EMMA GAMMA LIMITED

Special purpose condensed consolidated interim financial statements
30 June 2020

Contents

Officers and Professional Advisors

Board of Directors	Demetrios Aletraris Radka Blažková Andri Pangalou
Secretary	Cyproman Services Limited 5 Esperidon Street 4th floor 2001 Nicosia Cyprus
Independent Auditors	KPMG Limited Certified Public Accountants and Registered Auditors 14 Esperidon Street 1087 Nicosia Cyprus
Bankers	PPF Banka a.s. J&T Banka a.s. Hellenic Bank Public Company Ltd Zagrebačka Banka D.D. Erste & Steiermarkische Bank D.D.
Registered Office	48 Themistokli Dervi Avenue Athienitis Centennial Building, 3rd floor, Office 303 1066 Nicosia Cyprus
Registration number	HE347073

	Notes	30.6.2020 TEUR	31.12.2019 TEUR
ASSETS			
Non-current assets			
Goodwill	6	451,558	451,558
Other intangible assets	6	58,287	59,293
Property, plant and equipment	7	8,892	9,217
Loans receivable	10	--	31
Financial assets - deposits	9	1,375	1,827
Financial assets at amortised cost	9	--	28,184
Deferred tax asset	20	--	3
Total non-current assets		**520,112**	**550,113**
Current assets			
Inventories	12	498	344
Loans receivable	10	54,089	21,206
Trade and other receivables	11	3,474	3,869
Other assets	13	1,747	2,316
Financial assets at fair value through profit or loss	9	205	33
Financial assets at amortised cost	9	28,944	89,068
Cash and cash equivalents	8	87,380	54,214
Total current assets		**176,337**	**171,050**
Total assets		**696,449**	**721,163**

The notes on pages 10 to 45 are an integral part of these special purpose condensed consolidated interim financial statements.

	Note	30.6.2020 TEUR	31.12.2019 TEUR
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	21	1	1
Share premium	21	111,839	111,839
Translation reserve	21	(483)	(150)
Retained earnings		346,431	(98,623)
Profit for the period		11,786	475,054
Equity attributable to owners of the Company		**469,574**	**488,121**
Non-controlling interest		**25,431**	**27,950**
Total equity		**495,005**	**516,071**
LIABILITIES			
Non-current liabilities			
Due to banks and other financial institutions	15	74,108	70,260
Bonds and notes issued	16	88,872	88,285
Financial liabilities at fair value through profit or loss	17	–	313
Lease liabilities	7	5,065	5,156
Deferred tax liabilities	20	10,661	10,865
Total non-current liabilities		**178,706**	**174,879**
Current liabilities			
Due to banks and other financial institutions	15	11,946	14,260
Bonds and notes issued	16	–	392
Current income tax liabilities		528	3,039
Trade and other payables	18	1,249	1,772
Lease liabilities	7	2,279	2,174
Other liabilities	19	6,736	8,576
Total current liabilities		**22,738**	**30,213**
Total liabilities		**201,444**	**205,092**
Total equity and liabilities		**696,449**	**721,163**

On 21 September 2020, the Board of Directors of EMMA GAMMA LIMITED authorised these special purpose condensed consolidated interim financial statements for issue.

Demetrios Aletraris
Director

Radka Blažková
Director

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	Note	1-6/2020 TEUR	1-6/2019 TEUR
Revenues from betting activities and casino games	22	42,341	13,716
Other income related to gaming	22	7,587	3,149
Services and material expenses	23	(12,470)	(3,491)
Personnel expenses	24	(7,930)	(3,129)
Impairment of loans and receivables	25	79	(140)
Other operating income	26	1,087	988
Other operating expenses	27	(1,725)	(701)
Profit from operations		**28,969**	**10,392**
Finance income	28	4,401	3,399
Finance expense	28	(7,466)	(10,300)
Net finance expense		**(3,065)**	**(6,901)**
Associates – Net (loss) /gain from sale of investments in subsidiaries and associates	14	--	456,841
Profit before tax		**25,904**	**460,332**
Income tax	29	(5,058)	(1,792)
Profit from continuing operations after tax		**20,846**	**458,540**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(435)	188
Other comprehensive income / (expense) for the period		**(435)**	**188**
Total comprehensive income for the period		**20,411**	**458,728**
Profit/loss attributable to:			
Owners of the Company		11,786	455,035
Non-controlling interests		9,060	3,505
		20,846	**458,540**
Total comprehensive income attributable to:			
Owners of the Company		11,453	455,168
Non-controlling interests		8,958	3,560
		20,411	**458,728**

The notes on pages 10 to 45 are an integral part of these special purpose condensed consolidated interim financial statements.

	Share capital TEUR	Share premium TEUR	Translation reserves TEUR	Retained earnings TEUR	Total – Owners of the Company TEUR	Non-controlling interest TEUR	Total equity TEUR
Balance as at 1 January 2019	**1**	**111,839**	**--**	**(1,523)**	**110,317**	**--**	**110,317**
Profit for the period	--	--	--	455,035	455,035	3,505	458,540
Translation reserve changes	--	--	133	--	133	55	188
Total comprehensive income for the period	**--**	**--**	**133**	**455,035**	**455,168**	**3,560**	**458,728**
Transactions with owners recognised directly in equity							
Contributions by and distributions to owners							
Dividends 1)	--	--	--	(47,100)	(47,100)	--	(47,100)
Changes in ownership interests in subsidiaries:							
Transactions with NCI without change in control							
Effect from acquisitions through business combinations 2)	--	--	--	--	--	23,549	23,549
Total transactions with owners	**--**	**--**	**--**	**(47,100)**	**(47,100)**	**23,549**	**(23,551)**
Other movements	**--**	**--**	**--**	**(32)**	**(32)**	**--**	**(32)**
Balance as at 30 June 2019	**1**	**111,839**	**133**	**406,380**	**518,353**	**27,109**	**545,462**

1) In June 2019, the Group distributed an interim dividend to EMMA ALPHA HOLDING LTD in the amount of TEUR 47,100.

2) As a result of the acquisition of EMMA GAMMA Adriatic d.o.o., the Group recognized non-controlling interest from acquisition through business combination of TEUR 23,549 in 2019. For more information refer to changes in the Group in 2019, described in Note 1. Based on initial purchase price allocation, the Group disclosed non-controlling interest resulting from business combination of TEUR 26,017 in its special purpose condensed consolidated interim statement of changes in equity for the six months ended 30 June 2019. The final calculation within the measurement period (refer to Note 1) was reflected in comparative financial information in the table above.

The notes on pages 10 to 45 are an integral part of these special purpose condensed consolidated interim financial statements.

	Share capital TEUR	Capital reserves TEUR	Translation reserves TEUR	Retained earnings TEUR	Total – Owners of the Company TEUR	Non-controlling interest TEUR	Total equity TEUR
Balance as at 1 January 2020	**1**	**111,839**	**(150)**	**376,431**	**488,121**	**27,950**	**516,071**
Profit for the period	--	--	--	11,786	11,786	9,060	20,846
Translation reserve changes	--	--	(333)	--	(333)	(102)	(435)
Total comprehensive income / (expense) for the period	**--**	**--**	**(333)**	**11,786**	**11,453**	**8,958**	**20,411**
Transactions with owners recognised directly in equity Contributions by and distributions to owners							
Dividends	--	--	--	(30,000)	(30,000)	(11,477)	(41,477)
Changes in ownership interests in subsidiaries:							
Effect from acquisitions through business combinations	--	--	--	--	--	--	--
Total transactions with owners	**--**	**--**	**--**	**(30,000)**	**(30,000)**	**(11,477)**	**(41,477)**
Other movements							
Balance as at 30 June 2020	**1**	**111,839**	**(483)**	**358,217**	**469,574**	**25,431**	**495,005**

On 27 April 2020, the Group distributed an interim dividend to EMMA ALPHA HOLDING LTD in the amount of TEUR 30,000.

The notes on pages 10 to 45 are an integral part of these special purpose condensed consolidated interim financial statements.

Cash flows from operating activities	Note	1-6/2020 TEUR	1-6/2019 TEUR
Profit for the period after tax		**20,846**	**458,540**
Adjustment for:			
Depreciation and amortisation	6,7	1,725	601
(Reversal of)/impairment losses on financial assets	9,25	(79)	140
Revaluation of financial instruments at fair value through profit and loss	9,17	(485)	(966)
(Gain)/loss on the sale of associates	14	--	(456,841)
(Gain) / loss on sale of PPE		(1)	--
Net interest (income)/expense	28	4,252	3,540
Tax expense	29	5,058	1,792
Unrealised foreign exchange (gains)/losses		540	2
Operating profit before changes in working capital and provisions		**31,856**	**6,808**
(Increase) / Decrease in trading properties and inventories		(154)	(83)
(Increase) / Decrease in trade and other receivables		941	5,227
Increase / (Decrease) in trade and other payables		(2,393)	(119,871)
Cash generated from / (used in) operating activities		**30,250**	**(107,919)**
Interest paid		(6,774)	(5,314)
Interest received		3,307	647
Income tax paid		(7,590)	(1,846)
Net cash generated from / (used in) operating activities		**19,193**	**(114,432)**
Cash flows from investing activities			
Proceeds from sale of associates	14	90,000	510,000
Proceeds from sale of property, plant and equipment	7	251	--
Proceeds from other financial assets	9	452	--
Acquisition of subsidiary, net of cash acquired		--	(272,397)
Acquisition of financial assets		--	(4,850)
Acquisition of property, plant and equipment	7	(305)	(409)
Acquisition of intangible assets	8	--	--
Loans (provided) / repaid	10,15	(35,004)	46,623
Net cash generated from investing activities		**55,394**	**278,967**
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		1,536	--
Bonds repaid	16	--	(120,000)
Bonds issued	16	--	90,000
Payment of lease liabilities		(1,480)	(116)
Dividends paid		(41,477)	(47,100)
Net cash (used in)/from financing activities		**(41,421)**	**(77,216)**
Net movement in cash and cash equivalents		33,166	87,319
At the beginning of the period	8	**54,214**	**3,104**
At the end of the period	8	**87,380**	**90,423**

The notes on pages 10 to 45 are an integral part of these special purpose condensed consolidated interim financial statements.

1. Description of the Group

EMMA GAMMA LIMITED (the "Company") was incorporated in Cyprus on 16 September 2015 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at 48 Themistokli Dervi Avenue, Athienitis Centennial Building, 3rd Floor, Office 303,1066 Nicosia, Cyprus.

The special purpose condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

Shareholders

The owner of the Company is as follows:

Shareholders	Country of incorporation	Type of shares	Ownership interest (%) 2020	2019
EMMA ALPHA HOLDING LTD	Cyprus	Ordinary shares	100.00	100.00

Principal activities

The principal activities of the Group are the provision of financing, the holding of investments and provision of betting activities and casino games.

Description of the Ownership Structure

The Company controls, directly or indirectly, other companies in Croatia and Slovakia. Subsidiary companies are controlled by the Company and they are fully consolidated. Investments in the associated companies are included in the special purpose condensed consolidated interim financial statements using the cost value method (non-compliant with IFRS).

Consolidated subsidiaries	Country of incorporation	Ownership interest (%) 2020	2019
EMMA GAMMA FINANCE a.s.	Slovakia	100.00	100.00
EMMA GAMMA Adriatic d.o.o. 1)	Croatia	100.00	100.00
Super Sport d.o.o.2)	Croatia	65.45	65.45
Minus5 d.o.o.	Croatia	51.00	51.00
Puni broj d.o.o.2)	Croatia	65.45	65.45

1) The name of entity SAZKA Group Adriatic d.o.o. was changed to EMMA GAMMA Adriatic d.o.o. on 11 May 2020.
2) From a legal perspective, the current shareholding equals to 65.45%. For the reasons explained in Note 30, the Group consolidate an additional shareholding of 1.55% in Super Sport d.o.o. and Puni broj d.o.o.

1. Description of the Group (continued)

Acquisitions and disposals in 2020

The Group does not report any acquisitions and disposals for the period ended as at 30 June 2020.

Acquisitions and disposals in 2019

On 14 March 2019, the Group sold its entire holding in SAZKA Group a.s. for the total nominal consideration of TEUR 630,000 split in four variable instalments.

The following table provides the detail of transaction at the date of sale of SAZKA Group a.s.:

	Notes	**TEUR**
Consideration, received in cash		510,000
Promissory note 1		90,000
Promissory note 2		30,000
Discount of the deferred payments		(6,689)
Proceeds from sale of associate		**623,311**
Carrying amount of SAZKA Group a.s. at cost	14 + 2 (a)	(166,470)
Gain from sale of associate		**456,841**

On 2 May 2019, the Group acquired 100% of shareholding in EMMA GAMMA Adriatic d.o.o. for the aggregate consideration of TEUR 302,607 and subordinated debt due from EMMA GAMMA Adriatic d.o.o. for the aggregate consideration of TEUR 117,409.

On 31 July 2019, the Company entered into an agreement of providing a capital contribution for the amount of TEUR 80,000 to EMMA GAMMA Adriatic d.o.o., which is recorded as an increase on the cost of the investment.

1. Description of the Group (continued)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of foundation of EMMA GAMMA Adriatic d.o.o.:

	Note	TEUR
Intangible assets	6	59,545
Property, plant and equipment	7	10,434
Financial assets at fair value through profit or loss	9	23
Trade and other receivables	11	6,663
Cash and cash equivalents	8	30,210
Trade and other payables	18	(6,644)
Lease liabilities		(7,729)
Interest bearing loans and borrowings - bank	15	(84,926)
Interest bearing loans and borrowings – related parties	15	(117,409)
Financial liabilities at fair value through profit or loss	17	(489)
Current income tax liabilities		(4,381)
Deferred tax liabilities	20	(10,699)
Total identifiable net assets acquired		**(125,402)**
Non-controlling interest (on fair value of net assets)		**23,549**
Consideration, paid in cash		(302,607)
Goodwill	**6**	**451,558**

Cash effect on acquisition	
Consideration, paid in cash	(302,607)
Cash (acquired)	30,210
Net cash outflow	**(272,397)**

In November 2019, EMMA GAMMA Adriatic d.o.o. entered into share purchase agreements with key management employees of Super Sport d.o.o. and sold 1.55% of shares in Super Sport d.o.o. for the consideration of TEUR 6,566. Based on IAS 19 and based on the politics applied by the Group, the controlling interests remain unchanged. For the details see Note 30.

2. Basis of preparation

The special purpose condensed consolidated interim financial statements for the six months ended 30 June 2020 comprise the Company and its subsidiaries.

(a) Statement of compliance

These special purpose consolidated financial statements have been prepared in accordance with the financial reporting provisions of Section 4.4 of the Security Prospectus Notes dated 10 May 2019 ("the Prospectus"), issued by the Company's subsidiary, EMMA GAMMA FINANCE a.s., and guaranteed by the Company. According to the Prospectus, the Company as a guarantor on the Notes, is required to prepare special purpose consolidated financial statements for the purpose of monitoring financial indicators, and more specifically, to calculate the Net Debt Ratio on 31 December and 30 June of each year based on financial data and figures stated in the Company's special purpose consolidated financial statements. As explicitly stated in the Prospectus, for the purpose of calculation of the Net Debt Ratio, the Company's investment in associate should be accounted using the cost value method in its special purpose consolidated financial statements until its disposal.

(b) Basis of measurement

These special purpose condensed consolidated interim financial statements have been prepared under the historic cost convention basis, except in the case of financial instruments at fair value through profit or loss and financial assets FVOCI which are measured at fair value. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortised cost or historic cost, as appropriate, net of any relevant impairment.

(c) Presentation and functional currency

The functional currency of the Company is the Euro. The functional currency of Company's Croatian subsidiaries is the Croatian Kuna and for the Slovak subsidiary is the Euro. These special purpose condensed consolidated interim financial statements are presented in Euro. Financial information has been rounded to the nearest thousand (TEUR).

2. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the special purpose condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments made by management in preparing these special purpose condensed consolidated interim financial statements in respect of impairment recognition is described in Note 3 (c) (vii) and Note 25.

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next reporting period is included in the following notes:

- Note 14 “Investments in associates”: cost value measurement. This accounting treatment is in accordance with financial reporting provisions of Section 4.4 of the Prospectus.
- Note 20 “Deferred tax liability and asset”: recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.
- Note 30 “Income tax expense/credit”: to determine any provision for income taxes.
- Note 10 “Loans receivable”: measurement of ECL allowance for loans and receivables - key assumptions in determining the weighted average loss rate.
- Note 1 “Description of the Group” - Acquisition of subsidiaries: fair value measurement on a provisional basis.

(e) Basis of consolidation

The Group special purpose condensed consolidated interim financial statements comprise the financial statements of the parent company, EMMA GAMMA LIMITED, and the financial statements of its subsidiaries as stated in Note 1. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date on which control effectively commences until the date on which control effectively ceases.

Legal restructuring and mergers involving companies under common control are accounted for using consolidated net book values, consequently no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

2. Basis of preparation (continued)

(ii) Associates

Associates are enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The special purpose condensed consolidated interim financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date on which significant influence effectively commences until the date on which significant influence effectively ceases. Under equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

As the Group did not recognise any investments in associates in 2019 and first half of 2020, the approach to recognition of associates was simplified for comparative periods and accounted for using the cost value method and tested for impairment losses. As the main users of the special purpose condensed consolidated interim financial statements are considered to be bondholders, the cost value method was used based on the conditions stated in accordance with financial reporting provisions of Section 4.4 of the Prospectus.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2. Basis of preparation (continued)

(v) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these special purpose condensed consolidated interim financial statements and in stating the financial position of the Group. The accounting policies have been consistently applied by all Group entities.

(a) Foreign currency

(i) Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the foreign currency exchange rate ruling at the date of the transaction. The exchange rate as published by the European Central Bank is used.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate ruling at the date on which the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are retranslated using the exchange rate ruling at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of equity investments designed at FVOCI which are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(ii) Financial information of foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at exchange rates ruling at the reporting date. Income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to EUR at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences arising on translation are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of so that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(b) Cash and cash equivalents

The Group considers cash in hand, unrestricted balances with banks and other financial institutions due within one month to be cash and cash equivalents.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities

(i) Classification

On initial recognition, a financial asset, included promissory notes, are classified as measured at: amortised cost; debt investments measured as fair value through other comprehensive income (FVOCI), equity investments measured as FVOCI; or financial assets measured as fair value through profit and loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment´s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised costs or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management´s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial asset to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the asset;
- how the performance of the portfolio is evaluated and reported to the Group´s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for its purpose, consistent with the Group´s continuing recognition of the assets.

3. Significant accounting policies (continued)

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ´principal´ is defined as the fair value of the financial asset on initial recognition. ´Interest´ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of the time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs) as well as profit margin.

In assessment whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing of amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group´s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent which this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading, it is a derivative or it is designed as such on initial recognition.

(ii) Recognition

Trade receivables and debt securities issued are initially recognised in the statement of financial position when they are originated. All other financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(iii) Measurement

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

3. Significant accounting policies (continued)

Debt instruments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividend are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iv) Fair value measurement

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (such as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

(v) Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount in which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, net of any relevant impairment.

(vi) Gains and losses on subsequent measurement

Gains and losses on financial instruments classified as at fair value through profit or loss are recognised in profit or loss.

3. Significant accounting policies (continued)

Gains and losses on FVOCI financial assets are recognised in other comprehensive income (including for impairment losses but except foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortization process.

(vii) Identification and measurement of impairment

The Group has developed a provisioning policy, which describes in detail the procedures and methodology of the impairment measurement, and a write-off policy. The impairment measurement is dealt with as follows:

The Group uses for the recognition and measurement of impairment losses of financial assets measured at amortised costs and debt investments measured at FVOCI the “expected credit loss” model (ECLs).

The Group measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to the lifetime ECLs.

The Group assesses on a regular basis whether there is objective evidence that financial assets carried at amortised costs and debt securities at FVOCI are credit impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of credit impairment exists for an individually assessed financial assets, whether significant or not, it includes the assets in a group of financial assets with similar risk characteristics and collectively assesses them for credit impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

A significant increase in credit risk (SICR) represents a significant increase in the risk of default in respect of a financial assets as at the reporting date compared with the risk as at the date of initial recognition.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group´s historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the trade or other receivable is more than 90 days past due.

3. Significant accounting policies (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any credit impairment loss.

All impairment losses in respect of financial assets are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of amortisation, if no impairment loss had been recognised.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognised a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(ix) Offsetting

Financial assets and liabilities are off set and the net amount presented 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 realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

3. Significant accounting policies (continued)

(d) Intangible assets

Goodwill and gain on bargain purchase

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities of the acquiree. When the excess is negative (gain on a bargain purchase), it is recognised immediately in profit and loss. Goodwill is stated at cost less accumulated impairment losses (refer to Note 6).

In respect of associates, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

Software and other intangible assets

Software and other intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss (as a part of "Other operating expenses") on a straight line basis over their estimated useful lives (1 - 3 years), from the date that they are available for use. Amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(e) Property, plant and equipment

The property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

The cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

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

Depreciation on assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated economic useful lives, as follows:

	Years
Other tangible assets	1 – 16
Vehicles	3 – 8
Land and buildings	5 – 50

The items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Land is not depreciated.

3. Significant accounting policies (continued)

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

The depreciation and impairment losses are charged to profit or loss (as a part of "Other operating expenses").

(f) Leases – the entity acting as a lessee – policies effective from 1 January 2019

The Entity applies the international financial reporting standard IFRS 16 – Leases from 1 January 2019. 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 of consideration.

IFRS 16 brought changes in the recognition and disclosures for lessees. The Entity acting as a lessee recognizes a right-of-use asset and the related lease liability in the balance sheet with exceptions where:
- the lease term does not exceed 12 months or;
- the underlying asset has a low value.

Right-of-use asset

At the commencement date, a right-of-use asset is measured at cost which comprises:
- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

A right-of-use asset is recognized in the statement of financial position in line Property, plant and equipment and is depreciated over the shorter of economic useful life of the underlying asset or the lease term. The related depreciation is recognized in the profit or loss in line Other operating expenses.

Lease liability

At the commencement date, a lease liability is initially measured at the present value of the lease payments which that are not paid at that date. The lease payments are discounted using an interest rate which a lessee would have to pay, if a lessee borrowed cash to acquire the underlying asset taking into consideration the terms relating to a lease (i.e. lease/loan term, amount of loans, etc.).

Subsequently, the lease liability is remeasured when there is change in future lease payment (e.g. due to a change in an assessment whether and when it will exercise extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is recognized in the statement of financial position and presented in line Lease liabilities.

Interest expense on lease liability are recognized in profit or loss and presented in line Finance expense using the effective interest rate.

3. Significant accounting policies (continued)

(g) Impairment for non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Trade and other receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are stated after deducting the appropriate allowances for any impairment.

Adjustments are made for impairment when there is evidence that the Company will not be able to collect receivables originally agreed maturity.

Special financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, failure to pay on time or delays in payments (more than 60 days maturity) are considered indicators of impairment claims. Also, it is a provision for doubtful debts total values older than 180 days. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in profit or loss.

Uncollectible accounts receivable are recorded as expenses when they are identified.

The impairment loss related to a receivable is reversed if the subsequent increase in recoverable amount can be related to an event occurring after the impairment loss was recognised.

(i) Equity

i. Share capital

Share capital represents the nominal value of shares issued by the Company. To the extent such shares remain unpaid as of the end of the reporting period a corresponding receivable is presented in other assets.

3. Significant accounting policies (continued)

ii. Dividends

Dividends on share capital are recognised as a liability provided they are declared before the end of the reporting period. Dividends declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

iii. Non-controlling interests

Non-controlling interests consist of the minority shareholders' proportion of the fair values of a subsidiary's net assets, at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

iv. Translation reserves

The translation reserves include exchange differences relating to the translation of the results and net assets of the Group's foreign operations from functional to the Group's presentation currency. Exchange differences previously accumulated in the translation reserves are reclassified to profit or loss on the disposal of the foreign assets and operations.

v. Capital reserve

The Capital reserve represents other capital contributions by shareholders of the Company out of the share capital (without issue of new shares).

(j) Other payables

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which is normally equal to their nominal or repayment value.

(k) Revenue

In accordance with IFRS 15 applied from 1 January 2018, the Group has adopted a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) the Group transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Clarifications to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard.

The amendments clarify how to:

- identify a performance obligation - the promise to transfer a good or a service to a customer in a contract;
- determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a license should be recognised at a point in time or over time.

3. Significant accounting policies (continued)

The amendments also provide entities with two additional practical expedients:

- An entity need not restate contracts that are completed contracts at the beginning of the earliest period presented (for entities that using the full retrospective method only);
- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract but shall instead reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented (also for entities recognising the cumulative effect of initially applying the standard at the date of initial application).

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018).

Revenues from betting activities and casino games

Revenues from betting activities represent amounts staked by the customers less betting payouts and betting taxes payable to the state. The amount paid by customers is deducted by 5% (transaction cost) and only remaining 95% of ticket amount is used to calculate the potential winning. Revenue is recognized when the result of the performance obligation is known, i.e. immediately after the bet event result occurs ("at a point in time").

Revenues from casino games represent net wins in respect of bets placed on casino games less gaming tax and amounts accrued for prize pools. Revenues from the online poker business reflect the net income (rake) earned from poker games completed by the year end. Revenue is recognized when the result of the performance obligation is known, i.e. immediately after the game result occurs ("at a point in time").

(l) Interest income and expense

Interest income and expense are recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition and is not revised subsequently

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(m) Fee and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income and expense relate mainly to transaction and service fees, which are recognised as the services are rendered or received.

(n) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit or loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued)

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

Several new standards, amendments to standards and interpretations have not become effective at 30 June 2020 and have not been applied in the preparation of these special purpose condensed consolidated interim financial statements. Listed below are those that may impact the Group's operations. The Group plans to introduce these provisions when they become effective.

(i) Standards and Interpretations adopted by the EU effective for annual periods beginning on or after 1 January 2020

- Amendments to IFRS 3 “Definition of Business Combinations”
- Amendments to IAS 1 and IAS 8: “Definition of Material”
- Amendments to Reference to Conceptual Framework in IFRS Standards
- Amendments to IFRS 9, IAS 39 and IFRS 7: “Interest Rate Benchmark Reform”

A. Amendments to IFRS 3: “Definition of Business Combinations”

The Group is required to adopt IFRS 3 (Amendments) from 1 January 2020. The amendments to IFRS 3 Business Combinations narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Group does not expect that these amendments, when initially applied, will have material impact on the special purpose condensed consolidated interim financial statements for the Group.

B. Amendments to IAS 1 and IAS 8: “Definition of Material”

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amendments include definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

- Old definition: Omissions or misstatements of *items* are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements (IAS 1 Presentation of Financial Statements).
- New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Group does not expect that these amendments, when initially applied, will have material impact on the special purpose condensed consolidated interim financial statements for the Group.

3. Significant accounting policies (continued)

C. Amendments to Reference to Conceptual Framework in IFRS Standards

The aim of this project is to update, in existing Standards, references to, and quotes from, the existing version of the Conceptual Framework or the version that was replaced in 2010 so that they refer to the revised Conceptual Framework.

The Group does not expect that these amendments, when initially applied, will have material impact on the special purpose condensed consolidated interim financial statements for the Group.

D. Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform"

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition across the jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

The risk management committee monitors and manages the transition to alternative rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee reports to the Company´s board of directors quarterly and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risks arising from IBOR reform.

The Group does not expect that these amendments, when initially applied, will have material impact on the special purpose condensed consolidated interim financial statements for the Group.

3. Significant accounting policies (continued)

(ii) Standards and Interpretations not adopted by the EU

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective date postponed indefinitely).
- IFRS 17 Insurance Contracts (effective date as at 1 January 2023);
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective date as at 1 January 2022);

A. Amendments to IFRS 10 and IAS 28: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective date postponed indefinitely).

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (as defined in IFRS 3). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

The Group does not expect that the Interpretation, when initially applied, will have material impact on the special purpose condensed consolidated interim financial statements for the Group.

B. IFRS 17 Insurance Contracts

FRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 is also applied.

Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17:

- combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

The Group does not expect that IFRS 17: Insurance contracts, when initially applied, will have material impact on the special purpose condensed consolidated interim financial statements for the Group.

C. Amendments to IAS 1: Classification of Liabilities as Current or Non-current – Amendments to IAS 1

On 23 January 2020, the International Accounting Standards Board (IASB or the Board) issued amendments to IAS 1 Presentation of Financial Statements (the amendments) to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- The amendments clarify the situations that are considered settlement of a liability.

The Group does not expect that IFRS 17: Insurance contracts, when initially applied, will have material impact on the special purpose condensed consolidated interim financial statements for the Group.

4. Operating environment

Volatility in global financial markets

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Operating environment of the Group

The Company's operations are primarily located in Cyprus, Slovakia and Croatia. Consequently, the Company is exposed to the economic and financial markets.

Within the EU, a degree of uncertainty still exists, as certain issues remain to be resolved, such as the high index of non-performing loans and unemployment.

The Group's main source of revenue derives from investments in Croatia and is based on the betting activities and casino games. As a result, the Group's revenue is highly affected from the economic environment in Croatia and the relevant local laws and regulations.

The above could affect, among others, the Group's ability to obtain new loans on favourable terms and conditions or/and its ability to achieve satisfactory turnover.

The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

Risks related to pandemic COVID 19

The World Health Organization declared on 11 March 2020 the coronavirus SARS-CoV-2 outbreak a pandemic. Relevant arrangements and risks related to the pandemic were described below. Although the first wave of pandemic has passed over, at the time of preparation of these financial statements, there are still risks related to the coronavirus SARS-CoV-2 pandemic which could affect the business of the Group. In order to ensure its operations, the Group adopted a series of measures.

Impact of pandemic COVID 19 on the Group during 6 months ended 30 June 2020

- The branches in Croatia were locked down for the period from 19 March 2020 to 12 May 2020 as a result of preventive measures adopted by Government
- Due to various preventive measures across the world there was extremely limited number of sport events in the period between mid of March and end of May 2020.
- Even after later recovery in the number of sport events, the continuing offer remains partially limited, especially in some sports.

Continuing risks related to pandemic COVID 19

<u>Risks related to business operations, results and liquidity:</u>

- Regarding adopted Government preventive measures, such as the risk of complete lock-down of some of the premises in the countries where the Group operates, and general macroeconomic projections, there is a risk of a general decrease in the revenues from all sales channels;
- Due to the risk of limited number of sport events there is a risk of a decline in certain revenues, such as revenue from sport betting activities which will have impact on projected profit for the year 2020;
- During the pandemic the Group holds cash in its current accounts in the amount which is more than sufficient for ensuring liquidity of the Group without need to dispose of its investments under unfavourable conditions or significantly limiting its operations;

4. Operating environment (continued)

Risk related to operational activities:

- To manage operational risk, the Group follows the business continuity protocols. The Group continues to run the operations using remote access where applicable and taking measures to protect the health of the employees working on-site;
- The Group regularly communicates with its business partners, who have also implemented the necessary measures while providing contractual services without currently identified limitations;
- The Group's operational safeguards mainly includes ensuring its operations within maximized restriction of the occurrence of employees in the workplace;
- The Company and the Group have identified its key processes that would be prioritized in the event of limited options, but at the time of preparation of these special purpose financial statements, the Company and the Group have not identified any significant constraints and expects to be able to continue to operate in the long term.

The Company and the Group have analyzed all the risks and severe but plausible scenarios and concluded that there is no significant uncertainty related to going concern.

5. Critical accounting estimates and judgements

Fair values of financial instruments

The Group has performed an assessment of fair values of its financial instruments to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The fair value of financial instruments traded in active markets, such as publicly traded trading and available-for-sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Financial instruments recorded at fair value are valued as follows: Financial instruments whose fair value is based on quoted market prices (Level 1) or calculated using valuation techniques where all the model inputs are observable in the market, typically interest rates and foreign exchange rates, (Level 2) or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3).

The Group has not recognised any financial assets or liabilities at Fair value through OCI in 2020 and in 2019.

6. Intangible assets

2019	Goodwill	Software	Brand	Other intangible assets	Total
	TEUR	**TEUR**	**TEUR**	**TEUR**	**TEUR**
Acquisition cost					
Balance as at 1 January 2019	--	--	--	--	--
Acquisitions through business combinations 1)	451,558	87	59,436	22	511,103
Additions	--	--	--	--	--
Translation difference	--	--	--	--	--
Balance as at 30 June 2019	**451,558**	**87**	**59,436**	**22**	**511,103**
2020					
Balance as at 1 January 2020	451,558	112	59,168	21	510,859
Acquisitions through business combinations	--	--	--	--	--
Additions	--	--	--	--	--
Disposals	--	--	--	--	--
Translation difference	--	(6)	(999)	--	(1,005)
Balance as at 30 June 2020	**451,558**	**106**	**58,169**	**21**	**509,854**
2019					
Accumulated amortization					
Balance as at 1 January 2019	--	--	--	--	--
Charge for the period	--	--	--	--	--
Balance as at 30 June 2019	**--**	**--**	**--**	**--**	**--**
2020					
Balance as at 1 January 2020	--	(8)	--	--	(8)
Charge for the period	--	(6)	--	--	(6)
Translation difference	--	5	--	--	5
Balance as at 30 June 2020	**--**	**(9)**	**--**	**--**	**(9)**
Carrying amount					
As at 30 June 2019	**451,558**	**87**	**59,436**	**22**	**511,103**
As at 31 December 2019	**451,558**	**104**	**59,168**	**21**	**510,851**
As at 30 June 2020	**451,558**	**97**	**58,169**	**21**	**509,845**

1) As a result of the acquisition of EMMA GAMMA Adriatic d.o.o., the Group recognised a trademark of TEUR 59,436 and goodwill of TEUR 451,558 in 2019. For more information refer to changes in the Group in 2019, described in Note 1. Based on initial purchase price allocation and calculation of goodwill resulting from the business combination, the Group disclosed goodwill of TEUR 446,767 in its Notes to Special purpose condensed consolidated interim financial statements as at and for the six months ended 30 June 2019. The final calculation within the measurement period (refer to Note 1) was reflected in comparative financial information in the table of intangible assets above.

7. Property, plant and equipment

2019	Vehicles	Other tangible assets and equipment	Right-of-use assets	Advance payments	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
Acquisition cost					
Balance as at 1 January 2019	--	--	--	--	--
Acquisitions through business combinations 1)	2,083	662	7,689	--	10,434
Additions	--	188	221	--	409
Disposals	--	(39)	--	--	(39)
Translation differences	14	5	14	--	33
Balance as at 30 June 2019	**2,097**	**816**	**7,924**	**--**	**10,837**
2020					
Balance as at 1 January 2020	1,985	539	8,734	28	11,286
Acquisitions through business combinations	--	--	--	--	--
Additions	166	137	1,494	2	1,799
Disposals	(102)	(52)	(345)	--	(499)
Translation differences	(34)	(199)	(165)	(1)	(399)
Balance as at 30 June 2020	**2,015**	**425**	**9,718**	**29**	**12,187**
2019					
Accumulated depreciation					
Balance as at 1 January 2018	--	--	--	--	--
Charge for the period	(170)	(54)	(377)	--	(601)
Disposals	--	30	--	--	30
Translation difference	(11)	(4)	5	--	(10)
Balance as at 30 June 2019	**(181)**	**(28)**	**(372)**	**--**	**(581)**
2020					
Balance as at 1 January 2020	(249)	(322)	(1,498)	--	(2,069)
Charge for the period	(211)	(188)	(1,320)	--	(1,719)
Disposals	--	47	202	--	249
Transfers from / to other categories	(196)	196	--	--	--
Translation difference	6	195	43	--	244
Balance as at 30 June 2020	**(650)**	**(72)**	**(2,573)**	**--**	**(3,295)**
Carrying amount					
As at 30 June 2019	**1,916**	**788**	**7,552**	**--**	**10,256**
As at 31 December 2019	**1,736**	**217**	**7,236**	**28**	**9,217**
As at 30 June 2020	**1,365**	**353**	**7,145**	**29**	**8,892**

1) As a result of the acquisition of EMMA GAMMA Adriatic d.o.o., the Group acquired through business combination property, plant and equipment of TEUR 10,434 in 2019. For more information refer to changes in the Group in 2019, described in Note 1. Based on initial purchase price allocation, the Group disclosed property, plant and equipment acquired through business combination of TEUR 9,945 in its Notes to Special purpose condensed consolidated interim financial statements as at and for the six months ended 30 June 2019. The final calculation within the measurement period (refer to Note 1) was reflected in comparative financial information in the table of property, plant and equipment above.

7. Property, plant and equipment (continued)

The right-of-use assets are recognised in accordance with IFRS 16 and are mainly represented by leased premises for betting shops in Croatia. As at 30 June 2020, the Group disclosed lease liabilities related to right-of-use assets for the total amount of TEUR 7,344 (31 December 2019: 7,330 TEUR). For more information refer to Note 3 (f)).

These leases typically run for a period of 1 to 10 years.

Some leases provide for additional rent payments that are based on a development of inflation rate in the following years and some of them are defined in EUR, although payable in HRK.

Some leases contain extension options exercisable by a lessee, typically up to 10 years before the end of lease term. The Entity assesses at lease commencement whether it is reasonably certain to exercise the options and subsequently if there is a significant event or significant change in circumstances related to the shop performance.

8. Cash and cash equivalents

	30.6.2020	31.12.2019
	TEUR	**TEUR**
Current accounts	85,452	52,059
Cash on hand	1,928	2,155
	87,380	**54,214**

9. Financial assets

Financial assets - deposits

	2020	2019
At 1st January	1,827	--
Withdrawals	(452)	--
Balance at 30th June	**1,375**	**--**

Financial assets at fair value through profit or loss

The Group held derivatives to manage future cash flows from the payments of principal and interest according to the loan agreements (interest rate floor swaps).

All financial derivatives were stated at fair value as at 30 June 2020 based on price quotation by the bank and categorised to Level 2 in the fair value hierarchy.

9. Financial assets (continued)

	2020	2019
At 1st January	33	--
Acquisitions through business combinations	--	23
Change in fair value	172	552
Balance at 30th June	**205**	**575**

Financial assets at amortised cost

Financial assets held-to-maturity are represented by promissory notes from KKCG AG related to the sale of SAZKA Group a.s., for the amounts of TEUR 90,000 and TEUR 30,000. The maturity dates of the two promissory notes are on 14 March 2020 and 14 March 2021, respectively.

	2020	2019
At 1st January	117,252	--
Additions	21	120,000
Disposals	(90,000)	--
Discount on promissory note – initial recognition	--	(6,689)
Unwinding discount on promissory note (interest income)	1,656	964
Loss allowance (IFRS 9)	15	(72)
Balance at 30th June	**28,944**	**114,203**
Non-current portion	--	114,203
Current portion	28,944	--
Balance at 30th June	**28,944**	**114,203**

On March 2020, the Group received the amount of TEUR 90,000 relating to the promissory note receivable from KKCG AG.

As at 30 June 2020, the promissory notes are measured at amortised cost under IFRS 9. Loss allowances were calculated based on a 12-month expected credit loss (ECL). As at 30 June 2020, loss allowances related to promissory notes amounted to TEUR 15 (31 December 2019: TEUR 28; 30 June 2019: TEUR 72).

On 31 July 2019, the promissory notes were pledged to J&T Banka a.s., as a security for the Facility agreement date 16 December 2015, between J&T Banka a.s. and MEF HOLDINGS LIMITED.

The fair value of financial assets held-to maturity approximates to their carrying amounts as presented above.

10. Loans receivable

The Group has provided no loans receivable to its related parties (31 December 2019: TEUR 21,171). The Group has provided loans to third parties of TEUR 54,089 (31 December 2019: TEUR 66), which are repayable as follows:

30.6.2020	**Average interest rate**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total TEUR**
Loans receivable	10.00%	54,030	13	46	**54,089**
					54,089

31.12.2019	**Average interest rate**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total TEUR**
Loans receivable	4.99%	--	21,206	31	**21,237**
					21,237

As at 30 June 2020, loans receivables are measured at amortised cost under IFRS 9. Loss allowances were calculated based on a 12-month or a lifetime expected credit loss (ECL). As at 30 June 2020, loss allowances related to loans receivable amounted to TEUR 315 (31 December 2019: TEUR 385).

The fair value of loan receivables approximates to their carrying amounts as presented above.

11. Trade and other receivables

The trade receivables amounted to TEUR 3,474 as at 30 June 2020 (31 December 2019: TEUR 3,869).

In 2020, the trade receivables refer mainly to receivable from credit card transactions performed by the Croatian Companies.

As at 30 June 2020, all trade and other receivables are measured at amortised cost under IFRS 9. Loss allowances were calculated based on a lifetime expected credit loss (ECL). As at 30 June 2020, no loss allowances related to trade receivables were disclosed (30 June 2019: 0).

The fair value of trade and other receivables approximates to their carrying amounts as presented above.

12. Inventories

Inventories are represented by materials and equipment for Croatian branches of TEUR 498 (31 December 2019: TEUR 344).

13. Other assets

Other assets are represented by deferred expenses and prepayments of TEUR 1,639 (31 December 2019: TEUR 2,189), advances provided of TEUR 75 (31 December 2019: TEUR 73) and other tax receivables of TEUR 33 (31 December 2019: TEUR 54).

14. Investments in associates

On 14 March 2019, the Group sold its entire holding in SAZKA Group a.s. for the total nominal consideration of TEUR 630,000, realizing a profit from disposal of TEUR 456,841 (for further information refer to Note 1).

15. Liabilities due to banks and other financial institutions

The Group's liabilities due to banks and other financial institutions as of 30 June 2020 amount to TEUR 86,054 (31 December 2019: TEUR 84,520). The main items are described below.

	Maturity	Outstanding principal and interest TEUR
Bank loan – HRK	2025	59,730
Bank loan – HRK	2025	26,325
		86,054

In March 2020, the Group fully refinanced its acquisition financing. The new 5 years financing provided by 2 Croatian banks in the total aggregate amount of THRK 646,000 stays secured by pledge of the Group's 65.45% stake in Super Sport d.o.o The effective interest rate has decreased significantly – interest for tranche A amounts to 2.9% p.a. and for tranche B to 3.15% p.a. Total balance of bank loans as at 30 June 2020 is TEUR 86,054, from which TEUR 11,946 is payable in 1 year.

The fair value of liabilities due to banks and other financial institutions approximates to their carrying amounts as presented above.

16. Bonds issued

	30.6.2020 TEUR	31.12.2019 TEUR
Nominal value of bonds issued	90,000	120,000
Repayment of bonds	--	(120,000)
Bonds issued on 29 May 2019	--	90,000
Expenses related to the issue of bonds - amortized	(1,520)	(1,715)
Accrued interest	392	392
Total balance	**88,872**	**88,677**

On 21 July 2017, the Group issued bonds EMG 5.25/2022 (ISIN SK4120013012) of a total nominal value of TEUR 120,000 with maturity on 21 July 2022. The nominal value of each bond was EUR 1,000. Bonds bore fixed interest rate of 5.25% p.a. Bonds were accepted for trading on the Bratislava Stock Exchange and secured by pledge of shares in SAZKA Group a.s. held by the Group then.

On 23 April 2019, the Group voluntarily early repaid bonds EMG 5,25/2022 (ISIN SK4120013012) in its total nominal value plus repayment premium.

On 29 May 2019, the Group issued bonds EMG 4.90/2024 (ISIN SK4000015210) in total nominal value of TEUR 90,000. The bonds will mature as at 29 May 2024. Bonds bear fixed interest rate of 4.90% p.a. Bonds were accepted for trading on the Bratislava Stock Exchange. The Bonds are secured by a corporate guarantee provided by the parent company, EMMA GAMMA LIMITED, for the maximum amount of TEUR 115,000.

The fair value of bonds issued approximates to their carrying amounts as presented above.

17. Financial liabilities at fair value through profit or loss

The Group holds derivatives originally used for managing future cash flows from the payments of principal and interest according to the loan agreements (cross currency interest rate swaps). After refinancing in March 2020 the Group decided to keep the open position from the derivatives for hedging of future dividend cash flows. The cross currency swaps mature in March 2021.

All financial derivatives were stated at fair value as at 30 June 2020 based on price quotation by the bank and categorised to Level 2 in the fair value hierarchy.

	2020	**2019**
At 1st January	313	--
Acquisitions through business combinations	--	489
Change in fair value	(313)	(414)
Balance at 30th June	**--**	**75**

18. Trade and other payables

The Group's trade and other payables as of 30 June 2020 amounting to TEUR 1,249 (31 December 2019: TEUR 1,772) consist mainly of payables related to betting and casino activities of Croatian companies.

The fair value of trade and other payables approximates to their carrying amounts as presented above.

19. Other liabilities

	30.6.2020 TEUR	**31.12.2019 TEUR**
Accrued expense	5	72
Other tax payable	3,866	4,918
Wages and salaries	837	1,078
Social security and health insurance	408	405
Other liabilities	1,620	2,103
	6,736	**8,576**

As at 30 June 2020, the balance of other liabilities is notably represented by received deposits for betting and casino games, liabilities for unpaid wins and jackpots and provided vouchers for gaming.

The fair value of other liabilities approximates to their carrying amounts as presented above.

20. Deferred tax liability and asset

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	30.6.2020 TEUR	**31.12.2019 TEUR**
Deferred tax assets	--	3
Deferred tax liabilities	(10,661)	(10,865)
Net deferred tax liabilities	**(10,661)**	**(10,862)**

The recognized deferred tax liability is attributable mainly to intangible assets resulting from acquisition of EMMA GAMMA Adriatic d.o.o., which occurred in 2019.

20. Deferred tax liability and asset (continued)

Movements in temporary differences during the period were as follows:

TEUR	**Balance at 1 January**	**Recognized in profit or loss** (Note 29)	**Additions resulting from business combinations**	**Effect of movements in foreign exchange rate**	**Balance at 30 June**
Movements in 2020	(10,862)	21	--	180	(10,661)
Movements in 2019	(271)	32	(10,699)	--	(10,938)

21. Equity

Authorised capital

	2020 Number of shares	2020 TEUR	2019 Number of shares	2019 TEUR
Authorised				
Ordinary shares of €1each	1,253	1	1,253	1

Issued capital

	Number of shares	Share capital TEUR	Share premium TEUR	Total TEUR
Balance at 1 January/31 December 2019	1,253	1	111,839	111,840
Balance at 1 January/30 June 2020	1,253	1	111,839	111,840

The Company's shares have been pledged in favor of J&T banka a.s. under the Deed of Pledge Agreement between EMMA ALPHA HOLDING LTD and J&T banka a.s. on 30 August 2016.

Translation reserve

The translation reserve balance as at 30 June 2020 of negative TEUR 483 (31 December 2019: negative TEUR 150) represents notably foreign exchange differences arising from translation of the financial statements of the Croatian companies.

Dividends paid

During first half 2020, the Group distributed interim dividends to EMMA ALPHA HOLDING LTD in the total amount of TEUR 30,000. Interim dividends in the total amount of TEUR 11,477 were distributed to minority shareholders of subsidiaries.

22. Revenue from betting activities and casino games and other income related to gaming

	2020 TEUR	2019 TEUR
Revenues from betting activities	19,336	7,584
Revenues from casino games	23,005	6,132
Revenues from betting activities and casino games	**42,341**	**13,716**
Other income related to gaming	7,587	3,149
	7,587	**3,149**

Revenue from betting activities is generated by providing betting services via betting shops throughout Croatia as well as via betting machines and online betting. Casino revenues are generated by providing physical (land based) and online casino services.

	2020 TEUR	2019 TEUR
Gross gaming revenue	49,204	17,935
Taxes payable to the state	(6,863)	(4,219)
Net gaming revenue	**42,341**	**13,716**

23. Services and material expenses

	2020 TEUR	2019 TEUR
Professional services	(6,202)	(1,823)
Taxes other than income tax	(1,155)	(372)
Rental, maintenance and repair expenses	(779)	(350)
Advertising and marketing	(1,372)	(268)
Material consumption	(411)	(199)
Energy consumption	(341)	(104)
Other	(2,210)	(375)
	(12,470)	**(3,491)**

Professional services expenses represent betting and casino concession charge, IT and graphic services, administration services, accounting services and other professional services.

Other expenses consist of travel and commuting expenses, other employee costs, donations and other services.

24. Personnel expenses

	2020 TEUR	2019 TEUR
Wages and salaries	(6,821)	(2,700)
Payroll related taxes and social contributions	(1,109)	(429)
	(7,930)	**(3,129)**

The average number of employees in the Group for the six months ended 30 June 2020 was 1,072 employees (for the six months ended 30 June 2019: 1,088 employees).

25. Impairment losses on loans and receivables

	2020 TEUR	2019 TEUR
Net impairment losses on loans and other financial assets	(64)	(68)
Net impairment losses on receivables and other assets	(15)	(72)
	(79)	**(140)**

Based on IFRS 9 requirements, net impairment losses on loans and receivables has been disclosed in separate line item in the statement of profit or loss and other comprehensive income.

26. Other operating income

	2020 TEUR	2019 TEUR
Rental income	43	16
Net foreign currency gain	--	383
Other income	1,044	589
	1,087	**988**

27. Other operating expenses

	2020 TEUR	2019 TEUR
Depreciation on property, plant and equipment	(1,719)	(601)
Amortisation of intangible assets	(6)	--
Other expenses	--	(100)
	(1,725)	**(701)**

28. Net finance income/expense

	2020 TEUR	2019 TEUR
Finance income		
Interest income	2,747	2,433
Gain on financial instruments at fair value through profit or loss (derivatives)	1,608	966
Other finance income	46	--
Total finance income	**4,401**	**3,399**
Finance costs		
Interests expense	(6,999)	(5,973)
Fee and commission expense	(28)	(4,320)
Other finance expense	(439)	(7)
Total finance expense	**(7,466)**	**(10,300)**
Net finance expense	**(3,065)**	**(6,901)**

28. Net finance income/expense (continued)

	2020 TEUR	2019 TEUR
Interest income		
Financial instruments at fair value through profit or loss held for trading	--	190
Financial instruments at amortised costs	1,654	964
Due from banks and other financial institutions	2	1
Loans to corporations and Other loans	1,091	1,278
	2,747	**2,433**
Interest expense		
Loans - Due to non-banks	(2,205)	(197)
Loans - Due to banks and other financial institutions	(4,462)	(881)
Leases	(107)	(39)
Debt securities issued	(195)	(4,536)
Other	(30)	(320)
	(6,999)	**(5,973)**

29. Income tax expense

	2020 TEUR	2019 TEUR
Current tax expense	(5,079)	(1,824)
Deferred tax credit (Note 20)	21	32
Total income tax (expense)/credit recognised in profit or loss	**(5,058)**	**(1,792)**

Reconciliation of effective tax rate	2020 %	2020 TEUR	2019 %	2019 TEUR
Profit before tax		**25,899**		**458,540**
Income tax using the domestic tax rate (see below)	(12.5)	(3,237)	(12.5)	(57,541)
Effect of tax rates in foreign jurisdictions	(10.6)	(2,737)	(0.1)	(611)
Non-deductible costs	(0.8)	(202)	(0.2)	(869)
Non-taxable income	4.3	1,122	12.5	57,238
Tax loss carry forward not recognized	0.0	(4)	--	--
Utilized tax loss not previously recognized	--	--	--	(9)
Total income tax (expense) / credit	**(0.2)**	**(5,058)**	**(0.4)**	**(1,792)**

Corporate income tax rates for tax domiciles of entities in consolidated Group for fiscal years 2020 and 2019 can be summarized as follows:

	2020	2019
Cyprus	12.50%	12.50%
Slovakia	21.00%	21.00%

Croatia	18.00%	18.00%

30. Related party transactions

The Group has a related party relationship with its parent company EMMA ALPHA HOLDING LIMITED and its subsidiaries.

Transactions with related parties

	30.6.2020 TEUR	31.12.2019 TEUR
Loans provided (principal receivables)	--	20,656
Accrued interest (interest receivable)	--	579
Impairment loss allowance	--	(64)
Total	**--**	**21,171**

	2020 TEUR	2019 TEUR
Interest income	1,053	1,278

During the year 2019, the parent company provided also loans to related companies, which were repaid before 31 December 2019.

Transactions with key management employees

EMMA GAMMA Adriatic d.o.o., a subsidiary of the Company has entered into agreements with key management of Super Sport d.o.o. ("SS"), whereby EMMA GAMMA Adriatic d.o.o. gave loans to them in the amount of HRK 48,434 thousand, while the management simultaneously acquired 1.55% of shares in SS for the same amount. EMMA GAMMA Adriatic d.o.o. is contractually obliged to re-acquire the shares from key management after certain period of time, while the loans given to them are non-recourse. The substance of this share purchase arrangement is that it represents an equivalent of employee benefit as shares are used as a legal mechanism to pay the benefits in return of the increase of the SS investment value. Some of the agreements have additional call and put options, which carry an irrecoverable and unconditional unilateral right to sell or buy the shares at the exercise price which depends on the operating performance of SS and the year in which the right is exercised. The difference between the estimated exercise price and price at which the shares were sold, discounted at appropriate rate, represent the employee benefits, which will be recognised over the contracted service period as staff costs, while interest received on the loans will be deducted from staff costs.

Shareholder agreements

EMMA GAMMA Adriatic d.o.o. has contractually agreed the future acquisition of 33% in SS from its non-controlling shareholder in 2022. The total purchase price for such acquisition is partially depending on SS performance in 2021 and based on the current assumptions and expectations it could reach approximately EUR 167 million. However, the non-controlling shareholder has the unilateral right to partially cancel the sale. Such cancellation has to be declared by 30 June 2021 and it is associated with simultaneous disproportionate decrease of the sale price. In case that the non-controlling shareholder would use the right to cancel the sale to the maximum extent, it could result, based on the current assumptions and expectations, in the sale of 9.2% of shares in SS for EUR 1, while the non-controlling shareholder would continue to keep 23.8 % in SS without any further commitments towards the Company. Both estimations - the maximum amount payable in case that the sale is not partially cancelled as well as the percentage of shares to be acquired for EUR 1 in case of the maximum possible cancellation of the sale are based on the current expectation of 2021 EBITDA and would change accordingly based on the actual 2021 performance.

31. Events after the reporting period

On 28 August 2020, Super Sport d.o.o. distributed dividends in the total amount of THRK 149,644 out of which the amount of THRK 99,484 remained in the Group and the amount of THRK 50,160 was distributed to minority shareholders of subsidiaries. The same day the Group partially prepaid its acquisition financing (described in Note 15) in the amount of THRK 45,220 (principal) and the amount of THRK 5,901 (interest). The loan repayment was originally due at the end of September.

On 21 September 2020, the Board of Directors of EMMA GAMMA LIMITED approved the payment of an interim dividend of TEUR 58,000.

There were no other material events after the reporting period, which have a bearing on the understanding of the special purpose condensed consolidated interim financial statements.