EMMA ALPHA HOLDING LTD

Auditors’ report

and consolidated financial statements

31 December 2018

Contents

Officers and Professional Advisors

Board of Directors	Radka Blažková Demetrios Aletraris Andri Pangalou
Secretary	Cyproman Services Limited 5 Esperidon Street 4th floor 2001 Nicosia Cyprus
Independent Auditors	KPMG Limited Certified Public Accountants and Registered Auditors 14 Esperidon Street 1087 Nicosia Cyprus
Bankers	PPF Banka a.s. Hellenic Bank Public Company Ltd BRD Groupe Société Générale Piraeus Bank România Banca Comercială Română (BCR) Air Bank a.s. J&T Banka a.s.
Registered Office	48 Themistokli Dervi Avenue Athienitis Centennial Building, 3rd floor, Office 303 1066 Nicosia Cyprus
Registration number	HE313347

Consolidated Management report

The Board of Directors of EMMA ALPHA HOLDING LTD (the "Company") presents to the members its Annual Report together with the audited consolidated financial statements of the Company and its subsidiary companies (together referred to as the "Group") for the year ended 31 December 2018.

INCORPORATION

The Company was incorporated in Cyprus on 12 October 2012 as a private limited liability company under the Cyprus Companies Law, Cap. 113.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the holding of investments, trading of securities and distribution of gas.

FINANCIAL RESULTS

The Group's financial results for the year ended 31 December 2018 are set out on page 11 in the consolidated financial statements. The net profit for the year 2018 amounted to TEUR 88,441 (2017 – TEUR 47,125).

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The results for this year are considered satisfactory as the Group achieved a net profit attributable to equity holders of the Group totalling TEUR 88,120 (2017 – TEUR 46,689).

REVENUE

The Group's revenue (including finance income and excluding dividend income and share of profit from associates) for the year ended 31 December 2018 amounted TEUR 163,372 (2017 – TEUR 84,118).

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in Note 5 of the consolidated financial statements.

FUTURE DEVELOPMENTS

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

SHARE CAPITAL

There were no changes in the ordinary share capital of the Company during the year. During the year, there was a decrease in the redeemable preference share capital by TEUR 235.

BRANCHES

During the year ended 31 December 2018 and 31 December 2017, the Group did not operate any branches.

Consolidated Management report (continued)

BOARD OF DIRECTORS

The members of the Group's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 3. All of them were members of the Board of Directors during the year ended 31 December 2018.

In accordance with the Company's Articles of Association, all directors presently members of the Board continue in their office.

There were no significant changes in the composition, assignment of responsibilities and remuneration of the Board of Directors.

ACCOUNTING RECORDS

The books of the Group for the year 2018 were maintained internally.

RECENT VOLATILITY IN GLOBAL FINANCIAL MARKETS

Any significant events that relate to the operating environment of the Group are described in Note 6 of the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Any significant events that occurred after the end of the reporting period are described in Note 32 of the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 31 of the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Demetrios Aletraris
Director
Nicosia, 14 June 2019

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
T: +357 22 209000, F: +357 22 678200

Independent Auditors' report

to the Members of

Emma Alpha Holding Ltd

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Emma Alpha Holding Ltd (the "Company") and its subsidiaries (the "Group"), which are presented on pages 10 to 63 and comprise the consolidated statement of financial position as at 31 December 2018, and the 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 accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

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 consolidated financial statements" section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the 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 audit opinion.

Independent Auditors' report

to the Members of

Emma Alpha Holding Ltd

Report on the audit of the financial statements ***(continued)***

Other information

The Board of Directors is responsible for the other information. The other information comprises the Consolidated management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap. 113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the Consolidated management report, our report in this regard is presented in the *"Report on other legal requirements"* section.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Group or to cease operations, or there is 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

KPMG

Independent Auditors' report

to the Members of

Emma Alpha Holding Ltd

Report on the audit of the financial statements *(continued)*

Auditors' responsibilities for the audit of the financial statements *(continued)*

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

Identify and assess the risks of material misstatement of the 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.

- 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 and related disclosures 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 auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Report on other legal requirements

Pursuant to the additional requirements of the law of 2017, L.53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the consolidated management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.

Independent Auditors' report

to the Members of

Emma Alpha Holding Ltd

Report on the audit of the financial statements ***(continued)***

Report on other legal requirements ***(continued)***

- In the light of the knowledge and understanding of the Group's environment obtained in the course of our audit, we have not identified material misstatements in the consolidated management report.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L.53(I)/2017, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Haris A. Kakoullis, CPA
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

14 June 2019

	Note	2018 TEUR	2017 TEUR
ASSETS			
Non-current assets			
Goodwill	8	6,054	1,361
Intangible assets	8	643	794
Property, plant and equipment	9	46,897	44,750
Investments in associates	15	582,346	653,756
Loans receivable	12	12,941	95,080
Deferred tax assets	21	3	4
Total non-current assets		**648,884**	**795,745**
Current assets			
Loans receivable	12	120,635	52,094
Current income tax assets		17	--
Trade and other receivables	13	44,206	18,503
Inventories		4,927	2,845
Other assets	14	83,485	4,148
Cash and cash equivalents	10	10,637	33,218
Total current assets		**263,907**	**110,808**
Total assets		**912,791**	**906,553**
EQUITY			
Share capital	22	10	10
Redeemable preference shares	22	437,370	437,605
Revaluation reserve	22	15,036	16,818
Translation reserve	22	(53,174)	(55,067)
Other reserves	22	(20,016)	(16,338)
Retained earnings/(Accumulated losses)		44,357	(14,245)
Profit for the period		88,120	46,689
Equity attributable to owners of the Company		**511,703**	**415,472**
Non-controlling interests		**(6,784)**	**19**
Total equity		**504,919**	**415,491**
LIABILITIES			
Non-current liabilities			
Due to non-banks	16	145,205	333,203
Due to banks and other financial institutions	17	3,693	--
Bonds and notes issued	18	117,449	106,518
Other liabilities	20	879	4,970
Deferred tax liabilities	21	7,105	4,041
Total non-current liabilities		**274,331**	**448,732**
Current liabilities			
Current provisions		546	589
Due to non-banks	16	76,278	12,475
Due to banks and other financial institutions	17	27,733	9,651
Bonds and notes issued	18	1,225	1,225
Current income tax liabilities		654	108
Trade and other payables	19	8,952	5,385
Other liabilities	20	18,153	12,897
Total current liabilities		**133,541**	**42,330**
Total liabilities		**407,872**	**491,062**
Total liabilities and equity		**912,791**	**906,553**

The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated.

On 14 June 2019, the Board of Directors of EMMA ALPHA HOLDING LTD authorised these consolidated financial statements for issue.

Radka Blažková
Director

Demetrios Aletraris
Director

The notes on pages 14 to 63 are an integral part of these consolidated financial statements.

	Note	2018 TEUR	2017 TEUR
Revenues from sale of gas	26	94,082	47,549
Costs of gas sold	26	(81,177)	(43,354)
Other income related to gas distribution operations	26	20,489	22,167
Trading profit	23	133	781
Administrative expenses	25	(20,313)	(18,339)
Impairment of investments	15, 24	--	(639)
Impairment of loans and receivables	24	(1,509)	(851)
Other operating income	27	--	5,333
Other operating expenses	28	(6,251)	(3,868)
Profit from operations		**5,454**	**8,779**
Finance income	29	6,810	8,288
Finance expense	29	(26,175)	(22,341)
Net finance expense		**(19,365)**	**(14,053)**
Net gain/(loss) from sale of investments in subsidiaries and associates	15	41,858	(129)
Associates – share of profit	15	62,318	52,262
Profit before tax		**90,265**	**46,859**
Income tax (expense)/credit	30	(1,824)	266
Profit after tax from continuing operations		**88,441**	**47,125**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Items reclassified from OCI to profit/(loss) - associates		15,271	--
Foreign currency translation differences		(33)	(227)
Associates – share of OCI	15	(14,887)	(15,661)
Items that will not be reclassified to profit or loss:			
Associates – share of OCI (re-measurement of the defined benefit liability)		--	5
Other comprehensive income/(expense) for the year		**351**	**(15,883)**
Total comprehensive income for the year		**88,792**	**31,242**
Total profit attributable to:			
Owners of the Company		88,120	46,689
Non-controlling interests		321	436
		88,441	**47,125**
Total comprehensive income attributable to:			
Owners of the Company		88,601	30,806
Non-controlling interests		191	436
		88,792	**31,242**

The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated.

The notes on pages 14 to 63 are an integral part of these consolidated financial statements.

	Share capital TEUR	Redeemable shares TEUR	Revaluation reserve TEUR	Translation reserve TEUR	Other reserves TEUR	Retained earnings TEUR	Total – Owners of the Company TEUR	Non-controlling interest TEUR	Total TEUR
Balance as at 1 January 2017	**10**	**437,605**	**19,484**	**(37,368)**	**(12,761)**	**(13,714)**	**393,256**	**2,906**	**396,162**
Comprehensive income									
Profit for the period	--	--	--	--	--	46,689	**46,689**	436	47,125
Translation reserve changes	--	--	--	(202)	--	--	**(202)**	(25)	(227)
Associates – share of OCI	--	--	(2,666)	(17,497)	4,507	--	**(15,656)**	--	(15,656)
Total comprehensive income for the year	**--**	**--**	**(2,666)**	**(17,699)**	**4,507**	**46,689**	**30,831**	**411**	**31,242**
Transactions with owners recognised directly in equity									
Contributions by and distributions to owners									
NCI acquired through business combinations	--	--	--	--	--	--	**--**	18	**18**
Transfers	--	--	--	--	341	(341)	**--**	--	**--**
Transactions with NCI without a change in control	--	--	--	--	--	2,013	**2,013**	(3,316)	**(1,303)**
Total transactions with owners	**--**	**--**	**--**	**--**	**341**	**1,672**	**2,013**	**(3,298)**	**(1,285)**
Other movements	--	--	--	--	(8,425)	(2,203)	**(10,628)**	--	**(10,628)**
Balance as at 31 December 2017	**10**	**437,605**	**16,818**	**(55,067)**	**(16,338)**	**32,444**	**415,472**	**19**	**415,491**
Balance as at 1 January 2018	**10**	**437,605**	**16,818**	**(55,067)**	**(16,338)**	**32,444**	**415,472**	**19**	**415,491**
Adjustment on initial application of IFRS 9 and IFRS 15, net of tax	--	--	--	--	--	(16,211)	**(16,211)**	--	**(16,211)**
Balance as at 1 January 2018 - restated	**10**	**437,605**	**16,818**	**(55,067)**	**(16,338)**	**16,233**	**399,261**	**19**	**399,280**
Comprehensive income									
Profit for the period	--	--	--	--	--	88,120	**88,120**	321	**88,441**
Items reclassified from OCI to profit/(loss)	--	--	322	14,933	16	--	**15,271**	--	**15,271**
Translation reserve changes	--	--	--	97	--	--	**97**	(130)	**(33)**
Associates – share of OCI	--	--	114	(13,115)	(1,886)	--	**(14,887)**	--	**(14,887)**
Total comprehensive income for the year	**--**	**--**	**436**	**1,915**	**(1,870)**	**88,120**	**88,601**	**191**	**88,792**
Transactions with owners recognised directly in equity									
Contributions by and distributions to owners									
Transfers	--	--	--	--	260	(260)	**--**	--	**--**
Transactions with NCI without a change in control	--	(235)	(2,218)	(22)	(12)	9,246	**6,759**	(6,994)	**(235)**
Total transactions with owners	--	**(235)**	**(2,218)**	**(22)**	**248**	**8,986**	**6,759**	**(6,994)**	**(235)**
Other movements	--	--	--	--	(2,056)	19,138	**17,082**	--	**17,082**
Balance as at 31 December 2018	**10**	**437,370**	**15,036**	**(53,174)**	**(20,016)**	**132,477**	**511,703**	**(6,784)**	**504,919**

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the owners.

The notes on pages 14 to 63 are an integral part of these consolidated financial statements.

	Note	2018 TEUR	2017 TEUR
Cash flows from operating activities			
Profit for the period after tax		**88,441**	**47,125**
Adjustment for:			
Depreciation and Amortisation	8, 9	4,258	3,731
Impairment losses	24, 28	1,509	1,627
Revaluation of assets at fair value through profit and loss	22	--	(932)
Share of profit of associates, net of tax	15	(62,318)	(52,262)
(Profit)/loss on the disposal of subsidiaries	1, 15	(41,858)	129
Gain on bargain purchase	1	--	(713)
Net interest expense	29	19,222	13,999
Unrealised foreign exchange losses/(gains)		32	(1,609)
Tax expense/(credit)	30	1,807	(266)
Operating profit before changes in working capital and provisions		**11,093**	**10,829**
(Increase) / Decrease in inventories		(2,060)	181
Increase in trade and other receivables		(95,334)	(2,133)
Decrease in trade and other payables		(730)	(14,510)
(Decrease) / Increase in provisions and employee benefits		(51)	328
Cash used in operating activities		**(87,082)**	**(5,305)**
Interest paid		(22,259)	(14,191)
Interest received		3,756	10,907
Income tax paid		(148)	(14)
Net cash used in operating activities		**(105,733)**	**(8,603)**
Cash flows from investing activities			
Proceeds from settlement of assets at fair value through profit or loss		--	4,017
Dividends received	15	10,000	--
Proceeds from sale property, plant and equipment		950	2,180
Proceeds from sale of associates	15	165,388	--
Net cash outflow from disposal of subsidiaries, net of cash disposed of		--	(133)
Acquisition of subsidiary, net of cash acquired	1	(8,418)	(953)
Acquisitions of investments in associates	15	--	(750)
Loans provided		14,336	(2,816)
Acquisitions of intangible assets	8	(90)	(622)
Acquisitions of property, plant and equipment	9	(2,043)	(2,013)
Payment for capital contribution to investment in associates	15	(1,474)	(58,201)
Net cash generated from / (used in) investing activities		**178,649**	**(59,291)**
Cash flows from financing activities			
Other changes in equity		(235)	--
Repayment of interest-bearing loans and borrowings		(105,464)	(7,968)
Proceeds from bonds issued		10,202	106,518
Cash effect from transactions with non-controlling interest		--	(1,005)
Net cash (used in) / generated from financing activities		**(95,497)**	**97,545**
Net movement in cash and cash equivalents		**(22,581)**	**29,651**
At the beginning of the year	10	**33,218**	**3,567**
At the end of the year	10	**10,637**	**33,218**

The notes on pages 14 to 63 are an integral part of these consolidated financial statements

1. Description of the Group

EMMA ALPHA HOLDING LTD (the "Company") was incorporated in Cyprus on 12 October 2012 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, 1066 Nicosia, Cyprus.

The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise of the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

Shareholders

The owners of the Company are as follows:

Shareholders	Country of incorporation	Type of shares	Ownership interest (%) 2018	2017
MEF HOLDINGS LIMITED	Cyprus	Redeemable preference shares	99.09	99.17
SPRINGROCK LIMITED[1]	Cyprus	Redeemable preference shares	0.32	0.28
ALIMENTOR LIMITED[2]	Cyprus	Redeemable preference shares	0.27	0.27
DOROMEA LIMITED[3]	Cyprus	Redeemable preference shares	0.14	0.09
MENGENO LIMITED[4]	Cyprus	Redeemable preference shares	0.14	0.14
ALEDENCO LIMITED[5]	Cyprus	Redeemable preference shares	0.04	0.04
DAVID HAVLÍN	--	Redeemable preference shares	0.01	0.01
EMMA CAPITAL LIMITED	Cyprus	Ordinary shares	100.00	100.00

[1] The entity is controlled by Pavel Horák who was the owner of redeemable preference shares of the Group in 2017
[2] The entity is controlled by Tomáš Kočka who was the owner of redeemable preference shares of the Group in 2017
[3] The entity is controlled by Ondřej Frydrych who was the owner of redeemable preference shares of the Group in 2017
[4] The entity is controlled by Michal Houšť who was the owner of redeemable preference shares of the Group in 2017
[5] The entity is controlled by Petr Stöhr who was the owner of redeemable preference shares of the Group in 2017

Principal activities

The principal activities of the Group are the holding of investments and trading of securities and distribution of gas.

Description of the Ownership Structure

The Company controls, directly or indirectly, other companies in Cyprus, the British Virgin Islands, the Czech Republic, Slovakia and Romania. Subsidiary companies are controlled by the Company and they are fully consolidated, whereas the results of the associated companies are included in the consolidated financial statements using the equity method.

Consolidated subsidiaries	Country of incorporation	Effective ownership interest (%) 2018	2017
BELLVILLE SERVICES LIMITED	The British Virgin Islands	100.00	100.00
TONALA LIMITED	Cyprus	100.00	100.00
MARJOLENDO LIMITED	Cyprus	100.00	100.00
PARESTA LIMITED[3]	Cyprus	--	100.00
QUIVERDA LIMITED[3]	Cyprus	--	100.00
CHAPALACO LIMITED	Cyprus	100.00	100.00
EMMA OMEGA LTD	Cyprus	100.00	100.00
SERENITY RESOURCES LIMITED[1]	The British Virgin Islands	100.00	100.00
• LIGATNE LIMITED[1]	Cyprus	80.85	100.00
• PREMIER ENERGY SRL [1]	Romania	80.85	100.00
• PREMIER ENERGY TRADING S.R.L. [1] [2]	Romania	80.85	100.00
• TIMGAZ S.A. [1]	Romania	79.12	97.86
• LIGATNE GAS S.R.L. [1]	Romania	80.82	--
EMMA GAMMA LIMITED	Cyprus	100.00	100.00
EMMA GAMMA FINANCE a.s.	Slovakia	100.00	100.00

[1] forms part of SERENITY RESOURCES LIMITED GROUP
[2] FORTE GAZ GN S.R.L. was renamed to PREMIER ENERGY TRADING S.R.L. as at 13 April 2018
[3] PARESTA LIMITED and QUIVERDA LIMITED were liquidated during 2018.

1. Description of the Group (continued)

Equity-accounted investees (associates)	**Country of incorporation**	**Ownership interest (%)**	
		2018	**2017**
SAZKA Group a.s.	Czech Republic	25.00	25.00
SAZKA Group PLC[1)]	United Kingdom	25.00	--
HOME CREDIT GROUP B.V.[2)]	Netherlands	8.88	11.38
HOME CREDIT B.V.	Netherlands	--	11.38
MESTROLIO INVESTMENTS LTD	Cyprus	--	25.00
AMESELO LIMITED	Cyprus	--	33.34

[1)] entity founded in 2018
[2)] entity founded in 2017

Acquisitions and disposals in 2018

On 15 February 2018, Mr. Jose Martin Garza subscribed the newly issued 19.15% shares in LIGATNE LIMITED.

On 4 April 2018, new subsidiary LIGATNE GAS S.R.L. was founded. LIGATNE LIMITED holds 99.96% shares in the new subsidiary LIGATNE GAS S.R.L with non-controlling interest amounting to 0,04% held by Mr. Jose Martin Garza.

On 31 May 2018, LIGATNE GAS S.R.L. acquired 100% shares in COVI CONSTRUCT 2000 S.R.L. Prior to the transaction, the acquiree was owned and controlled by FORSALOS HOLDINGS LIMITED, Ms. PATRASCU RALUCA ELENA and Mr. SANDULESCU MIRCEA. On 31 December 2018, COVI CONSTRUCT 2000 S.R.L. was merged into PREMIER ENERGY S.R.L. The nominal purchase price of TEUR 8,489 shall be paid in Lei at the exchange rate of the National Bank of Romania valid at the payment day. The fair value of net identifiable assets acquired amounted to TEUR 3,793. As a result of the transaction the Group recognised goodwill in total amount of TEUR 4,696.

On 6 April 2018, associate ABDE Holding s.r.o. was acquired and on 8 May 2018 associates HOME CREDIT B.V and ABDE Holding s.r.o. were contributed to HOME CREDIT GROUP B.V.

On 2 February 2018, the Group acquired 25% of the new associate SAZKA Group PLC.

On 30 May 2018, the Group sold its shareholding in MESTROLIO INVESTMENTS LTD. The parties have agreed that the selling price is TEUR 2,534, resulting in a loss on disposal for the amount of TEUR 166.

During 2018 subsidiaries PARESTA LIMITED and QUIVERDA LIMITED and associate AMESELO LIMITED were dissolved.

On 31 December 2018, the Group sold a 2.5% stake in Home Credit Group B.V. to a majority shareholder. The Group decreased its shareholding in Home Credit Group B.V. from 11.38% to 8.88%. The selling price of a 2.5% stake in Home Credit Group B.V. was payable in three instalments; the first part of the consideration (MEUR 82,5) was paid on 31 December 2018; the second part (MEUR 80) was initially due in June 2019. The third instalment was defined as an earn-out being equal to 50% of the difference between the current purchase price (the first two instalments) and the market value reached at a possible partial future exit. For more details regarding Post year end events on this matter, see Note 32.

1. Description of the Group (continued)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	TEUR
Intangible assets	8	1
Property, plant and equipment	9	5,136
Trade and other receivables	13	364
Cash and cash equivalents	10	71
Inventories		22
Trade and other payables	19	(180)
Other liabilities	20	(899)
Provisions		(8)
Deferred tax liabilities	21	(643)
Total identifiable net assets acquired		**3,793**
Consideration, paid in cash		(8,489)
Goodwill	**8**	**4,696**

Cash effect on acquisition	
Consideration, paid in cash	(8,489)
Cash (acquired)	71
Net cash outflow	**(8,418)**

1. Description of the Group (continued)

Acquisitions and disposals in 2017

In September 2017, PREMIER ENERGY S.R.L. acquired 100% shares in FORTE GAZ GN S.R.L. Prior to the transaction, the acquiree was owned and controlled by TRADE INVEST CAPITAL S.R.L. and VILT MIHAI IONUT. The nominal purchase price amounted to TEUR 1,000 and fair value of net identifiable liabilities acquired amounted to TEUR (361). As a result of the transaction the Group recognised goodwill in total amount of TEUR 1,361.

In March 2017, PREMIER ENERGY S.R.L. acquired 97.8553% share in TIMGAZ S.A. for total consideration of TRON 600. Fair value of net identifiable assets amounted to TEUR 863 and non-controlling interest to TEUR 18 as at the date of acquisition. The transaction resulted in recognition of gain on bargain purchase in amount of TEUR 713.

During 2017 new subsidiary EMMA GAMMA FINANCE a.s. and new associate HOME CREDIT GROUP B.V. were founded.

In November 2017, the Group sold its shareholding in SPRINGROCK LIMITED. The parties have agreed that the selling price is TUSD 164.5, resulting in a loss on disposal for the amount of TEUR 129.

2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2018 comprise of the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), including International Accounting Standards (IASs), promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of IASB as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113 as amended from time to time.

This is the first set of the Group´s annual financial statements in which *IFRS 15 Revenue from Contracts with Customers* and *IFRS 9 Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 3.

(b) Basis of measurement

These 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 instruments at fair value through other comprehensive income, property, plant and equipment which are measured at fair value and investments in associates which are accounted for using the equity method. 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 consolidated financial statements are presented in Euro (EUR), which is the Company’s functional currency and Group’s presentation currency. Financial information presented in EUR has been rounded to the nearest thousand (TEUR).

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS 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.

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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 judgements made by management in preparing these consolidated financial statements in respect of impairment recognition is described in Notes 24 and 28.

Information about judgements whether the Group has significant influence over an investee is included in Note 15 "Investments in associates".

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 financial year is included in the following notes:

- 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 30 "Income tax expense/credit": to determine any provision for income taxes.
- Note 5 "Financial risk management": measurement of ECL allowance for trade receivables - key assumptions in determining the weighted average loss rate.
- Acquisition of a subsidiary: fair value measured on a provisional basis.

(e) Basis of consolidation

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

(f) Comparative financial information

As a result of changes in the Group, the structure of Consolidated Statement of Profit or Loss and Other Comprehensive Income has been changed in order to maintain a high value of reported financial information for users of financial statements. The Group decided to present Revenues from sale of gas, Cost of gas sold (both items presented previously under Net retail income) and Other income related to gas distribution operations (previously included in Other operating income) separately on the face of the Consolidated Statement of Profit or Loss and Other Comprehensive Income. To ensure consistency with the classification selected in the current period, reclassifications were made in the comparative financial information as at 31 December 2017. Changes resulting from the application of IFRS 9 and IFRS 15 are described below in Note 3.

(i) Subsidiaries

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

(f) Comparative financial information (continued)

(ii) Associates

Associates are enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The 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.

(iii) Transactions eliminated on consolidation

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

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

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

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

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

2. Basis of preparation (continued)

(f) Comparative financial information (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. Changes in significant accounting policies

The Group has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group´s financial statements.

Due to the transition methods chosen by the Group in applying these standards, a comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except for the separate presentation of "impairment of loans and receivables" (previously included in Other operating expenses) on the face of the Consolidated Statement of profit or Loss and Other Comprehensive Income for the year ended 31 December 2017 (refer also to Note 3B).

The effect of initially applying these standards is mainly attributed to the following:

- earlier recognition of revenues from gas connection services and gas network extension which are presented as "Other income related to gas distribution operations" in the Consolidated Statement of Profit or Loss and Other Comprehensive income and the related deferred tax effect;
- an increase in impairment losses recognised on financial assets and the related deferred tax effect.

A. IFRS 15 Revenue from Contracts with Customers and Clarifications to IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Entities have adopted a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity 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.

Under IAS 18, revenue was recognised when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition were met. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made. Under IFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

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.

In terms of connection fees, the management has analysed the implications of IFRS 15, and based on the management judgement, the arguments would lean more toward the conclusion that the connection service (i.e. the service of being connected to the network) is a distinct performance obligation and that connection fees received in exchange for this service should be recognised upfront (i.e. when/as the connection service is performed).

3. Changes in significant accounting policies (continued)

A. IFRS 15 Revenue from Contracts with Customers and Clarifications to IFRS 15 (continued)

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)	Revenue recognition under IAS 18 (applicable before 1 January 2018)
Sale of gas	Customers obtain control of standard products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. No discounts are provided and no loyalty programmes are applied.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of size, finish etc. In these circumstances a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods.	Revenue was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.

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).

3. Changes in significant accounting policies (continued)

A. IFRS 15 Revenue from Contracts with Customers and Clarifications to IFRS 15 (continued)

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). Accordingly, the information presented for 2017 has not been restated and it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The following table summarises the impact, net of tax, of transition to IFRS 15 and IFRS 9 on retained earnings as at 1 January 2018:

	TEUR
Retained earnings as at 1 January 2018	**32,444**
Adjustments resulting from adoption of IFRS 15	6,814
Initial application of IFRS 15	8,166
Deferred tax effect	(1,352)
Adjustments resulting from adoption of IFRS 9	(23,025)
Increase in impairment losses to loans and receivables	(25)
Group´s share of increase in impairment losses to loans and receivables of associate HOME CREDIT GROUP B.V.	(23,000)
Restated retained earnings as at 1 January 2018	**16,233**

The following table summarises the impact of adopting IFRS 15 on the Group’s Statement of financial position as at 31 December 2018. The adoption of IFRS 15 impacts only the revenues from gas connection services and from gas network extension presented as “Other income related to gas distribution operations” in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. There is no material impact on the Group´s statement of cash flows for the year ended 31 December 2018.

TEUR	Amounts without adoption of IFRS 15	Adjustment	As reported
Prior year retained earnings	(26,830)	6,814	(20,016)
Profit for the period	43,569	788	44,357
Translation reserve	(53,173)	(1)	(53,174)
Total adjustment to equity		**7,601**	
Deferred tax liability	5,657	1,448	7,105
Other liabilities (Deferred income and prepayments)	27,202	(9,049)	18,153
Total adjustment to liabilities		**(7,601)**	

IFRS 15 did not have a significant impact on the Group´s accounting policies with respect to other revenue streams. For additional information about the Group´s accounting policies relating to revenue recognition refer to Note 4(j).

B. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

As a result of adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit and loss and OCI. Previously the Group´s approach was to include the impairment of loans and receivables in other operating expenses. Consequently, the Group reclassified the impairment losses amounting to TEUR 851, recognised under IAS 39, from other operating expenses to “impairment of loans and receivables” in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017. Impairment losses on other financial assets are presented separately in the statement of profit or loss and OCI.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but not have been generally applied to comparative information.

3. Changes in significant accounting policies (continued)

B. IFRS 9 Financial Instruments (continued)

The following table and the accompanying note below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

TEUR	Note	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Loans and receivables	12, 13	165,677	165,652

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of TEUR 25 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

The impact of transition to IFRS 9 on the opening balance of retained earnings is summarised in the table above (see Note 3A).

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group´s accounting policies related to financial liabilities.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS, see Note 4(c).

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

ii. Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward/looking “expected credit loss” (ECL) model. This requires considerable judgement as how changes in economic factors affect ECLs, which is determined on a probability-weighted basis.

The new impairment model is applied to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3. Changes in significant accounting policies (continued)

B. IFRS 9 Financial Instruments (continued)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

For the purposes of preparing the ECL model, the portfolio of financial assets is divided into segments. Within each segment, financial assets are classified into three stages (Stage I - III) or into a group of financial assets that are impaired as at the date of initial recognition – purchased or originated credit impaired assets (POCI). As at the date of initial recognition, financial assets are classified either into Stage I or POCI. Subsequent reclassification into further stages is carried out according to the definition of an increase in credit risk (Stage II) or impairment of the relevant asset (Stage III) since its initial recognition as at the reporting date.

The Group may assume that the credit risk associated with the financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively with the following exceptions. The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in stating the financial position of the Company. 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 (2017: available-for-sale equity investments) 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.

Income and expenses of foreign operations in hyperinflationary economies are translated to EUR at exchange rates ruling at the reporting date. Prior to translation, their financial statements for the current year are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

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.

4. Significant accounting policies (continued)

c) Financial assets and liabilities – accounting policies applied from 1 January 2018

(i) Classification

The Group has initially applied IFRS 9 from 1 January 2018. The effect of initially applying IFRS 9 is described in Note 3.

On initial recognition, a financial asset is 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.

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

4. Significant accounting policies (continued)

c) Financial assets and liabilities – accounting policies applied from 1 January 2018 (continued)

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 assessing 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 or 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 par 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.

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. Dividends 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.

4. Significant accounting policies (continued)

c) Financial assets and liabilities – accounting policies applied from 1 January 2018 (continued)

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 amortisation 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 at fair value through profit or loss including interest and dividend income are recognised in profit or loss. 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 amortisation process.

4. Significant accounting policies (continued)

c) Financial assets and liabilities – accounting policies applied from 1 January 2018 (continued)

(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.

At each reporting date, the Group assesses whether financial assets carried at amortised cost 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.

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.

4. Significant accounting policies (continued)

c) Financial assets and liabilities – accounting policies applied from 1 January 2018 (continued)

(viii) Identification and measurement of impairment

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.

The write-off policy of the Group requires that the outstanding amount of a loan shall be written off if there is any instalment overdue for 361 or more days. However, the loan shall remain in the Company's statement of financial position even after 361 days of non-payment if it is probable that the loan will be sold in a near future, or significant recoveries are expected. In such case, the loan outstanding amount shall be derecognised at the moment of the sale or later as soon as no significant recoveries are expected.

(ix) 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 derecognises a financial liability when it is replaced by another from the same lender on substantially different terms or its terms are substantially 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.

(x) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a currently enforceable legal there is a legally enforceable right to set off the recognised amounts and there is an intention to settle them on a net basis, or realise 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.

4. Significant accounting policies (continued)

d) Financial assets and liabilities – accounting policies applied before 1 January 2018 (continued)

i. Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, those that the Group upon initial recognition designates as at fair value through profit or loss, or those where its initial investment may not be substantially recovered, other than because of credit deterioration.

When the Group is a lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and receivables.

Financial assets and liabilities at fair value through profit or loss are financial assets or liabilities that are classified as held for trading or those which are upon initial recognition designated by the entity as at fair value through profit or loss. Trading instruments include those that the Group principally holds for the purpose of short-term profit taking and derivative contracts that are not designated as effective hedging instruments. The Group designates financial assets and liabilities at fair value through profit or loss where either the assets or liabilities are managed, evaluated and reported internally on a fair value basis or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract. Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Financial assets held-to-maturity are those non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than loans and receivables and instruments designated as at fair value through profit or loss or as available-for-sale.

Financial assets available-for-sale are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, financial instruments at fair value through profit or loss or held-to-maturity investments.

ii. Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Group's policy is to recognise them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Group used trade date accounting.

iii. Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for loans and receivables and held-to-maturity investments, which are measured at amortised cost less impairment losses, and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

4. Significant accounting policies (continued)

d) Financial assets and liabilities – accounting policies applied before 1 January 2018 (continued)

iv. 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 amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, net of any relevant impairment.

v. 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.

Gains and losses on available-for-sale financial assets are recognised in other comprehensive income (except for impairment losses and 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 amortisation process.4. Significant accounting policies (continued)

vi. 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 assesses on a regular basis whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

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 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 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.

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the financial asset's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows. Financial assets with a short duration are not discounted.

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 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.
The write-off policy of the Group requires that the outstanding amount of a loan shall be written off if there is any installment overdue for 361 or more days. However, the loan shall remain in the Company's statement of financial position even after 361 days of non-payment if it is probable that the loan will be sold in a near future, or significant recoveries are expected. In such case, the loan outstanding amount shall be derecognised at the moment of the sale or later as soon as no significant recoveries are expected.

4. Significant accounting policies (continued)

e) 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 8).

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 amortisation 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.

f) 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.

The assets relating to the gas distribution network are stated at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

The gas distribution network is operated based on the service concession arrangements. The service concession arrangements generally follows IFRIC 12 (if meeting the relevant conditions) which is a very complex pronouncement and the interpretation of its scope requirements is a matter of judgement in a gas distribution industry. In 2015, the management carried out an extensive analysis regarding the applicability of IFRIC 12 following the specific context of the relevant market and legal conditions. As a result of this analysis, the management's view was that IFRIC 12 is not applicable as the relevant conditions have not been met.

The gas distribution network is depreciated on a straight-line basis for a 35-year period.

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, plant 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.

4. Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

g) Impairment for non-financial assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

h) Trade and other receivables

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

Adjustments are made for impairment when there is evidence that the Group 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 reorganisation, 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.

4. Significant accounting policies (continued)

i) Equity

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.

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.

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.

(i) Translation reserve

The translation reserve includes 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.

(ii) Redeemable preference shares

The redeemable shares are classified as equity. Any dividends are discretionary only at the Company's option.

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) Revenues

The Group has initially applied IFRS 15 from 1 January 2018. The effect of initially applying IFRS 15 is described in Note 3.

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).

4. Significant accounting policies (continued)

k) Revenues (continued)

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).

l) Revenues from sale of gas and related income

Revenues comprise the value of the gas distributed and supplied to customers and revenues from workings executed by the Company (gas supply installations, connection workings, grid extensions and other similar workings) net of value-added tax, rebates and discounts.

Performance obligation is satisfied upon delivery of gas or as other workings are rendered.

Revenues from gas sales/distribution are recognised based on the monthly consumption (estimated/measured) and are valued using the tariffs published by ANRE for the gas sold/distributed on the regulated market. No variable consideration or significant financing component have been identified within contracts.

When recognizing revenues, according to the management judgement, the followings are the most relevant arguments to be considered:

- There are two standalone contracts concluded by a customer: one for the connection services (the connection contract) and one for the ongoing access to utilities (the distribution contract), as required by local legislation;
- The connection to the network is the only promise in the connection contract (i.e. there is no other related promise for ongoing services);
- In the case of the connection contract, the entity is only responsible to establish the connection to the network;
- The tariffs for the services in each contract are regulated;
- The consumption point with network connection has a higher value in case of this being sold (e.g. a building can have the connection performed with put in function minute, ready to be used, but no other agreement signed, with one specificity for the electricity connection agreement that, in order to protect the DSO from electricity theft (much easier as compared to gas), once the end-user finishes the users installation works, regularly done with other ANRE approved operators, the connection agreement is considered to be closed.

The payment of the connection fee allows a future purchaser of the property to avoid connection charges with the new provider (i.e., a connection enhances the value of a property that is more valuable than without).

Once the property is connected to the grid, distribution agreement may by actually concluded by other customer (e.g. once connection is arranged by residential developer and distribution agreement is subsequently concluded by the buyer) or may not concluded at all (again, bearing in mind the specificity for the electricity connection agreement).

m) 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.

4. Significant accounting policies (continued)

n) 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.

The Group acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Group from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Group’s contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Group does not participate on the insurance risk, which is entirely borne by the partner. Commission income from insurance is recognised in profit or loss when the Group provides the agency service to the insurance company.

o) 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 realisation 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.

p) Adoption of new and revised IFRS and Interpretations as adopted by the EU

Several new standards, amendments to standards and interpretations have not become effective at 31 December 2018 and have not been applied in the preparation of these consolidated financial statements. Listed below are those that may impact the Group's operations. The Group plans to introduce these provisions when they become effective.

(i) Standards and Interpretations adopted by the EU

- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019).
- IFRS 9 (Amendments) “Prepayment Features with Negative Compensation” (effective for annual periods beginning on or after 1 January 2019).
- IAS 28 (Amendments): Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019).

4. Significant accounting policies (continued)

p) Adoption of new and revised IFRS and Interpretations as adopted by the EU (continued)

A. IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. Based on assessments undertaken to date, the adoption of the standard is not expected to have a material impact on the Group's financial statements. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating lease.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with the restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

B. IFRS 9 (Amendments)

In October 2017, the IASB issued "Prepayment Features with Negative Compensation (Amendments to IFRS 9)". The amendments address the issue that under pre-amended IFRS 9, financial assets with such features would probably not meet the SPPI criterion and as such would be measured at fair value through profit or loss. The IASB believes that this would not be appropriate because measuring them at amortised cost provides useful information about the amount, timing and uncertainty of their future cash flows. Financial assets with these prepayment features can therefore be measured at amortised cost or fair value through other comprehensive income provided that they meet the other relevant requirements of IFRS 9. The final amendments also contain a clarification in the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. Based on the clarification, an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange

C. IAS 28 (Amendments)

The amendments clarify that an entity applies IFRS 9 "Financial Instruments", including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

The group does not expect that the Interpretation when initially applied, will have material impact on the financial statements of the Group.

D. Annual Improvements to IFRSs 2015-2017 cycle

In December 2017, the IASB published Annual Improvements to IFRSs 2015-2017 Cycle, containing the following amendments to IFRSs:
- IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements". The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest in that business at fair value.

4. Significant accounting policies (continued)

p) Adoption of new and revised IFRS and Interpretations as adopted by the EU (continued)

The amendments to IFRS 11 clarify that when an entity maintains (or obtains) joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 "Income Taxes": the amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) are recognised consistently with the transactions that generated the distributable profits - i.e. in profit or loss, OCI or equity.
-IAS 23 "Borrowing Costs": the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

(ii) Standards and Interpretations not adopted by the EU

- IFRS 3 (Amendments) "Definition of Business Combinations" (effective for annual periods beginning on or after 1 January 2020).
- IAS 1 and IAS 8 (Amendments): definition of Material (effective for annual periods beginning on or after 1 January 2020).
- IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective date postponed indefinitely).

A. Amendments to IFRS 3 Definition of Business Combinations

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

These amendments have not yet been adopted by the EU. These amendments are not expected to have a significant impact on the Group's financial statements.

B. IAS 1 and IAS 8 (Amendments)

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amendments include definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.
- Old definition: Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements (IAS 1 Presentation of Financial Statements).
- New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

C. IFRS 10 (Amendments) and IAS 28 (Amendments)

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

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

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

5. 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.

(a) 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.

5. Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk

The Group has provided loans in amount of TEUR 133,576. 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	
	2018	2017	2018	2017
	TEUR	TEUR	TEUR	TEUR
Carrying amount	132,263	145,860	1,313	1,314
Total carrying amount	**132,263**	**145,860**	**1,313**	**1,314**

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):

	2018	2017
	TEUR	TEUR
Cash at bank and short term bank deposits		
A3	--	15
B3	4	--
Baa3	664	1,012
Caa1	4	5
Caa2	699	4,784
Non-rated	9,260	27,397
Total	**10,631**	**33,213**

5. Financial risk management (continued)

(a) Credit risk (continued)

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.

	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	133,776	--	2,113	135,889
Loss allowances	(200)	--	(2,113)	(2,313)
Net provided loans	**133,576**	**--**	**--**	**133,576**

An analysis of the credit quality of trade receivables and other assets at amortised cost 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.

	Lifetime ECL not credit-impaired	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	(Stage 1)	(Stage 2)	(Stage 3)	
	TEUR	TEUR	TEUR	TEUR
Gross trade receivables and other assets	127,268	--	1,688	128,956
Loss allowances	(47)	--	(1,688)	(1,735)
Net Trade receivables and other assets	**127,221**	**--**	**--**	**127,221**

For additional information about the Group´s accounting policies relating to financial instruments in accordance with IFRS 9 refer to Note 3B and 4(c).

(b) 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 Treasury 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.

5. Financial risk management (continued)

(b) Liquidity risk (continued)

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 reporting date.

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

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	10,637	--	--	--	--	10,637
Loans - Due from non-banks	11,604	107,705	12,941	--	13	132,263
Loans - Due from banks and other financial institutions	--	1,313	--	--	--	1,313
Trade and other receivables	44,206	--	--	--	--	44,206
Other assets	889	82,570	10	7	9	83,485
Total financial assets	**67,336**	**191,588**	**12,951**	**7**	**22**	**271,904**
Due to non-banks	--	76,253	13,014	132,191	25	221,483
Due to banks and other financial institutions	298	27,435	3,693	--	--	31,426
Bonds issued	1,225		117,449	--	--	118,674
Trade and other payables	8,952		--	--	--	8,952
Other liabilities	14,311	3,842	879		--	19,032
Total financial liabilities	**24,786**	**107,530**	**135,035**	**132,191**	**25**	**399,567**
Net position	**42,550**	**84,058**	**(122,084)**	**(132,184)**	**(3)**	**(127,663)**

2017

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	No maturity	Total
Cash and cash equivalents	33,218	--	--	--	33,218
Loans - Due from non-banks	9,385	41,395	95,080	--	145,860
Loans - Due from banks and other financial institutions	--	1,314	--	--	1,314
Trade and other receivables	14,513	3,990	--	--	18,503
Other assets	4,598	--	--	--	4,598
Total financial assets	**61,714**	**46,699**	**95,080**	**--**	**203,493**
Due to non-banks	--	12,475	333,203	--	345,678
Due to banks and other financial institutions	9,651	--	--	--	9,651
Bonds issued	--	1,225	106,518	--	107,743
Trade and other payables	4,460	925	--	--	5,385
Other liabilities	13,347	--	4,970	--	18,317
Total financial liabilities	**27,458**	**14,625**	**444,691**	**--**	**486,774**
Net position	**34,256**	**32,074**	**(349,611)**	**--**	**(283,281)**

5. Financial risk management (continued)

(b) Liquidity risk (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.

2018

TEUR	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Due to non-banks	--	87,575	54,385	132,191	274,151
Due to banks and other financial institutions	711	27,708	3,807	--	32,226
Bonds issued	--	7,391	132,864	--	140,255
Trade and other payables	--	8,952	--	--	8,952
Total	**711**	**131,626**	**191,056**	**132,191**	**455,584**

2017

TEUR	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Due to non-banks	--	29,638	342,044	--	371,682
Due to banks and other financial institutions	9,561	--	--	--	9,561
Bonds issued	--	6,817	126,091	--	132,908
Trade and other payables	4,460	925	--	--	5,385
Total	**14,021**	**37,380**	**468,135**	--	**519,536**

(c) 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 invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in USD, CZK and RON.

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.

5. Financial risk management (continued)

(c) Market risk (continued)

Interest rate gap position based on re-pricing dates

2018

TEUR	Effective interest rate	Floating interest rate: Less than 3 months	Floating interest rate: 3 months to 1 year	Floating interest rate: 1 to 5 years	Fixed interest rate or Non specified	Total
Interest bearing financial assets						
Cash and cash equivalents	0.00%	10,637	--	--	--	10,637
Loans - Due from banks and other financial institutions	0.00%	--	--	--	1,313	1,313
Loans - Due from non-banks	4.87%	--	84,045	--	48,218	132,263
Total interest bearing financial assets	**--**	**10,637**	**84,045**	**--**	**49,531**	**144,213**
Interest bearing financial liabilities						
Due to non-banks	5.64%	--	87,052	--	134,431	**221,483**
Due to banks and other financial institutions	6.87%	--	26,539	--	4,887	**31,426**
Bonds issued	5.25%	--	--	--	118,674	**118,674**
Total interest bearing financial liabilities	**--**	**--**	**113,591**	**--**	**257,992**	**371,583**

2017

TEUR	Effective interest rate	Floating interest rate: Less than 3 months	Floating interest rate: 3 months to 1 year	Floating interest rate: 1 to 5 years	Fixed interest rate or Non specified	Total
Interest bearing financial assets						
Cash and cash equivalents	0.00%	33,218	--	--	--	33,218
Loans - Due from banks and other financial institutions	0.00%	--	--	--	1,314	1,314
Loans - Due from non-banks	2.51%	--	83,727	--	62,133	145,860
Total interest bearing financial assets	**--**	**33,218**	**83,727**	**--**	**63,447**	**180,392**
Interest bearing financial liabilities						
Due to non-banks	7.33%	--	85,313	--	260,365	345,678
Due to banks and other financial institutions	5.91%	--	9,651	--	--	9,651
Bonds issued	5.25%	--	--	--	107,743	107,743
Total interest bearing financial liabilities	**--**	**--**	**94,964**	**--**	**368,108**	**463,072**

5. Financial risk management (continued)

(c) Market risk (continued)

Interest rate sensitivity analysis

An analysis of sensitivity of the Group's equity to changes in interest rates based on positions existing as at 31 December 2018 and 31 December 2017 and a simplified scenario of a 100bp change in interest rates is shown:

	Total effect on equity 2018 TEUR	Total effect on equity 2017 TEUR
Effect of 100bp decrease in interest rate	273	947
Effect of 100bp increase in interest rate	(273)	(947)

Foreign currency position

2018

TEUR	EUR	USD	CZK	RON	Other currencies	Total
Cash and cash equivalents	6,747	2	11	3,877	--	10,637
Loans - Due from banks and other financial institutions	1,050	--	--	263	--	1,313
Loans - Due from non-banks	86,244	8,711	25,691	11,617	--	132,263
Trade and other receivables	--	--	--	44,206	--	44,206
Other assets	82,613	--	--	872	--	83,485
Total financial assets	**176,654**	**8,713**	**25,702**	**60,835**	**--**	**271,904**
Due to non-banks	183,158	32,965	5,335	25	--	221,483
Due to banks and other financial institutions	--	--	--	31,426	--	31,426
Bonds issued	118,674	--	--	--	--	118,674
Trade and other payables	19	--	--	8,933	--	8,952
Other liabilities	425	--	--	18,606	--	19,031
Current tax liability	112	--	--	542	--	654
Total financial liabilities	**302,388**	**32,965**	**5,335**	**59,532**	**--**	**400,220**
Net position	**(125,734)**	**(24,252)**	**20,367**	**1,303**	**--**	**(128,316)**

2017

TEUR	EUR	USD	CZK	RON	Other currencies	Total
Cash and cash equivalents	12,860	6	14,492	5,802	58	33,218
Loans - Due from banks and other financial institutions	1,051	--	--	263	--	1,314
Loans - Due from non-banks	103,185	9,307	23,983	8,917	468	145,860
Trade and other receivables	--	--	--	18,503	--	18,503
Other assets	3,048	--	--	1,550	--	4,598
Total financial assets	**120,144**	**9,313**	**38,475**	**35,035**	**526**	**203,493**
Due to non-banks	300,990	38,391	5,762	535	--	345,678
Due to banks and other financial institutions	--	--	--	9,651	--	9,651
Bonds issued	107,743	--	--	--	--	107,743
Trade and other payables	772	--	--	4,613	--	5,385
Other liabilities	--	--	--	18,317	--	18,317
Current tax liability	108	--	--	--	--	108
Total financial liabilities	**409,613**	**38,391**	**5,762**	**33,116**	**--**	**486,882**
Net position	**(289,469)**	**(29,078)**	**32,713**	**1,919**	**526**	**(283,389)**

5. Financial risk management (continued)

(c) Market risk (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 2018 and 31 December 2017 and a simplified scenario of a 5% change in USD, CZK and RON to EUR exchange rates is shown below:

	Total effect on equity 2018	Total effect on equity 2017
	TEUR	TEUR
Effect of 5% USD depreciation against EUR	1,213	1,454
Effect of 5% USD appreciation against EUR	(1,213)	(1,454)
Effect of 5% CZK depreciation against EUR	(1,018)	(1,636)
Effect of 5% CZK appreciation against EUR	1,018	1,636
Effect of 5% RON depreciation against EUR	(65)	(134)
Effect of 5% RON appreciation against EUR	65	134

(d) 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 behaviour. 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;

(e) 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.

6. 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, the Czech Republic, Slovakia and Romania. Consequently, the Company is exposed to the economic and financial markets.

Even though the financial services sector in Cyprus showed negative growth, there has been an increase in the Gross Domestic Product which is mainly attributed to the hotels, construction, manufacturing and the wholesale and retail trade sectors. The economic growth was mainly driven by the increase in private consumption, which benefited from the reduction in unemployment and the consequent increase in disposable income. The growth was also supported by the slower pace of reductions in public spending and the increase in investments. The credit rating of the country is currently Ba2 (Moody’s).

Despite the significant steps towards economic recovery in 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 Romania and is based on the activity of supplying natural gas. As a result, the Group’s revenue is highly affected from the economic environment in Romania and the relevant local laws, regulations and supervision by the National Regulatory Authority for Energy.

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.

7. 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 at Fair value through OCI and financial assets recorded at fair value through profit or loss in 2018 and in 2017.

8. Intangible assets

2017	Goodwill TEUR	Software TEUR	Land lease rights TEUR	Other intangible assets TEUR	Total TEUR
Acquisition cost					
Balance as at 1 January 2017	--	225	102	55	382
Acquisitions through business combinations	1,361	--	--	106	1,467
Additions	--	618	--	4	622
Disposals	--	--	--	--	--
Transfers	--	56	--	(56)	--
Translation difference	--	(17)	(3)	(4)	(24)
Balance as at 31 December 2017	**1,361**	**882**	**99**	**105**	**2,447**
2018					
Balance as at 1 January 2018	1,361	882	99	105	2,447
Acquisitions through business combinations (see Note 2)	4,696	1	--	--	4,697
Additions	--	90	--	--	90
Disposals	--	--	--	--	--
Transfers	--	--	(99)	99	--
Translation difference	(3)	(2)	--	--	(5)
Balance as at 31 December 2018	**6,054**	**971**	**--**	**204**	**7,229**
2017					
Accumulated amortisation					
Balance as at 1 January 2017	--	(204)	(8)	(53)	(265)
Charge for the year	--	(25)	(3)	(4)	(32)
Transfer	--	(54)	--	54	--
Translation difference	--	6	1	(2)	5
Balance as at 31 December 2017	**--**	**(277)**	**(10)**	**(5)**	**(292)**
2018					
Balance as at 1 January 2018	--	(277)	(10)	(5)	(292)
Charge for the year	--	(233)	--	(8)	(241)
Transfer	--	--	10	(10)	--
Translation difference	--	1	--	--	1
Balance as at 31 December 2018	**--**	**(509)**	**--**	**(23)**	**(532)**
Carrying amount					
As at 31 December 2017	**1,361**	**605**	**89**	**100**	**2,155**
As at 31 December 2018	**6,054**	**462**	**--**	**181**	**6,697**

As a result of acquisition of COVI CONSTRUCT 2000 S.R.L. the Group recognised goodwill of TEUR 4,696 in 2018 (refer to changes in the Group described in Note 1).

9. Property, plant and equipment

2017	Land and buildings	Vehicles	Other tangible assets and equipment	Tangible assets not in use	Advance payments	Total
	TEUR	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**
Acquisition cost						
Balance as at 1 January 2017	49,829	730	3,185	483	7	54,234
Acquisitions through business combinations	733	--	198	72	--	1,003
Additions	720	33	762	498	--	2,013
Disposals	(4,241)	--	(501)	(433)	(7)	(5,182)
Transfers	--	--	531	(531)	--	--
Translation differences	(1,223)	(20)	(99)	(19)	--	(1,361)
Balance as at 31 December 2017	**45,818**	**743**	**4,076**	**70**	**--**	**50,707**
2018						
Balance as at 1 January 2018	45,818	743	4,076	70	--	50,707
Acquisitions through business combinations (see Note 1)	5,029	84	23	--	--	5,136
Additions	932	53	210	848	--	2,043
Disposals	(2)	--	(49)	(899)	--	(950)
Transfers	--	--	(1,820)	1,820	--	--
Translation differences	(60)	(2)	(1)	(3)	--	(66)
Balance as at 31 December 2018	**51,717**	**878**	**2,439**	**1,836**	**--**	**56,870**
2017						
Accumulated depreciation						
Balance as at 1 January 2017	(2,895)	(434)	(1,722)	(232)	--	(5,283)
Charge for the year	(3,280)	(142)	(277)	--	--	(3,699)
Impairment loss	--	--	--	(137)	--	(137)
Disposals	2,872	--	130	--	--	3,002
Transfers	--	--	(357)	357	--	--
Translation difference	81	12	55	12	--	160
Balance as at 31 December 2017	**(3,222)**	**(564)**	**(2,171)**	**--**	**--**	**(5,957)**
2018						
Balance as at 1 January 2018	(3,222)	(564)	(2,171)	--	--	(5,957)
Charge for the year	(3,553)	(61)	(403)	--	--	(4,017)
Transfers	144	(50)	1,136	(1,230)	--	--
Translation difference	10	1	(13)	3	--	1
Balance as at 31 December 2018	**(6,621)**	**(674)**	**(1,451)**	**(1,227)**	**--**	**(9,973)**
Carrying amount						
As at 31 December 2017	**42,596**	**179**	**1,905**	**70**	**--**	**44,750**
As at 31 December 2018	**45,096**	**204**	**988**	**609**	**--**	**46,897**

In 2018, acquisition through business combination of TEUR 5,136 relates to acquisition of COVI CONSTRUCT 2000 S.R.L. described in Note 1. The acquired assets comprised mainly gas distribution network located in Romania.

10. Cash and cash equivalents

	2018 TEUR	2017 TEUR
Current accounts	10,631	33,213
Cash on hand	6	5
	10,637	**33,218**

The exposure of the Group to credit risk in relation to cash and cash equivalents is described in Note 5.

11. Financial assets

Financial assets at fair value through profit or loss

The Group has not recognised any financial assets at fair value through profit or loss in 2018.

In 2017, the Group terminated financial derivatives from BELLVILLE SERVICES LIMITED - total return swaps in carrying amount of TEUR 4,017.

	2018	2017
At 1st January	--	3,085
Additions	--	--
Change in fair value (Note 23)	--	932
Disposal	--	(4,017)
Balance at 31st December	--	--

12. Loans receivable

The Group has provided loans to its related parties of TEUR 120,646 (2017 - TEUR 134,880) and third parties of TEUR 12,930 (2017 – TEUR 12,294) which are repayable as follows:

2018	Average interest rate	Less than 3 months	3 months to 1 year	1 to 5 years	Total TEUR
Loans receivable	4.75%	11,604	109,031	12,941	**133,576**

2017	Average interest rate	Less than 3 months	3 months to 1 year	1 to 5 years	Total TEUR
Loans receivable	4.40%	9,385	42,709	95,080	**147,174**

As at 31 December 2018, 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). The exposure of the Group to credit risk in relation to loan receivables is described in Note 5. The fair value of loan receivables approximates to their carrying amounts as presented above.

13. Trade and other receivables

The trade receivables and other receivables amounted to TEUR 44,206 as at 31 December 2018 (2017 - TEUR 18,503).

The trade receivables refer mainly to distribution and sales of gas and workings performed (connections, utility installations and network extension partially financed by customers) by the Romanian companies.

13. Trade and other receivables (continued)

As at 31 December 2018, 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), for detailed classification of financial assets by credit risk see Note 5.

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

14. Other assets

Other assets are represented notably by receivable from PPF Financial Holding B.V. amounting to TEUR 80,000 relating to the sale of 2.5% shareholding in HOME CREDIT GROUP B.V. Other assets also include other tax receivables of TEUR 470 (2017 – TEUR 66) and prepaid expenses, sundry debtors, down-payments to suppliers, investment grants and other current assets in the aggregate amount of TEUR 3,015 (2017 - TEUR 4,148).

15. Investments in associates

The Group has the following investments which were accounted for using the equity method:

	Type of equity method investment	Country of incorporation	Ownership interest (%)		Carrying amount TEUR	
			2018	**2017**	**2018**	**2017**
SAZKA Group a.s.	associate	Czech republic	25.00	25.00	212,219	190,218
SAZKA Group PLC [1)]	associate	United Kingdom	25.00	--	14	--
HOME CREDIT GROUP B.V.	associate	Netherlands	8.88	11.38	370,113	750
HOME CREDIT B.V. [2)]	associate	Netherlands	--	11.38	--	459,900
MESTROLIO INVESTMENTS LTD[3)]	associate	Cyprus	--	25.00	--	2,700
AMESELO LIMITED [4)]	associate	Cyprus	--	33.34	--	188
					582,346	**653,756**

1) entity founded in 2018
2) HOME CREDIT B.V. contributed to HOME CREDIT GROUP B.V. in 2018
3) entity sold in 2018
4) entity dissolved in 2018

In 2018, the Group sold its share in MESTROLIO INVESTMENTS LTD. AMESELO LIMITED was dissolved in 2018. The Group contributed its share in HOME CREDIT B.V. to HOME CREDIT GROUP B.V. and acquired 25.00% share in SAZKA Group PLC.

On 31 December 2018 the Group sold a total of 2.5% shareholding in Home Credit Group B.V. to PPF Financial Holdings B.V. for the total consideration of MEUR 162,5 plus an earn-out (also see Notes 1 and 32).

	2018 TEUR	**2017 TEUR**
Net gain/(loss) from sale of investments in subsidiaries and associates	41,858	(129)
Associates – share of profit	62,318	52,262
	104,176	**52,133**

In 2018, the net gain from sale of investments in subsidiaries and associates for the amount of TEUR 41,858 relates to the sale of shares in associate HOME CREDIT GROUP B.V. In 2017, the net loss from sale of investments in subsidiaries amounting to TEUR 129 related to the sale of 100% stake in SPRINGROCK LIMITED in 2017. Refer also to Note 1.

15. Investments in associates (continued)

The Group's share of profit of the above equity-accounted investees recognised in 2018 amounts TEUR 62,318 (2017 – TEUR 52,262) and the Group's share of other comprehensive income in 2018 amounts TEUR negative 14,887 (2017 – TEUR 15,656). The Group's share of other comprehensive income in 2018 was influenced notably by the change in HOME CREDIT GROUP B.V.'s translation reserve. This translation reserve represents foreign exchange differences arising from translation of the financial statements of the companies forming a group in which the associate (HOME CREDIT GROUP B.V.) is the parent company.

Part of the Company's shares in HOME CREDIT GROUP B.V. are pledged for the underlying loan payable to various companies within PPF Group N.V. The shares in SAZKA Group a.s. were pledged for the issued bonds until 24 April 2019, when these bonds were voluntarily early repaid (refer to Note 32).	**2018**	**2017**
At 31st December 2017/2016	653,756	567,263
Effect of IFRS 9 as at 1st January 2018	(23,000)	--
Restated balance as at 1st January 2018	630,756	567,263
Additions (acquisitions and capital contributions)	1,474	58,951
Disposal	(108,259)	--
Dividends received from associates	(10,000)	--
Impairment loss on associates	--	(639)
Group's share of profit / (loss)	62,318	52,262
Group's share of Other comprehensive income – translation reserve	(13,115)	(17,497)
Group's share of Other comprehensive income – other components of OCI	(1,772)	1,841
Group's share of other net assets changes (other)	20,944	(8,425)
At 31st December	**582,346**	**653,756**

The financial information relating to investments in associates is summarised below:

TEUR	**HOME CREDIT GROUP B.V.**		**HOME CREDIT B.V.**[2]		**SAZKA Group a.s.**		**Other associates** [1]	
	associate (8.88%) 2018	**associate** (11.38%) 2017	**associate** -- 2018	**associate** (11.38%) 2017	**associate** (25.00%) 2018	**associate** (25.00%) 2017	2018	2017
Summarised balance sheet								
Non-current assets	9,668,000	--	--	8,041,336	3,786,797	3,265,161	--	7,669
Current assets	13,979,000	6,590	--	13,484,851	545,798	642,011	--	6,722
Non-current liabilities	(3,701,000)	--	--	(4,997,862)	(2,053,724)	(1,612,799)	--	--
Current liabilities	(17,792,000)	--	--	(14,499,917)	(505,789)	(643,534)	--	(220)
Net assets (100%)	**2,154,000**	**6,590**	**--**	**2,028,408**	**1,773,082**	**1,650,839**	**--**	**14,171**
Summarised income statement								
Revenues	5,455,000	--	--	4,362,662	2,031,771	1,800,430	--	96
Operating profit/(loss)	3,953,000	(3)	--	3,123,124	332,473	258,231	--	81
Profit/(loss) before tax	469,000	--	--	372,729	352,807	259,110	--	83
Income tax	(47,000)	--	--	(128,903)	(90,293)	(69,561)	--	(20)
Profit/(loss) for the year	**422,000**	**(3)**	**--**	**243,826**	**262,514**	**189,549**	**--**	**62**
- *out of which profit/ (loss) attributable to equity holders*	**445,000**	**(3)**	**--**	**255,701**	**139,684**	**92,980**	**--**	**62**
Other comprehensive income	**(137,000)**	**--**	**--**	**(166,000)**	**(9,686)**	**11,687**	**--**	**--**
Total comprehensive income	**285,000**	**(3)**	**--**	***77,826***	**252,828**	***201,236***	**--**	**62**

1) Other participations include AMESELO LIMITED and MESTROLIO INVESTMENTS LTD.
2) HOME CREDIT B.V. contributed to HOME CREDIT GROUP B.V. in 2018. Group structure is described in Note 1.

16. Liabilities due to non-banks

The contractual terms of the Group's non-bank loans are summarised below. For more information about the Group's exposure to interest rate and foreign currency risk, please refer to Note 5.

	2018 TEUR	2017 TEUR
Loans from related parties	221,458	345,043
Loans from third parties	25	635
	221,483	**345,678**

Non-bank loans are payable as follows:

TEUR	Amount as at 31 December 2018	Payable in 1 year	Payable in more than 1 year
Loans from related and third parties	221,483	76,278	145,205
Total	**221,483**	**76,278**	**145,205**

TEUR	Amount as at 31 December 2017	Payable in 1 year	Payable in more than 1 year
Loans from related and third parties	345,678	12,475	333,203
Total	**345,678**	**12,475**	**333,203**

Loans originally granted from PPF Group N.V. (later assigned to PPF Financial Holdings B.V.) of TEUR 92,925 (2017 – TEUR 161,382) are secured by investments in associates (refer to Note 15).

The fair value of liabilities due to non-banks approximates to their carrying amounts as presented above.

17. Liabilities due to banks and other financial institutions

As at 31 December 2018, the Group's liabilities due to banks and other financial institutions amounting TEUR 31,426 are represented mostly by revolving bank loan received by PREMIER ENERGY SRL.

As at 31 December 2017, the Group's liabilities due to banks and other financial institutions amounting TEUR 9,651 are represented mostly by bank loans consisting of two loan facilities received by PREMIER ENERGY SRL with maturity in 2018.

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

18. Bonds issued

As at 21 July 2017, the Group issued bonds EMG 5.25/2022 (ISIN SK4120013012) in total nominal value of TEUR 120,000. The bonds will mature as at 21 July 2022. The nominal value of each bond is EUR 1,000. Bonds bear the fixed interest rate of 5.25% p.a. Interest is due quarterly on 22 January, 22 April, 22 July and 22 October. Bonds were accepted for trading on the Bratislava Stock Exchange.

	2018 TEUR	2017 TEUR
Bonds issued as at 1 January 2018/ 21 July 2017	120,000	120,000
Expenses related to the issue of bonds - amortised	(2,551)	(3,280)
Accrued interest	1,225	1,225
Bonds bought by the Group on the market as the short-term liquidity placement (sold during 2018)	--	(10,202)
Total amount as at 31 December	118,674	107,743

As at 31 December 2018, value of bonds (including interest liability) held by the investors outside the Group amounts to TEUR 118,674 (2017:TEUR 107,743). Bonds are secured by pledge of shares in SAZKA Group a.s. held by the Group. All covenants related to the bonds were met as at 31 December 2018 and 31 December 2017.

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

On 23 April 2019, the Group early repaid bonds EMG 5.25/2022 (ISIN SK4120013012). For more details see Events after the reporting period (Note 32).

19. Trade and other payables

The Group's trade payables as of 31 December 2018 amounting TEUR 8,952 (2017 - TEUR 5,385) consist mainly of payables of gas supply of Romanian companies.

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

20. Other liabilities

	2018 TEUR	2017 TEUR
Deferred income and prepayments	1,410	7,065
Accrued expenses	7,372	6,253
Other tax payable	1,878	1,049
Finance lease liabilities	30	5
Advances received	7,072	2,460
Wages and salaries	439	224
Social security and health insurance	63	45
Other liabilities	768	766
	19,032	**17,867**

As at 31 December 2018 and 2017, the balance of other liabilities is notably represented by other liabilities borne by the Romanian companies described in Note 1.

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.

	2018 TEUR	2017 TEUR
Deferred tax assets	3	4
Deferred tax liabilities	(7,105)	(4,041)
Net deferred tax liabilities	**(7,102)**	**(4,037)**

The recognised deferred tax assets and liabilities are attributable mainly to property, plant and equipment.

Movements in temporary differences during the period were as follows:

TEUR	**Balance at 1 January**	**Recognised in profit or loss (Note 30)**	**Additions resulting from business combinations**	**Recognised in equity - effect of initial application of IFRS 15 (Note 3)**	**Effect of movements in foreign exchange rate**	**Balance at 31 December**
Movements in 2018	(4,037)	(1,130)	(643)	(1,352)	60	(7,102)
Movements in 2017	(4,511)	373	--	--	101	(4,037)

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates. The applicable corporation tax rate in the case of tax losses is 12,5%.

21. Deferred tax liability and asset (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

22. Equity

Upon incorporation on 12th October 2012, the Company issued to the subscribers of its Memorandum of Association 10,000 ordinary shares of EUR 1 each at par and 9,900 redeemable preference shares of EUR 1 each at par.

Ordinary shares

At 31st December 2018, the share capital of the Group comprised 10,000 ordinary shares with nominal value of EUR 1 each, all of which were issued and fully paid.

The Ordinary Shares shall confer on their holders the following rights:

a) The right to receive notice, attend and vote at any proposed General Meeting and/or proposed resolution of the General Meeting and/or any proposed unanimous written resolution of the General Meeting.

b) The right to receive dividends in accordance with Regulations 112-114A.

c) On a return of assets on liquidation of the Company, reduction of capital or otherwise, the right to receive assets corresponding to (i) the nominal value of the Ordinary Shares and (ii) to the amount remaining payable as provided for in Regulation 114A (c).

Redeemable shares

	2018 Number of shares	2018 EUR	2017 Number of shares	2017 EUR
Authorised				
Redeemable shares of EUR 1 each	10,055	10,055	10,055	10,055
Issued and fully paid (Total)				
Opening balance	10,055	437,605,467	10,055	437,605,467
Decrease of redeemable shares	--	(235,000)	--	--
Balance as at 31 December	**10,055**	**437,370,467**	**10,055**	**437,605,467**

The Redeemable Preference Shares shall confer on their holders the following rights:

a. The right to redeem such shares in accordance with the procedure set out in the present Regulations.
b. The right to receive dividends in accordance with Regulations 112- 114A.
c. On a return of assets on liquidation of the Company, reduction of capital or otherwise, the right to receive any surplus assets remaining after the distribution to the holders of Ordinary Shares as provided for in Regulation 5A (c).

22. Equity (continued)

Translation reserve

The translation reserve balance as at 31 December 2018 of negative TEUR 53,174 (2017 – negative TEUR 55,067) represents notably foreign exchange differences arising from translation of the financial statements of the companies forming a group in which the associate (HOME CREDIT GROUP B.V.) is the parent company. The positive change of TEUR 1,893 in 2018 (2017 – negative change of TEUR 17,699) in the translation reserve is primarily caused by partial sale of shares in equity-accounted investees and movements in equity of equity-accounted investees (refer to Note 15).

Revaluation reserves

The revaluation reserve represents effects of revaluation gains/(losses) of the Group's share on revaluation gains/(losses) from associates.

	TEUR
On 1st January 2017	19,484
Share on accumulated revaluation gains from associates reclassified from OCI to profit or loss (HOME CREDIT B.V.)	(2,666)
On 31st December 2017	**16,818**
On 1st January 2018	16,818
Share on accumulated revaluation losses from associates reclassified from OCI to profit or loss (HOME CREDIT GROUP B.V.)	322
Current year share on revaluation gain from associates (HOME CREDIT GROUP B.V.)	114
Transactions with NCI without change in control	(2,218)
On 31st December 2018	**15,036**

Other reserves

The balance of other reserves as at 31st December 2018 of TEUR negative 20,016 (2017 – TEUR negative 16,338) represents notably the Group's share on associate's HOME CREDIT GROUP B.V. changes in net assets other than associates' profit or loss or associates' other comprehensive income (see Note 15).

23. Trading Profit

The trading profit on financial assets amounting to TEUR 133 (2017 – TEUR 781) consists of a gain on equity securities amounting to TEUR 133 (2017 – TEUR loss of 151). For the period ended 31st December 2017, it consisted also of a gain on other financial assets at fair value through profit or loss at the amount of TEUR 932.

24. Impairment losses on investments and other loans and receivables

	2018 TEUR	**2017 TEUR**
Net impairment losses on loans, other financial assets and other assets	1,509	851
Net impairment losses on investments	-	639
	1,509	**1,490**

Net impairment losses on loans, other financial assets and other assets amounting to TEUR 1,509 charged to profit or loss in 2018 is attributable notably to impairment of loan receivable to third parties.

In 2018, the Group has not recognised any impairment losses on investments. In 2017, the Group has recognised an impairment loss of TEUR 639 for AMESELO LIMITED – associates. As the entity was planned to be liquidated, indication of impairment on the associate´s goodwill was identified. Impairment loss related to associates is presented separately in the Statement of Profit or Loss and Other Comprehensive Income. Dissolution of the Company AMESELO LIMITED has been completed as at 29 April 2018.

Based on IFRS 9 requirements, net impairment losses on loans and other financial assets and receivables has been transferred from Other operating expenses to separate line item in financial statements (see Note 3B).

25. Administrative expenses

	2018 TEUR	2017 TEUR
Professional services	(1,679)	(2,791)
Independent auditor's remuneration for statutory audit	(201)	(301)
Payroll related taxes	(193)	(2,690)
Employee compensation	(5,245)	(1,839)
Taxes other than income tax	(131)	(282)
Rental, maintenance and repair expenses	(649)	(570)
Distribution, transport and storage of goods	(9,634)	(32)
Other	(2,581)	(9,834)
	(20,313)	**(18,339)**

Professional services expense represents administration expense, accounting services expense, advisory expense, professional and management fees and incorporation expense.

Amount paid for Audit services totals TEUR 201 (2017 - TEUR 301) and other services provided by auditors TEUR 20 (2017 – TEUR 29).

The average number of employees in the Group for the year 2018 was 319 employees (2017 – 333 employees).

26. Revenues and expenses related to sale of gas

	2018 TEUR	2017 TEUR
Revenues from sale of gas	94,082	47,549
Costs of gas sold	(81,177)	(43,354)
Margin from sale of gas	**12,905**	**4,195**
Gas distribution income	14,072	17,021
Connection services	175	649
Gas network extensions	167	360
Installation facilities executions	2,575	2,426
Other income	3,500	1,711
Other income related to gas distribution operations	**20,489**	**22,167**

In 2018 and 2017, the profit from sale of gas is generated by the Romanian companies within the SERENITY RESOURCES LIMITED subgroup as described in Note 1. The significant increase of revenues from sale of gas and of costs of gas sold are caused by the increase in quantity sold following the acquisition of COVI CONSTRUCT 2000 S.R.L. in May 2018 and of PREMIER ENERGY TRADING S.R.L. (prev. FORTE GAZ GN S.R.L.) in September 2017. The selling price of gas sold on the regulated market as well as the distribution tariff are controlled by ANRE (Romanian Energy Regulatory Authority). The costs of gas sold comprise the acquisition price of the gas sold and the transportation tariffs charged by Transgaz. During the year, both selling prices and cost were increased on average by more than 12% and 4% respectively.

As a result of adoption of IFRS 15, the Group has changed the structure of revenues and expenses related to sale of gas and other income related to gas distribution operations in order to meet requirements with emphasis on presentation of more detailed information to provide high value of reported financial information for users of financial statements.

27. Other operating income

	2018 TEUR	2017 TEUR
Net foreign currency gains	--	4,620
Gain on bargain purchase	--	713
	--	**5,333**

Gain on bargain purchase in 2017 is attributable to acquisition of TIMGAZ S.A. (refer to Note 1).

For the period ended 31st December 2018, the company incurred net foreign currency losses which are disclosed under Other operating expenses.

28. Other operating expenses

	2018 TEUR	2017 TEUR
Depreciation on property, plant and equipment	4,017	3,699
Amortisation of intangible assets	241	32
Net impairment losses on property, plant and equipment recognised	--	137
Net foreign currency losses	1,993	--
	6,251	**3,868**

Net impairment losses on loans and other financial assets and receivables are disclosed under Impairment losses on investments and other loans and receivables (see Note 24). Reclassifications were made also in the comparative financial information as at 31 December 2017.

For the period ended 31st December 2017, net foreign currency gains were disclosed under Other operating income.

29. Net finance income/expense

	2018 TEUR	2017 TEUR
Finance income		
Interest income	6,810	8,288
Total finance income	**6,810**	**8,288**
Finance costs		
Interest expense	(26,032)	(22,287)
Fee and commission expense	(143)	(54)
Total finance expense	**(26,175)**	**(22,341)**
Net finance expense	**(19,365)**	**(14,053)**

	2018 TEUR	2017 TEUR
Interest income		
Loans receivable	6,759	8,286
Due from banks, other financial institutions and holding companies	51	2
	6,810	**8,288**
Interest expense		
Due to non-banks	(17,834)	(18,961)
Due to banks and other financial institutions	(1,352)	(205)
Debt securities issued	(6,846)	(3,084)
Other	--	(37)
	(26,032)	**(22,287)**

30. Income tax expense/credit

	2018 TEUR	2017 TEUR
Current tax expense	(694)	(107)
Deferred tax (expense)/credit (Note 21)	(1,130)	373
Total income tax (expense)/credit recognised in profit or loss	**(1,824)**	**266**

Reconciliation of effective tax rate	**2018 %**	**2018 TEUR**	**2017 %**	**2017 TEUR**
Profit before tax		**90,265**		**46,859**
Income tax using the domestic tax rate (see below)	(12.50)	(11,283)	(12.50)	(5,857)
Effect of tax rates in foreign jurisdictions	0.12	108	--	--
Non-deductible costs	(3.57)	(3,224)	(5.46)	(2,560)
Non-taxable income	14.70	13,265	17.62	8,255
Tax loss carried forward not recognised	(0.17)	(155)	(0.15)	(69)
Utilised tax loss not previously recognised	(0.58)	(520)	0.45	215
Other	(0.02)	(15)	0.53	282
Total income tax (expense) / credit	**(2.02)**	**(1,824)**	**0.57**	**266**

The Cyprus corporation tax rate is 12.5%. The corporation tax rate in Romania is 16 %.

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises 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.

31. Related party transactions

The Group's parent company is MEF Holdings Limited and the ultimate controlling party is Mr. Šmejc.

(a) Transactions with the parent company and the ultimate owner

	2018 TEUR	2017 TEUR
Loans received (principal payables)	32,318	89,946
Accrued interest (interest payable)	3,827	3,101
Loans provided (principal receivables)	102,310	120,189
Accrued interest (interest receivable)	5,394	1,025

(b) Transactions with associates

	2018 TEUR	2017 TEUR
Loans received (principal payables)	38,150	38,150
Accrued interest (interest payable)	1,116	114
Loans provided (principal receivables)	--	15
Accrued interest (interest receivable)	--	9

(c) Transactions with other related parties

	2018 TEUR	2017 TEUR
Loans received (principal payables)	143,558	204,155
Accrued interest (interest payable)	2,490	9,687
Loans provided (principal receivables)	11,850	11,143
Accrued interest (interest receivable)	1,091	791

(d) Transactions with key management personnel

Amounts included in the Statement of Profit or Loss and Other Comprehensive Income in relation to transactions with members of key management are benefits of TEUR 6 comprising directors' fees (2017 - TEUR 7).
The members of the Board of Directors of the Company and key management of its subsidiaries are considered as the key management of the Group.

32. Events after the reporting period

On 21 January 2019, the Group increased its loan with PPF Banka a.s. by MEUR 33,7 and decreased its loan with Air Bank a.s. by MEUR 13,7. This resulted to a net debt increase of MEUR 20, which further required an increase on its pledged shares in Home Credit Group B.V. by 1.984.955.268 shares in favour of PPF Banka a.s.

On 14 March 2019, the Group sold its entire holding in Sazka Group a.s. for the total consideration of TEUR 630,000.

On 14 March 2019, the Group acquired 100% of the shareholding in SAZKA Group Adriatic d.o.o. and subordinated debt due from SAZKA Group Adriatic d.o.o. for the aggregate consideration of TEUR 420,000.

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 April 2019, the Group signed an addendum to the initial agreement transferring a 2.5% stake in Home Credit Group B.V. (refer to Note 1). It substitutes the initially agreed third instalment with an increase in the second instalment by MEUR 50. Therefore, the total consideration for the acquired stake in Home Credit Group B.V. amounts to MEUR 212,5. The maturity of the second instalment amounting to MEUR 130 has been changed to May 2019. As the addendum was agreed in 2019, the respective increase in purchase price will be recognised in the 2019 consolidated financial statements.

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 a fixed interest rate of 4,90% p.a. Bonds were accepted for trading on the Bratislava Stock Exchange.