EMMA ALPHA HOLDING LTD

Auditors' report
and consolidated financial statements
31 December 2019

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 First Bank s.a. (ex-Piraeus Bank România) Banca Comercială Română (BCR) Air Bank a.s. J&T Banka a.s. Zagrebačka Banka D.D. Erste & Steiermarkische Bank D.D.
Registered Office	48 Themistokli Dervi 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 2019.

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, distribution of gas and electricity and the provision of betting activities and casino games.

FINANCIAL RESULTS

The Group's financial results for the year ended 31 December 2019 are set out on page 12 in the consolidated financial statements. The net profit for the year 2019 amounted to TEUR 630,199 (2018 – TEUR 88,441).

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 Company totalling TEUR 584,553 (2018 – TEUR 88,120).

REVENUE

The Group's revenue (including finance income, gain from sale of investments and excluding gain on bargain purchase, dividend income and share of profit from associates) for the year ended 31 December 2019 amounted TEUR 821,882 (2018 – TEUR 163,372).

DIVIDENDS

During 2019, the Group distributed interim dividends to EMMA CAPITAL LIMITED in the total amount of TEUR 59,500. Interim dividends in the total amount of TEUR 8,862 were distributed to minority shareholders of subsidiaries.

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 sale of 3 redeemable preference shares by MEF HOLDING LIMITED to minority shareholders, which represents a 0.03% stake.

BRANCHES

During the year ended 31 December 2019 and 31 December 2018, the Group did not operate any branches.

Consolidated Management report (continued)

BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2019 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 2019.

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 2019 were maintained internally.

RECENT VOLATILITY IN GLOBAL FINANCIAL MARKETS

Any significant events that relate to the operating environment of the Group are described in Notes 5 and 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 33 of the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 32 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, 10 June 2020

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 71 and comprise the consolidated statement of financial position as at 31 December 2019, 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 consolidated financial position of the Group as at 31 December 2019, 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards) ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Limassol
P.O. Box 50161, 3601
T: +357 25 869000
F: +357 25 363842

Larnaca
P.O. Box 40075, 6300
T: +357 24 200000
F: +357 24 200200

Paphos
P.O. Box 60288, 8101
T: +357 26 943050
F: +357 26 943062

Paralimni / Ayia Napa
P.O. Box 33200, 5311
T: +357 23 820080
F: +357 23 820084

Polis Chrysochous
P.O. Box 66014, 8330
T: +357 26 322098
F: +357 26 322722

KPMG

Independent Auditors' report

to the Members of

EMMA ALPHA HOLDING LTD

Report on the audit of the consolidated 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 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the 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.

Independent Auditors' report

to the Members of

EMMA ALPHA HOLDING LTD

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

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

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

- Identify and assess the risks of material misstatement of the 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.

Independent Auditors' report

to the Members of

EMMA ALPHA HOLDING LTD

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

Report on other legal requirements

Pursuant to the additional requirements of the Auditors Law 2017, L.53(I)/2017, as amended from time to time ("Law 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 on pages 4 and 5, 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.
- In the light of the knowledge and understanding of the Group and its 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

10 June 2020

	Note	2019 TEUR	2018 TEUR
ASSETS			
Non-current assets			
Goodwill	8	480,093	6,054
Intangible assets	8	61,203	643
Property, plant and equipment	9	225,982	46,897
Investments in associates	16	432,894	582,346
Loans receivable	12	3,944	12,941
Other assets	15	118	--
Financial assets – deposits	11	1,827	--
Financial assets at amortised cost	11	28,184	--
Deferred tax assets	23	340	3
Total non-current assets		**1,234,585**	**648,884**
Current assets			
Loans receivable	12	163,092	120,635
Current income tax assets		640	17
Trade and other receivables	13	57,338	44,206
Inventories	14	16,562	4,927
Other assets	15	18,499	83,485
Financial assets at fair value through profit or loss	11	551	--
Financial assets at amortised cost	11	89,068	--
Cash and cash equivalents	10	66,059	10,637
Total current assets		**411,809**	**263,907**
Total assets		**1,646,394**	**912,791**

	Note	2019 TEUR	2018 TEUR
EQUITY			
Share capital	24	10	10
Redeemable preference shares	24	437,370	437,370
Revaluation reserves	24	14,394	15,036
Translation reserve	24	(42,124)	(53,174)
Other reserves	24	(19,295)	(20,016)
Retained earnings		62,881	44,357
Profit for the year		584,553	88,120
Equity attributable to owners of the Company		**1,037,789**	**511,703**
Non-controlling interests	24	**81,314**	**(6,784)**
Total equity		**1,119,103**	**504,919**

		2019	2018
		TEUR	TEUR
LIABILITIES			
Non-current liabilities	**Note**		
Provisions		849	--
Due to non-banks	17	136,543	145,205
Due to banks and other financial institutions	18	92,626	3,693
Bonds and notes issued	19	88,285	117,449
Financial liabilities at fair value through profit or loss (derivatives)	20	313	--
Lease liabilities	9	6,644	--
Other liabilities	22	10,767	879
Deferred tax liabilities	23	21,029	7,105
Total non-current liabilities		**357,056**	**274,331**
Current liabilities			
Provisions		454	546
Due to non-banks	17	64,402	76,278
Due to banks and other financial institutions	18	46,083	27,733
Bonds and notes issued	19	392	1,225
Current income tax liabilities		4,892	654
Trade and other payables	21	22,111	8,952
Lease liabilities	9	2,632	--
Other liabilities	22	29,269	18,153
Total current liabilities		**170,235**	**133,541**
Total liabilities		**527,291**	**407,872**
Total liabilities and equity		**1,646,394**	**912,791**

The Company has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information has not been restated.

On 10 June 2020, 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 16 to 71 are an integral part of these consolidated financial statements.

	Note	2019 TEUR	2018 TEUR
Sales revenues from core operations	27	320,687	94,082
Cost of goods sold / cost of services provided	27	(209,251)	(81,177)
Other income related to core operations	27	36,522	20,489
Trading profit		--	133
Services and material expenses	26	(43,527)	(14,875)
Personnel expenses	26	(20,997)	(5,438)
Impairment of loans and receivables	25	(2,147)	(1,509)
Gain on bargain purchase	1	89,406	--
Other operating income	28	2,708	--
Other operating expenses	29	(10,836)	(6,251)
Profit from operations		**162,565**	**5,454**
Finance income	30	15,180	6,810
Finance expense	30	(36,197)	(26,175)
Net finance expense		**(21,017)**	**(19,365)**
Net gain from sale of investments in associates	16	446,785	41,858
Associates – share of profit	16	54,315	62,318
Profit before tax		**642,648**	**90,265**
Income tax expense	31	(12,449)	(1,824)
Profit after tax from continuing operations		**630,199**	**88,441**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Items reclassified from OCI to profit/(loss) - associates		(2,893)	15,271
Foreign currency translation differences		2,232	(33)
Associates – share of OCI	16	9,772	(14,887)
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment		(904)	--
Other comprehensive income for the year		**8,207**	**351**
Total comprehensive income for the year		**638,406**	**88,792**
Total profit attributable to:			
Owners of the Company		584,553	88,120
Non-controlling interests	24	45,646	321
		630,199	**88,441**
Total comprehensive income attributable to:			
Owners of the Company		592,037	88,601
Non-controlling interests		46,369	191
		638,406	**88,792**

The Company has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information has not been restated.

The notes on pages 16 to 71 are an integral part of these consolidated financial statements.

	Share capital TEUR	Redeemable shares TEUR	Revaluation reserves 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 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 year	--	--	--	--	--	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**

	Note	Share capital TEUR	Redeemable shares TEUR	Revaluation reserves 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 2019		**10**	**437,370**	**15,036**	**(53,174)**	**(20,016)**	**132,477**	**511,703**	**(6,784)**	**504,919**
Comprehensive income										
Profit for the year		--	--	--	--	--	584,553	**584,553**	45,646	**630,199**
Items reclassified from OCI to profit/(loss)		--	--	--	(356)	(2,537)	--	**(2,893)**	--	**(2,893)**
Revaluation gains/(losses) on property, plant and equipment, net of tax		--	--	(731)	--	--	--	**(731)**	(173)	**(904)**
Translation reserve changes		--	--	--	1,336	--	--	**1,336**	896	**2,232**
Associates – share of OCI		--	--	89	10,070	(387)	--	**9,772**	--	**9,772**
Total comprehensive income for the year		--	--	**(642)**	**11,050**	**(2,924)**	**584,553**	**592,037**	**46,369**	**638,406**
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
Dividends	24	--	--	--	--	--	(59,500)	**(59,500)**	(8,862)	**(68,362)**
Transfers		--	--	--	--	(12,250)	12,250	**--**	--	**--**
Transactions with NCI without a change in control		--	--	--	--	178	(21,677)	**(21,499)**	15,854	**(5,645)**
Effect from acquisitions through business combinations		--	--	--	--	--	--	**--**	34,737	**34,737**
Total transactions with owners		--	--	--	--	**(12,072)**	**(68,927)**	**(80,999)**	**41,729**	**(39,270)**
Other movements		--	--	--	--	15,717	(669)	**15,048**	--	**15,048**
Balance as at 31 December 2019		**10**	**437,370**	**14,394**	**(42,124)**	**(19,295)**	**647,434**	**1,037,789**	**81,314**	**1,119,103**

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 16 to 71 are an integral part of these consolidated financial statements.

	Note	2019 TEUR	2018 TEUR
Cash flows from operating activities			
Profit for the year after tax		**630,199**	**88,441**
Adjustment for:			
Depreciation and Amortisation	8, 9	10,920	4,258
Reversal of impairment losses on PPE	25	(144)	--
Impairment losses on trade and other receivables	25	1,485	--
Impairment losses on loans and other financial assets	25	662	1,509
Revaluation of assets at fair value through profit and loss	11,20	(186)	--
Share of profit of associates, net of tax	16	(54,315)	(62,318)
Gain on the disposal of subsidiaries and associates	16	(446,785)	(41,858)
Gain on sale of PPE and intangibles assets	28	(88)	--
Gain on bargain purchase	1	(89,406)	--
Net interest expense	30	17,070	19,222
Unrealised foreign exchange (gains) / loss		(1,458)	32
Tax expense	31	12,449	1,807
Operating profit before changes in working capital and provisions		**80,403**	**11,093**
Increase in inventories		(11,635)	(2,060)
Decrease/(increase) in trade and other receivables		74,203	(95,334)
Decrease in trade and other payables		(114,502)	(730)
Decrease in provisions		(26)	(51)
Cash from /(used in) operating activities		**28,443**	**(87,082)**
Interest paid		(21,064)	(22,259)
Interest received		9,389	3,756
Income tax paid		(12,933)	(148)
Net cash from/(used in) operating activities		**3,835**	**(105,733)**
Cash flows from investing activities			
Dividends received	16	--	10,000
Proceeds from sale property, plant and equipment		753	950
Proceeds from sale of associates	16	560,000	165,388
Net cash outflow from acquisition of subsidiaries, net of cash acquired		(290,747)	(8,418)
Loans (repaid) / provided		(30,981)	14,336
Acquisition of financial assets	11	(1,827)	--
Acquisitions of intangible assets	8	(836)	(90)
Acquisitions of property, plant and equipment	9	(33,247)	(2,043)
Payment for capital contribution to investment in associates	16	--	(1,474)
Net cash generated from investing activities		**203,115**	**178,649**
Cash flows from financing activities			
Other changes in equity		(7,218)	(235)
Repayment of interest-bearing loans and borrowings		(47,338)	(105,464)
Proceeds from bonds issued		--	10,202
Proceeds from lease liabilities		1,390	--
Bond repaid	19	(120,000)	--
Bonds issued	19	90,000	--
Dividends paid	24	(68,362)	--
Net cash used in financing activities		**(151,528)**	**(95,497)**
Net movement in cash and cash equivalents		**55,422**	**(22,581)**
At the beginning of the year	10	**10,637**	**33,218**
At the end of the year	10	**66,059**	**10,637**

The notes on pages 16 to 71 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, office 303, 1066 Nicosia, Cyprus.

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

Shareholders

The owners of the Company are as follows:

Shareholders	Country of incorporation	Type of shares	Ownership interest (%) 2019	2018
MEF HOLDINGS LIMITED	Cyprus	Redeemable preference shares	99.06	99.09
SPRINGROCK LIMITED	Cyprus	Redeemable preference shares	0.34	0.32
ALIMENTOR LIMITED	Cyprus	Redeemable preference shares	0.27	0.27
DOROMEA LIMITED	Cyprus	Redeemable preference shares	0.14	0.14
MENGENO LIMITED	Cyprus	Redeemable preference shares	0.14	0.14
ALEDENCO LIMITED	Cyprus	Redeemable preference shares	0.04	0.04
DAVID HAVLÍN	--	Redeemable preference shares	0.02	0.01
EMMA CAPITAL LIMITED	Cyprus	Ordinary shares	100.00	100.00

Principal activities

The principal activities of the Group are the holding of investments, trading of securities, distribution of gas and electricity and the provision of betting activities and casino games.

Description of the Ownership Structure

The Company controls, directly or indirectly, other companies in Cyprus, the British Virgin Islands, the Czech Republic, Slovakia, Romania, Croatia and Moldavia. 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.

1. Description of the Group (continued)

Consolidated subsidiaries	Country of incorporation	Effective ownership interest (%) 2019	2018
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
CHAPALACO LIMITED[2)]	Cyprus	100.00	100.00
• JOSECO HOLDINGS CO. LIMITED[2)]	Cyprus	68.57	--
• PREMIER ENERGY SRL [2)]	Moldavia	68.57	--
• PREMIER ENERGY DISTRIBUTION S.A.[2)]	Moldavia	68.57	--
EMMA OMEGA LTD	Cyprus	100.00	100.00
LIGATNE LIMITED[1)]	Cyprus	80.85	80.85
• PREMIER ENERGY SRL [1)]	Romania	80.83	80.85
• PREMIER ENERGY TRADING S.R.L. [1)]	Romania	80.83	80.85
• TIMGAZ S.A. [1)]	Romania	--	79.12
• LIGATNE GAS S.R.L. [1)]	Romania	80.82	80.82
• AMARAD DISTRIBUTIE S.R.L. [1)]	Romania	80.82	--
SERENITY RESOURCES LIMITED	The British Virgin Islands	100.00	100.00
EMMA GAMMA LIMITED[3)]	Cyprus	100.00	100.00
• EMMA GAMMA FINANCE a.s. [3)]	Slovakia	100.00	100.00
• SAZKA GROUP ADRIATIC d.o.o.[3)]	Croatia	100.00	--
• SUPER SPORT d.o.o.[3) 4)]	Croatia	65.45	--
• MINUS5 d.o.o.[3)]	Croatia	51.00	--
• PUNI BROJ d.o.o. [3) 4)]	Croatia	65.45	--
DANDELION HEALTHCARE, a.s. [5)]	Czech Republic	70.00	--
• DANDELION IVF PRAGUE, s.r.o. [5)]	Czech Republic	70.00	--
• EUROPE IVF INTERNATIONAL s.r.o. [5)]	Czech Republic	70.00	--

[1)] forms part of LIGATNE LIMITED GROUP
[2)] forms part of CHAPALACO LIMITED GROUP
[3)] forms part of EMMA GAMMA LIMITED GROUP
[4)] from a legal perspective, the current shareholding equals to 65,45%. For the reasons explained in Note 32, the Group consolidate an additional shareholding of 1,55% in SUPER SPORT d.o.o. and PUNI BROJ d.o.o.
[5)] forms part of DANDELION HEALTHCARE Group

Equity-accounted investees (associates)	Country of incorporation	Ownership interest (%) 2019	2018
HOME CREDIT GROUP B.V.	Netherlands	8.88	8.88
SAZKA GROUP a.s.	Czech Republic	--	25.00
SAZKA GROUP PLC	United Kingdom	--	25.00

1. Description of the Group (continued)

Acquisitions and disposals in 2019

On 14 March 2019, the Group sold its entire holding in SAZKA GROUP a.s. for the total nominal consideration of TEUR 630,000 split in four variable instalments. On 13 August 2019, SAZKA GROUP PLC was dissolved.

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

	Note	TEUR
Consideration, received in cash		510,000
Promissory note 1		90,000
Promissory note 2		30,000
Discount of the deferred payments		(6,689)
Proceeds from sale of associate		**623,311**
Carrying amount of SAZKA GROUP a.s.	16	(229,419)
Items reclassified from OCI to profit /(loss)		2,893
Gain from sale of associate		**396,785**

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

The stake in SAZKA GROUP ADRIATIC d.o.o. is pledged as a collateral for the facility agreement dated 27 March 2018 between SAZKA GROUP ADRIATIC d.o.o. and Zagrebacka Banka d.d. for credit facilities up to TEUR 26,916 and THRK 595,432.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of SAZKA GROUP ADRIATIC d.o.o.

	Note	TEUR
Intangible assets	8	59,545
Property, plant and equipment	9	10,434
Financial assets at fair value through profit or loss	11	23
Trade and other receivables	13	6,663
Cash and cash equivalents	10	30,210
Trade and other payables	21	(6,644)
Lease liabilities		(7,729)
Interest bearing loans and borrowings - bank	18	(84,926)
Interest bearing loans and borrowings – related parties	18	(117,409)
Financial liabilities at fair value through profit or loss	20	(489)
Current income tax liabilities		(4,381)
Deferred tax liabilities	23	(10,699)
Total identifiable net assets acquired		**(125,402)**
Non-controlling interest (on fair value of net assets)		**23,549**
Consideration, paid in cash		(302,607)
Goodwill	8	**451,558**

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

1. Description of the Group (continued)

Acquisitions and disposals in 2019 (continued)

During the year 2019, CHAPALACO LIMITED acquired 68.57% of shareholding in JOSECO HOLDINGS CO. LIMITED by subscribing to a total of 186.500 ordinary shares of EUR 1.00 each and share premium EUR 99.00 per share, for a total subscription price of TEUR 18,650. On 31 July 2019, JOSECO HOLDINGS CO. LIMITED acquired 100% of ICS RED UNION FENOSA S.A. (after the acquisition renamed as PREMIER ENERGY DISTRIBUTION S.A.) - total cost of investment TEUR 16,293 and 100% of GAS NATURAL FENOSA FURNIZARE ENERGIE S.R.L. (after the acquisition renamed as PREMIER ENERGY SRL) - total cost of investment was TEUR 6,770.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of PREMIER ENERGY DISTRIBUTION S.A. and PREMIER ENERGY SRL:

	Note	TEUR
Intangible assets	8	822
Property, plant and equipment	9	141,740
Loans provided	12	242
Deferred tax assets	23	351
Current income tax receivable	15	40
Financial assets at fair value through profit or loss	11	504
Trade receivables, inventories and other assets	13,14	16,220
Cash and cash equivalents	10	7,105
Trade and other payables	21	(23,650)
Interest bearing loans and borrowings	18	(27,457)
Provisions		(702)
Current income tax liabilities		(654)
Deferred tax liabilities	23	(2,621)
Total identifiable net assets acquired		**111,940**
Non-controlling interest (on fair value of net assets)		**--**
Consideration, paid in cash		(9,800)
Deferred consideration		(13,263)
Gain on bargain purchase	1	**(88,877)**

Cash effect on acquisition	
Consideration, paid in cash	(9,800)
Cash (acquired)	7,105
Net cash outflow	**(2,695)**

On 29 August 2019, EMMA ALPHA HOLDING LTD cofounded DANDELION HEALTHCARE, a.s. with 70% of shareholding. On 12 September 2019, DANDELION IVF PRAGUE, s.r.o. was founded by DANDELION HEALTHCARE, a.s.. On 30 September 2019, DANDELION IVF PRAGUE, s.r.o. acquired 100% of shareholding in EUROPE IVF INTERNATIONAL s.r.o. for consideration of TEUR 26,164.

1. Description of the Group (continued)

Acquisitions and disposals in 2019 (continued)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of EUROPE IVF INTERNATIONAL s.r.o:

	Note	TEUR
Property, plant and equipment	9	743
Loans provided	12	3,724
Current income tax receivable	15	398
Trade receivables, inventories and other assets	13, 14	267
Cash and cash equivalents	10	254
Trade and other payables	21	(767)
Interest bearing loans and borrowings	18	(59)
Provisions		(81)
Current income tax liabilities		(470)
Deferred tax liabilities	23	(27)
Total identifiable net assets acquired		**3,982**
Consideration, paid in cash		(26,164)
Goodwill	8	**22,182**

Cash effect on acquisition	
Consideration, paid in cash	(26,164)
Cash (acquired)	254
Net cash outflow	**(25,910)**

On 31 August 2019, LIGATNE GAS S.R.L. acquired 100% of shareholding in AMARAD DISTRIBUTIE S.R.L. for the aggregate consideration of TEUR 830.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of AMARAD DISTRIBUTIE S.R.L.:

	Note	TEUR
Intangible assets	8	3
Property, plant and equipment	9	920
Trade receivables, inventories and other assets	13, 14	639
Cash and cash equivalents	10	32
Trade and other payables	21	(209)
Deferred tax liabilities	23	(26)
Total identifiable net assets acquired		**1,359**
Consideration, paid in cash		(830)
Gain on bargain purchase	1	**(529)**

Cash effect on acquisition	
Consideration, paid in cash	(830)
Cash (acquired)	32
Net cash outflow	**(798)**

In 2019, the Group recognised gain on bargain purchase in the total amount of TEUR 89,406, attributable to the acquisition of Moldovan subsidiaries PREMIER ENERGY SRL and PREMIER ENERGY DISTRIBUTION S.A. in the amount of TEUR 88,877 and Romanian subsidiary AMARAD DISTRIBUTIE S.R.L. in the amount of TEUR 529.

1. Description of the Group (continued)

Acquisitions and disposals in 2019 (continued)

On October 2019, EMMA OMEGA LTD's share capital and share premium was reduced by EUR 1 and TEUR 50,000 respectively, after approval by the Cyprus Courts and was returned to the shareholder, EMMA ALPHA HOLDING LTD.

In November 2019, SAZKA GROUP ADRIATIC d.o.o. entered into share purchase agreements with key management employees of SUPER SPORT d.o.o. and sold 1.55% of shares in SUPER SPORT d.o.o. for the consideration of TEUR 6,566. Based on IAS 19 and based on the policies applied by the Group, the controlling interests remain unchanged. For the details see Note 32.

Acquisitions and disposals in 2018

On 15 February 2018, Jose Martin Garza subscribed 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 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.

During 2018, new associate SAZKA GROUP PLC was founded.

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. On 29 April 2019 both shareholders of HOME CREDIT GROUP B.V. signed an addendum substituting the initially agreed third instalment with an increase in the second instalment by MEUR 50. Therefore, the total consideration for the stake amounts to MEUR 212,5. The maturity of the second instalment amounting to MEUR 130 was changed to May 2019. As the addendum was agreed in 2019, the respective increase in the purchase price was recorded in the profit or loss in 2019.

2. Basis of preparation

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

(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 endorsed by the European Union 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 16 has 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. The functional currency of Company's Croatian subsidiaries is the Croatian Kuna, for the Romanian subsidiaries is the Romanian Leu, for the Moldovan subsidiaries is the Moldovan Leu and for the Czech subsidiaries is the Czech Crown. 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.

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 Note 4 (c) (vii) and Notes 25 and 29.

Information about judgements whether the Group has significant influence over an investee is included in Note 16 "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 23 "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 31 "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.

2. Basis of preparation (continued)

(f) Comparative financial information

As a result of changes in the Group, the structure of Consolidated Statement of 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 Services and material expenses and Personnel expenses (both items presented previously under Administrative expenses) separately on the face of the Consolidated Statement of 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 2018.

(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 comprehensive income from the date on which control effectively commences until the date on which control effectively ceases.

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

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

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

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

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

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

2. Basis of preparation (continued)

(v) Business combinations

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

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

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

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

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

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

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

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

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

3. Changes in significant accounting policies

The Group has initially applied IFRS 16 from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group´s financial statements. As at 1 January 2019, application of IFRS 16 did not have any material effect on the Group´s financial statements. However, IFRS 16 was fully applied in entities acquired through business combination in 2019.

IFRS 16 introduced a single, on-balance sheet accounting model to lessees. A lessee recognises right-of-use assets representing its rights to use the underlying asset and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The new Standard introduces a number of limited scope exceptions for lessees which include:
- Leases with a lease term of 12 months or less and containing no purchase options, and
- Leases where the underlying asset has a low value.

As at 31 December 2019, the Group recognised right-of-use assets and lease liabilities mainly in relation to lease of premises for its betting shops based in Croatia. There was no effect of adopting IFRS 16 as at 1 January 2019 as the leases relate solely to the newly acquired companies in 2019.

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 which are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(ii) Financial information of foreign operations

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

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

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

b) Cash and cash equivalents

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

4. Significant accounting policies (continued)

c) Financial assets and liabilities

(i) Classification

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 (continued)

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual 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. Dividend are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

4. Significant accounting policies (continued)

c) Financial assets and liabilities (continued)

(iii) Measurement (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 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 (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.

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

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

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

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

A significant increase in credit risk (SICR) represents a significant increase in the risk of default in respect of a financial assets as at the reporting date compared with the risk as at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group´s historical experience and informed credit assessment and including forward-looking information.

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

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

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 (continued)

(vii) Identification and measurement of impairment (continued)

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

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

(viii) Derecognition

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

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

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

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

(ix) Offsetting

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

d) Intangible assets

Goodwill and gain on bargain purchase

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities of the acquiree. When the excess is negative (gain on a bargain purchase), it is recognised immediately in profit and loss. Goodwill is stated at cost less accumulated impairment losses (refer to Note 8).

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

4. Significant accounting policies (continued)

d) Intangible assets (continued)

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.

e) Property, plant and equipment

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

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

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, 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.

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

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

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

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

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

The Entity applies the international financial reporting standard IFRS 16 – Leases from 1 January 2019. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration.

4. Significant accounting policies (continued)

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

IFRS 16 brought changes in the recognition and disclosures for lessees. The Entity acting as a lessee recognizes a right-of-use asset and the related lease liability in the balance sheet with exceptions where:

- the lease term does not exceed 12 months or;

- the underlying asset has a low value.

Right-of-use asset

At the commencement date, a right-of-use asset is measured at cost which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

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

Lease liability

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

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

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

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

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 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.

4. Significant accounting policies (continued)

g) Impairment for non-financial assets (continued)

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.

i) Equity

i. Share capital

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

ii. Dividends

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

iii. Non-controlling interests

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

iv. Translation 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.

v. Capital reserve

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

vi. Redeemable preference shares

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

4. Significant accounting policies (continued)

j) Other payables

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

k) Revenues

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

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

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

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

The amendments clarify how to:

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

The amendments also provide entities with two additional practical expedients:

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

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

Revenues from 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.

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.

Revenues from betting activities and casino games

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

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

4. Significant accounting policies (continued)

l) Interest income and expense

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

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

m) Fee and commission income and expenses

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

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

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.

n) Taxation

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

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

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

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

The following Standards, Amendments to Standards and Interpretations have been issued by International Accounting Standards Board ("IASB") but are not yet effective for annual periods beginning on 1 January 2019. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

4. Significant accounting policies (continued)

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

(i) Standards and Interpretations adopted by the EU

• "Amendments to References to the Conceptual Framework in IFRS Standards" (effective for annual periods beginning on or after 1 January 2020.

• IAS 1 "Presentation of Financial Statements" (Amendments) and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Amendments): Definition of Material (effective for annual periods beginning on or after 1 January 2020).

• IFRS 9 "Financial Instruments" (Amendments), IAS 39 "Financial Instruments: Recognition and Measurement" (Amendments) and IFRS 7 "Financial Instruments: Disclosures" (Amendments): Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020).

(ii) Standards and Interpretations not adopted by the EU

• IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).

• IFRS 3 "Business Combinations" (Amendments): Definition of a Business (effective for annual periods beginning on or after 1 January 2020).

• IFRS 10 "Consolidated Financial Statements" (Amendments) and IAS 28 "Investments in Associates and Joint Ventures" (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely).

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.

Risks related to pandemic COVID 19

In order to ensure its operations, the Group adopted a series of measures.

At the time of preparation of these consolidated financial statements, it is not possible to perform a comprehensive assessment of all possible effects on the Group's operations, as the after-pandemic period is still ongoing and the impact on the health of population as well as the impact of the government measures on the economy are difficult to estimate.

Since the Company's subsidiaries in Romania and Moldova operate in the regulated electricity distribution and supply sector, it has not been significantly affected by the outbreak of COVID-19 and over the last few weeks the Company's subsidiaries realized relatively stable sales and their operations, including supplies, were uninterrupted. The main estimated impact relates to increase in expected credit losses, due to late payments and/ or defaults of some customers.

In addition, the Company's associate, HOME CREDIT GROUP B.V. belongs to a group, which the largest component is based in China. China was affected early in 2020, however, HOME CREDIT GROUP B.V. and HOME CREDIT CHINA took all the necessary steps to mitigate any short term impact from market situation and conditions.

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

- Regarding adopted Government preventive measures, such as complete lock-down of some of the premises in the countries where the Group operates, and general macroeconomic projections, there is a risk of a general decrease in the revenues from all sales channels;
- Due to the very limited number of sport events at present, there is a risk of decline in certain revenues, such as revenue from sport betting activities, which will have impact on the projected profit for the year 2020;
- Taking into account the assumptions available at the time of preparation of the consolidated financial statements, the Group expects a decrease in its economic result for the year 2020, but still anticipates to stay profitable;
- During the pandemic, the Company holds cash in its current accounts in the amount which is more than sufficient for ensuring liquidity of the Group, without need to dispose of its investments under unfavourable conditions or significantly limiting its operations;
- The Group is considering certain measures in respect of operating expenses should the government preventive measures be extended to several months;
- The Group is also monitoring the covenants related to the bonds issued by the Company and through effective cash management at the Group level, can ensure that the covenants are met.

5. Financial risk management (continued)

Risks related to pandemic COVID 19 (continued)

Risk related to operational activities:

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

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

Credit risk

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

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

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

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

The Group has a credit limit policy including new credit terms and credit limits. The Group has continued in a process of monitoring counterparties and their payment morale on regular basis.

The Group also continuously monitors the performance of individual credit exposures using a number of criteria. The Group has an active fraud prevention and detection program. Credit risk developments are reported by the Group Credit Risk Department to the Board of Directors on a regular basis.

As a result of recent negative development on financial markets, the credit environment in certain countries in which the Group operates has deteriorated. The Group has taken strict measures in its underwriting and collection policies in order to limit the negative impact of such market changes.

5. Financial risk management (continued)

Credit risk (continued)

Exposure to credit risk

The Group has provided loans in amount of TEUR 167,036. The tables below provide a detailed analysis of the Group's exposure to credit risk.

	Loans - Due from non-banks		Loans - Due from banks and other financial institutions	
	2019	2018	2019	2018
	TEUR	TEUR	TEUR	TEUR
Stage I – Carrying amount	167,036	132,263	--	1,313
Total carrying amount	**167,036**	**132,263**	**--**	**1,313**

Credit quality of financial assets

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

	2019	2018
	TEUR	TEUR
Cash at bank and short term bank deposits		
A1	449	--
A2	29,635	--
B3	4	4
Baa1	121	--
Baa3	10,263	664
Caa1	--	4
Caa2	--	699
Caa3	185	--
Non-rated	22,790	9,260
Total	**63,447**	**10,631**

Classification of financial assets by credit risk

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

2019	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	(Stage I)	(Stage II)	(Stage III)	
	TEUR	TEUR	TEUR	TEUR
Gross provided loans	167,576	--	2,780	170,356
Loss allowances	(540)	--	(2,780)	(3,320)
Net provided loans	**167,036**	**--**	**--**	**167,036**

5. Financial risk management (continued)

Credit risk (continued)

2018	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	(Stage I)	(Stage II)	(Stage III)	
	TEUR	TEUR	TEUR	TEUR
Gross provided loans	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.

2019	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	(Stage I)	(Stage II)	(Stage III)	
	TEUR	TEUR	TEUR	TEUR
Gross financial assets at amortised cost	117,280	--	--	117,280
Gross trade and other receivables*	63,455	--	10,952	74,407
Loss allowances	(158)	--	(9,803)	(9,961)
Net financial assets at amortised cost and trade and other receivables	**180,577**	**--**	**1,149**	**181,726**

* Other receivables include only financial assets, for the detail, see Note 13.

2018	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	(Stage I)	(Stage II)	(Stage III)	
	TEUR	TEUR	TEUR	TEUR
Gross trade 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**

The Group measures loss allowance to financial assets at an amount equal to lifetime ECLs, as described in Note 4 (c) (vii). As at 31 December 2018 and 31 December 2019, loss allowances were calculated based on a lifetime expected credit loss (ECL) corresponding to Stage 2 or 3. Loss allowances to trade receivables and other assets are calculated based on following principles: - 180-360 days after due date – 37-50% impairment loss, - more than 360 days after due date – 87-100% impairment loss.

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

5. Financial risk management (continued)

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.

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

5. Financial risk management (continued)

Liquidity risk (continued)

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

2019

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and cash equivalents	66,059	--	--	--	--	66,059
Financial assets - deposits	--	--	1,827	--	--	1,827
Financial assets at fair value through profit or loss	33	--	--	--	518	551
Financial assets at amortised cost	89,068	--	28,184	--	--	117,252
Loans - Due from non-banks	1	163,091	2,088	1,856	--	167,036
Trade and other receivables	52,673	4,665	--	--	--	57,338
Other assets*	4,835	154	111	--	2,036	7,136
Total financial assets	**212,669**	**167,910**	**32,210**	**1,856**	**2,554**	**417,199**
Due to non-banks	--	64,402	136,543	--	--	200,945
Due to banks and other financial institutions	3,685	42,398	92,626	--	--	138,709
Financial liabilities at fair value through profit or loss	--	--	313	--	--	313
Lease liabilities	907	1,725	6,457	187	--	9,276
Bonds issued	392	--	88,285	--	--	88,677
Trade and other payables	22,099	12	--	--	--	22,111
Other liabilities*	11,098	359	88	--	104	11,649
Total financial liabilities	**38,181**	**108,896**	**324,312**	**187**	**104**	**471,680**
Net position	**174,488**	**59,014**	**(292,102)**	**1,669**	**2,450**	**(54,481)**

* Other assets include only financial assets, for the detail, see Note 15. Other liabilities include only financial items such as accrued expenses and other liabilities. For the detail, see Note 22.

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)**

5. Financial risk management (continued)

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.

2019

TEUR	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Due to non-banks	--	77,723	175,615	--	253,338
Due to banks and other financial institutions	3,683	48,467	104,354	395	156,899
Lease liabilities	981	1,889	6,774	--	9,644
Bonds issued	392	4,326	107,752	--	112,470
Trade and other payables	22,099	12	--	--	22,111
Other liabilities*	11,098	359	--	--	11,457
Total	**38,253**	**132,776**	**394,495**	**395**	**565,918**

* Other liabilities include only financial items such as accrued expenses and other liabilities. For the detail of other liabilities, see Note 22.

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**

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 EUR, USD, CZK, RON, HRK and MLD.

5. Financial risk management (continued)

Market risk (continued)

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)

Market risk (continued)

Interest rate gap position based on re-pricing dates

2019

TEUR	Effective interest rate	Floating interest rate Less than 3 months	 3 months to 1 year	 1 to 5 years	Fixed interest rate or Non specified	Total
Interest bearing financial assets						
Cash and cash equivalents	0.00%	66,059	--	--	--	**66,059**
Financial assets – deposits	0.00%	--	--	--	1,827	**1,827**
Financial assets at amortised cost	5.15%	--	--	--	117,252	**117,252**
Loans - Due from non-banks	4.20%	--	31	--	167,005	**167,036**
Total interest bearing financial assets		**66,059**	**31**	**--**	**286,084**	**352,174**
Interest bearing financial liabilities						
Due to non-banks	6.52%	--	17,815	--	183,130	**200,945**
Due to banks and other financial institutions	4.64%	--	40,407	--	98,302	**138,709**
Lease liabilities	2.46%	--	--	--	9,276	**9,276**
Bonds issued	4.90%	--	--	--	88,677	**88,677**
Total interest bearing financial liabilities		**--**	**58,222**	**--**	**379,385**	**437,607**

2018

TEUR	Effective interest rate	Floating interest rate Less than 3 months	 3 months to 1 year	 1 to 5 years	Fixed interest rate or Non specified	Total
Interest bearing financial assets						
Cash and cash equivalents	0.00%	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**

5. Financial risk management (continued)

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 2019 and 31 December 2018 and a simplified scenario of a 100bp change in interest rates is shown:

	Total effect on equity 2019 TEUR	Total effect on equity 2018 TEUR
Effect of 100bp decrease in interest rate	2,207	273
Effect of 100bp increase in interest rate	(2,207)	(273)

5. Financial risk management (continued)

Market risk (continued)

Foreign currency position

2019

TEUR	EUR	USD	CZK	RON	HRK	MDL	Total
Cash and cash equivalents	9,754	1	136	1,812	44,996	9,360	66,059
Financial assets - deposits	--	--	--	--	1,827	--	1,827
Financial assets at fair value through profit or loss	--	--	--	--	33	518	551
Financial assets at amortised cost	117,252	--	--	--	--	--	117,252
Loans - Due from non-banks	146,214	5,138	15,375	--	79	230	167,036
Trade and other receivables	8	--	59	34,738	3,869	18,664	57,338
Other assets*	1,815	--	--	5,321	--	--	7,136
Total financial assets	**275,043**	**5,139**	**15,570**	**41,871**	**50,804**	**28,772**	**417,199**
Due to non-banks	164,755	36,119	72	--	--	--	200,945
Due to banks and other financial institutions	12,375	--	--	41,814	84,520	--	138,709
Financial assets at fair value through profit or loss	313	--	--	--	--	--	313
Lease liabilities	--	--	278	1,668	7,330	--	9,276
Bonds issued	88,677	--	--	--	--	--	88,677
Trade and other payables	16	--	17	4,537	1,756	15,785	22,111
Other liabilities*	1,120	--	1,123	7,175	2,097	134	11,649
Total financial liabilities	**267,256**	**36,119**	**1,489**	**55,194**	**95,703**	**15,919**	**471,680**
Net position	**7,787**	**(30,980)**	**14,081**	**(13,323)**	**(44,899)**	**12,853**	**(54,481)**

* Other assets include only financial assets, for the detail, see Note 15. Other liabilities include only financial items such as accrued expenses and other liabilities. For the detail, see Note 22.

2018

TEUR	EUR	USD	CZK	RON	HRK	MDL	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)**

5. Financial risk management (continued)

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 2019 and 31 December 2018 and a simplified scenario of a 5% change in USD, CZK, RON, HRK and MDL to EUR exchange rates is shown below:

	Total effect on equity 2019	Total effect on equity 2018
	TEUR	TEUR
Effect of 5% USD depreciation against EUR	1,549	1,213
Effect of 5% USD appreciation against EUR	(1,549)	(1,213)
Effect of 5% CZK depreciation against EUR	(704)	(1,018)
Effect of 5% CZK appreciation against EUR	704	1,018
Effect of 5% RON depreciation against EUR	666	65
Effect of 5% RON appreciation against EUR	(666)	(65)
Effect of 5% HRK depreciation against EUR	2,245	--
Effect of 5% HRK appreciation against EUR	(2,245)	--
Effect of 5% MDL depreciation against EUR	(643)	--
Effect of 5% MDL appreciation against EUR	643	--

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.

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.

5. Financial risk management (continued)

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, Croatia, Romania, Moldavia and the Czech Republic. Consequently, the Company is exposed to the economic and financial markets.

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

There has been an increase in the Gross Domestic Product in Cyprus 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.

Despite the significant steps towards economic recovery, a degree of uncertainty still exists, as certain issues remain to be resolved, such as the high index of non-performing loans, the high unemployment and the implementation of privatisation and reforms of the public services sector.

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 equity investmets at FVOCI 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).

8. Intangible assets

2018	Goodwill TEUR	Software TEUR	Trademark TEUR	Land lease rights TEUR	Other intangible assets TEUR	Total TEUR
Acquisition cost						
Balance as at 1 January 2018	1,361	882	--	99	105	2,447
Acquisitions through business combinations	4,696	1	--	--	--	4,697
Additions	--	90	--	--	--	90
Transfers	--	--	--	(99)	99	--
Translation difference	(3)	(2)	--	--	--	(5)
Balance as at 31 December 2018	**6,054**	**971**	**--**	**--**	**204**	**7,229**
2019						
Balance as at 1 January 2019	6,054	971	--	--	204	7,229
Acquisitions through business combinations	473,740	912	59,436	--	22	534,110
Additions	--	836	--	--	--	836
Disposals	--	--	--	--	(16)	(16)
Transfers	--	9	--	--	(89)	(80)
Translation difference	299	171	(268)	--	(8)	194
Balance as at 31 December 2019	**480,093**	**2,899**	**59,168**	**--**	**113**	**542,273**
2018						
Accumulated amortization						
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)**
2019						
Balance as at 1 January 2019	--	(509)	--	--	(23)	(532)
Charge for the year	--	(296)	--	--	(6)	(302)
Disposals	--	--	--	--	16	16
Transfer	--	(11)	--	--	--	(11)
Translation difference	--	(151)	--	--	3	(148)
Balance as at 31 December 2019	**--**	**(967)**	**--**	**--**	**(10)**	**(977)**
Carrying amount						
As at 31 December 2018	**6,054**	**462**	**--**	**--**	**181**	**6,697**
As at 31 December 2019	**480,093**	**1,932**	**59,168**	**--**	**103**	**541,296**

In 2019, as a result of the acquisition of SAZKA GROUP ADRIATIC d.o.o., the Group recognised a trademark of TEUR 59,436 and goodwill of TEUR 451,558. As a result of the acquisition of EUROPE IVF INTERNATIONAL s.r.o., the Group recognised goodwill of TEUR 22,182. The changes in the Group, described in Note 1.

9. Property, plant and equipment

2018	**Land and buildings**	**Vehicles**	**Other tangible assets and equipment**	**Tangible assets under construction**	**Tangible assets not in use**	**Right-of-use assets**	**Advance payments**	**Total**
	TEUR	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**	**TEUR**
Acquisition cost								
Balance as at 1 January 2018	45,818	743	4,076	--	70	--	--	50,707
Acquisitions through business combinations	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**
2019								
Balance as at 1 January 2019	51,717	878	2,439	--	1,836	--	--	56,870
Acquisitions through business combinations	11,926	3,200	122,540	7,652	--	8,039	480	153,837
Additions	2,516	172	908	7,420	--	3,346	18,885	33,247
Disposals	(32)	(308)	(2,054)	(9)	--	(242)	(13)	(2,658)
Transfers	219	246	10,521	(9,003)	(1,836)	--	--	147
Translation differences	(583)	37	10,245	76	--	(44)	(138)	9,593
Balance as at 31 December 2019	**65,763**	**4,225**	**144,599**	**6,136**	**--**	**11,099**	**19,214**	**251,036**
2018								
Accumulated depreciation								
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)**
2019								
Balance as at 1 January 2019	(6,621)	(674)	(1,451)	--	(1,227)	--	--	(9,973)
Charge for the year	(4,217)	(702)	(3,723)	--	--	(1,976)	--	(10,618)
Reversal of impairment loss	--	--	--	144	--	--	--	144
Disposals	27	292	1,621	--	--	53	--	1,993
Transfers	(56)	(101)	101	(1,227)	1,227	--	--	(56)
Translation difference	(892)	112	(5,796)	18	--	14	--	(6,544)
Balance as at 31 December 2019	**(11,759)**	**(1,073)**	**(9,248)**	**(1,065)**	**--**	**(1,909)**	**--**	**(25,054)**
Carrying amount								
As at 31 December 2018	**45,096**	**204**	**988**	**--**	**609**	**--**	**--**	**46,897**
As at 31 December 2019	**54,004**	**3,152**	**135,351**	**5,071**	**--**	**9,190**	**19,214**	**225,982**

9. Property, plant and equipment (continued)

In 2019, acquisitions through business combination of TEUR 153,837 relate mainly to acquisition of PREMIER ENERGY DISTRIBUTION S.A., PREMIER ENERGY SRL and SAZKA GROUP ADRIATIC d.o.o., described in Note 1.

The right-of-use assets are recognised in accordance with IFRS 16 and are mainly represented by leased premises for betting shops in Croatia. As at 31 December 2019, the Group disclosed lease liabilities related to right-of-use assets for the total amount of TEUR 9,276 (refer to Note 4 (f)). For effective interest rate used and undiscounted cash flows refer to Note 5.

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

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

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

10. Cash and cash equivalents

	2019 TEUR	2018 TEUR
Current accounts	63,447	10,631
Cash on hand	2,180	6
Other cash equivalents	432	--
	66,059	**10,637**

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 – deposit

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

Financial assets at fair value through profit or loss

The Group held financial assets held for trading of TEUR 518 and derivatives of TEUR 33 to manage future cash flows from the payments of principal and interest according to the loan agreements (interest rate floor swaps).

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

	2019 TEUR	2018 TEUR
At 1st January	--	--
Acquisitions through business combinations	527	--
Change in fair value	10	--
Net foreign currency gains	14	
Balance at 31st December	**551**	**--**

Financial assets at amortised cost

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

11. Financial assets (continued)

Financial assets at amortised cost (continued)

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

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

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

The fair value of financial assets at amortised cost approximates to their carrying amounts as presented above.

12. Loans receivable

The Group has provided loans receivable to its related parties of TEUR 113,061 (2018: TEUR 120,646) and third parties of TEUR 53,975 (2018: TEUR 12,930) which are repayable as follows:

2019	**Average interest rate**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5**	**Total TEUR**
Loans receivable	4.20%	1	163,091	2,088	1,856	**167,036**

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

12. Loans receivable (continued)

As at 31 December 2019, loans receivables are measured at amortised cost under IFRS 9. Loss allowances were calculated based on a 12-month or a lifetime expected credit loss (ECL). As at 31 December 2019, loss allowances related to loans receivable amounted to TEUR 3,320 (31 December 2018: TEUR 2,313).

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 and other receivables amounted to TEUR 57,338 as at 31 December 2019 (2018: TEUR 44,206).

The trade receivables refer mainly to distribution and sales of gas and electricity and workings performed (connections, utility installations and network extension partially financed by customers) by the Romanian and Moldovan companies and to receivable from credit card transactions performed by the Croatian companies.

As at 31 December 2019, all trade and other receivables are measured at amortised cost under IFRS 9. Loss allowances were calculated based on a lifetime expected credit loss (ECL), 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. Inventories

Inventories of TEUR 16,562 (2018: TEUR 4,927) are mainly represented by goods and materials related to gas distribution of Romanian companies.

15. Other assets

As at 31 December 2019 other assets include deferred expenses and prepayments of TEUR 9,239 (2018: TEUR 632), represented mainly by prepayments in relation to additional acquisition of shares in JOSECO HOLDINGS CO. LTD amounting to TEUR 6,348, other tax receivables of TEUR 2,158 (2018: TEUR 470), advances provided of TEUR 84 (2018: 0) and other financial assets such as sundry debtors, down-payments to suppliers, investment grants and other current assets in the aggregate amount of TEUR 7,136 (2018: TEUR 82,383). In 2018, other current assets of TEUR 82,383 represented notably by receivable from PPF Financial Holding B.V. amounting to TEUR 80,000 relating to sale of 2,5% shareholding in Home Credit Group B.V.

16. 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**	
			2019	**2018**	**2019**	**2018**
SAZKA GROUP a.s.	Associate	Czech Republic	--	25.00	--	212,219
SAZKA GROUP PLC [1)]	Associate	United Kingdom	--	25.00	--	14
HOME CREDIT GROUP B.V. [2)]	Associate	Netherlands	8.88	8.88	432,894	370,113
					432,894	**582,346**

1) entity founded in 2018 and dissolved in 2019
2) HOME CREDIT B.V. contributed to HOME CREDIT GROUP B.V. in 2018

On 14 March 2019, the Group sold its entire holding in SAZKA GROUP a.s. for the total nominal consideration of TEUR 630,000, realizing a profit from disposal of TEUR 396,785 (for further information refer to Note 1).

16. Investment in associates (continued)

On 29 April 2019, the Group signed an addendum to the initial agreement transferring 2.5% stake in HOME CREDIT GROUP B.V. (in total 4,385,964,912 shares of ownership interest were sold on 31 December 2018 for total consideration of TEUR 162,500 reducing the shareholding in HOME CREDIT GROUP B.V. from 11.376% to 8.876%). The addendum substituted the initially agreed third instalment with an increase in the second instalment by TEUR 50,000, therefore the total consideration for the acquired stake in HOME CREDIT GROUP B.V. amounted to TEUR 212,500. The maturity of the second instalment amounting to TEUR 130,000 was changed to May 2019. As the addendum was agreed in 2019, the respective increase in purchase price was recognised as a gain in profit and loss in 2019.

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

In 2018, the Group contributed its share in HOME CREDIT B.V. to HOME CREDIT GROUP B.V. In 2018, net gain from sale of investments in subsidiaries and associates in the amount of TEUR 41,858 relates to the sale of shares in associate HOME CREDIT GROUP B.V.

	2019 TEUR	**2018 TEUR**
Net gain from sale of investments in associates*	446,785	41,858
Associates – share of profit	54,315	62,318
	501,100	**104,176**

* Comprises gain from sale of SAZKA GROUP a.s. of TEUR 396,785 (see Note 1) and additional consideration from sale of stake in HOME CREDIT GROUP B.V. of TEUR 50,000.

	2019 TEUR	**2018 TEUR**
At 31st December	582,346	653,756
Effect of IFRS 9 as at 1st January 2018	--	(23,000)
Balance as at 1st January 2019 / Restated balance as at 1st January 2018	582,346	630,756
Additions (acquisitions and capital contributions)	(229,434)	1,474
Disposal	--	(108,259)
Dividends received from associates	--	(10,000)
Group's share of profit	54,315	62,318
Group's share of Other comprehensive income – translation reserve	10,071	(13,115)
Group's share of Other comprehensive income – other components of OCI	(299)	(1,772)
Group's share of other net assets changes (other)	15,895	20,944
At 31st December	**432,894**	**582,346**

16. Investment in associates (continued)

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

TEUR	HOME CREDIT GROUP B.V.		SAZKA GROUP a.s. [1]	
	associate (8.88%) 2019	**associate** (8.88%) 2018	**associate** -- 2019	**associate** (25.00%) 2018
Summarised balance sheet				
Non-current assets	11,593,000	9,668,000	--	3,786,798
Current assets	14,997,000	13,979,000	--	545,798
Non-current liabilities	(6,615,000)	(3,701,000)	--	(2,053,724)
Current liabilities	(17,102,000)	(17,792,000)	--	(505,789)
Net assets (100%)	**2,873,000**	**2,154 000**	**--**	**1,773,082**
Summarised income statement				
Revenues	6,003,000	5,455,000	--	2,031,771
Operating profit	4,249,000	3,953,000	--	332,473
Profit before tax	613,000	469,000	--	352,807
Income tax	(213,000)	(47,000)	--	(90,293)
Profit for the year	**400,000**	**422,000**	**--**	**262,514**
- *out of which profit attributable to equity holders*	**417,000**	**445,000**	**--**	**139,684**
Other comprehensive income	**112,000**	**(137,000)**	**--**	**(9,686)**
Total comprehensive income	**512,000**	**285,000**	**--**	**252,828**

1) In 2019 the Group sold its entire holding in SAZKA GROUP a.s. The Group structure is described in Note 1.

17. 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.

	2019 TEUR	2018 TEUR
Loans from related parties	192,130	221,458
Loans from third parties	8,815	25
	200,945	**221,483**

Non-bank loans are payable as follows:

TEUR	Amount as at 31 December 2019	Payable in 1 year	Payable in more than 1 year
Loans from related and third parties	200,945	64,402	136,543
Total	**200,945**	**64,402**	**136,543**

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**

As at 31 December 2019 and 31 December 2018, the Group's loans were secured as follows:

- 2.827.506.728 shares of the associate company, HOME CREDIT GROUP B.V. (2018: 842.551.460 shares) in favour of PPF Banka a.s. On 21 January 2019, the Company increased its loans with PPF Banka a.s. by TEUR 33.790 in order to repay its loan with Air Banka a.s. by TEUR 33.790. The additional loan proceeds from PPF Banka a.s. required an increase on the shares pledged in HOME CREDIT GROUP B.V. by 1.984.955.268 shares in favour of PPF Banka a.s.
- 2.542.109.474 shares of the associate company, HOME CREDIT GROUP B.V. (2018: 2.542.109.474 shares) in favour of HOME CREDIT GROUP B.V.
- JOSECO HOLDINGS CO. LIMITED shares and the shares of the Moldovan subsidiaries have been pledged in favour of Naturgy Inversiones Internacionales.

The 2.251.548.791 shares of HOME CREDIT GROUP B.V., which were pledged in 2018 in favour of Air Banka s.s., were released during the year, as the bank loan was repaid.

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

18. Liabilities due to banks and other financial institutions

The Group's liabilities due to banks and other financial institutions as of 31 December 2019 amount to TEUR 138,709. The details are described below.

	Maturity	Outstanding principal and interest TEUR
Bank loan – RON	2020	31,823
Bank loan – RON	2021	9,991
Bank loan – HRK	2023	21,312
Bank loan – HRK	2024	63,208
Bank loan – EUR	2027	12,375
		138,709

As at 31 December 2019, the Group's liabilities due to banks and other financial institutions in RON amounting to TEUR 41,814 (2018: TEUR 31,426) are represented mostly by a revolving bank loan received by PREMIER ENERGY SRL.

18. Liabilities due to banks and other financial institutions (continued)

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

The Group´s liabilities due to banks and other financial institution in EUR amounting to TEUR 12,375 are represented by secured loans consisting of two loans facilities received by DANDELION IVF PRAGUE, s.r.o.

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

19. Bonds issued

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

	2019 **TEUR**	**2018** **TEUR**
Nominal value of bonds issued	120,000	120,000
Repayment of bonds	(120,000)	--
Bonds issued on 29 May 2019	90,000	--
Expenses related to the issue of bonds - amortized	(1,715)	(2,551)
Accrued interest	392	1,225
Total amount as at 31 December	**88,677**	**118,674**

On 23 April 2019, the Group voluntarily early repaid bonds EMG 5.25/2022 (ISIN SK4120013012) in its total nominal value plus repayment premium.

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

20. Financial liabilities at fair value through profit or loss

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

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

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

21. Trade and other payables

The Group's trade payables as of 31 December 2019 amounting TEUR 22,111 (2018: TEUR 8,952) consist mainly of payables of gas supply of Romanian companies, distribution of electricity of Moldovan companies and payables related to betting and casino activities of Croatian companies.

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

22. Other liabilities

	2019 TEUR	2018 TEUR
Deferred income and prepayments	11,933	1,410
Accrued expenses	8,039	7,372
Other tax payable	6,691	1,878
Advances received	6,240	7,072
Wages and salaries	2,817	439
Social security and health insurance	706	63
Other liabilities	3,610	798
	40,036	**19,032**

As at 31 December 2019, the balance of deferred income and prepayments is notably represented by liabilities related to sale of electricity by Moldovan subsidiaries, described in Note 1. Accrued expenses and advances received are represented notably by liabilities related to sale of gas by Romanian subsidiaries. The remaining amount of other liabilities is represented by the liabilities borne mainly by the Romanian, Moldovan and Croatian subsidiaries in respect to deposits received for betting and casino games, liabilities for unpaid wins and jackpots and provided vouchers for gaming.

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

23. 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.

	2019 TEUR	2018 TEUR
Deferred tax assets	340	3
Deferred tax liabilities	(21,029)	(7,105)
Net deferred tax liabilities	**(20,689)**	**(7,102)**

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	Recognized in profit or loss (Note 31)	Additions resulting from business combinations	Other movements in OCI	Recognized directly in equity	Effect of movements in foreign exchange rate	Balance at 31 December
2019	(7,102)	(138)	(12,915)	(132)	--	(402)	**(20,689)**
2018	(4,037)	(1,130)	(643)	--	(1,352)	60	**(7,102)**

24. Equity

Share capital

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.

At 31st December 2019, 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 Company's ordinary shares are pledged by EMMA CAPITAL LIMITED, in favour of J&T Banka a.s.

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

	2019 Number of shares	2019 EUR	2018 Number of shares	2018 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	437,370,467	10,055	437,605,467
Decrease of redeemable shares	--	--	--	(235,000)
Balance as at 31 December	**10,055**	**437,370,467**	**10,055**	**437,370,467**

During the year, MEF HOLDINGS LIMITED sold 3 redeemable preference shares to minority shareholders, which represents to 0.03% stake in redeemable preference shares of the Company.

On 19 November 2019, the 9,953 redeemable preference shares which were pledged by MEF HOLDINGS LIMITED in favour of J&T Banka a.s. were released. On 20 November 2019, MEF HOLDINGS LIMITED pledged 9,553 redeemable preference shares in favour of J&T Banka a.s.

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).

Translation reserve

The translation reserve balance as at 31 December 2019 of negative TEUR 42,124 (2018: negative TEUR 53,174) 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 11,050 in 2019 (2018: positive change of TEUR 1,893) in the translation reserve is primarily caused by movements in equity of equity-accounted investees and by sale of shares in equity-accounted investee (refer to Note 16).

24. Equity (continued)

Revaluation reserves

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

	Note	TEUR
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.)	16	322
Current year share on revaluation gain from associates (HOME CREDIT GROUP B.V.)	16	114
Transactions with NCI without change in control	1	(2,218)
On 31st December 2018		**15,036**
On 1st January 2019		15,036
Current year share on revaluation gain from associates	16	89
Revaluation gains/(losses) on property, plant and equipment		(731)
On 31st December 2019		**14,394**

Other reserves

The balance of other reserves as at 31st December 2019 of TEUR negative 19,295 (2018: TEUR negative 20,016) 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 16).

Non-controlling interests

The following table summarises the information relating to each of the Group´s subsidiaries that has material NCI in 2019.

TEUR	LIGATNE LIMITED Group	SAZKA GROUP ADRIATIC Group[1)]	DANDELION HEALTHCARE Group	JOSECO HOLDINGS Group	Total
NCI percentage	**19.15%**	**33.00%**	**30.00%**	**31.43%**	
Non-current assets	72,043	57,926	23,414	156,012	
Current assets	77,170	47,213	1,412	29,726	
Non-current liabilities	(53,300)	(7,330)	(12,474)	(26,104)	
Current liabilities	(44,392)	(13,111)	(2,490)	(30,653)	
Net assets	**51,521**	**84,698**	**9,862**	**128,981**	
Net assets attributable to NCI	**9,866**	**27,950**	**2,959**	**40,539**	**81,314**
Revenue	177,494	80,442	1,807	189,835	
Profit	5,854	40,565	413	98,679	
OCI	(1,695)	(374)	447	3,300	
Total comperehensive income	**4,159**	**40,191**	**860**	**101,979**	
Profit allocated to NCI	**1,121**	**13,386**	**124**	**31,015**	**45,646**
OCI allocated to NCI	**(325)**	**(123)**	**134**	**1,037**	**723**

[1)] Only subsidiaries of SAZKA GROUP ADRIATIC included. NCI percentage of SUPER SPORT d.o.o. and PUNI BROJ d.o.o. is 33.00%, NCI percentage of MINUS5 d.o.o. is 49%.

24. Equity (continued)

Non-controlling interests (continued)

In 2018, the balance of net assets attributable to NCI of TEUR 6,784 was represented notably by LIGATNE LIMITED Group.

Dividends paid

During 2019, the Group distributed dividends to EMMA CAPITAL LIMITED in the total amount of TEUR 59,500. Dividends in the amount of TEUR 8,862 were distributed to minority shareholders of subsidiaries.

25. Impairment losses on loans and receivables

	2019 TEUR	2018 TEUR
Net impairment losses on loans, other financial assets and other assets	(2,147)	(1,509)
	(2,147)	**(1,509)**

Net impairment losses on loans, other financial assets and other assets amounting to TEUR 2,147 charged to profit or loss in 2019 is attributable notably to impairment on trade receivables.

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

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

26. Services and material expenses / Personnel expenses

	2019 TEUR	2018 TEUR
Professional services	(11,983)	(1,679)
Independent auditor’s remuneration for statutory audit	(442)	(201)
Advertising and marketing	(2,525)	--
Taxes other than income tax	(3,723)	(131)
Rental, maintenance and repair expenses	(5,043)	(649)
Telecommunication and postage	(885)	--
Travel expenses	(489)	--
Information technologies	(1,701)	--
Distribution, transport and storage of goods	(8,709)	(9,634)
Material consumption	(2,885)	--
Energy consumption	(624)	--
Other	(4,518)	(2,581)
Services and material expenses	**(43,527)**	**(14,875)**
Employee compensation	(18,474)	(5,245)
Payroll related taxes (including social and pension contribution)	(2,523)	(193)
Personnel expenses	**(20,997)**	**(5,438)**

Professional services expenses represent administration expense, accounting services expense, advisory expense, betting and casino concession charge, professional and management fees and incorporation expenses.

Amount paid for Audit services totals TEUR 442 (2018: TEUR 201) and other services provided by auditors TEUR 252 (2018: TEUR 20).

The average number of employees in the Group for the year 2019 was 2,196 employees (2018: 319 employees).

27. Revenues and expenses related to core operations

	2019 TEUR	2018 TEUR
Sale of gas	154,244	94,082
Revenue from betting activities	37,725	--
Revenue from casino games	27,913	--
Revenues from electricity distribution service	99,224	--
Medical services	1,552	--
Other revenues	29	--
Revenues from core operations	**320,687**	**94,082**
Gas distribution income	16,161	14,072
Connection services	238	175
Gas network extensions	577	167
Installation facilities executions	1,596	2,575
Other income related to gaming	14,804	--
Other income	3,146	3,500
Other income related to core operations	**36,522**	**20,489**
Cost of gas sold	(136,525)	(81,177)
Cost of electricity sold	(63,858)	--
Transportation of electricity	(8,868)	--
Costs of goods sold	**(209,251)**	**(81,177)**

In 2019 and 2018, the profit from sale of gas is generated by the Romanian companies. 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.

The significant increase of revenues in 2019 are caused by the acquisition of SAZKA GROUP ADRIATIC d.o.o., generated by providing betting services via betting shops throughout Croatia as well as via betting machines and online betting. Casino revenues are generated by providing physical (land based) and online casino services. Additionally, revenues from electricity distribution founded as a result of the acquisition of Moldavian companies PREMIER ENERGY DISTRIBUTION S.A. and PREMIER ENERGY SRL. In 2019, as a result of the acquisition of EUROPE IVF INTERNATIONAL s.r.o., the Group recognised revenues from medical services.

28. Other operating income

	2019 TEUR	2018 TEUR
Rental income (other than from Investment property)	146	--
Gain on disposal of property, plant, equipment, and intangible assets	88	--
Net foreign currency gains	68	--
Other income	2,406	--
	2,708	**--**

Other income is notably represented by other operating income of Romanian subsidiaries, described in Note 1.

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

29. Other operating expenses

	2019 TEUR	2018 TEUR
Depreciation on property, plant and equipment	(10,618)	(4,017)
Amortisation of intangible assets	(302)	(241)
Reversal of impairment losses on property, plant and equipment recognised	144	--
Net impairment losses on other assets	(2)	--
Loss on disposal of property, plant, equipment, and intangible assets	(58)	
Net foreign currency losses	--	(1,993)
	(10,836)	**(6,251)**

Net impairment losses on loans and other financial assets and receivables are disclosed under Impairment losses on loans and receivables (see Note 25).

For the year 2019, net foreign currency gains were disclosed under Other operating income.

30. Net finance income/expense

	2019 TEUR	2018 TEUR
Finance income		
Interest income	12,533	6,810
Fee and commission income	2,250	--
Gain on financial instruments at fair value through profit or loss (derivatives)	181	--
Other finance income	216	--
Total finance income	**15,180**	**6,810**
Finance expense		
Interests expense	(29,603)	(26,032)
Fee and commission expense	(519)	(143)
Loss on financial instruments (derivatives)	(6,075)	--
Total finance expense	**(36,197)**	**(26,175)**
Net finance expense	**(21,017)**	**(19,365)**

	2019 TEUR	2018 TEUR
Interest income		
Loans receivable	8,306	6,759
Due from banks, other financial institutions and holding companies	258	51
Financial instruments at amortised cost	3,969	--
	12,533	**6,810**
Interest expense		
Due to non-banks	(20,220)	(17,834)
Due to banks and other financial institutions	(4,704)	(1,352)
Debt securities issued	(4,522)	(6,846)
Lease liabilities	(157)	--
	(29,603)	**(26,032)**

31. Income tax expense

	2019 TEUR	2018 TEUR
Current tax expense	(12,311)	(694)
Deferred tax expense (Note 23)	(138)	(1,130)
Total income tax expense recognised in profit or loss	**(12,449)**	**(1,824)**

Reconciliation of effective tax rate	**2019 %**	**2019 TEUR**	**2018 %**	**2018 TEUR**
Profit before tax		**642,648**		**90,265**
Income tax using the domestic tax rate (see below)	(12.50)	(80,331)	(12.50)	(11,283)
Effect of tax rates in foreign jurisdictions	(0.40)	(2,558)	0.12	108
Non-deductible costs	(1.08)	(6,954)	(3.57)	(3,224)
Non-taxable income	12.12	77,857	14.70	13,265
Tax loss carried forward not recognised	(0.07)	(442)	(0.17)	(155)
Utilised tax loss not previously recognised	0.02	158	(0.58)	(520)
Other	(0.03)	(179)	(0.02)	(15)
Total income tax expense	**(1.94)**	**(12,449)**	**(2.02)**	**(1,824)**

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

	2019	**2018**
Cyprus	12.50%	12.50%
Slovakia	21.00%	21.00%
The British Virgin Islands	0.00%	0.00%
Croatia	18.00%	n/a
Czech Republic	19.00%	n/a
Romania	16.00%	16.00%
Moldavia	12.00%	n/a

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

32. 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

	2019 TEUR	2018 TEUR
Loans received (principal payables)	2,317	32,318
Accrued interest (interest payable)	2,165	3,827
Loans provided (principal receivables)	108,193	102,310
Accrued interest (interest receivable)	4,464	5,394

(b) Transactions with associates

	2019 TEUR	2018 TEUR
Loans received (principal payables)	38,150	38,150
Accrued interest (interest payable)	1,122	1,116

(c) Transactions with other related parties

	2019 TEUR	2018 TEUR
Loans received (principal payables)	139,992	143,558
Accrued interest (interest payable)	8,382	2,490
Loans provided (principal receivables)	520	11,850
Accrued interest (interest receivable)	1	1,091

(d) Transactions with key management personnel

Amounts included in the statement of comprehensive income in relation to transactions with members of key management are benefits of TEUR 6 comprising directors' fees (2018: TEUR 6). 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.

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

(e) Shareholder agreements

SGA has contractually agreed the future acquisition of 33% in SS from its non-controlling shareholder in 2022. The total purchase price for such acquisition is partially depending on SS performance in 2021 and based on the current assumptions and expectations it could reach approximately EUR 167 million. However, the non-controlling shareholder has the unilateral right to partially cancel the sale. Such cancellation has to be declared by

32. Related party transactions (continued)

(e) Shareholder agreements (continued)

30 June 2021 and it is associated with simultaneous disproportionate decrease of the sale price. In case that the non-controlling shareholder would use the right to cancel the sale to the maximum extent, it could result, based on the current assumptions and expectations, in the sale of 9.2% of shares in SS for EUR 1, while the non-controlling shareholder would continue to keep 23.8 % in SS without any further commitments towards the Company. Both estimations - the maximum amount payable in case that the sale is not partially cancelled as well as the percentage of shares to be acquired for EUR 1 in case of the maximum possible cancellation of the sale are based on the current expectation of 2021 EBITDA and would change accordingly based on the actual 2021 performance.

33. Events after the reporting period

The World Health Organization declared on 11 March 2020 the coronavirus SARS-CoV-2 outbreak a pandemic. Relevant arrangements and risks related to the pandemic were mentioned in Note 5 “Risks related to pandemic COVID 19”.

On 6 February 2020, EMMA OMEGA LTD subscribed to a newly incorporated entity, EMMA OMEGA FINANCE for TCZK 2,000.

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

On 17 March 2020 dividends in the total amount of TEUR 11,596 were distributed to minority shareholders of subsidiaries.

In March 2020, the Company fully refinanced its acquisition financing described in Note 18. The new 5 years financing provided by 2 Croatian banks in the total aggregate amount of HRK 646 million stays secured by pledge of the Group’s 65.45 % stake in SUPER SPORT d.o.o. The effective interest rate has decreased significantly.

In order to finance working capital needs, on March 30, 2020 a "Revolving" credit line from BC "Moldova Agroindbank" SA was contracted in the maximum amount of up to MDL 120 million or the equivalent of this amount in whole or partially in EUR, with the maturity March 29, 2022.

On 19 February 2020, the Company acquired additional 24.22% shareholding in JOSECO HOLDINGS CO. LIMITED for the consideration of TEUR 13,148, increasing its holding to 92.79%. The Company repaid the deferred consideration relating to acquisition in the whole amount.

On 27 March 2020, the Company’s subsidiary SERENITY RESOURCES LIMITED was put into voluntary liquidation.

On 3 April 2020, the Company’s subsidiary PREMIER ENERGY S.R.L. acquired 98.68% shareholding in Romanian company B.E.R.G. Sistem Gaz S.A.

On 16 April 2020, the Group distributed dividends to EMMA CAPITAL LIMITED in the total amount of TEUR 20,000.

On 27 April 2020, the Company´s shares has been diluted and partly sold to the Company´s minority shareholders which resulted in the decrease of stake held by MEF HOLDINGS LIMITED to 97.24%.

On 21 May 2020, the Company increased its holding in LIGATNE LIMITED to 100% in exchange for the issuance of 170 new redeemable preference shares in the Company, which resulted in the decrease of stake held by MEF HOLDINGS LIMITED to 95.62%.