EMMA GAMMA LIMITED

Auditors’ report
and special purpose consolidated financial statements
31 December 2019

Contents

Officers and Professional Advisors

Board of Directors	Demetrios Aletraris Radka Blažková Andri Pangalou
Secretary	Cymanco 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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
EMMA GAMMA LIMITED

Report on the audit of the special purpose consolidated financial statements

Opinion

We have audited the special purpose consolidated financial statements of Emma Gamma Limited (the "Company") and its subsidiaries (the "Group"), which are presented on pages 7 to 55 and comprise the special purpose consolidated statement of financial position as at 31 December 2019, and the special purpose consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the special purpose consolidated financial statements of the Group for the year ended 31 December 2019 are prepared in all material respects, in accordance with the financial reporting provisions of Section 4.4 of the Security Prospectus Notes dated 10 May 2019, issued by the Company's subsidiary, EMMA GAMMA Finance a.s., and guaranteed by the Company ('the Prospectus'). The Prospectus was published for the purposes of a public offer of Notes in the Slovak Republic and the Czech Republic and for the purpose of accepting Notes for trading on the regulated free market of the Bratislava Stock Exchange, joint-stock company.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the special purpose consolidated financial statements"' section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards) ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the special purpose consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

EMMA GAMMA LIMITED

Report on the audit of the special purpose consolidated financial statements (continued)

Emphasis of matter – basis of accounting and restriction on use and distribution

We draw attention to Note 2 (a) to the special purpose consolidated financial statements, which describes the basis of accounting. The special purpose consolidated financial statements are prepared to assist the Company in complying with the financial reporting provisions of the Prospectus referred to above. As a result, the special purpose consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the Company's members and should not be distributed to or used by parties other than the Company's members. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors for the special purpose consolidated financial statements

The Board of Directors is responsible for the preparation of the special purpose consolidated financial statements in accordance with the financial reporting provisions of Section 4.4 of the Prospectus and for such internal control as Board of Directors determines is necessary to enable the preparation of the special purpose consolidation financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose consolidated financial statements, Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the special purpose consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

EMMA GAMMA LIMITED

Report on the audit of the special purpose consolidated financial statements (continued)

Auditors' responsibilities for the audit of the special purpose consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the special purpose consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Other Matter

The Company has prepared a separate non-consolidated set of financial statements for the year ended 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the European Union on which we issued a separate auditor's report to the shareholders of the Company dated 28 April 2020.

Haris A. Kakoullis
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

28 April 2020

	Notes	31.12.2019 TEUR	31.12.2018 TEUR	1.1.2018 TEUR
ASSETS				
Non-current assets				
Goodwill	7	451,558	--	--
Other intangible assets	7	59,293	--	--
Property, plant and equipment	8	9,217	--	--
Investments in associates	15	--	166,484	166,470
Loans receivable	11	31	--	--
Financial assets - deposits	10	1,827	--	--
Financial assets at amortised cost	10	28,184	--	--
Deferred tax asset	21	3	3	4
Total non-current assets		**550,113**	**166,487**	**166,474**
Current assets				
Inventories	13	344	--	--
Loans receivable	11	21,206	60,054	30,634
Trade and other receivables	12	3,869	--	--
Other assets	14	2,316	57	122
Financial assets at fair value through profit or loss	10	33	--	--
Financial assets at amortised cost	10	89,068	--	--
Cash and cash equivalents	9	54,214	3,104	27,311
Total current assets		**171,050**	**63,215**	**58,067**
Total assets		**721,163**	**229,702**	**224,541**

The notes on pages 12 to 55 are an integral part of these special purpose consolidated financial statements.

	Note	31.12.2019 TEUR	31.12.2018 TEUR	1.1.2018 TEUR
EQUITY				
Equity attributable to equity holders of the parent company				
Share capital	22	1	1	1
Share premium	22	111,839	111,839	111,839
Translation reserve	22	(150)	--	--
Retained earnings		(98,623)	(6,115)	(6,115)
Profit for the period		475,054	4,592	--
Equity attributable to owners of the Company		**488,121**	**110,317**	**105,725**
Non-controlling interest		**27,950**	--	--
Total equity		**516,071**	**110,317**	**105,725**
LIABILITIES				
Non-current liabilities				
Due to banks and other financial institutions	16	70,260	--	--
Bonds and notes issued	17	88,285	117,813	117,084
Financial liabilities at fair value through profit or loss	18	313	--	--
Lease liabilities	8	5,156	--	--
Deferred tax liabilities	21	10,865	274	365
Total non-current liabilities		**174,879**	**118,087**	**117,449**
Current liabilities				
Due to banks and other financial institutions	16	14,260	--	--
Bonds and notes issued	17	392	1,225	1,225
Current income tax liabilities		3,039	18	16
Trade and other payables	19	1,772	19	22
Lease liabilities	8	2,174	--	--
Other liabilities	20	8,576	36	104
Total current liabilities		**30,213**	**1,298**	**1,367,**
Total liabilities		**205,092**	**119,385**	**118,816**
Total equity and liabilities		**721,163**	**229,702**	**224,541**

Comparative information as at 1 January 2018 was prepared including initial application of IFRS 15 and IFRS 9.

On 28 April 2020, the Board of Directors of Emma Gamma Limited authorised these special purpose annual consolidated financial statements for issue.

Demetrios Aletraris
Director

Radka Blažková
Director

The notes on pages 12 to 55 are an integral part of these special purpose consolidated financial statements.

	Note	31/12/2019 TEUR	31/12/2018 TEUR
Revenues from betting activities and casino games	23	65,638	--
Other income related to gaming	23	14,804	--
Services and material expenses	24	(18,384)	(400)
Personnel expenses	25	(11,368)	--
Reversal of impairment/(impairment loss) on loans and receivables	26	68	(160)
Other operating income		61	--
Other operating expenses	27	(2,353)	(246)
Profit/(loss) from operations		**48,466**	**(806)**
Finance income	28	6,369	2,485
Finance expense	28	(14,224)	(7,133)
Net finance expense		**(7,885)**	**(4,648)**
Dividends from associates	15	--	10,000
Gain from sale of investment in associate	1	456,841	--
Profit before tax		**497,452**	**4,546**
Income tax (expense)/credit	29	(9,012)	46
Profit from continuing operations after tax		**488,440**	**4,592**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(273)	--
Other comprehensive income for the year		**(273)**	**--**
Total comprehensive income for the year		**488,167**	**4,592**
Total profit attributable to:			
Owners of the Company		475,054	4,592
Non-controlling interests		13,386	--
		488,440	**4,592**
Total comprehensive income attributable to:			
Owners of the Company		474,904	4,592
Non-controlling interests		13,263	--
		488,167	**4,592**

The notes on pages 12 to 55 are an integral part of these special purpose consolidated 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 2018	**1**	**111,839**	**--**	**(6,115)**	**105,725**	**--**	**105,725**
Profit for the year	--	--	--	4,592	4,592	--	4,592
Total comprehensive income for the year	**--**	**--**	**--**	**4,592**	**4,592**	**--**	**4,592**
Balance as at 31 December 2018	**1**	**111,839**	**--**	**(1,523)**	**110,317**	**--**	**110,317**

	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 year	--	--	--	475,054	475,054	13,386	488,440
Translation reserve changes	--	--	(150)	--	(150)	(123)	(273)
Total comprehensive income for the year	**--**	**--**	**(150)**	**475,054**	**474,904**	**13,263**	**488,167**
Transactions with owners recognised directly in equity							
Contributions by and distributions to owners							
Dividends	--	--	--	(97,100)	(97,100)	(8,862)	(105,962)
Changes in ownership interests in subsidiaries:							
Effect from acquisitions through business combinations	--	--	--	--	--	23,549	23,549
Total transactions with owners	**--**	**--**	**--**	**(97,100)**	**(97,100)**	**14,687**	**(82,413)**
Balance as at 31 December 2019	**1**	**111,839**	**(150)**	**376,431**	**488,121**	**27,950**	**516,071**

During 2019, the Group distributed interim dividends to EMMA Alpha Holding Ltd in the total amount of TEUR 97,100. Interim dividends in total amount of TEUR 8,862 were distributed to minority shareholders of subsidiaries.

The notes on pages 12 to 55 are an integral part of these special purpose consolidated financial statements.

Cash flows from operating activities	Note	31/12/2019 TEUR	31/12/2018 TEUR
Profit for the period after tax		**488,440**	**4,592**
Adjustment for:			
Depreciation and amortisation	7,8	2,331	--
(Reversal of)/impairment losses on financial assets	10,26	(68)	160
Revaluation of financial instruments at fair value through profit and loss	10,18	(186)	--
Gain on the sale of investments in associates	15	(456,841)	--
Loss on sale of PPE		22	--
Dividend income	15	--	(10,000)
Net interest income/expense	28	8,124	4,544
Tax expense/(credit)	29	9,012	(46)
Unrealised foreign exchange gains		(10)	--
Operating profit/(loss) before changes in working capital and provisions		**50,824**	**(750)**
Increase in trading properties and inventories		(344)	--
Increase in trade and other receivables		535	65
Decrease in trade and other payables		(113,746)	(71)
Cash used in operating activities		**(62,731)**	**(756)**
Interest paid		(14,030)	(6,300)
Interest received		3,346	1,290
Income tax paid		(10,431)	(42)
Net cash used in operating activities		**(83,846)**	**(5,808)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		543	--
Proceeds from sale of associates	15	510,000	--
Dividends received		--	10,000
Acquisition of subsidiary, net of cash acquired	1	(272,397)	--
Acquisitions of investment in associates	15	--	(14)
Acquisition of financial assets	10	(1,827)	--
Acquisition of property, plant and equipment	8	(1,712)	--
Acquisition of intangible assets	7	(27)	--
Loans repaid/(provided)	11,16	37,570	(28,385)
Net cash from/(used in) investing activities		**272,150**	**(18,399)**
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		(833)	--
Bonds repaid	17	(120,000)	--
Bonds issued	17	90,000	--
Payment of lease liabilities		(399)	--
Dividends paid	21	(105,962)	--
Net cash used in financing activities		**(137,194)**	**--**
Net movement in cash and cash equivalents		51,110	(24,207)
At the beginning of the year	9	**3,104**	**27,311**
At the end of the year	9	**54,214**	**3,104**

The notes on pages 12 to 55 are an integral part of these special purpose consolidated 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.

These special purpose consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise of the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

Shareholder

The owner of the Company is as follows:

Shareholder	Country of incorporation	Type of shares	Ownership interest (%) 2019	2018
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 consolidated financial statements using the cost value method.

Consolidated subsidiaries	Country of incorporation	Ownership interest (%) 2019	2018
EMMA GAMMA FINANCE a.s.	Slovakia	100.00	100.00
SAZKA Group Adriatic d.o.o.	Croatia	100.00	--
Super Sport d.o.o.*	Croatia	65.45	--
Minus5 d.o.o.	Croatia	51.00	--
Puni broj d.o.o.*	Croatia	65.45	--

Equity-accounted investees (associates)	Country of incorporation	Ownership interest (%) 2019	2018
SAZKA Group a.s.	Czech Republic	--	25.00
SAZKA Group PLC	United Kingdom	--	25.00

* 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 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	15 + 2 (a)	(166,470)
Gain from sale of associate		**456,841**

On 2 May 2019, the Group acquired 100% of shareholding in SAZKA Group Adriatic d.o.o. for the aggregate consideration of TEUR 302,607 and subordinated debt due from SAZKA Group Adriatic d.o.o. for the aggregate consideration of TEUR 117,409. As a result, the consolidated statement of profit or loss and other comprehensive income include revenues and expenses of SAZKA Group Adriatic d.o.o. only for a period of 8 months.

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

One share owned in SAZKA Group Adriatic d.o.o. is pledged as a collateral for the facility agreement dated 27 March 2018 between SGA and Zagrebacka Banka d.d. for credit facilities up to TEUR 26,916 and THRK 595,432.

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of foundation of SAZKA Group Adriatic d.o.o.

	Note	TEUR
Intangible assets	7	59,545
Property, plant and equipment	8	10,434
Financial assets at fair value through profit or loss	10	23
Trade and other receivables	12	6,663
Cash and cash equivalents	9	30,210
Trade and other payables	19	(6,644)
Lease liabilities		(7,729)
Interest bearing loans and borrowings - bank	16	(84,926)
Interest bearing loans and borrowings – related parties	16	(117,409)
Financial liabilities at fair value through profit or loss	18	(489)
Current income tax liabilities		(4,381)
Deferred tax liabilities	21	(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	7	**451,558**

1. Description of the Group (continued)

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

In November 2019, SAZKA Group 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.

Acquisitions and disposals in 2018

On 2 February 2018, the Group co-founded SAZKA Group PLC. The Group owned 25% of the founded associate. As explained in note 16, this company was dissolved on 13 August 2019.

2. Basis of preparation

These special purpose consolidated financial statements for the year ended 31 December 2019 comprise the financial statements of the Company and its subsidiaries and the Group's interest in associates (together referred to as the "Group").

(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.

The Company has also prepared a separate non-consolidated set of financial statements for the year ended 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the European Union, which was approved on 28 April 2020.

(b) Basis of measurement

These special purpose consolidated 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, financial assets FVOCI, property, plant and equipment 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 consolidated 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 consolidated 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 consolidated financial statements in respect of impairment recognition is described in Note 3 (c) (vii) and Note 26.

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 15 “Investments in associates”: cost value measurement. This accounting treatment is in accordance with financial reporting provisions of Section 4.4 of the Prospectus.
- Note 21 “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 29 “Income tax expense/credit”: to determine any provision for income taxes.
- Note 11 “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 special purpose consolidated financial statements comprise the special purpose financial statements of the parent company, EMMA GAMMA LIMITED, and the special purpose financial statements of its subsidiaries as stated in Note 1. Where necessary, adjustments are made to the special purpose 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 special purpose 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 consolidated 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, 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 consolidated financial statements are considered to be bondholders, the cost value method was used based on the conditions stated in the bonds 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 special purpose 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 consolidated 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 7).

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.

3. Significant accounting policies (continued)

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.

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.

3. Significant accounting policies (continued)

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.

(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.

3. Significant accounting policies (continued)

(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.

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).

3. Significant accounting policies (continued)

(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.

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 recognised 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 recognised when the result of the performance obligation is known, i.e. immediately after the game result occurs ("at a point in time").

3. Significant accounting policies (continued)

(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.

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.

4. Financial risk management

The risk management function within the Group is carried out in respect of financial risks (credit, market and liquidity risk), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk
- legal risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and are responsible for developing and monitoring risk management policies in their specified areas.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risks related to pandemic COVID 19

In order to ensure its operations, the Group adopted a series of measures.
At the time of preparation of these special purpose financial statements, it is not possible to perform comprehensive assessment of all possible effects on the Group's operations, as the pandemic is still at an early stage and duration and impact on health of population is difficult to estimate and impact of the government measures on the economy is not known.

Risks related to business operations, results and liquidity:

- Regarding adopted Government preventive measures, such as 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 present very 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;
- Taking into account the assumptions available at the time of preparation of the special purpose financial statements, the Group expects a decrease in its economic result for the year 2020, but still anticipates to stay profitable;
- During the pandemic the parent company and Sazka Group Adriatic 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;
- the Group is considering certain measures in respect of operating expenses should the government preventive measures be extended to several months;
- the Group is also monitoring the covenants related to the bonds issued by the Company and through effective cash management at the Group level, can ensure that the covenants are met.

4. Financial risk management (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 material uncertainty related to going concern.

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The majority of the Group's exposure to credit risk arises in connection with the provided loans and financial assets which is the Group's principal business. The remaining part of the Group's exposures to credit risk is related to due from banks and other financial institutions, financial assets available-for-sale and other assets.

Credit risk results from business transactions (receivables from counterparties) and from the transactions in financial markets (money market, currency exchange, derivatives transactions, etc.). Several criteria are applied when assessing the level of credit risk.

Credit terms for individual transactions are assessed by the Group's specialists, including middle and top management of the Group. Experts from both law firms and financial institutions were also consulted on the risks related to the transactions. Publicly available information and information from external agencies were used for ongoing monitoring of the credit quality of the counterparties.

The receivables are divided by counterparties and are allocated to the responsible person overseeing each case. The counterparties are allocated to category classes based on allocation criteria such that the first class included low risk counterparties and the third class included higher risk counterparties.

The Group has a credit limit policy including new credit terms and credit limits. The Group has continued in a process of monitoring counterparties and their payment morale on regular basis.
The Group also continuously monitors the performance of individual credit exposures using a number of criteria.

The Group has an active fraud prevention and detection program. Credit risk developments are reported by the Group Credit Risk Department to the Board of Directors on a regular basis.
As a result of recent negative development on financial markets, the credit environment in certain countries in which the Group operates has deteriorated. The Group has taken strict measures in its underwriting and collection policies in order to limit the negative impact of such market changes.

4. Financial risk management (continued)

Credit risk (continued)

Exposure to credit risk

The Group has provided loans in amount of TEUR 21,237. The tables below provide a detailed analysis of the Group's exposure to credit risk.

	Loans - Due from non-banks		Loans - Due from banks and other financial institutions	
	2019	2018	2019	2018
	TEUR	TEUR	TEUR	TEUR
Neither past due nor impaired – carrying amount	21,237	60,054	--	--
Total carrying amount	**21,237**	**60,054**	**--**	**--**

Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings of Moody's (if applicable):

	2019	2018
	TEUR	TEUR
Cash at bank and short-term bank deposits		
A2	29,635	--
Baa3	7,885	--
Non-rated	14,539	3,104
Total	**52,059**	**3,104**

Classification of financial assets by credit risk

The following table presents an analysis of the credit quality of provided loans at amortised cost. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and if they were credit-impaired.

2019	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	(Stage I)	(Stage II)	(Stage III)	
	TEUR	TEUR	TEUR	TEUR
Gross provided loans	21,301	--	321	21,622
Loss allowances	(64)	--	(321)	(385)
Net provided loans	**21,237**	**--**	**--**	**21,237**

Provided loans include primarily loans provided to EMMA ALPHA HOLDING LTD and its subsidiaries at the net amount of TEUR 21,171. For the detail see Note 30.

4. Financial risk management (continued)

2018	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	(Stage I)	(Stage II)	(Stage III)	
	TEUR	TEUR	TEUR	TEUR
Gross provided loans	60,214	--	--	60,214
Loss allowances	(160)	--	--	(160)
Net provided loans	**60,054**	**--**	**--**	**60,054**

An analysis of the credit quality of financial assets at amortised cost and trade and other receivables were as follows. It indicates whether assets measured at amortised cost were subject to a Stage I - III of lifetime ECL allowance and if they were credit-impaired.

2019	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	(Stage I)	(Stage II)	(Stage III)	
	TEUR	TEUR	TEUR	TEUR
Gross financial assets at amortised cost	117,280	--	--	117,280
Gross trade and other receivables	3,869			3,869
Loss allowances	(28)	--	--	(28)
Net financial assets at amortised cost and trade and other receivables	**121,121**	**--**	**--**	**121,121**

2018	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	(Stage I)	(Stage II)	(Stage III)	
	TEUR	TEUR	TEUR	TEUR
Gross trade and other receivables	--	--	--	--
Loss allowances	--	--	--	--
Net trade and other receivables	**--**	**--**	**--**	**--**

As at 31 December 2018 and 31 December 2019, all financial assets are measured at amortised cost under IFRS 9 and they are neither credit-impaired nor has a significant increase in credit risk been identified with them.

As at 31 December 2019, loss allowances were calculated based on a lifetime expected credit loss (ECL) corresponding to Stage 3.

The Group measures loss allowance to financial assets at an amount equal to lifetime ECLs, as described in Note 3 (c) (vii). As at 31 December 2018 and 31 December 2019, loss allowances were calculated based on a lifetime expected credit loss (ECL) corresponding to Stage 2 or 3. Loss allowances to trade receivables and other assets are calculated based on following principles: - 180-360 days after due date - 50% impairment loss, - more than 360 days after due date - 100% impairment loss.

4. Financial risk management (continued)

For additional information about the Group´s accounting policies relating to financial instruments in accordance with IFRS 9 refer to Note 3(c).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk is managed by ensuring that there are sufficient financial resources to meet the obligations associated with financial liabilities. Cautious liquidity risk management assumes maintenance of a sufficient amount of cash and the availability of required external financing in terms of loans and borrowings.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's finance department collects information regarding the liquidity profile of the financial assets and liabilities and details of other projected cash flows arising from projected future business. Portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

In order to monitor the current trends in liquidity and to manage other associated risks (exchange rate risk, interest rate risk, foreign exchange risk, payment conditions, tax legislation, etc.), a meeting is held on a monthly basis in attendance with representatives of the Finance Department and with specialists and managers from other departments, if needed. In regular meetings, the Finance Director then reports to the Group management on the liquidity status and its developments. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing as at the reporting date. Foreign currency payments are translated using the spot exchange rate as at the balance sheet date.

4. Financial risk management (continued)

Contractual maturity analysis
The following table shows financial assets and liabilities by remaining maturity dates.

2019

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and cash equivalents	54,214	--	--	--	--	54,214
Financial assets - deposits	--	--	1,827	--	--	1,827
Financial assets at fair value through profit or loss	--	33	--	--	--	33
Financial assets at amortised cost	89,068	--	28,184	--	--	117,252
Loans - Due from non-banks	--	21,206	31	--	--	21,237
Trade and other receivables	284	3,585	--	--	--	3,869
Total financial assets	**143,566**	**24,824**	**30,042**	**--**	**--**	**198,432**
Due to banks and other financial institutions	3,565	10,695	70,260	--	--	84,520
Lease liabilities	799	1,375	5,156	--	--	7,330
Bonds issued	392	--	88,285	--	--	88,677
Trade and other payables	1,760	12	--	--	--	1,772
Other liabilities*	2,003	172	--	--	--	2,175
Total financial liabilities	**8,519**	**12,254**	**163,701**	**--**	**--**	**184,474**
Net position	**135,047**	**12,570**	**(133,659)**	**--**	**--**	**13,958**

* Other liabilities include only financial items, such as accrued expenses and other liabilities. For the detail of other liabilities, see Note 20.

2018

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and cash equivalents	3,104	--	--	--	--	3,104
Loans - Due from non-banks	--	60,054	--	--	--	60,054
Total financial assets	**3,104**	**60,054**	**--**	**--**	**--**	**63,158**
Bonds issued	1,225	--	117,813	--	--	119,038
Trade and other payables	19	--	--	--	--	19
Other liabilities	2	34	--	--	--	36
Total financial liabilities	**1,246**	**34**	**117,813**	**--**	**--**	**119,093**
Net position	**1,858**	**60,020**	**(117,813)**	**--**	**--**	**(55,935)**

4. Financial risk management (continued)

Contractual cash flows of financial liabilities (gross undiscounted cash flows)
The following table shows gross undiscounted cash flows including estimated interest payments and therefore may not agree with the carrying amounts in the statement of financial position.

2019

TEUR	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Due to banks and other financial institutions	3,565	14,119	80,603	--	98,287
Lease liabilities	875	1,545	5,489	--	7,909
Bonds issued	392	4,326	107,752	--	112,470
Trade and other payables	1,760	12	--	--	1,772
Other liabilities*	2,003	172	--	--	2,175
Total	**8,595**	**20,174**	**193,844**	**--**	**222,613**

* Other liabilities include only financial items such as accrued expenses and other liabilities. For the detail of other liabilities, see Note 20.

2018

TEUR	**Less than** 3 months	**3 months** to 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Bonds issued	1,225	6,185	133,276	--	140,686
Trade and other payables	19	--	--	--	19
Other liabilities	2	34	--	--	36
Total	**1,246**	**6,219**	**133,276**	**--**	**140,741**

Market risk

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.
The majority of the Group's exposure to market risk arises in connection with the funding of the Group's operations with liabilities denominated in foreign currencies and to the extent the term structure of interest bearing assets differs from that of liabilities.
Market risk includes currency risk and interest rate risk. Management's objectives are to use natural hedging only. The borrowings are secured by the majority of the Group's receivables.

Interest rate risk

The principal risk to which the Group is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. As part of its management of this position, the Group may use interest rate derivatives.
The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios.

Foreign currency risk

The Group has assets and liabilities denominated in several foreign currencies. It has invested into gaming business primarily denominated in EUR and HRK.
Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency. Foreign currency risk is managed principally through monitoring foreign currency mismatches in the structure of assets and liabilities in the individual Group's country operations.
Net investments in foreign operations are not hedged. As a result, the Group's financial position is adequately sensitive on movements of the relevant foreign exchange rates. Impact of such exchange rate changes on the Group's net investment in foreign operations is presented as currency translation in the consolidated statement of changes in equity.

4. Financial risk management (continued)

Interest rate gap position based on re-pricing dates

2019

TEUR	**Effective interest rate**	**Floating interest rate** Less than 3 months	**3 months to 1 year**	**1 to 5 years**	**Fixed interest rate or Non specified**	**Total**
Interest bearing financial assets						
Cash and cash equivalents	0,00%	54,214	--	--	--	54,214
Financial assets at amortised cost	5.15%	--	--	--	117,252	117,252
Loans - Due from non-banks	4.99%	--	--	--	21,237	21,237
Total interest-bearing financial assets		**54,214**	**--**	**--**	**138,489**	**192,703**
Interest bearing financial liabilities						
Due to banks and other financial institutions	4.05%	--	--	--	84,520	84,520
Lease liabilities	3.00%	--	--	--	7,330	7,330
Bonds issued	4.90%	--	--	--	88,677	88,677
Total interest-bearing financial liabilities		**--**	**--**	**--**	**180,527**	**180,527**

2018

TEUR	**Effective interest rate**	**Floating interest rate** Less than 3 months	**3 months to 1 year**	**1 to 5 years**	**Fixed interest rate or Non specified**	**Total**
Interest bearing financial assets						
Cash and cash equivalents	0,00%	3,104	--	--	--	3,104
Loans - Due from non-banks	5.85%	--	--	--	60,054	60,054
Total interest bearing financial assets	**--**	**3,104**	**--**	**--**	**60,054**	**63,158**
Interest bearing financial liabilities						
Bonds issued	5.25%	--	--	--	119,038	119,038
Total interest bearing financial liabilities		**--**	**--**	**--**	**119,038**	**119,038**

4. Financial risk management (continued)

Foreign currency position
2019

TEUR	EUR	CZK	HRK	Other currencies	Total
Cash and cash equivalents	9,214	5	44,995	--	54,214
Financial assets - deposits	--	--	1,827	--	1,827
Financial assets at fair value through profit or loss	--	--	33	--	33
Financial assets at amortised cost	117,252	--	--	--	117,252
Loans - Due from non-banks	21,157	--	80	--	21,237
Trade and other receivables	--	--	3,869	--	3,869
Total financial assets	**147,623**	**5**	**50,804**	**--**	**198,432**
Due to banks and other financial institutions	--	--	84,520	--	84,520
Lease liabilities	--	--	7,330	--	7,330
Bonds issued	88,677	--	--	--	88,677
Trade and other payables	16	--	1,756	--	1,772
Other liabilities*	78	--	2,097	--	2,175
Total financial liabilities	**88,771**	**--**	**95,703**	**--**	**184,474**
Net position	**58,852**	**5**	**(44,899)**	**--**	**13,958**

* Other liabilities include only financial items such as accrued expenses and other liabilities. For the detail of other liabilities, see Note 20.

2018

TEUR	EUR	CZK	HRK	Other currencies	Total
Cash and cash equivalents	3,093	11	--	--	3,104
Loans - Due from non-banks	60,054	--	--	--	60,054
Total financial assets	**63,147**	**11**	**--**	**--**	**63,158**
Bonds issued	119,038	--	--	--	119,038
Trade and other payables	19	--	--	--	19
Other liabilities	36	--	--	--	36
Total financial liabilities	**119,093**		**--**	**--**	**119,093**
Net position	**(55,946)**	**11**	**--**	**--**	**(55,935)**

4. Financial risk management (continued)

Foreign currency risk sensitivity analysis

An analysis of sensitivity of the Group's equity to changes in currency exchange rates based on positions existing as at 31 December 2019 and 31 December 2018 and a simplified scenario of a 5% change in CZK and HRK to EUR exchange rates is shown below:

	Total effect on equity 2019 TEUR	**Total effect on equity 2018 TEUR**
Effect of 5% CZK depreciation against EUR	--	(1)
Effect of 5% CZK appreciation against EUR	--	1
Effect of 5% HRK depreciation against EUR	2,245	--
Effect of 5% HRK appreciation against EUR	(2,245)	--

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure supporting the activities with financial instruments, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the limiting of financial losses and damage to the Group's reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk is assigned to senior management of the Group. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective;

Legal risk

Legal risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations.

Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through strive for improving the debt-to-equity ratio.

5. 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

6. 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 2019 and in 2018.

7. Intangible assets

2018	Goodwill TEUR	Software TEUR	Trademark TEUR	Other intangible assets TEUR	Total TEUR
Acquisition cost					
Balance as at 1 January 2018	--	--	--	--	--
Balance as at 31 December 2018	**--**	**--**	**--**	**--**	**--**
2019					
Acquisition cost Balance as at 1 January 2019	--	--	--	--	--
Acquisitions through business combinations	451,558	87	59,436	22	511,103
Additions	--	27	--	--	27
Translation difference	--	(2)	(268)	(1)	(271)
Balance as at 31 December 2019	**451,558**	**112**	**59,168**	**21**	**510,859**
2018					
Accumulated amortization					
Balance as at 1 January 2018	--	--	--	--	--
Balance as at 31 December 2018	**--**	**--**	**--**	**--**	**--**
2019					
Accumulated amortization Balance as at 1 January 2019	--	--	--	--	--
Charge for the year	--	(8)	--	--	(8)
Balance as at 31 December 2019	**--**	**(8)**	**--**	**--**	**(8)**
Carrying amount					
As at 31 December 2018	**--**	**--**	**--**	**--**	**--**
As at 31 December 2019	**451,558**	**104**	**59,168**	**21**	**510,851**

As a result of the acquisition of SAZKA Group Adriatic d.o.o., the Group recognised a trademark of TEUR 59,436 and goodwill of TEUR 451,558 in 2019 (refer to changes in the Group, described in Note 1).

8. Property, plant and equipment

2018	**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 2018	--	--	--	--	--
Balance as at 31 December 2018	**--**	**--**	**--**	**--**	**--**
2019					
Acquisition cost					
Balance as at 1 January 2019	--	--	--	--	**--**
Acquisitions through business combinations	2,083	662	7,689	--	**10,434**
Additions	69	274	1,328	41	**1,712**
Disposals	(159)	(373)	(242)	(13)	**(787)**
Transfer from/to other categories	--	35	--	--	**35**
Translation differences	(8)	(59)	(41)	--	**(108)**
Balance as at 31 December 2019	**1,985**	**539**	**8,734**	**28**	**11,286**
2018					
Accumulated depreciation					
Balance as at 1 January 2018	--	--	--	--	--
Balance as at 31 December 2018	**--**	**--**	**--**	**--**	**--**
2019					
Accumulated depreciation					
Balance as at 1 January 2019	--	--	--	--	**--**
Charge for the year	(400)	(363)	(1,560)	--	**(2,323)**
Disposals	150	19	53	--	**222**
Transfer from/to other categories	--	(35)	--	--	**(35)**
Translation difference	1	57	9	--	**67**
Balance as at 31 December 2019	**(249)**	**(322)**	**(1,498)**	**--**	**(2,069)**
Carrying amount					
As at 31 December 2018	**--**	**--**	**--**	**--**	**--**
As at 31 December 2019	**1,736**	**217**	**7,236**	**28**	**9,217**

8. Property, plant and equipment (continued)

In 2019, acquisitions through business combination of TEUR 10,434 relate to acquisition of SAZKA Group Adriatic d.o.o., described in Note 1.

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 31 December 2019, the Group disclosed lease liabilities related to right-of-use assets for the total amount of TEUR 7,330 (refer to Note 3 (f)). For effective interest rate used and undiscounted cash flows refer to Note 4.

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.

9. Cash and cash equivalents

	31.12.2019	**31.12.2018**	**1.1.2018**
	TEUR	**TEUR**	**TEUR**
Current accounts	52,059	3,104	27,311
Cash on hand	2,155	--	--
	54,214	**3,104**	**27,311**

The exposure of the Group to credit risk in relation to cash and cash equivalents is described in Note 4.

10. Financial assets

Financial assets - deposits

	2019	**2018**
At 1st January	--	--
Acquisitions through business combinations	1,827	--
Impairment losses	--	--
Balance at 31st December	**1,827**	**--**

10. Financial assets (continued)

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 31 December 2019 based on price quotation by the bank and categorised to Level 2 in the fair value hierarchy.

	2019	**2018**
At 1st January	--	--
Acquisitions through business combinations	23	--
Change in fair value	10	--
Balance at 31st December	**33**	**--**

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.

	2019	**2018**
At 1st January	--	--
Additions	120,000	--
Discount on promissory note – initial recognition	(6,689)	--
Unwinding discount on promissory note (interest income)	3,969	--
Loss allowance (IFRS 9)	(28)	--
Balance at 31st December	**117,252**	**--**
Non-current portion	28,184	--
Current portion	89,068	--
Balance at 31st December	**117,252**	**--**

As at 31 December 2019, 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 31 December 2019, loss allowances related to promissory notes amounted to TEUR 28.

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 at amortised cost approximates to their carrying amounts as presented above.

11. Loans receivable

The Group has provided loans receivable to its related parties of TEUR 21,171 (31.12.2018: TEUR 60,054, 1.1.2018: TEUR 30,634) and third parties of TEUR 66 (31.12.2018 and 1.1.2018 – TEUR 0), which are repayable as follows:

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

31.12.2018	Average interest rate	Less than 3 months	3 months to 1 year	1 to 5 years	Total TEUR
Loans receivable	5.85%	--	60,054	--	**60,054**
					60,054

1.1.2018	Average interest rate	Less than 3 months	3 months to 1 year	1 to 5 years	Total TEUR
Loans receivable	5.85%	--	30,634	--	**30,634**
					30,634

As at 31 December 2019, 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 31 December 2019, loss allowances related to loans receivable amounted to TEUR 385 (31 December 2018: TEUR 160, 1 January 2018: TEUR 0).

The exposure of the Group to credit risk in relation to loan receivables is described in Note 4.

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

12. Trade and other receivables

Trade and other receivables amounted to TEUR 3,869 as at 31 December 2019 (31.12.2018 and 1.1.2018: TEUR 0).

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

As at 31 December 2019, 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). The fair value of trade and other receivables approximates to their carrying amounts as presented above.

13. Inventories

Inventories are represented by materials and equipment for Croatian branches of TEUR 344 (31.12.2018 and 1.1.2018: TEUR 0).

14. Other assets

Other assets are represented by deferred expenses and prepayments TEUR 2,189 (31.12.2018: TEUR 57, 1.1.2018: TEUR 56), advances provided of TEUR 73 (31.12.2018 and 1.1.2018: TEUR 0) and other tax receivables of TEUR 54 (31.12.2018: TEUR 0, 1.1.2018: TEUR 66).

Current year's deferred expenses relate mainly to annual fees paid by Croatian Companies for casino games and betting activities.

15. Investments in associates

The Group has the following investments in associates, which were accounted for at cost :

	Type of equity method investment	Country of incorporation	Ownership interest			Carrying amount		
			(%)			TEUR		
			31.12.2019	**31.12.2018**	**1.1.2018**	**31.12.2019**	**31.12.2018**	**1.1.2018**
SAZKA Group a.s.	Associate	Czech Republic	--	25.00	25.00	--	166,470	166,470
SAZKA Group PLC	Associate	United Kingdom	--	25.00	--	--	14	--

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).

On 2 February 2018, the Company subscribed for 25% of shares in SAZKA Group PLC, incorporated in United Kingdom for the total consideration of TEUR 14. On 13 August 2019, SAZKA Group PLC was dissolved, and was therefore de-recognised as an associate.

The shares in SAZKA Group a.s. were fully pledged to J&T Banka a.s., as a security for the bond issuance in Emma Gamma Finance a.s. in 2017. During the year, the bond was repaid and the shares were released.

Dividends of TEUR 10,000 were received from associates in 2018.

16. Liabilities due to banks and other financial institutions

The Group's liabilities due to banks and other financial institutions as of 31 December 2019 amount to TEUR 84,520 (31.12.2018 and 1.1.2018: TEUR 0). The main items are described below.

	Maturity	Outstanding principal and interest TEUR
Bank loan – HRK	2023	21,312
Bank loan – HRK	2024	63,208
		84,520

Syndicated bank loans in the amount of TEUR 84,520 are secured by the shareholding in Super Sport d.o.o. Bank loans payable in 1 year amount to TEUR 14,260.

The fair value of liabilities due to banks and other financial institutions approximates to their carrying amounts as presented above. Bank loans denominated in EUR are economically hedged into HRK through the financial derivative. However, the derivative instruments are not classified as hedging derivatives; they are disclosed as derivative financial instruments at fair value through profit or loss.

17. Bonds issued

	31.12.2019 TEUR	31.12.2018 TEUR	1.1.2018 TEUR
Nominal value of bonds issued	120,000	120,000	120,000
Repayment of bonds	(120,000)	--	--
Bonds issued on 29 May 2019	90,000	--	--
Expenses related to the issue of bonds - amortized	(1,715)	(2,187)	(2,916)
Accrued interest	392	1,225	1,225
Total balance	**88,677**	**119,038**	**118,309**

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.

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 Ltd, for the maximum amount of TEUR 115,000.

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

18. Financial liabilities at fair value through profit or loss

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

All financial derivatives were stated at fair value as at 31 December 2019 based on price quotation by the bank and categorised to Level 2 in the fair value hierarchy.

	2019	2018
At 1st January	--	--
Acquisitions through business combinations	489	--
Change in fair value	(176)	--
Balance at 31st December	**313**	**--**

19. Trade and other payables

The Group's trade and other payables as of 31 December 2019 amounting to TEUR 1,772 (31.12.2018: TEUR 19, 1.1.2018: TEUR 22) 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.

20. Other liabilities

	31.12.2019 TEUR	31.12.2018 TEUR	1.1.208 TEUR
Accrued expense	72	20	28
Other tax payable	4,918	--	76
Wages and salaries	1,078	1	--
Social security and health insurance	405	1	--
Other liabilities	2,103	14	--
	8,576	**36**	**104**

As at 31 December 2019, 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.

21. 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.

	31.12.2019 TEUR	31.12.2018 TEUR	1.1.2018 TEUR
Deferred tax assets	3	3	4
Deferred tax liabilities	(10,865)	(274)	(365)
Net deferred tax liabilities	**(10,862)**	**(271)**	**(361)**

The recognized deferred tax liability is attributable mainly to intangible assets resulting from acquisition of SAZKA Group Adriatic d.o.o.

Movements in temporary differences during the period were as follows:

TEUR	**Balance at 1 January**	**Recognised in profit or loss** **(Note 29)**	**Additions resulting from business combinations** **(Note 1)**	**Effect of movements in foreign exchange rate**	**Balance at 31 December**
Movements in 2019	(271)	59	(10,699)	49	(10,862)
Movements in 2018	(361)	90	--	--	(271)

22. Equity

Authorised capital

Authorised	2019 Number of shares	2019 TEUR	2018 Number of shares	2018 TEUR
Ordinary shares of €1each	1,253	1	1,253	1

Issued and fully paid

	Number of shares	Share capital TEUR	Share premium TEUR	Total TEUR
Balance at 1 January/31 December 2018	1,253	1	111,839	111,840
Balance at 1 January/31 December 2019	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 31 December 2019 of negative TEUR 150 (31.12.2018 and 1.1.2018: TEUR 0) represents notably foreign exchange differences arising from translation of the financial statements of the Croatian companies.

Dividends paid

During 2019, the Group distributed interim dividends to EMMA Alpha Holding Ltd in the total amount of TEUR 97,100. Interim dividends in the total amount of TEUR 8,862 were distributed to minority shareholders of subsidiaries.

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

	2019 TEUR	2018 TEUR
Revenues from betting activities	37,725	--
Revenues from casino games	27,913	--
Revenues from betting activities and casino games	**65,638**	**--**
Other income related to gaming	14,804	--
	80,442	**--**

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.

	2019 TEUR	2018 TEUR
Gross gaming revenue	70,564	--
Taxes payable to the state	(4,926)	--
Net gaming revenue	**65,638**	**--**

24. Services and material expenses

	2019 TEUR	2018 TEUR
Professional services	(8,448)	(337)
Telecommunication and postage	(483)	--
Taxes other than income tax	(1,618)	(58)
Rental, maintenance and repair expenses	(1,568)	--
Advertising and marketing	(2,192)	--
Material consumption	(1,173)	--
Energy consumption	(571)	--
Other	(2,331)	(5)
	(18,384)	**(400)**

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.

25. Personnel expenses

	2019 TEUR	2018 TEUR
Wages and salaries	(9,864)	--
Payroll related taxes and social contributions	(1,504)	--
	(11,368)	**--**

The average number of employees in the Group for the year ended 31 December 2019 was 1,077 employees (for the year ended 31 December 2018: 0 employees).

26. Impairment on loans and receivables

	2019 TEUR	2018 TEUR
Reversal of impairment/(impairment loss) on loans and other financial assets	68	(160)
	68	**(160)**

In 2019 and 2018, the Group has not recognized any impairment losses on investments in associates.

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.

27. Other operating expenses

	2019 TEUR	2018 TEUR
Depreciation on property, plant and equipment	(2,323)	--
Amortisation of intangible assets	(8)	--
Loss on disposal of property, plant, equipment	(22)	
Net foreign currency losses	--	(180)
Net impairment losses on other assets	--	(66)
	(2,353)	**(246)**

28. Net finance income/expense

	2019 TEUR	2018 TEUR
Finance income		
Interest income	5,972	2,485
Gain on financial instruments at fair value through profit or loss (derivatives)	181	--
Other finance income	216	--
Total finance income	**6,369**	**2,485**
Finance expenses		
Interest expense	(14,096)	(7,029)
Fee and commission expense	(128)	(104)
Total finance expenses	**(14,224)**	**(7,133)**
Net finance expense	**(7,855)**	**(4,648)**

	2019 TEUR	2018 TEUR
Interest income		
Financial assets at amortised cost	3,969	--
Due from banks and other financial institutions	1	36
Loans to corporations and other	2,002	2,449
	5,972	**2,485**
Interest expense		
Loans - Due to non-banks	(6,609)	--
Loans - Due to banks and other financial institutions	(2,510)	--
Lease liabilities	(155)	--
Debt securities issued	(4,522)	(7,029)
Loans from corporations and other	(300)	--
	(14,096)	**(7,029)**

29. Income tax (expense)/credit

	2019 TEUR	2018 TEUR
Current tax expense	(9,071)	(44)
Deferred tax credit (Note 21)	59	90
Total income tax (expense) / credit recognised in profit or loss	**(9,012)**	**46**

29. Income tax (expense)/credit (continued)

Reconciliation of effective tax rate	2019 %	2019 TEUR	2018 %	2018 TEUR
Profit before tax		**497,452**		**4,546**
Income tax using the domestic tax rate (see below)	(12.5)	(62,182)	(12.5)	(568)
Effect of tax rates in foreign jurisdictions	(0.5)	(2,414)	(0.2)	(8)
Non-deductible costs	(0.3)	(1,686)	(13.9)	(632)
Non-taxable income	11.6	57,716	27.6	1,255
Tax loss carry forward not recognized	(0.1)	(446)	--	--
Utilized tax loss not previously recognised	--	--	--	(1)
Total income tax (expense) / credit	**(1.8)**	**(9,012)**	**1.0**	**46**

Corporate income tax rates for tax domiciles of entities in consolidated Group for fiscal years 2019 and 2018 can be summarized as follows:

	2019	2018
Cyprus	12.50%	12.50%
Slovakia	21.00%	21.00%
Croatia	18.00%	n/a *

* The Group did not comprise any Croatian entities in 2018.

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

30. Related party transactions

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

Transactions with related parties

	31.12.2019 TEUR	31.12.2018 TEUR	1.1.2018 TEUR
Loans provided (principal receivables)	20,656	58,576	30,190
Accrued interest (interest receivable)	579	1,638	444
Impairment loss allowance	(64)	(160)	--
Total	**21,171**	**60,054**	**30,634**

	2019 TEUR	2018 TEUR
Total interest income	2,287	2,449

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

30. Related party transactions (continued)

Transactions with key management employees

Sazka Group Adriatic d.o.o. ("SGA"), a subsidiary of the Company has entered into agreements with key management of Super Sport d.o.o. ("SS"), whereby SGA 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. SGA 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

SGA 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

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 mentioned in Note 4 "Risks related to pandemic COVID 19".

On 16 March 2020, the Company received the amount of TEUR 90,000 relating to the promissory note receivable from KKCG AG.

On 16 March 2020 dividends in the total amount of TEUR 11,596 were distributed to minority shareholders of subsidiaries.

In March 2020, the Group fully refinanced its acquisition financing described in Note 16. The new 5 years financing provided by 2 Croatian banks in the total aggregate amount of HRK 646 million stays secured by pledge of the Group's 65,45 % stake in SS. The effective interest rate has decreased significantly.

On 27 April 2020, the Board of Directors approved the payment of an interim dividend of TEUR 30,000 out of the profits of 2019.

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