GO, Fra Diegu Street Marsa Malta	100.0	-	Investment holding

BMIT Technologies p.l.c. (BMITT) holds 99.9% (2018: 99.9%) in Bellnet Limited, BM IT Limited, BM Support Services Limited and in Kinetix IT Solutions Limited. The companies provide co-location and internet services, technical assistance, leasing of plant and equipment and IT solutions. The registered office of all the companies is Building SCM 02, Level 2 SmartCity Malta, Ricasoli, Kalkara, Malta.

9. Investments in subsidiaries - continued

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

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

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

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

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

	2018 €000
Cost and carrying amount at 1 January	9,449
Capitalisation	11,250
Cost and carrying amount at 31 December	20,699

On 29 November 2018, GO announced that it intends to dispose of up to 49% of its shareholding in BMITT by means of an initial public offering of the shares in BMITT at an offer price of forty-nine euro cent (€0.49) per share. This was approved during an extraordinary general meeting held on 3 December 2018. On 20 December 2018, an application was made to the Listing Authority for all ordinary shares of BMITT to be admitted to listing on a regulated market and a prospectus was submitted to, for approval by, the Listing Authority in respect of the proposed initial public offering. The prospectus has been approved on 7 January 2019 for the initial public offering of up to 49% of the ordinary shares of BMITT. On 7 February 2019, GO announced that the offer for sale of 99,761,701 ordinary shares in BMITT at the offer price of forty-nine euro cent (€0.49) per share was oversubscribed and accordingly GO was disposing of 49% of its shareholding in BMITT, thus retaining control over the subsidiary. Shares in BMITT were admitted to listing on the Official List of the Malta Stock Exchange on 15 February 2019, whereas trading commenced on 18 February 2019.

The impacts of the disposal of the non-controlling stake on GO's financial position upon disposal is reflected in the tables below:

Group	2019 €000
Proceeds received	48,883
Non-controlling interests recognised upon disposal	(3,593)
Excess of consideration received recognised directly in equity	45,290

9. Investments in subsidiaries - continued

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

Company	2019 €000
Proceeds received	48,883
Carrying amount of non-controlling stake disposed of	(10,143)
	38,740
Excess of consideration received recognised in profit or loss	38,740

Acquisition of non-controlling stake in Kinetix IT Solutions Limited

On 1 March 2018, the Group exercised its option to acquire the remaining 49% of the issued share capital of Kinetix for a purchase consideration of €1,872,000. As at the date of this transaction, the carrying amount of the non-controlling interests in this subsidiary was €739,000. The purchase consideration exceeded the amounts attributable to the non-controlling interests as at that date by €1,133,000, which difference was recognised in equity. The Group now holds 100% of the equity share capital of the subsidiary.

The effect of changes in the ownership interest in Kinetix IT Solutions on the equity attributable to owners of the Group is summarised as follows:

	2018 €000
Carrying amount of non-controlling interests acquired	739
Consideration paid to non-controlling interests	(1,872)
	(1,133)
Excess of consideration paid recognised directly in parent's equity	(1,133)

9. Investments in subsidiaries - continued

Further investment in Cablenet Communications Systems Limited

Pursuant to a loan agreement dated 25 July 2017 the Company had advanced to Cablenet an amount of €15,600,000 which was outstanding as at 31 December 2018. During the year GO advanced to its subsidiary another amount of €875,000 pursuant to a loan agreement dated 4 June 2019. On 25 November 2019, a loan settlement agreement was entered into whereby the outstanding balances, including interest, amounting to €16,721,000 were capitalised. Cablenet was released from its obligations and liabilities in exchange for the issue and allotment of 635,297 ordinary shares of Cablenet to GO. These ordinary shares have a nominal value of €1.71 per share and were issued at a premium of €24.61 each.

By virtue of the issue and allotment of these ordinary shares to GO, the Company now holds 60.26% of the issued share capital of Cablenet, and of its voting rights, thus giving rise to a deemed acquisition of a 9.26% stake in Cablenet. The impact of this deemed acquisition on the consolidated financial statements is disclosed in the table below:

	€000
Share of capitalisation of loans referred to above, attributable to non-controlling interests and reflected as an increase in 'non-controlling interests', within the statement of changes in equity	6,645
Carrying amount of non-controlling interests acquired, reflected as a reduction in 'non-controlling interests', within the statement of changes in equity	(1,415)
Excess recognised directly in equity	5,230

On 25 November 2019, GO, Cablenet and the minority shareholder of Cablenet entered into an option agreement under which the minority shareholder has an option to subscribe for an additional amount of 610,383 ordinary shares in Cablenet with a nominal value of €1.71 per share and at a premium of €24.61 per share, for a total consideration of €16,063,282. This option agreement, which is considered as an equity instrument for accounting purposes under the requirements of IFRSs as adopted by the EU, is exercisable up to 31 March 2020.

Merger of Innovate Software Limited with the Company

On 6 December 2019 the Company announced that its fully-owned subsidiary company Innovate Software Limited, a private limited company incorporated under the Laws of Malta with registered address situated at GO, Fra Diegu Street, Marsa MRS 1501, Malta, bearing company registration number C28414, will be amalgamated with GO by virtue of a merger procedure carried out under Title II, Chapter III of Part VIII of the Companies Act Cap 386 of the Laws of Malta.

This merger has been accounted for as if it had already taken place at the beginning of the earliest period presented i.e. 1 January 2018 using predecessor accounting. The comparative amounts reflected within the stand-alone financial statements of GO in relation to the stand-alone financial position, financial results and cash flows have been restated.

9. Investments in subsidiaries - continued

The assets and liabilities of Innovate Software Limited have been reflected as at 1 January 2018 using predecessor book values from the consolidated financial statements of GO.

The restated statement of financial position as at 1 January 2018 has been reflected within these financial statements, taking into account the assets and liabilities pertaining to Innovate Software Limited. The financial results and cash flows for the year ended 31 December 2018 attributable to Innovate Software Limited have been incorporated within GO's stand-alone financial statements as if the entity had always been combined with GO. The comparative amounts in the stand-alone statements of income and cash flows of GO reflect the combined financial results and cash flows of the merged entity. Accordingly, the restated stand-alone financial statements of GO reflect the merged entity's full year's financial results and cash flows for the year ended 31 December 2018.

In view of the immaterial impacts of the restatement, GO's restated statement of financial position as at 1 January 2018 has not been presented separately on the face of the statement of financial position. Also restated comparative financial information has not been designated as such within these financial statements.

The impact of the merger on the stand-alone financial position of GO as at 31 December 2018 and 1 January 2018 is reflected below:

	31 December 2018 €000	1 January 2018 €000
Non-current assets		
Intangible assets	1,442	1,171
Deferred tax asset	477	532
Current assets		
Trade and other receivables	80	85
Cash and cash equivalents	1	1
Total assets	2,000	1,789
Current liabilities		
Trade and other payables	(270)	(315)
Current tax liabilities	(525)	(304)
Total liabilities	(795)	(619)
Net assets	1,205	1,170
Represented by:		
Retained earnings	89	54
Derecognition through reversal of investment in subsidiary upon merger	1,116	1,116
Net impact of merger on Company's stand-alone financial position	-	-

9. Investments in subsidiaries - continued

The impact of the merger on GO's stand-alone financial results for the year ended 31 December 2018 is disclosed in the table below:

	2018 €000
Revenue – reflected through restatement of stand-alone cost of sales upon reversal	3,495
Cost of sales	(856)
Gross profit	2,639
Administrative and other related expenses – reflected through restatement of stand-alone other income upon reversal	(124)
Profit before tax	2,515
Tax expense	(880)
Profit for the year	1,635
Reversal of dividend income from subsidiary	(1,743)
Reversal of tax impact of dividend income	143
Net impact of merger on stand-alone financial results	35

The impact of the merger on GO's stand-alone cash flows for the year ended 31 December 2018 is reflected below:

	2018 €000
Net cash from operating activities	830
Net cash used in investing activities	(830)
	0

Acquisition of controlling stake in subsidiary

On 31 December 2019, GO entered into an agreement to acquire 51% of the issued share capital of Connectedcare Limited for a consideration of €50,000. Connectedcare Limited is principally engaged in providing electronic and mobile care solutions, a service offering that is ancillary to services currently provided by GO. The impact of this acquisition on GO's consolidated and stand-alone financial statements is insignificant.

Incorporation of new subsidiary

GO Ventures Limited was incorporated on 5 August 2019. GO owns 100% of its share capital but since the subsidiary did not operate during 2019, the impact of the newly incorporated subsidiary on GO's consolidated and stand-alone financial statements is insignificant.

10. Investments in associate

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Cost and carrying amount at beginning and end of year	18	18	-	-

A subsidiary of GO has an investment in an associate, MIGS Limited, a company registered in Malta, with its registered address at Level 1, Suite No 5, Tower Business Centre, Tower Street, Swatar, Birkirkara BKR 4013, Malta. The company's principal activity is to organise events, seminars, conferences, training programmes and other initiatives oriented towards knowledge development in different sectors and to promote lifelong education in general. In view of the immateriality of this investment to GO as a reporting entity in terms of the requirements of IFRS 12 *Disclosure of interest in other entities*, the disclosure of the summarised financial information and other matters in accordance with the requirements of IFRS 12 is not deemed necessary. The 40% stake in this entity was acquired for an amount of €18,000. The company has negative capital and reserves as at 31 December 2019 amounting to €nil and registered a profit for the year after tax amounting to €10,000 (2018: capital and reserves of €23,000 and loss of €17,000).

11. Investment in Forthnet

GO is the direct owner of a total of 24,887,737 shares in Hellenic Company for Telecommunications and Telematic Applications S.A. (Forthnet), a Greek company listed on the Athens Stock Exchange which provides fixed line telephony services, broadband services and satellite pay TV services in Greece. This is equivalent to a total direct shareholding in Forthnet of 14.421% (2018: 15.197%) and equivalent voting power.

The dilution in shareholding occurred as a result of an increase in issued share capital of Forthnet following the conversion of bonds into shares announced on 4 April 2019. The issue of ordinary shares to other shareholders of Forthnet resulted in a total of 172,577,414 ordinary shares in issue. GO's Board of Directors considers that GO still exercises significant influence on Forthnet taking into account the composition of the Board of Forthnet and Forthnet's management structure. Forthnet is categorised as an associate with a nil carrying amount.

As at 31 December 2019, the listed price of Forthnet's equity quoted on the Athens Stock Exchange, within the Companies under Surveillance segment, was €0.40 (2018: €0.11) per ordinary share taking cognisance of the thin trading activity levels on the Stock Exchange. The value ascribed to GO's interest in Forthnet, based on the quoted price of the equity at the end of the reporting period, determined with the limitation referred to above, was €10.0 million (2018: €2.7 million).

Summarised financial information and other disclosures

In view of the matters highlighted above and the fact that the investments had a nil carrying amount, the Group's associate is not deemed material to GO as a reporting entity in terms of the requirements of IFRS 12 *Disclosure of interest in other entities*. Therefore, the disclosure of the summarised financial information and other matters in accordance with the requirements of IFRS 12 is not deemed necessary.

12. Loans receivable from subsidiary

	Company	
	2019	2018
	€000	€000
Non-current		
Carrying amount at 1 January	15,600	15,600
Advances effected during the year	5,375	-
Capitalisation of interest due as part of loan amount	295	-
Capitalisation of loan amounts into equity	(16,721)	-
Carrying amount at 31 December	4,549	15,600

By virtue of a loan agreement 25 July 2017, the Company had advanced to Cablenet an amount of €15,600,000 which was outstanding as at 31 December 2018.

As at 31 December 2018, the advances to Cablenet had a maturity of 30 June 2026, were secured by a floating charge on the subsidiary's assets and were subject to a floating interest rate computed using a margin of 0.353% over the subsidiary's banker's base rate.

During the current year GO advanced to its subsidiary another amount of €875,000 pursuant to a loan agreement dated 4 June 2019. On 25 November 2019, a loan settlement agreement was entered into whereby the outstanding balances, including interest, under these loan agreements amounting to €16,721,000 were capitalised (refer to Note 9 for further information).

Pursuant to a loan agreement dated 28 March 2019 and an amendment and restatement agreement dated 25 November 2019, a loan facility amount of €7,000,000 was made available to Cablenet, of which the amount of €4,500,000 was utilised by Cablenet by 31 December 2019.

The loan amount is to be repaid by 25 November 2024 and is subject to a two-year moratorium as from 25 November 2019, during which no capital or interest repayments are to be made. Following the moratorium period, capital and interest payments are to be made in monthly instalments. During the moratorium, interest shall accrue on a day-to-day basis at the rate of 8% per annum and shall be compounded annually. Following the moratorium, simple interest (not compounded) shall accrue on a day-to-day basis at the rate of 8% per annum and shall be payable monthly.

13. Other investments

	Group and Company	
	2019	2018
	€000	€000
At 31 December		
Cost	1,770	1,770
Accumulated impairment losses	(1,770)	(1,770)
Carrying amount	-	-

At 31 December 2019 and 2018, these assets consisted of equity investment in Loqus Holdings p.l.c. This equity investment was deemed to be impaired and accordingly its carrying amount was written down to nil.

The carrying amount of loans receivable from the investee, included in other receivables, amounting to €229,000 (2018: €229,000), had also been written down to nil in view of the impairment indicators highlighted above (Note 16).

14. Deferred tax assets and liabilities

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period. The principal tax rate used in respect of Malta based Group companies is 35% (2018: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property, which is computed on the basis applicable to disposals of immovable property i.e. principally tax effect of 10% (2018: 10%) of the transfer value. The tax rate applied in Cyprus in respect of the taxable profits attributable to Cablenet is 12.5% (2018: 12.5%). The balance at 31 December represents temporary differences attributable to:

Group	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
	€000	€000	€000	€000	€000	€000
Depreciation of property, plant and equipment	-	-	(6,066)	(4,797)	(6,066)	(4,797)
Fair valuation of land and buildings	-	-	(362)	(362)	(362)	(362)
Intangible assets	-	-	(1,077)	(1,770)	(1,077)	(1,770)
Provisions for pensions and other liabilities	1,809	2,237	-	-	1,809	2,237
Credit loss allowances on trade receivables and other assets	3,245	3,046	-	-	3,245	3,046
Unabsorbed capital losses	-	683	-	-	-	683
Tax assets/(liabilities)	5,054	5,966	(7,505)	(6,929)	(2,451)	(963)
Offsetting	(5,054)	(4,575)	5,054	4,575	-	-
Net tax assets/(liabilities)	-	1,391	(2,451)	(2,354)	(2,451)	(963)

14. Deferred tax assets and liabilities - continued

Company	Assets		Liabilities		Net	
	2019 €000	2018 €000	2019 €000	2018 €000	2019 €000	2018 €000
Depreciation of property, plant and equipment	-	-	(5,145)	(4,873)	(5,145)	(4,873)
Fair valuation of land and buildings	-	-	(362)	(362)	(362)	(362)
Intangible assets	-	352	(258)	-	(258)	352
Provisions for pensions and other liabilities	1,809	2,237	-	-	1,809	2,237
Credit loss allowances on trade receivables and other assets	3,169	2,986	-	-	3,169	2,986
Unabsorbed capital losses	-	683	-	-	-	683
Tax assets/(liabilities)	4,978	6,258	(5,765)	(5,235)	(787)	1,023
Offsetting	(4,978)	(4,873)	4,978	4,873	-	-
Net tax assets/(liabilities)	-	1,385	(787)	(362)	(787)	1,023

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period. The deferred tax assets and liabilities reflected in other comprehensive income relate to fair valuation of property, plant and equipment and to movements in provisions for pensions attributable to actuarial assumptions.

Capital losses are only available for offset against future capital gains.

14. 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 1 January 2018 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31 December 2018 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31 December 2019 €000
Property, plant and equipment	(3,410)	(1,387)	-	(4,797)	(1,269)	-	(6,066)
Intangible assets	(2,429)	659	-	(1,770)	693	-	(1,077)
Provisions for pensions and other liabilities	2,217	(25)	45	2,237	(520)	92	1,809
Expected credit losses on trade receivables and other assets	2,900	146	-	3,046	199	-	3,245
Unabsorbed capital losses	683	-	-	683	(683)	-	-
	(39)	(607)	45	(601)	(1,580)	92	(2,089)
Revaluation of land and buildings	(362)	-	-	(362)	-	-	(362)
	(401)	(607)	45	(963)	(1,580)	92	(2,451)

At 31 December 2019, the Group and the Company had unrecognised deferred tax asset amounting to €47,826,000 (2018: €47,143,000) in respect of impairment and other losses on investments and unabsorbed capital losses.

14. 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 1 January 2018 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31 December 2018 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	Balance 31 December 2019 €000
Property, plant and equipment	(3,657)	(1,216)	-	(4,873)	(272)	-	(5,145)
Intangible assets	275	77	-	352	(610)	-	(258)
Provisions for pensions and other liabilities	2,217	(25)	45	2,237	(520)	92	1,809
Expected credit losses on trade receivables and other assets	2,797	189	-	2,986	183	-	3,169
Unabsorbed capital losses	683	-	-	683	(683)	-	-
	2,315	(975)	45	1,385	(1,902)	92	(425)
Revaluation of land and buildings	(362)	-	-	(362)	-	-	(362)
	1,953	(975)	45	1,023	(1,902)	92	(787)

15. Inventories

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Operating spares	5,238	6,577	5,104	6,442
Goods held for resale	908	964	839	872
	6,146	7,541	5,943	7,314

The cost of inventories recognised as expense is disclosed in Note 25. During the current financial year, a decrease in provisions for obsolescence of inventories amounting to €153,000 (2018: increase of €115,000) for the Group and a decrease of €164,000 (2018: increase of €111,000) for the Company, have been reflected in these financial statements. Inventory write-downs during the year amounted to €625,000 (2018: €53,000) and €614,000 (2018: €53,000) for the Group and Company respectively.

Provisions for obsolescence of inventories are as follows:

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
At end of year	189	342	142	306

16. Trade and other receivables

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Non-current				
Amounts owed by subsidiaries	-	-	2,848	1,567
Contract assets	1,535	2,073	1,535	2,073
Costs incurred in obtaining contracts	308	313	308	313
Costs incurred to fulfill contracts	224	161	-	-
Other assets	39	12	39	12
	2,106	2,559	4,730	3,965
Current				
Trade receivables – net of provisions	15,960	16,181	11,195	12,664
Amounts owed by subsidiaries	-	-	679	1,556
Other receivables – net of provisions	543	331	159	62
Contract assets	10,080	8,744	8,142	7,006
Costs incurred in obtaining contracts	1,021	993	1,021	993
Costs incurred to fulfill contracts	253	119	-	-
Prepayments	8,653	8,548	6,116	7,394
Other assets	25	30	25	36
	36,535	34,946	27,337	29,711

16. Trade and other receivables - continued

Current amounts owed by subsidiaries as at 31 December 2019 are unsecured, interest-free and repayable on demand. Non-current amounts owed by subsidiaries as at 31 December 2019 relate to dividends receivable and are unsecured, interest-free and not repayable within the forthcoming 12-month period.

Receivables, disclosed in the table above, are stated net of credit loss allowances as follows:

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Trade receivables	10,153	9,596	9,055	8,531
Other receivables	229	229	229	229
Total credit loss allowances	10,382	9,825	9,284	8,760

The following tables analyse the changes in contract assets, costs incurred in obtaining contracts and costs incurred to fulfil contracts during the year ended 31 December 2019 and 2018:

Group	As at 1 January 2018	Business related variations		As at 31 December 2018
	€000	€000	€000	€000
<i>Contract assets</i>				
Accrued income	3,950	554		4,504
		Originations	Amortisation/ recognition in profit or loss	
		€000	€000	
Revenue allocated to subsidised handsets	1,877	2,259	(2,012)	2,124
Revenue allocated to discounted part of contract term	1,586	1,836	(1,553)	1,869
Free credits under subscriber agreements	1,399	2,460	(1,539)	2,320
Total contract assets	8,812			10,817
<i>Costs incurred in obtaining contracts</i>	1,077	1,497	(1,268)	1,306
<i>Costs incurred to fulfill contracts</i>	336	68	(124)	280
	As at 1 January 2019	Business related variations		As at 31 December 2019
	€000	€000	€000	€000
<i>Contract assets</i>				
Accrued income	4,504	1,384		5,888
		Originations	Amortisation/ recognition in profit or loss	
		€000	€000	
Revenue allocated to subsidised handsets	2,124	3,580	(3,310)	2,394
Revenue allocated to discounted part of contract term	1,869	1,226	(2,015)	1,080
Free credits under subscriber agreements	2,320	1,672	(1,739)	2,253
Total contract assets	10,817			11,615
<i>Costs incurred in obtaining contracts</i>	1,306	1,417	(1,394)	1,329
<i>Costs incurred to fulfill contracts</i>	280	316	(119)	477

16. Trade and other receivables - continued

Company	As at	Business related variations		As at
	1 January 2018			31 December 2018
	€000	€000		€000
<i>Contract assets</i>				
Accrued income	2,566	200		2,766
		Originations	Amortisation/ recognition in profit or loss	
		€000	€000	
Revenue allocated to subsidised handsets	1,877	2,259	(2,012)	2,124
Revenue allocated to discounted part of contract term	1,586	1,836	(1,553)	1,869
Free credits under subscriber agreements	1,399	2,460	(1,539)	2,320
Total contract assets	7,428			9,079
<i>Costs incurred in obtaining contracts</i>	1,077	1,497	(1,268)	1,306
	As at	Business related variations		As at
	1 January 2019			31 December 2019
	€000	€000		€000
<i>Contract assets</i>				
Accrued income	2,766	1,184		3,950
		Originations	Amortisation/ recognition in profit or loss	
		€000	€000	
Revenue allocated to subsidised handsets	2,124	3,580	(3,310)	2,394
Revenue allocated to discounted part of contract term	1,869	1,226	(2,015)	1,080
Free credits under subscriber agreements	2,320	1,672	(1,739)	2,253
Total contract assets	9,079			9,677
<i>Costs incurred in obtaining contracts</i>	1,306	1,417	(1,394)	1,329

17. Cash and cash equivalents

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

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Cash at bank and in hand	13,186	11,725	7,552	10,626
Bank overdrafts (Note 20)	(3,855)	(6,349)	(35)	(3,969)
Cash pledged as guarantees	(650)	(683)	(650)	(683)
	8,681	4,693	6,867	5,974

18. Share capital

	Company	
	2019	2018
	€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

19. Reserves

Group		Insurance contingency reserve €000	Adjustments relating to non- controlling interests €000	Property revaluation reserve €000	Other reserves €000	Total €000
Balance at 1 January 2018		1,742	(2,964)	1,676	162	616
Remeasurements of defined benefit obligations:						
- Actuarial losses		-	-	-	(129)	(129)
- Deferred taxes thereon		-	-	-	45	45
Excess of consideration paid on acquisition of non-controlling stake in subsidiary over carrying amount of non-controlling interests		-	(1,133)	-	-	(1,133)
Realisation of insurance contingency reserve upon transfer to retained earnings		(1,742)	-	-	-	(1,742)
Balance at 31 December 2018		-	(4,097)	1,676	78	(2,343)
Balance at 1 January 2019		-	(4,097)	1,676	78	(2,343)
Remeasurements of defined benefit obligations:						
- Actuarial losses		-	-	-	(265)	(265)
- Deferred taxes thereon		-	-	-	92	92
Changes in ownership interest that do not result in loss of control						
Disposal of non-controlling interests in subsidiary		-	45,290	-	-	45,290
Deemed acquisition of further non-controlling stake in subsidiary		-	(5,230)	-	-	(5,230)
Balance at 31 December 2019		-	35,963	1,676	(95)	37,544

19. Reserves - continued

Company	Merger reserve €000	Insurance contingency reserve €000	Property revaluation reserve €000	Other reserves €000	Total €000
Balance at 1 January 2018	3,843	1,742	1,676	(1,166)	6,095
Remeasurements of defined benefit obligations:					
- Actuarial losses	-	-	-	(129)	(129)
- Deferred taxes thereon	-	-	-	45	45
Realisation of insurance contingency reserve upon transfer to retained earnings	-	(1,742)	-	-	(1,742)
Balance at 31 December 2018	3,843	-	1,676	(1,250)	4,269
Balance at 1 January 2019	3,843	-	1,676	(1,250)	4,269
Remeasurements of defined benefit obligations:					
- Actuarial losses	-	-	-	(265)	(265)
- Deferred taxes thereon	-	-	-	92	92
Balance at 31 December 2019	3,843	-	1,676	(1,423)	4,096

These reserves are non-distributable.

Insurance contingency reserve

The insurance contingency reserve represented amounts that were intended to be utilised in the event that adequate coverage for an incident would not be provided by the Company's current insurance policies. The reserve was realised during 2018 through transfer to retained earnings.

Adjustments relating to non-controlling interests

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

These adjustments also comprise the effects of a deemed acquisition of a further non-controlling stake in a subsidiary, representing the difference between the share of capital increase attributable to non-controlling interest and the carrying amount of non-controlling interest acquired. An adjustment representing the difference between proceeds received on disposal of non-controlling stake in a subsidiary and the non-controlling interests recognised upon disposal, is reflected with this item.

Property revaluation reserve

The revaluation reserve relates to fair valuation of the land and buildings component of property, plant and equipment, and the balance represents the cumulative net increase in fair value of such property, net of related deferred tax.

Merger reserve

The merger reserve represents amounts arising on the merger of a subsidiary with the Company.

Other reserves

A reserve amounting to €690,000 arose on the reorganisation of the subsidiaries of Cablenet, which have been merged with Cablenet.

The other reserves also reflect the impact of actuarial gains and losses recognised in other comprehensive income in respect of provisions for pensions (Note 22) in accordance with the Group's accounting policy.

20. Borrowings

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Non-current liabilities				
Secured bank loans (i)	53,865	50,286	41,088	35,884
Current liabilities				
Secured bank loans (i)	11,525	11,622	9,886	11,121
Bank overdrafts (ii)	3,855	6,349	35	3,969
	15,380	17,971	9,921	15,090

Group			2019		2018	
Currency	Year of maturity	Face value €000	Carrying amount €000	Face value €000	Carrying amount €000	
<i>Bank loans</i>						
Loan 1	euro	2019	-	-	1,500	1,499
Loan 2	euro	2024	17,100	17,100	12,600	12,600
Loan 3	euro	2020	1,000	1,000	2,000	1,999
Loan 4	euro	2019	-	-	500	500
Loan 5	euro	2019	-	-	116	116
Loan 6	euro	2023	6,000	5,978	7,600	7,564
Loan 7	euro	2023	6,800	6,800	8,400	8,400
Loan 8	euro	2025	12,219	12,207	14,344	14,327
Loan 9	euro	2026	15,000	14,416	15,000	14,903
Loan 10	euro	2026	8,000	7,889	-	-
			66,119	65,390	62,060	61,908

Company			2019		2018	
Currency	Year of maturity	Face value €000	Carrying amount €000	Face value €000	Carrying amount €000	
<i>Bank loans</i>						
Loan 1	euro	2019	-	-	1,500	1,499
Loan 2	euro	2024	17,100	17,100	12,600	12,600
Loan 3	euro	2020	1,000	1,000	2,000	1,999
Loan 4	euro	2019	-	-	500	500
Loan 5	euro	2019	-	-	116	116
Loan 6	euro	2023	6,000	5,978	7,600	7,564
Loan 7	euro	2024	6,800	6,800	8,400	8,400
Loan 8	euro	2025	12,219	12,207	14,344	14,327
Loan 10	euro	2026	8,000	7,889	-	-
			51,119	50,974	47,060	47,005

The grossed up effects of proceeds from bank loans and repayments of bank loans are reflected on the face of the statements of cash flows.

20. Borrowings - continued

(i) Secured bank loans

The Company's bank loans are subject to financial covenants and are secured by hypothecs over the present and future assets of the Company. All the Company's loans, except for Loan 10 are also secured by guarantees provided by a number of subsidiaries. All the Group's bank loans are term loans with scheduled repayments.

The floating interest rate applicable on Loans 3, 4, and 8 is computed using a margin over the 3-month Euribor; whereas on Loans 1 and 2 it is computed using a margin over the bank's base rate. On Loan 5 it is computed using a margin over the 6-month Euribor.

Loans 6, 7 9 and 10 are subject to fixed rates of interest.

Loan 9, attributable to a subsidiary, is secured by mortgages on the immovable property of the subsidiary and of a company related to the minority shareholder of the subsidiary, by floating charges over the assets of the subsidiary and by guarantees by parties which are related to the minority shareholder.

As at 31 December 2019, the Company had unutilised bank loan facilities amounting to €20,275,000 (2018: €12,000,000).

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

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Bank loans	2.90	2.46	2.15	2.23

(ii) Bank overdrafts

The Group's and Company's banking facilities at 31 December 2019 amounted to €15,000,000 (2018: €15,000,000) and €11,000,000 (2018: €11,000,000) respectively. The Company's facilities are secured by hypothecs over the present and future assets of the Company. The subsidiary's facilities are secured by guarantees and mortgages on the immovable property of entities which are related to the minority shareholder of the subsidiary.

20. Borrowings - continued

As at 31 December 2019 and 2018, the Group's and Company's facilities were mainly subject to a floating interest rate linked to the bank's base rate.

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

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Bank overdrafts	2.81	3.31	2.45	3.60

21. Lease liabilities

The lease liabilities associated with the recognised right-of-use are analysed below:

	Group		Company	
	As at 31 December 2019 €000	As at 1 January 2019 €000	As at 31 December 2019 €000	As at 1 January 2019 €000
Non-current				
Properties	29,157	33,721	22,429	27,189
Equipment	1,083	1,500	1,006	841
Spectrum licences	13,541	15,940	13,541	15,940
	43,781	51,161	36,976	43,970
Current				
Properties	3,705	3,525	2,308	2,336
Equipment	326	401	300	207
Spectrum licences	2,197	2,301	2,197	2,301
	6,228	6,227	4,805	4,844
Total lease liabilities	50,009	57,388	41,781	48,814

Most extension options in property and motor vehicle leases have been included in the lease liability as the lease term reflects the exercise of such options.

As at 31 December 2019, potential future cash outflows of €7,231,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The total cash outflows for leases in 2019 was €5,407,000. The contractual undiscounted cash flows attributable to lease liabilities as at 31 December 2019 are analysed in Note 3.1.c.

Included in lease liabilities for properties are amounts of €25,159,000 (1 January 2019: €27,056,000) and €23,791,000 (1 January 2019: €25,649,000) for the Group and Company respectively, which are attributable to arrangements with related parties.

21. Lease liabilities - continued

The movement in the carrying amount of these liabilities is analysed in the following table:

	Group €000	Company €000
As at 1 January 2019	57,388	48,814
Additions	3,423	2,411
Payments	(7,094)	(5,509)
Impacts of reassessment of lease term, in respect of extensions	(5,395)	(5,395)
Interest charge	1,687	1,460
As at 31 December 2019	50,009	41,781

22. Provisions for pensions

The provision of telephone, telex, radio and cable services in Malta was nationalised in 1975 through the enactment of the Telemalta Corporation Act. The Company (in the form of Telemalta Corporation, its predecessor in title) committed itself to take over the employees of Cable and Wireless as part of this nationalisation process. As a result, the Company also committed itself to set up a pension scheme in favour of these employees. Additionally, this commitment was extended to some employees where a pension obligation was expressly agreed as part of their terms of employment.

Following a judgement by the Court of Appeal on 7 July 2008, the Company was required to set up the pension scheme in favour of ex-Cable and Wireless employees, with an effective date of 1 January 1975 and set up in a manner similar to that prescribed by the Pensions Ordinance, 1937. A pension scheme set up in accordance with this Ordinance falls under the category of a defined benefit plan within the scope of IAS 19, 'Employee Benefits'.

GO 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 2019, a significant number of beneficiaries have taken up this offer. As at 31 December 2019, the Company estimated that its obligations towards the remaining potential beneficiaries amounted to €5,168,000 (2018: €6,392,000).

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's case, as originally provided for in the terms of employment, this amount is dependent on an employee's final compensation upon retirement, as well as completed months of service. Furthermore, qualifying employees must have worked for the Company for a minimum of 10 years, and must have remained in service with the Company until retirement (the vesting period), in order to be unconditionally eligible to receive a pension under the scheme.

22. Provisions for pensions - continued

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

	Group and Company	
	2019	2018
	€000	€000
Carrying amount of pension obligations	5,168	6,392

The Company's scheme is unfunded and the amounts in the statement of financial position reflect essentially the present value of the unfunded obligations. The movement in the defined benefit obligations throughout the year is analysed as follows:

	Group and Company	
	2019	2018
	€000	€000
At 1 January	6,392	6,332
Actuarial losses – attributable to financial assumptions	265	129
Settlements paid	(78)	(82)
Release of provisions no longer required	(1,418)	-
Current service costs	7	13
At 31 December	5,168	6,392

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

	Group and Company	
	2019	2018
	€000	€000
Non-current	1,931	2,918
Current	3,237	3,474
	5,168	6,392

The amounts recognised in profit or loss are as follows:

	Group and Company	
	2019	2018
	€000	€000
Release of provisions no longer required	1,418	-
Current service costs	(7)	(13)

22. Provisions for pensions - continued

The amounts recognised in other comprehensive income are as follows:

	Group and Company	
	2019	2018
	€000	€000
Actuarial losses	(265)	(129)

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 2019, the weighted average discount rate used was 0.54% (2018: 1.32%).

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'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.

22. Provisions for pensions - continued

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
2019			
Discount rate	1.0%	decrease of 2.53%	increase of 2.83%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		increase of 2.60%	decrease of 2.78%
2018			
Discount rate	1.0%	decrease of 1.53%	increase of 1.60%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		increase of 4.25%	decrease of 1.19%

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.

23. Trade and other payables

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Non-current				
Trade payables	6,110	-	-	-
Amounts owed to related party	2,368	1,947	-	-
	8,478	1,947	-	-
Current				
Trade payables	31,029	19,209	15,954	12,119
Other payables	2,953	2,389	-	3
Indirect tax payable	6,340	6,513	4,339	4,536
Contract liabilities	10,805	12,763	5,816	8,232
Accruals	15,153	12,399	15,653	12,513
	66,280	53,273	41,762	37,403

23. Trade and other payables - continued

Included within non-current and current 'trade payables' are amounts of €6,110,000 and €4,053,000 respectively and payable by a subsidiary in respect of broadcasting rights for sports activities. This liability represents the present value of the estimated future contractual payments and recognised as a financial liability at amortised cost, using the weighted average incremental borrowing rate of 2.32%

The non-current amounts owed to related party are due to the non-controlling shareholder of a subsidiary relating to dividends, which shareholder has confirmed that no amount will be claimed until the subsidiary's financial position allows it. Amounts owed to related parties are unsecured and interest-free.

The following tables analyses the changes in contract liabilities during the year ended 31 December 2019 and 31 December 2018:

Group	As at	Business related variations		As at
	1 January 2018			31 December 2018
	€000	€000		€000
<i>Contract liabilities</i>				
Prepaid and deferred income	4,253	(1,099)		3,154
Revenue allocated to wholesale traffic in view of discounting arrangements	5,126	(2,500)		2,626
		Originations	Utilisation	
		€000	€000	
Attributable to free credits under subscriber agreements	2,030	2,393	(1,785)	2,638
Deposits received in advance from customers	3,973	3,649	(3,277)	4,345
Total contract liabilities	15,382			12,763
		Originations	Utilisation	
		€000	€000	
<i>Contract liabilities</i>				
Prepaid and deferred income	3,154	(539)		2,615
Revenue allocated to wholesale traffic in view of discounting arrangements	2,626	(1,600)		1,026
		Originations	Utilisation	
		€000	€000	
Attributable to free credits under subscriber agreements	2,638	1,453	(1,556)	2,535
Deposits received in advance from customers	4,345	3,400	(3,116)	4,629
Total contract liabilities	12,763			10,805

23. Trade and other payables - continued

Company	As at	Business related variations		As at
	1 January 2018			31 December 2018
	€000	€000		€000
<i>Contract liabilities</i>				
Prepaid and deferred income	4,134	(1,166)		2,968
Revenue allocated to wholesale traffic in view of discounting arrangements	5,126	(2,500)		2,626
		Originations	Utilisation	
		€000	€000	
Attributable to free credits under subscriber agreements	2,030	2,393	(1,785)	2,638
Total contract liabilities	11,290			8,232
	As at	Business related variations		As at
	1 January 2019			31 December 2019
	€000	€000		€000
<i>Contract liabilities</i>				
Prepaid and deferred income	2,968	(713)		2,255
Revenue allocated to wholesale traffic in view of discounting arrangements	2,626	(1,600)		1,026
		Originations	Utilisation	
		€000	€000	
Attributable to free credits under subscriber agreements	2,638	1,453	(1,556)	2,535
Total contract liabilities	8,232			5,816

Contract liabilities recognised in revenue during 2019

Revenue recognised in profit or loss during the financial year ended 31 December 2019 that was included in the balances of contract liabilities (prepaid and deferred income) as at 31 December 2018 amounted to €983,000 (2018: €706,000).

24. Revenue

The Group's turnover is generated in Malta and Cyprus and further information on the activities within the different markets is reflected in Note 5 'Segment information'. The Group's turnover is analysed as follows:

Category of activity	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Telecommunication and data centre services	162,912	156,021	110,284	111,233
Sale of goods	6,433	7,998	5,045	6,757
Other services and sundry revenues	8,447	7,793	2,546	1,604
	177,792	171,812	117,875	119,594

24. Revenue - continued

Upon adoption of the requirements of IFRS 15, specific transactions have been classified as non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers and accordingly are excluded from IFRS 15's revenue recognition scope. Amounts billed by and to the Group during 2018 in respect of these transactions were €5,250,000 for both years and have not been reflected within revenue and cost of sales respectively.

The Group's revenue reflected in the table above consists predominantly of revenue from contracts with customers.

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Timing of revenue recognition				
At a point in time	47,067	64,902	41,889	45,298
Over time	130,725	106,910	75,986	74,296
	177,792	171,812	117,875	119,594

Unfulfilled performance obligations

The following table presents the transaction price assigned to unfulfilled performance obligations as at 31 December 2019. Unfulfilled performance obligations are the services that the Group is obliged to provide to customers during the remaining fixed term of the contract. As allowed by the simplification procedure in IFRS 15, these disclosures are only related to performance obligations with an initial term greater than one year.

On the allocation of the total contract transaction price to identified performance obligations, a portion of the total transaction price can be allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. As outlined previously, GO has elected to apply certain available practical expedients when disclosing unfulfilled performance obligations, including the option to exclude expected revenues from unsatisfied obligations of contracts with an original expected duration of one year or less.

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Less than 1 year	45,719	45,523	25,464	29,179
Between 1 and 2 years	39,761	16,708	15,541	10,830
	85,480	62,231	41,005	40,009

25. Expenses by nature

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Cost of goods sold	8,388	8,920	6,251	7,126
Third party network charges, content costs and other direct costs	45,876	36,153	29,222	25,569
Employee benefit expense (Note 26)	32,284	34,857	23,537	27,512
Depreciation of property, plant and equipment (Note 6)	31,410	26,941	21,397	18,485
Depreciation of right-of-use assets (Note 7)	6,154	-	4,658	-
Amortisation of intangible assets (Note 8)	9,782	9,459	3,077	4,946
Movement in provisions and write-offs relating to inventories (Note 15)	472	168	450	164
Movement in credit loss allowances in respect of trade and other receivables (Note 16)	557	(1,170)	524	(887)
Bad debts written off	907	898	645	746
Operating lease rentals payable	-	5,164	-	4,346
Expense relating to short-term leases	1,349	-	1,140	-
Expense relating to leases of low value assets	485	-	485	-
Other	16,589	18,966	9,245	9,373
Total cost of sales, administrative and other related expenses	154,253	140,356	100,631	97,380

25.1 items of an unusual nature, size or incidence reflected within profit or loss

The following items of an unusual nature, size or incidence have been reflected within profit or loss during the current year:

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
<i>Non-recurring items within:</i>				
Cost of sales				
Inventory write downs	570	-	570	-
Administrative and other related expenses				
Voluntary retirement costs (Note 26)	2,662	2,685	2,662	2,685
Movement in provisions for pensions (Note 22)	(1,411)	13	(1,411)	13
Expenses incurred in the process of disposal of non-controlling interests in subsidiary	1,475	-	1,475	-
Other income				
Gain on disposal of property rights	900	-	900	-

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

25. Expenses by nature - continued

Auditor's fees

Fees charged by the parent company auditor for services rendered during the financial years ended 31 December 2019 and 2018 relate to the following:

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Annual statutory audit	190	170	160	158
Other assurance services	135	92	135	92
Other non-audit services	29	96	26	92
	354	358	321	342

Audit fees attributable to a subsidiary charged by other auditors amount to €24,000 (2018: €25,000).

The following non-audit services have been provided by the auditor to the Company:

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Advisory services in respect of a capital markets transaction	11	85	11	85
Tax advisory and compliance services	18	11	15	7
	29	96	26	92

26. Employee benefit expense

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Wages and salaries	35,656	34,641	25,533	26,426
Social security costs	2,504	2,307	1,665	1,751
Capitalised labour costs	(7,127)	(4,789)	(4,912)	(3,230)
Recharged to subsidiaries	-	-	-	(133)
	31,033	32,159	22,286	24,814
Voluntary retirement costs	2,662	2,685	2,662	2,685
Movement in provisions for pensions	(1,411)	13	(1,411)	13
Total employee benefit expense	32,284	34,857	23,537	27,512

26. Employee benefit expense - continued

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

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Operational expenses	5,589	8,101	4,130	7,518
Administrative and other related expenses	26,695	26,756	19,407	19,994
	32,284	34,857	23,537	27,512

The average number of persons employed by the Group and the Company during the year, including part-timers and students, amounted to 1,232 (2018: 1,226) and 832 (2018: 884) respectively. The number of persons employed by the Group and the Company, including part-timers and students at the end of the year was as follows:

	Group		Company	
	2019	2018	2019	2018
Operational	329	338	287	321
Management and administration	882	887	524	562
	1,211	1,225	811	883

27. Directors' emoluments

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Fees	280	190	280	190

During the current year, subsidiary companies paid remuneration to their directors amounting to €565,000 (2018: €355,000). These directors do not form part of the Company's Board of Directors.

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

28. Other income

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Rent receivable	407	395	407	395
Unrealised and realised operating exchange gains	67	19	67	8
Late payment charges	298	300	298	300
Gain on disposal of property rights	900	-	900	-
Others	718	1,102	567	721
	2,390	1,816	2,239	1,424

29. Other expenses

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Unrealised and realised operating exchange losses	47	186	4	100
Others	36	-	23	-
	83	186	27	100

30. Finance income

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Dividend income from subsidiaries	-	-	899	7,470
Bank interest receivable	6	3	6	3
Interest receivable from related parties	-	-	411	449
Late payment interest receivable	311	310	311	310
Other interest receivable	22	32	38	32
	339	345	1,665	8,264

31. Finance costs

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Bank loan interest	1,454	1,588	1,076	1,158
Other bank interest and charges	92	173	52	97
Interest charges on lease liabilities	1,687	-	1,460	-
Other interest	125	-	-	-
	3,358	1,761	2,588	1,255

32. Tax expense

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

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Current tax				
Current tax expense	8,257	10,620	5,361	9,746
Deferred tax				
Deferred tax expense (Note 14)	1,580	607	1,902	975
Tax expense	9,837	11,227	7,263	10,721

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:

	2019			2018		
	Before tax	Tax (charge)/ credit	Net of Tax	Before tax	Tax (charge)/ credit	Net of tax
	€000	€000	€000	€000	€000	€000
Group and Company						
Remeasurements of defined benefit obligations	265	(92)	173	129	(45)	84
	265	(92)	173	129	(45)	84

32. Tax expense - continued

The tax recognised in profit or loss on the Group's and the Company's profit before tax differs from the theoretical amount that would arise by applying the basic tax rate in Malta to the results of the consolidated entities as follows:

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Profit before tax	22,827	31,670	57,273	30,547
Tax on profit at 35% applicable to taxable profits in Malta	7,989	11,085	20,046	10,691
Tax effect of:				
Expenses and losses disallowed for tax Purposes	1,334	468	539	30
Further allowances on rental income	-	(12)	-	(12)
Different tax rate applied to taxable income attributable to subsidiary (see below)	30	(725)	-	-
Dividend income not subject to tax	-	-	(316)	(430)
Income taxed at different rate	(265)	-	(34)	-
Gain on disposal of interest in subsidiary	-	-	(13,559)	-
Gain on transaction in property rights	(140)	-	(140)	-
Remeasurements arising upon adoption of IFRS 15	-	931	-	931
Reversal of deferred tax asset attributable to capital losses	683	-	683	-
Expected credit loss allowances on trade receivables recognised upon adoption of IFRS 9	-	(575)	-	(496)
Others	206	55	44	7
Tax expense	9,837	11,227	7,263	10,721

The tax rate applied to taxable profits attributable to a subsidiary registered in Cyprus, Cablenet, is 12.5%.

33. 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	
	2019	2018
Profit attributable to equity holders of the Company (€000)	11,660	18,971
Weighted average number of shares in issue (thousands) (Note 18)	101,310	101,310
Earnings per share (euro cent)	11c5	18c7

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.

34. Dividends

	Company	
	2019	2018
	€000	€000
Net dividends paid on ordinary shares	55,720	13,170
Dividends per share (euro cent)	55c0	12c9

During 2019, a payment of a special interim dividend of €0.41 per share amounting to €41,537,300, was effected. This dividend was paid in view of the profits generated by the Company from the sale of its 49% shareholding in BMITT.

A dividend in respect of the year ended 31 December 2019 of €0.14 (2018: €0.14) per share, amounting to €14,183,468 (2018: €14,183,468), was proposed by the Board of Directors subsequent to the end of the reporting period. The financial statements do not reflect this proposed dividend.

35. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Operating profit	25,846	33,086	19,456	23,538
<i>Adjustments for:</i>				
Depreciation and amortisation	47,346	36,400	29,132	23,431
Net movement in provisions and write-downs in relation to receivables and inventories	1,936	(104)	1,619	23
Voluntary retirement costs	2,662	2,685	2,662	2,685
Gain on disposal of property right	(900)	-	(900)	-
Movement in provisions for pensions	(1,411)	13	(1,411)	13
<i>Changes in working capital:</i>				
Inventories	1,503	(5,446)	1,501	(5,454)
Trade and other receivables	(2,705)	(3,995)	357	(1,949)
Trade and other payables	5,268	1,168	3,542	(3,530)
Group undertakings' balances	-	-	(1,040)	7,781
Cash generated from operations	79,545	63,807	54,918	46,538

Non-cash transactions

The Company's non-cash transactions during the current year comprise the conversion of loans receivable from Cablenet into equity (Note 12) in connection with GO's deemed acquisition of an additional shareholding in Cablenet.

36. Operating lease and other related 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	
	2019 €000	2018 €000	2019 €000	2018 €000
Less than 1 year	-	4,954	-	3,631
Between 1 and 5 years	-	13,586	-	10,378
More than 5 years	-	30,914	-	30,062
	-	49,454	-	44,071

The Group and the Company lease various premises and other assets under operating leases.

36. Operating lease and other related commitments - continued

With effect from 1 January 2019, the Group has recognised right-of-use assets for leases, except for short-term and low-value leases in accordance with the requirements of IFRS 16 (Note 21).

During the current year, operating lease payments in respect of cancellable and non-cancellable leases amounting to €1,834,000 (2018: €5,164,000) for the Group and €1,625,000 (2018: €4,346,000) for the Company, were recognised as an operating expense in profit or loss.

The lease charge for those non-cancellable leases with a remaining lease term of less than 12 months amounted to €978,000 for the Group and the Company.

(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. As at 31 December 2019 and 2018, the Group and the Company were also party to a non-cancellable operating lease agreement for an indefinite period with an annual lease amount receivable of €225,000 (2018: €225,000). During the current year, amounts of €407,000 (2018: €395,000) for the Group and Company, were recognised as rental income in profit or loss within other operating income.

(c) Other related commitments

Additionally, as at 31 December 2019 a subsidiary had commitments in relation to the payment of operating and maintenance fees from 2020 to 2035 amounting to €8,834,000 (2018: €9,849,709), software maintenance fees and annual support cost from 2020 to 2024 amounting to €9,307,615 (2018: €152,500), TV content fees from 2020 to 2022 of €18,903,208 (2018: €22,752,000), cost of sports and production expense from 2020 to 2022 of €2,739,587 (2018: €8,552,660) and sponsorships to football clubs from 2020 to 2024 of €76,510 (2018: €152,500).

37. Capital commitments

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Contracted for:				
Property, plant and equipment	21,925	5,274	15,813	3,764
Intangible assets	6,960	30,855	-	-
Authorised but not contracted for:				
Property, plant and equipment	5,901	6,871	5,901	6,871
	34,786	43,000	21,714	10,635

On 19 December 2019 GO announced that it had executed an agreement with a third party which is working towards constructing, maintaining and commercialising an extension trunk system on/to a new, state-of-the-art and high-speed fibre optic submarine cable system with branches to a number of countries. In terms of this agreement, GO will acquire the title and ownership and/or indefeasible right of use of submarine and land infrastructure connecting Malta to France and Egypt as well as associated operational and maintenance services, subject to the terms and conditions of the agreement.

38. 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 2019, contingent liabilities arising from:

- guarantees in favour of third parties and performance bonds given amounting to €650,000 (2018: €683,000) for the Group and the Company;
 - actual or potential claims and litigation arising from provision of services, acquisition of goods and services by the Group and other legal issues; and
 - claims by a restricted number of employees;
- in respect of which no losses which are deemed material, individually or in aggregate, in the context of understanding the Group's financial results and financial position, are expected.

At the end of the reporting period, the Group had a contingent liability arising from an overseas court judgement requiring that a Group company implements measures to prevent a specific client from providing certain services. The company was ordered to pay for the costs of the court proceedings and to pay a fine of €100,000 per day subsequent to service of the said judgement, unless and until the company complies with it. On the basis of legal advice obtained by the Group, the company has not yet been correctly served with the judgement and, additionally, the judgement can be enforced in Malta only in the event that it is declared enforceable by the Courts in Malta. This legal advice obtained by the Group highlights serious doubts on the enforceability of the overseas court judgement in Malta and accordingly no provision has been recognised as the Directors are of the opinion that a cash outflow is not probable.

Another overseas court proceeding has been instituted against the same Group company with respect to similar claims in relation to services provided to another client. Until the date of authorisation for issue of these financial statements, no judgement has been delivered by the court. No provision for expected losses was deemed necessary by the Directors as at the end of the reporting period taking cognisance of legal advice received.

(b) Contingencies relating to pension liabilities

As disclosed in Note 22, GO 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, beyond provisions already accounted for by the Company, 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 interests.

(c) Guarantees to secure banking facilities

A subsidiary of the Company has given guarantees to bankers in favour of related parties so as to secure the related parties' banking facilities. The maximum exposure arising from these guarantees amounts to €1,340,000 (2018: €1,390,000) and the Directors do not expect any losses to occur in this respect.

39. Related party transactions

The Company and its subsidiaries have a related party relationship with Société Nationale des Télécommunications, the Company's ultimate parent (Note 41), related entities ultimately controlled by Société Nationale des Télécommunications, together with the Company's Directors (key management personnel). Subsequent to the change in the Company's shareholders, Dubai Holding LLC (GO's former ultimate parent) and all entities ultimately controlled by it are still considered to be related parties, in view of Dubai Holding LLC's interest in and significant influence on GO's current ultimate parent.

The following principal operating transactions, which were carried out with related parties, have a material effect on the operating results and financial position of the Group and Company:

	Group		Company	
	2019	2018	2019	2018
	€000	€000	€000	€000
Current ultimate parent and related entities				
Dividends paid to	36,442	8,613	36,442	8,613
Former ultimate parent and related entities				
Operating lease charges recognised in profit or loss	452	2,869	452	2,869
Payments relating to leases treated in accordance with IFRS 16 requirements	2,874	n/a	2,789	n/a

Upon adoption of IFRS 16, the Group recognised lease liabilities in respect of lease arrangements with related parties (refer to Note 21).

Malta Properties Company p.l.c. was considered a related party during the years ended 31 December 2019 and 2018, since its ultimate parent is Dubai Holding LLC, which exerts significant influence on GO's ultimate parent subsequent to the change in GO's shareholding, as referred to above.

	Company	
	2019	2018
	€000	€000
Subsidiaries		
Loans advanced to (at face value)	5,375	-
Services provided to	1,472	1,682
Services provided by	765	925
Interest received from	427	448
Dividends received from	899	7,470

Further to the loans granted as disclosed above, the Company has indicated its intention to continue providing financial support to Cablenet, a subsidiary, to enable it to continue to grow its operations. At the end of the year, no losses are deemed probable or expected under this arrangement. During the year, the Company's loans to this subsidiary, amounting to €16,721,000, were capitalised and this conversion into equity gave rise to an increase in GO's holding in Cablenet from 51% to 60.26% (refer to Notes 9 and 12 for further disclosures on the transactions effected).

39. Related party transactions - continued

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

Except for remuneration payable (Note 27), 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 12, 16, 21 and 23 to these financial statements.

40. Events after the end of reporting period

Acquisition of property by subsidiary

On 23 May 2019 BM IT Limited, a subsidiary, entered into a promise of sale agreement with a third party to purchase and acquire the property which houses the BMITT Group's largest Data Centre with a capacity of approximately 300 racks.

The acquisition was approved at an Extraordinary General Meeting of BMITT held on 6 August 2019, as announced by a Company Announcement bearing the same date. The final deed of sale and purchase in respect of the property was executed on 17 January 2020. The consideration for the said property reached the total amount of €4,200,000 and has been financed partly by own capital and partly by a bank loan of €3,600,000.

The acquisition of the property enables the BMITT Group to carry on a significant part of its operations from its own property.

41. Statutory information

GO p.l.c. is a public limited liability company domiciled and incorporated in Malta. The Company's ultimate parent is Société Nationale des Télécommunications (Tunisie Telecom), the registered office of which is situated at Tunisie Telecom Building, 1053 Jardins du Lac II, Tunis, Tunisia which owns 65.4% of the Company's shares. The Company's immediate parent is TT ML Limited, a fully owned subsidiary of Tunisie Telecom, established as a special purpose vehicle for the purpose of holding GO's shares. The Tunisian Government holds a 65% shareholding in Tunisie Telecom, and Emirates International Telecommunications (EIT), a subsidiary of Dubai Holding LLC which is GO's former ultimate parent, owns the other 35%.

Five-year record

	2019	2018	2017	2016	2015
	€M	€M	€M	€M	€M
Revenue	177.8	171.8	166.3	157.0	123.7
Results from operating activities	25.8	33.1	29.5	26.3	27.8
Profit before income tax	22.8	31.7	27.9	28.1	34.2
Profit for the year	13.0	20.4	18.0	20.3	26.4
Total assets	327.7	255.4	251.8	249.8	207.6
Total liabilities	202.2	135.3	136.7	140.6	115.5
Total equity	125.6	120.2	115.1	109.2	92.1
Operating cash flow	63.0	52.8	57.0	63.8	36.8
Investing cash flow	(0.9)	(39.7)	(33.9)	(35.5)	(33.4)
Financing cash flow	(58.2)	(15.3)	(19.2)	(22.1)	(18.3)
Earnings per share	€0.11	€0.19	€0.17	€0.18	€0.26
Dividends per share	€0.14 *	€0.14	€0.13	€0.11	€0.10

* a payment of a special interim dividend of €0.41 per share was effected during the year ended 31 December 2019

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