



**LOGICOM PUBLIC LIMITED**

**REPORT AND CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

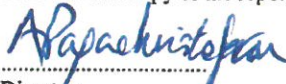
LOGICOM PUBLIC LIMITED


REPORT AND CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

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We hereby certify that the report and financial statements of Logicom Public Limited for the year ended 31 December 2018 is a true copy of the report and financial statements laid and deposited at the General Meeting of the Company.

  
.....  
Director  
Anthoulis Papachristoforou  
For Logicom Public Limited

  
.....  
Secretary  
Adaminco Secretarial Limited

**LOGICOM PUBLIC LTD**

**Δ/ο ADAMINCO SECRETARIAL LIMITED**  
ΓΙΟΤΑ ΠΑΣΧΑΛΗ, Διοικητικός Σύμβουλος

BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS**DIRECTORS**

**Takis Klerides**, Chairman (from 25 October 2018)  
**Adamos K. Adamides**, Chairman (until 21 June 2018)  
**Varnavas Irinarchos**, Vice Chairman and Managing Director  
**Nicos Michaelas**, Director  
**George Papaioannou**, Director  
**Anthoulis Papachristoforou**, Deputy Managing Director  
**Anastasios Athanasiades**, Director

**GROUP CHIEF FINANCIAL OFFICER**

Anthoulis Papachristoforou

**SECRETARY**

**Adaminco Secretarial Limited**  
 Zenonos Sozou 3, 1st floor  
 3105 Limassol

**REGISTERED OFFICE**

Zenonos Sozou 3, 1st floor  
 3105 Limassol

**MANAGEMENT OFFICE**

26 Stasinou Street, Ayia Paraskevi  
 2003 Strovolos, Nicosia

**INDEPENDENT AUDITORS**

**KPMG Limited**  
 14 Esperidon street  
 1087 Nicosia

**LEGAL ADVISORS**

**Scordis, Papapetrou & Co LLC**  
 Zenonos Sozou 3, 1st floor  
 3105 Limassol

**BANKERS**

Hellenic Bank Public Company Limited  
 Bank of Cyprus Public Company Limited  
 National Bank of Greece (Cyprus) Ltd  
 Alpha Bank Cyprus Ltd  
 TFI Markets Limited  
 AstroBank Limited  
 Societe Generale Bank - Cyprus Limited  
 The Cyprus Development Bank Public Company Limited  
 FIMBank PLC  
 Ancoria Bank Limited  
 Arab Bank PLC Jordan

**BANKERS**

National Bank of Greece S.A.  
 Alpha Bank S.A.  
 Piraeus Bank A.E.  
 Eurobank Ergasias S.A.  
 HSBC Middle East Limited  
 HSBC Bank Oman SAOG  
 Standard Chartered Bank (UAE)  
 National Bank of Fujairah PSC  
 Mashreqbank PSC  
 Noor Bank PJSC  
 Arab Bank plc  
 Emirates NBD Bank PJSC  
 Standard Chartered Bank (Bahrain)  
 The Commercial Bank of Qatar(Q.S.C.)  
 Standard Chartered Bank (Qatar)  
 Bank of Bahrain and Kuwait BSC  
 National Bank of Kuwait SAK  
 Bank of Beirut  
 Marfin Bank (Romania) SA  
 Banca Transilvania SA  
 Alpha Bank Romania SA  
 Banca Comerciala Romania SA  
 Turkiye Garanti Bankasi A.S.  
 Yapi ve Kredi Bankasi A.S.  
 QNB Finansbank A.S.  
 Akbank T.A.S.  
 Albaraka Turk Katilim Bankasi A.S.  
 Credito Valtellinese spa  
 Banco Popolare belong to Banco BPM spa  
 UniCredit Bank AG  
 Saudi British Bank  
 Bank Audi S.A.L.  
 Societe Generale de Banque au Liban  
 Global Supply Chain Finance Ltd

**LOGICOM PUBLIC LIMITED****STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE OFFICIALS OF THE  
COMPANY RESPONSIBLE FOR THE FINANCIAL STATEMENTS**

According to the articles of the Conditions for Transparency (Movable Securities for Trading in Controlled Market) Law of 2007 as amended (“Law”), we the members of the Board of Directors and Anthoulis Papachristoforou, BA (Hons) FCCA, Group Chief Financial Officer responsible for the preparation of the financial statements, of the Group and the Company Logicom Public Limited, for the year ended 31 December 2018, we confirm that to the best of our knowledge:

(a) The annual consolidated and separate financial statements that are presented in pages 36 to 148.

(i) were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and in accordance with the provisions of Article 9, section (4) of the Law, and

(ii) give a true and fair view of the assets and liabilities, of the financial position and of the profit or losses of Logicom Public Limited and the businesses that are included in the Consolidated Financial Statements as a whole, and

(b) The consolidated and separate management report gives a fair review of the developments and the performance of the business as well as the financial position of Logicom Public Limited and the businesses that are included in the Consolidated Financial Statements as a whole, together with a description of the main risks and uncertainties which are faced.

**Members of the Board of Directors:**

Takis Klerides, Chairman

Varnavas Irinarchos, Vice Chairman and Managing Director

Nicos Michaelas

George Papaioannou

Anthoulis Papachristoforou, Deputy Managing Director

Anastasios Athanasiades

**Responsible for the preparation of financial statements**

Anthoulis Papachristoforou (Group Chief Financial Officer)

Nicosia, 28 February 2019

**LOGICOM PUBLIC LIMITED****CONSOLIDATED AND SEPARATE MANAGEMENT REPORT**

The Board of Directors of Logicom Public Limited (the “Company”) presents to the members its consolidated and separate report together with the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) and the separate financial statements of the Company for the year ended 31 December 2018.

**DEVELOPMENT AND PERFORMANCE OF THE GROUP'S AND COMPANY'S ACTIVITIES AND POSITION, RISKS AND UNCERTAINTIES*****DEVELOPMENT AND PERFORMANCE OF THE GROUP'S AND COMPANY'S ACTIVITIES AND POSITION***

The Group's turnover increased by 3,9% in relation to 2017, mainly due to the increased turnover of the services sector. The turnover of the Software and Integrated Solutions Sector shows an increase of 11,3%, mainly due to new projects in the Cypriot market. The turnover of the Distribution sector also shows an increase of 3,5%, mainly due to the increase of sales in the European markets.

The Company's Turnover increased by 12,3% in relation to 2017, mainly due to the increase of the intragroup sales to foreign subsidiaries which show an increase in their turnover and to the increase of sales to third parties.

The percentage of the Group's gross profit margin shows a marginal increase from 7,0% in 2017 to 7,1% in 2018, mainly due to the increase in the percentage of the Services Sector sales, where the gross profit margin is higher (2018: Gross profit: €64.036.931 to Sales: €899.984.186 as reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, 2017: Gross Profit: €60.909.969 to Sales: €865.808.647 as reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income).

The percentage of the Company's gross profit margin has increased from 4,7% in 2017 to 7,7% in 2018, mainly due to the sales with gross profit margins higher than the average.

Group's Other Income mainly relates to the recognition of gain amounting to €661.913 from the change in the estimated cash flows of Verendrya Ventures Limited loan receivable from M.N. Larnaca Desalination Co. Ltd, due to the adoption of the provisions of the International Financial Reporting Standard (IFRS) 9, as well as to income through business relationships with third parties.

Company's Other Income mainly comprise of dividends receivable from subsidiaries and income through business relationships with third parties.

The Impairment Losses on the Group's Receivables amount to €68.591 (2017: €379.811) and refer to the total bad debts that were recognised in the results in accordance with the provisions of IFRS 9.

The Impairment Losses on the Company's Receivables amount to €1.159.640 (2017:€1.553) and refer to the total bad debts that were recognised in the results in accordance with the provisions of IFRS 9. The increase mainly refers to the impairment of the amount receivable from the subsidiary company Logicom IT Distribution Limited.

The Group's Other Expenses mainly relates to the impairment of property and equipment. The decrease in the Group's Other Expenses compared to 2017 mainly relate to the provision for impairment of the loan receivable from M.N. Larnaca Desalination Co. Ltd to Verendrya Ventures Limited amounting to €2.214.726 that was reported for 2017.

The Company does not show any Other Expenses for the year 2018. In 2017, the Company's Other Expenses mainly relate to the provision of impairment of its investments in the subsidiary companies Rehab Technologies Ltd in Saudi Arabia and Cadmus Tech Points S.A.L. in Lebanon.

The increase in Group's Administration Expenses by €2.840.090, and in percentage terms 7,6% compared to 2017, is mainly due to the increase of personnel and infrastructure expenses, as a result of the Group's expansion in new markets and of the increase in the variety of available products. The term 'Administration Expenses' encompasses all the operating expenses of the Group, including Administrative, Distribution and Operational expenses.

The increase in the Company's Administration Expenses by €671.585, and in percentage terms 11,2%, compared to 2017, is mainly due to the increase of personnel expenses.

**LOGICOM PUBLIC LIMITED****CONSOLIDATED AND SEPARATE MANAGEMENT REPORT****DEVELOPMENT AND PERFORMANCE OF THE GROUP'S AND COMPANY'S ACTIVITIES AND POSITION, RISKS AND UNCERTAINTIES** *(continued)*

The Group's profit from operating activities amounted to €25.118.344 which increased by 9,9% compared to 2017 mainly due to the increase in Turnover.

The Company's profit from operating activities amounted to €16.638.012 which increased by 131,0% compared to 2017 mainly due to the increase in Other Income that mainly refers to Dividend Receivable from subsidiary companies, in Turnover and the corresponding Gross Profit Margin.

The Group's financing cost, including Interest Receivable and Payable, and related Bank Charges resulting from the banking facilities used for the execution of the Group's operations increased to €7.266.950 compared to €5.704.034 in 2017 and in percentage terms 27,4% due to the increase of the net borrowing which was mainly used for the financing of the acquisition of shares in Demetra Investment Public Limited, as mentioned below, as well as for the financing of the increased working capital due to the increase in turnover.

The Company's financing cost, including Interest Receivable and Payable, and related Bank Charges resulting from the bank facilities used for the execution of the Company's operations amounted to €3.898.839 compared to €2.497.375 in 2017 and in percentage terms 56,1% increase.

The Foreign Exchange Difference, resulting from the exchange rate fluctuation between the US Dollar and the Euro, had a positive impact on the Group's results amounting to a profit of €393.371, compared to 2017 where the profit amounted to €1.051.610. It is clarified that as from 1 January 2010 the provisions of the IAS 39 and from 1/1/2018 the provisions of IFRS 9 in relation to Hedge Accounting have been adopted, with the aim to reduce the effects of the exchange rate fluctuation between the US Dollar and the Euro in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The adoption of the provisions of IFRS 9 limited the effect on Group results. Loss amounting to €1.581.709 which arose on the conversion of the net investment in foreign subsidiaries was hedged in reserves with a loss of €1.581.709 that arose on the conversion of the net investments in foreign subsidiary companies.

According to the directives of the Revised International Accounting Standard 21, the increase in the value of the Company's long-term investments in foreign subsidiaries, due to exchange differences, amounting to €426.943 is transferred to the Reserves until the date of liquidation where any result will be transferred to the Statement of Profit or Loss and Other Comprehensive Income.

References to the Group's profit from associates refer to the write off of negative goodwill of €4.414.493 and the share of profit from associate of €1.846.822 attributable to the Group for the period 15 March 2018 - 31 December 2018. The negative goodwill arose from the increase of the investment in Demetra Investment Public Limited ('Demetra Investment') through the subsidiary Logicom Services Limited. The investment in Demetra Investment which was classified as Investments at Fair value through Other Comprehensive Income after the adoption of IFRS 9 was reclassified to Investments in Associates following the increase of the shareholding of Logicom Services Limited in the share capital of Demetra to 29,62%. The amount of negative goodwill written off in the Consolidated Statement of Profit or loss and Other Comprehensive Income refers to the surplus of Demetra's Net Assets fair value on 15 March 2018 compared to the carrying value of the investment in Demetra Investment which is composed by the existing investment in its stock market value plus the shares' acquisition cost which took place on 15 March 2018.

References to the Net share of profit from jointly controlled companies and partnership and to the Profit attributable to Non-controlling Interest refer to the net operating profit of the investments in the Desalination Plants in Larnaca and Episkopi.

The Group's taxation amounts to €1.894.164 compared to €3.164.048, mainly due to the provision for Deferred Taxation from tax losses of the Group's companies, of €1.030.886 which is restrained by the provision for corporation tax from Group's companies compared to reversal of Deferred Taxation of €1.051.670 in 2017.

The Company's taxation amounted to credit amount of €281.499 compared to debit amount of €490.099 in 2017, mainly due to the Deferred Taxation that was calculated on the Company's tax losses.

**LOGICOM PUBLIC LIMITED**

## CONSOLIDATED AND SEPARATE MANAGEMENT REPORT

**DEVELOPMENT AND PERFORMANCE OF THE GROUP'S AND COMPANY'S ACTIVITIES AND POSITION, RISKS AND UNCERTAINTIES** *(continued)*

The Group's profit before tax amounted to €24.574.047 for the year 2018 compared to €17.792.310 in 2017 and in percentage terms an increase of 38,1%. The increase is mainly due to the write off of the negative goodwill of the investment in Demetra Investment Public Limited, as well as to the share of profit for the period from this associate company.. The profit attributable to the Company's shareholders has increased by €6.641.517 and in percentage terms by 42,5% from €15.624.710 in 2017 to €22.266.227 in 2018.

The Company's profit before tax amounted to €13.573.360 for the year 2018 compared to €4.113.299 in 2017, that corresponds to an increase in percentage terms of 230,0%. The increase is mainly due to the increase in Other Income that primarily refer to dividends receivable from subsidiary companies, the Turnover and to the corresponding percentage of Gross Profit Margin.

The Group's earnings per share and diluted earnings per share in 2018 increased by 42,5% compared to 2017 to 30,06 cents.

The Company's earnings per share and diluted earnings per share in 2018 increased by 282,4% compared to 2017 to 18,70 cents.

The Group's cash and cash equivalents compared to the bank overdrafts present a credit balance of €18.318.669 at the end of 2018 compared to €1.981.224 at the end of 2017. The short-term loans have decreased to €58.138.882 from €62.295.134. The long-term loans have increased to €31.734.431 from €17.749.332.

The Company's cash and cash equivalents compared to the bank overdrafts present a credit balance of €27.634.119 at the end of 2018 compared to €8.066.548 at the end of 2017. The short-term loans have increased to €33.915.953 from €23.733.890. The long-term loans have increased to €23.283.298 from €11.006.496.

Verendrya Ventures Limited, of which the Company holds 60% of its share capital, in a joint venture with a 50% share.

- Completed the construction of the Desalination plant in Episkopi based on the agreement with the Water Development Department dated 7 August 2009. As announced, as per the agreement dated 20 July 2011 Demetra Investments Public Ltd participates indirectly to the execution and operation of the desalination project in Episkopi as a result of the indirect 40% share in Verendrya Ventures Limited. The construction of the project was completed in June 2012 and the desalination unit remained in stand-by mode from 1 July 2012 until 27 April 2014. The desalination unit started production on the 28th of April 2014.

- On 26 January 2012, signed an agreement with the Water Development Department for the renovation and operation of the existing desalination unit in Larnaca. Demetra Investment Public Ltd participates indirectly in the implementation and operation of the desalination project in Larnaca with 40% share in Verendrya Ventures Limited. The renovation of the unit was completed in June 2015 and started operations on the 4th of July 2015. As of today, claims are pending in regards to the execution of this contract.

During 2018, the Turnover and the Results from the current operations improved, however, the increase of the shareholding in Demetra Investments Public Limited resulted in the significant increase of the Profit attributable to the Shareholders due to the write off of the Negative Goodwill of the investment in Demetra Investment Public Limited, as well as to the share of profit from this associate company as mentioned above.

**LOGICOM PUBLIC LIMITED**

CONSOLIDATED AND SEPARATE MANAGEMENT REPORT

**DEVELOPMENT AND PERFORMANCE OF THE GROUP'S AND COMPANY'S ACTIVITIES AND POSITION, RISKS AND UNCERTAINTIES** *(continued)*

The performance of the Group and the Company is also assessed with the following financial ratios:

Ratio	Change	Group		Change	Company	
		2018	2017		2018	2017
Working Capital	10,4%	2,77	2,51	37,0%	0,37	0,27
Inventory Days	2,7%	30	29	(71,9)%	10	28
Trade Receivables Days	5,5%	71	67	(3,4)%	78	80
Net Debt to Equity	12,5%	1,08	0,96	61,6%	2,04	1,27
Net Debt to Profit before Taxation, Depreciation, Amortization and Interest	(1,7)%	3,39	3,45	(25,9)%	5,03	6,79
Interest Coverage	11,8%	4,37	3,91	53,7%	4,70	2,98

*Working Capital Ratio ((Trade Receivables + Inventories) / Trade Creditors)* - The increase in the ratio for the Group is mainly due to the increase of trade receivables and inventories compared to 2017. The increase for the Company resulted from the decrease of trade payables compared to 2017 due to the signing of separate distribution contracts by the Group's subsidiary companies.

*Inventory Days ((Inventories / Cost of Sales) X 365)* - The marginal increase of the Group's ratio is mainly due to the increase in inventories compared to 2017. The Company's ratio decrease is due to the decrease of goods in transit from the Group's subsidiary companies.

*Trade Receivable Days ((Trade Receivables / Turnover) X 365)* - The increase shown for the Group is due to the increase in Turnover in Group companies with higher than average credit terms. The decrease shown for the Company is due to the increase in Turnover.

*Net Debt to Equity Ratio ((Bank Borrowings - Cash and Cash Equivalents) / Equity)* - For the Group, the ratio shows an increase in relation to the previous year due to the increase in net debt despite the increase in equity. For the Company, the ratio also shows an increase for the same reason.

*Net Debt to Profit before Tax, Depreciation, Amortisation and Interest ((Bank Borrowings - Cash and Cash Equivalent) / Profit before Tax, Depreciation, Amortisation and Interest)* - For the Group the ratio shows a marginal decrease compared to the previous year due to the increase in profitability despite the increase in net debt. For the Company the ratio shows a decrease for the same reason.

*Interest coverage ratio (Profit before Tax, Depreciation, Amortization and Interest / Interest expense)* - For the Group and the Company, the ratio shows an increase compared to the previous year due to the significant increase in profitability despite the interest increase.

**MAIN RISKS, UNCERTAINTIES AND RISK MANAGEMENT**

The main risks faced by the Group and the Company are stated and analysed in note 36 of the consolidated and separate financial statements.

**Credit risk**

Credit risk is the risk of default by counter parties to transactions mainly from trade receivables of the Group and the Company. The Group and the Company ensure the application of appropriate mechanisms and ensure the maintenance of related monitoring procedures and controls over credits. Credit risk is monitored on an ongoing basis.



**LOGICOM PUBLIC LIMITED****CONSOLIDATED AND SEPARATE MANAGEMENT REPORT****DEVELOPMENT AND PERFORMANCE OF THE GROUP'S AND COMPANY'S ACTIVITIES AND POSITION, RISKS AND UNCERTAINTIES** *(continued)*

The Group entered into an agreement with Atradius Credit Insurance N.V. for the insurance of the credit that the Group offers to its customers. The issuance of such insurance agreement is considered to be the most appropriate method for hedging against credit risk.

**Interest rate risk**

Interest rate risk is the risk of fluctuations in the value of financial instruments due to movements in market interest rates. Income and cash flows from operations of the Group and the Company are dependent on changes of market interest rates, since the Group and the Company have material assets which bear interest. The Group and the Company are exposed to interest rate risk on borrowings. Borrowing in variable interest rates exposes the Group and the Company in interest rate risk that affects cash flows. Borrowing in fixed interest rates exposes the Group and the Company in interest rate risk that affects the fair value. The management of the Group and the Company is monitoring the fluctuations of interest rates on an ongoing basis and ensures that the necessary actions are taken.

**Foreign exchange risk**

This risk arises from adverse movements in foreign exchange rates.

The Company and the Group are subject to foreign exchange risk on sales, purchases and loans in currencies other than the Company's and subsidiary companies functional currency, and on the long-term loans to foreign subsidiaries. Management is aware of the foreign exchange risk and is applying alternative methods to hedge the risk.

The hedging of foreign exchange risk is managed by the Group Chief Financial Officer together with the Executive Directors. This issue is discussed and examined at the Board of Directors meetings because the Company is materially affected from the movements in foreign currencies against the Euro.

**Liquidity risk**

Liquidity risk is the risk that arises when the period in which the assets can be converted to cash does not concur with the period in which the liabilities fall due. When expiry dates do not concur, the performance can increase but at the same time, the risk for losses can also increase. The Group and the Company have procedures in place to minimize such losses, such as retaining sufficient amounts in cash and other highly liquid assets and retaining sufficient amounts in secured credit facilities in order to cover liabilities when they fall due.

Management estimates that the ability of the Group to receive in advance its trade receivables through the factoring agreement with recourse in Greece, Cyprus and United Arab Emirates as well as the ability to sell trade receivables in the United Arab Emirates, reduces even further the liquidity risk.

**Fair Value**

Fair Value risk is the risk that arises when the book values of the Group's and Company's assets and liabilities are significantly different from their fair values at the reporting date.

Management believes that by valuating the financial assets and liabilities of the Group and the Company at their fair value, where this can be measured reliably, the risk is significantly limited.

**Capital Management**

Group's and Company's management has as a principle the maintenance of a strong capital base for the support of the credibility and trust of the investors and creditors as well as the market as a whole. Management monitors continuously the return on equity.

**LOGICOM PUBLIC LIMITED**

## CONSOLIDATED AND SEPARATE MANAGEMENT REPORT

**DEVELOPMENT AND PERFORMANCE OF THE GROUP'S AND COMPANY'S ACTIVITIES AND POSITION, RISKS AND UNCERTAINTIES** *(continued)***Operating Environment**

The Group operated in Cyprus where despite the recovery of the economy the high ratio of non-performing loans (NPLs), the high unemployment and the high public and private debt might affect the macroeconomic prospects of the Cypriot Economy and the stability of the national banking system. In addition, the Group operates in the geographical region of Southeast Europe and Middle East with a significant presence in the broader area of the Gulf where political instability exists which in return creates economic instability.

Even though the Company's Management is unable to predict all developments which could have an adverse impact on the Cyprus economy and the countries in which the Group operates it believes that it is taking all the necessary measures to address any problems that may arise due to external factors, with a view to maintain the viability of the Group and the expansion of its operations to the present business and economic environment.

*OPERATIONS OF THE COMPANY AND ITS SUBSIDIARY COMPANIES*

The Group continued during the year 2018 the distribution of high technology products, the supply of services and complete information technology, telecommunication and software solutions and the participation in large infrastructure projects in the water sector.

*FORSEEABLE DEVELOPMENT OF THE COMPANY*

Despite the existing market conditions which are outlined by the uncertainty resulting from the economic instability in some of the regions of the Group's operations, during 2019, the prospects are positive.

Further empowerment of the competitive position of the Company is expected.

*RESEARCH AND DEVELOPMENT ACTIVITIES*

There were no significant activities in the sector of research and development from the Group companies.

*BRANCHES - FOREIGN OPERATIONS*

The Group operates a branch in Malta. The Group operates through subsidiary companies in United Arab Emirates, Saudi Arabia, Lebanon, Jordan, Greece, Italy, Turkey, Romania, Germany, Qatar, Kuwait, Oman and Bahrain.

*USE OF FINANCIAL INSTRUMENTS*

The derivative financial instruments of the Group and the Company relate to foreign exchange hedging products to hedge the fluctuations in foreign currencies. The Group and the Company's management follow a policy to minimize the risk arising from the fluctuation of foreign exchange differences, as stated in the significant accounting policies.

The gain arising from the change in the fair value of derivative financial instruments for the year that was recognised in Group's and Company's results amounted to €987.521 (2017 loss: €2.576.032) and €972.895 (2017 loss: €2.526.881) respectively.

**LOGICOM PUBLIC LIMITED****CONSOLIDATED AND SEPARATE MANAGEMENT REPORT***SHARE CAPITAL*

There was no change to the issued share capital of the Company for the year 2018.

All shares are listed and traded in the Cyprus Stock Exchange, they have the same and equal rights and have no limitations in their transfer. Detailed information in relation to the Company's share capital is presented in note 24 of the consolidated and separate financial statements.

All shares of the Company's subsidiary companies are held directly or indirectly by the Company.

*COMPOSITION, SEGREGATION OF DUTIES AND REIMBURSEMENT OF THE BOARD OF DIRECTORS - SHARE CAPITAL PARTICIPATION - REELECTION*

The Board of Directors members as at 31 December 2018 and as at the date of the present report are presented in page 2. Details regarding the segregation of duties and the reimbursement of the Board of Directors members are included in Part I (A and B) and II (B) of the Board of Directors Report on Corporate Governance for 2018 respectively, which is presented after this Report. Additional information is provided in the part 'Report on Corporate Governance' of the present Report. Please also refer to note 40 of the consolidated and separate financial statements.

The percentages of participation in the Company's share capital that were held directly or indirectly by the members of the Board of Directors of the Company as at 31 December 2018 and 28 February 2019 are presented in notes 38 and 39 of the consolidated and separate financial statements.

According to article 94 of the Company's articles of association Takis Klerides and Nicos Michaelas resign and offer themselves for re-election.

The Company's subsidiary companies' Board of Directors are comprised by executive directors.

*SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD*

The significant events after the reporting date that have a bearing on the understanding of the consolidated and separate financial statements are presented in note 44.

*PROPOSALS REGARDING PROFIT DISTRIBUTION, ABSORPTION OF LOSSES AND FORMATION OF PROVISIONS*

The Board of Directors decided to propose for approval at the Annual General Meeting of the shareholders, a final dividend of €5.185.572 for 2018, which corresponds to €0,070 cent per share and in percentage terms to 23,3% of the profits for the year attributable to the Company's shareholders.

**REPORT ON CORPORATE GOVERNANCE**

The Board of Directors of the Company has decided on 6 March 2003 to implement all the provisions of the Corporate Governance Code ('the Code') which was issued by the Cyprus Stock Exchange (CSE) Board. The Code in force at the time of the approval of this Report is Section 3 of the RAA 21/2019 (5th edition - January 2019) which is uploaded on the CSE website. However, the Corporate Governance Report of the Board of Directors for 2018 which is presented after the present Consolidated and Separate Management Report, is drafted on the basis of the Code in force at the time of the reporting period, namely provision 3 of the RAA 379/2014 (4th edition - April 2014) as well as of the relevant legal provisions in force in relation to Corporate Governance. The 4th edition of the Code is uploaded on the CSE's and Company's Website. The Report and the Consolidated and Separate (of Parent Company's) Financial Statements are announced and uploaded both on the CSE's and Company's website.

There are no material deviations from the provisions of the Code.

**LOGICOM PUBLIC LIMITED****CONSOLIDATED AND SEPARATE MANAGEMENT REPORT****REPORT ON CORPORATE GOVERNANCE** *(continued)*

The internal control and risk management systems ensure the orderly operation of the Group and the adherence to the internal controls and procedures.

Through the internal control system, which it is under the supervision of the Audit Committee and the Risk Management Committee, the Company has implemented effective procedures for the compilation and preparation of the financial statements, as well as for the preparation of the periodic information reporting as required for the listed companies. The main characteristics of these procedures, in addition to what has already been stated above, are:

- The Financial Statements of the Subsidiary Companies of the Group are prepared with the responsibility of the Financial Controller of each company under the supervision of the Group Chief Financial Officer.
- The Financial Statements of the Group and the Company are prepared with the responsibility of the Company's Financial Controller under the supervision of the Group Chief Financial Officer.
- The announcements of the Group's results per quarter as well as the explanatory statements are prepared by the Group Chief Financial Officer and are reviewed by the Audit Committee. The relevant announcements are approved by the Board of Directors prior to their publication.

The shareholders who held, directly or indirectly, a significant interest (including indirect participation through pyramid structures or cross participations) in the Company are stated in note 39 of the consolidated and separate financial statements.

The Company's share capital is divided into ordinary shares with equal rights. There were no issued shares with preference control or voting rights.

Each Board Member is elected from the Company's shareholders general meeting or appointed from the Board of Directors. A Member who is appointed by the Board of Directors is mandatory to resign at the first annual general meeting following his appointment, where his election will be decided. In every annual general meeting one third of the oldest board members in terms of the time served on the board, retires and their reelection is decided on the annual general meeting, provided that they are available for reelection. Any member of the Board of Directors can be forced to an early retirement following a decision of the general meeting.

The Company's Articles of Association can be amended with a special resolution of the shareholders general meeting.

The Board of Directors' authority is general and it is only limited by the power given to the Company's shareholders' General Meeting either by the Law or the Company's Articles of Association. The decision for the issue of new shares, except the case where this relates to granting of shares to the members on the proportion of the shares already held, is taken by the general meeting and in any case the current legislation is applied to any information that is relevant. The right to purchase own shares of the Company, unless otherwise permitted by law, is given to the Board of Directors from the general meeting for a specific period with a special resolution.

The composition, the terms of execution and the operation of the directive, managerial and supervision bodies as defined by the Code are stated in the Board of Directors report on the Corporate Governance.

As mentioned in Part II (A) of the Corporate Governance Report of the Members of the Board of Directors for 2018 that is presented after the present Report, the benefits arising from the diversity in the composition of the Board of Directors are recognised. The Board of Directors should be composed by members of high academic training and successful professional background taking also into account that the experience is a significant element of the perception and fair judgement. However, the extent and the significance of these parameters should be evaluated in parallel to the necessity of age renewal. The necessity for diversity in the training and specialization of the directors to optimally cover the requirements of the Company's areas of operations, also exists. In the evaluation of these criteria no discrimination should be made in regards to the gender.

**LOGICOM PUBLIC LIMITED****CONSOLIDATED AND SEPARATE MANAGEMENT REPORT****REPORT ON CORPORATE GOVERNANCE** *(continued)*

The policy for diversity is implemented by the Board of Directors at the appointment of the directors, following the recommendations of the Corporate Governance Code's Nomination Committee. The final decision is taken on the basis of objective criteria.

The composition of the Company's Board of Directors at the period under review is considered to be in adherence with the above mentioned policy and is as follows:

Adamos Adamides (until 21/06/2018), 76 years old. Graduate of Ethniko and Kapodistriako University Law School of Athens. He exercised the profession of lawyer with a specific interest, among others, in the fields of Corporate Governance, Securities Law, Telecommunications Law and Public Contracts Law. He served as a Minister of Communications and Works and as a member of the Board of the Electricity Authority of Cyprus. He serves on the Board of Directors of the Company since 8 July 1999.

Takis Klerides, 67 years old. He holds a business Studies Diploma of the United Kingdom and he is a member of the Association of Chartered Certified Accountants UK. He exercised the profession of Certified Accountant up to 1999. From 2003 onwards, he exercises the profession of Business Consultant specialised in the field of banking, financing, insurance and maritime activities. He served as a Minister of Finance (1993-2003) and he was a member of the Cyprus Association of Certified Public Accountants' Board. He serves on the Board of Directors of the Company since 15 September 2003. On 25 October 2018 he was elected Chairman of the Company's Board of Directors.

Varnavas Irinarchos, 60 years old. Graduate of Stockholm University Business Administration school and post graduate of the same University in Computers Science. He is an entrepreneur in the sector of information technology. He serves on the Board of Directors of the Company, of which he is the founder, since 9 December 1986.

Nicos Michaelas, 46 years old. He holds a BSc Industrial Economics with Accounting of the Nottingham University and a PhD in financial economics from Manchester Business School. He is a Director of Operations of Demetra Investments Public Ltd specialised, among others, in the field of investments. He is also the chairman of the Association of Portfolio Investments and Mutual Funds and is a member of the Board of other public companies. He serves on the Board of Directors of the Company since 28 September 2006.

George Papaioannou, 56 years old. Graduate of Ethniko and Kapodistriako University Law School of Athens. From 1990 up to 2002 he served at the Law Office of the Republic of Cyprus, as an Attorney of the Republic with a specific interest in issues of administrative and criminal law. He took part in legal congresses and was a member of the anti-corruption committee in the Council of Europe. In 2002 he resigned from his position in the Republic's Law Office and he runs his own law firm in Nicosia, with specific interest in issues of criminal nature. He serves on the Board of Directors of the Company since 21 August 2008.

Anthoulis Papachristoforou, 50 years old. He holds a Bachelor's degree in Accounting and Finance from the London South Bank University, and a degree in Business Studies from the Institute of Commercial Management in Bournemouth, UK, and professionally specialised in the field of finance. He is a member of the Association of Chartered Certified Accountants (ACCA) and the Institute of Certified Public Accountants of Cyprus (ICPAC). He serves on the Board of Directors since 17 November 2013.

Anastasios Athanasiades, 49 years old. He holds a Bachelor of Arts Honors Degree in Economics, Accounting, and Finance from the University of Manchester. He is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA) and a member of the Institute of Certified Public Accountants of Cyprus. He exercises the profession of Certified Accountant and Tax Consultant, specializing on the issues of international tax and audit of financial statements. He served as Deputy Chairman and Deputy Government Commissioner of the Cyprus Securities and Exchange Commission until 2001. He serves on the Board of Directors of the Company since 7 December 2015.

The Corporate Governance Report of the members of the Board of Directors for the year 2018 is presented after the present Report.

**LOGICOM PUBLIC LIMITED**

## CONSOLIDATED AND SEPARATE MANAGEMENT REPORT

**STATUTORY AUDITORS**

The Group's statutory auditors, KPMG Limited, have expressed their willingness to continue in office. A resolution for re-election of the independent auditors and an authorisation to the Board of Directors for fixing their remuneration will be submitted at the Annual General Meeting.

***NON-FINANCIAL STATEMENT***

The Non- Financial Report of the Company and the Group will be published by the 30th of June 2019.<sup>1</sup>

By order of the Board of Directors,

Adaminco Secretarial Limited  
Secretary

Nicosia, 28 February 2019

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1. Section 113, aa 151A.(9)(b) and 151B.(9)(b)

## LOGICOM PUBLIC LIMITED

### CORPORATE GOVERNANCE REPORT OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE YEAR 2018

- I Part One - The Adoption of the Corporate Governance Code
- II Part Two - The Implementation of the Corporate Governance Code

## I. PART ONE – The Adoption of the Corporate Governance Code

### A. THE COMPANY'S RESOLUTION– The Members of the Governance Committees

On 6 March 2003, the Company's Board of Directors resolved to implement all of the provisions of the Corporate Governance Code ("the Code")<sup>2</sup>. Through the Code Committees, the Company also implements the provisions of the Code for all its subsidiary companies, with the exception of the provisions concerning the composition of the boards of directors, where it is deemed that their composition is more effective by Executive directors.

During 2018, and up until the drafting of this Report, the positions of the officers and members of the Code Committees have been held by the following individuals:

1. **Reference Officer** (*§ A.2.5. of the Code – The Board of Directors must appoint one of the Independent, Non-Executive Directors to be the Senior Independent Director. He/she shall be available to listen to the concerns of the shareholders which have not been resolved through normal communication channels.*)

George Papaioannou (Non-Executive, Independent Director).

2. **Nomination Committee** (*§ A.4.1. of the Code – A Nomination Committee must be established to present its views to the Board of Directors on recommendations for the appointment of new Directors. The majority of the Members of this Committee must be Non-Executive Directors and its Chairman may be either the Chairman of the Board of Directors (in case he/she is Non-Executive) or a Non-Executive Director. The Chairman and the members of the Nomination Committee must be stated in the Annual Report.*)

Adamos Adamides (Chairman until 21/06/2018, Non-Executive, Non-Independent Director), George Papaioannou (Non-Executive, Independent Director, Chairman from 26/07/2018), Varnavas Irinarchos (Executive Director), Takis Klerides (Non-Executive, Independent Director), and Anastasios Athanasiades (Non-Executive, Independent Director).

3. **Remuneration Committee** (*§ B.1.1. of the Code – To avoid potential conflicts of interest, the Board of Directors must set up a Remuneration Committee comprising exclusively Non-Executive Directors which shall make recommendations to the Board of Directors, based on agreed terms of reference, on the framework and amount of the remuneration of the Executive Directors, determining on behalf of the Board of Directors specific remuneration packages for each Executive Director, including pension rights and any compensation payments. Companies are urged to include in the Remuneration Committee at least one member with knowledge and experience in remuneration policy.*)

Takis Klerides (Chairman, Non-Executive, Independent Director), Nicos Michaelas (Non-Executive, Non-Independent Director) and Anastasios Athanasiades (Non-Executive, Independent Director).

2. This Report is drafted on the basis of the Code in force at the time of the reporting period, namely provision 3 of the RAA 379/2014 (4<sup>th</sup> Edition – April 2014), which is posted on the website of the CSE <http://www.cse.com.cy/CMSPages/GetFile.aspx?guid=152de83a-defa-48cb-8fb1-8230321dc5e5> as well as of the relevant legal provisions in force in relation to Corporate Governance. The Code in force at the time of the approval of the Report, Code of Corporate Governance is the provision 3 of the RAA 379/2014 as amended by RAA 21/2019, which is published on the website of the CSE. <http://www.cse.com.cy/CMSPages/GetFile.aspx?guid=c97d387c-f342-4620-af39-3c58684863aa>.

## LOGICOM PUBLIC LIMITED

4. **Audit Committee** (*§ C.3.1. of the Code – The Board of Directors must set up an Audit Committee comprising at least two Non-Executive Directors with written terms of reference which must expressly set out their powers and duties. The members of the Committee, the majority of whom must be Independent Non-Executive Directors, must be stated in the Annual Report. The Chairman of the Committee or any other Member thereof must have experience in Accounting or Audit. The Committee must meet at regular intervals, at least four times a year).*

Anastasios Athanasiades (Chairman, Non-Executive, Independent Director), Takis Klerides (Non-Executive, Independent Director), Nicos Michaelas (Non-Executive, Non-Independent Director), and George Papaioannou (Non-Executive, Independent Director).

5. **Risk Management Committee** (*§ C.3.8. and § C.3.9 of the Code – The risk management systems are supervised by a separate Risk Management Committee which comprises Non-Executive Directors. The Risk Management Committee must meet at least once every quarter and its Chairman must report to the Board of Directors – All companies whose securities are listed in the Main Market are required to set up a Risk Management Committee [...].)*

Nicos Michaelas (Chairman, Non-Executive, Non-Independent Director), Takis Klerides (Non-Executive, Independent Director) and Anastasios Athanasiades (Non-Executive, Independent Director).

6. **Corporate Governance Code Compliance Officer** (*§ C.3.7. of the Code – The Board of Directors must appoint a competent executive as Corporate Governance Code Compliance Officer).*

Adamos Adamides.

7. **Investor Liaison Officer** (*§ D.2.4. of the Code – The Board of Directors must appoint a management executive or officer of the company as Investor Liaison Officer. The information pertaining to the company must be distributed to all shareholders fairly, timely and free of charge).*

Demos Anastasiou.

### **B. TERMS OF REFERENCE**

The Terms of Reference of each Officer and Committee, approved by the Board of Directors upon their recommendation, are as follows:

#### **B.1. Terms of Reference of the Reference Officer**

The Reference Officer addresses the concerns and problems of the shareholders arising from their relations with the Company which have not been resolved through other communication procedures.

#### **B.2. Terms of Reference of the Nomination Committee**

- 2.1. The purpose of the Committee is to assist the Board of Directors in:
- finding qualified individuals to become members of the Board of Directors,
  - determining the composition of the Board of Directors and its Committees,
  - monitoring the procedures for the evaluation of the efficiency of the Board of Directors, and
  - developing and implementing the Company's Corporate Governance guidelines.
- 2.2. For this purpose, the Committee shall have the following powers and responsibilities:
- a. Guide the search for qualified individuals to become members of the Board of Directors and select candidate directors to be proposed to the shareholders for approval at the annual general meeting. The Committee shall select candidate directors of utmost personal and professional integrity, who have demonstrated particular skill and judgment and are highly competent to work as a team, in collaboration with the other directors, in order to serve the long-term interests of the shareholders.



## LOGICOM PUBLIC LIMITED

- b. Review the composition of the committees of the Board of Directors and recommend to the Board the appointment of Directors to each committee. The Committee shall review and recommend the composition of the Committees on an annual basis and shall propose additional members to fill vacancies, if required.
  - c. Elaborate and propose Corporate Governance guidelines to the Board of Directors for approval. The Committee shall review these guidelines on an annual basis or more frequently if deemed necessary, and propose changes if required.
  - d. Elaborate and propose the annual reporting process on the work of the Board of Directors and its committees to the Board of Directors for approval. The Committee shall supervise the annual reports.
  - e. Review, on an annual basis, the remuneration and benefits of the Directors.
  - f. Delegate any of its responsibilities to sub-committees, as the Committee shall deem appropriate.
  - g. Assign investigations on candidate directors and retain external advisors, as the Committee shall deem appropriate. The Committee shall have exclusive power to approve the relevant remuneration and terms of reference.
- 2.3. The Committee shall have respective powers and responsibilities for the entire Group of the Company.
- 2.4. The Committee shall submit a report on its actions and recommendations to the Board of Directors after each meeting and shall prepare and present to the Board an annual performance report. The Committee shall review the adequacy of these terms of reference at least once a year and shall propose any changes to the Board of Directors for approval.

### **B.3. Terms of Reference of the Remuneration Committee**

- 3.1. The purpose of the Committee is to have the overall responsibility arising from the obligations of the Board of Directors to control and determine the remuneration of the Company's executive officers.
- 3.2. In order to be able to fulfill its purpose, the Committee shall have the following powers and responsibilities:

- a. Review the remuneration policy of executive or managing directors on a periodic basis, including the policy on share-based remuneration and its implementation.

Similarly, it shall assess the degree of success and fulfillment of the objectives by each officer and, based on that assessment, shall recommend to the Board of Directors their proposed remuneration, including salary, bonus, incentives, etc. and the form in which these shall be paid (Share Options, etc.)

The amount of the remuneration must be adequate, but not excessive, to attract and retain in the service of the Company, the Chief Executive Officer and the other Executive Directors that enhance the Company's management. Part of the remuneration of the Chief Executive Officer and the other Executive Directors must be determined in such manner as to link this remuneration to the performance of both the Company and the individual concerned.

The Committee shall request the views of the Chairman and the Chief Executive Officer on the proposals relating to the remuneration of the other Executive Directors.

The Remuneration Committee shall not determine the remuneration of the Directors for participating in activities of the committees. This shall be determined by the Company's Board of Directors.

- b. Process and revise the incentive schemes for the Company's personnel and propose to the Board of Directors schemes or changes that will encourage the personnel to make even greater effort towards fulfilling the Company's objectives.  
The incentive schemes must:
  - (i) aim at the long-term increase of the performance of the incentives, in order to encourage officers and other members of personnel to remain with the Company;
  - (ii) not burden the Company's profitability; and
  - (iii) be compatible with the shareholders' interests.

## LOGICOM PUBLIC LIMITED

- 3.3.
- a. The Committee shall be able to access professional advice both within and outside the Company and take into consideration the remuneration paid in comparable companies in view of determining the remuneration of the Chief Executive Officer and other Executive Directors, with due regard to the principle of maintaining and increasing the performance of the Company and/or the area of responsibility of each officer in question and that remuneration increases must reflect a corresponding improvement in the Company's performance.
  - b. When determining salary increases, the Remuneration Committee must take into consideration the terms of remuneration and employment conditions at all levels of the Company, so that all members of personnel perceive the distribution by the Company of its positive results as being equitable, to the extent that this reflects their role and contribution towards improving the Company's performance.
  - c. The Committee must examine the compensation-related commitments (including pension contributions) arising from the employment contracts of the Chief Executive Officer and other Executive Directors, if any, in case of early termination, and pursue the inclusion of an express provision on this matter in the initial contract. The employment contracts of these Officers must not include provisions which may reasonably be considered as prohibitive in cases of acquisition or merger of the Company, nor provisions that burden the Company with any fines that may be imposed on the Directors.
  - d. In case the initial contract does not include an express provision on compensation-related commitments, in case of early removal, the Committee must, in accordance with the legal framework and depending on the specificities of each case, adapt its approach with the broader aim of avoiding the reward of decreased performance, applying fair treatment where the removal is not due to decreased performance and ensuring strict treatment aiming at reducing compensation in the cases of retiring Executive Directors so as to reflect the obligation of those retiring to mitigate the loss.
- 3.4. The Committee has respective powers and responsibilities for the entire Group of the Company.
- 3.5. The Committee shall prepare the Annual Remuneration Report which shall be submitted by the Board of Directors to the Company's shareholders as well as the part of the Corporate Governance Report which relates to the remuneration of the Directors, in accordance with the instructions and provisions of the Corporate Governance Code of the Cyprus Stock Exchange.

### **B.4. Terms of Reference of the Audit Committee**

- 4.1. The role of the Committee is to assist the Board of Directors in supervising the quality and accuracy of the Company's financial statements, complying with legal and administrative rules, examining the professional level of the auditors, their audit work and independence, as well as the performance of the internal control. The Chairman of the Audit Committee must have experience in Accounting or Finance.
- 4.2. The number of the Committee's Members is determined by the Board of Directors. The majority of the Members must be Non-Executive Directors.
- 4.3. The Committee's duties and responsibilities are as follows:
  - a. Assess the standard of internal audit, review the Company's internal financial controls and internal control systems and ensure the implementation of the provisions of the Corporate Governance Code relating to the staffing, operation and independence of the Department.
  - b. Review all of the Company's financial statements and overview of the financial information procedure and the submission of recommendations or suggestions for the safeguard of its integrity.
  - c. Make suggestions and recommendations for improving the management control.
  - d. Review circulars, financial reports or other information relating to the rights of the shareholders before these are forwarded to them.
  - e. Responsibility for the procedure of selection and appointment suggestion of the statutory auditors or audit firms.
  - f. Inform the Board of Directors about the results of the statutory audit and the explanation of the statutory audit contribution to the integrity of the financial information and the role of the Committee in this procedure.
  - g. Assume responsibility for the Company's relations with the statutory auditors in general, including discussions on the auditors' personnel who shall be responsible for the Company's audit.

## LOGICOM PUBLIC LIMITED

- h. Review the extent and effectiveness of the audit as well as of the independence and effectiveness of the statutory auditors or audit firms and especially the adequacy of the provision of non audit services from the statutory auditors based on the current legislation.
- i. Monitor the observations/suggestions of the statutory auditors on the Company's management, the preparation and presentation of its financial statements and the monitoring of their implementation.
- j. Submit to the Board of Directors an annual report which includes:
  - (i) The remuneration for auditing and advisory services paid to the Company's Statutory Auditors by the Company and its subsidiaries
  - (ii) The assignment to Auditors of advisory duties if deemed essential, either on the basis of the significance of the matter for the Company and its subsidiaries or on the basis of the remuneration to the statutory auditors.
- k. Supervise the selection procedures by the Chief Financial Officer of the Accounting Policies and Accounting Estimates used in the Company's financial statements.
- l. Draft, with the assistance of the Corporate Governance Code Compliance Officer, the Board of Directors' Report on Corporate Governance, to be included in the Company' Annual Report.
- m. Review the Company's transactions referred to in paragraph A.1.2 (g) of the Corporate Governance Code in order to ensure they are carried out at arm's length.

4.4 The Committee has respective powers and duties for the entire Group of the Company.

### **B.5. Terms of Reference of the Risk Management Committee**

5.1. The Committee has the following objectives:

- a. Form its strategy for undertaking every form of risk that corresponds to the Company's corporate objectives and the adequacy of available resources in both technical means and personnel.
- b. Verify the independence, adequacy and effectiveness of the functioning of the Risk Management Directorate of which the Committee shall have responsibility to appoint and supervise.
- c. Ensure the development and ongoing effectiveness of the internal risk management system and its integration into the business decision making process with regard to any form of risk.
- d. Determine the principles that must regulate the risk management in terms of identification, prediction, measurement, monitoring, control and addressing them, in accordance with the business strategy implemented at the time and adequacy of available resources.
- e. Be informed on a regular basis and monitor the Company's overall risk profile, guide the Risk Management Directorate in the implementation of the risk taking strategy and their policy management.
- f. Ensure that the Company's Board of Directors is adequately informed in relation to all issues regarding the underwriting strategy, the tolerance level and risk profile when executing its strategic and supervisory duties.

5.2. The Committee has the following powers and responsibilities:

- a. To investigate any activity that falls within the scope of its operation and obtain all necessary information.
- b. To appoint external, legal or other professional consultants who will be deemed necessary for the implementation of its work and to secure resources for the payment of the respective remunerations and expenses.
- c. To form on an annual basis and suggest to the Board of Directors the risk undertaking strategy of the Company, to observe the implementation of the Board of Directors' relevant decisions and to suggest appropriate amendments.
- d. To approve and review on an annual basis and any other time that this is required, the risk management principles and policies.
- e. To obtain and review the quarterly submitted Risk Management reports relevant to the Company's total risk tolerance level and the improvement and efficiency of the risk management process, to inform the Board of Directors about the significant risks that the Company has undertaken and to observe and confirm their effective treatment.

## LOGICOM PUBLIC LIMITED

- f. To annually assess the adequacy and effectiveness of the Company's risk management policy based on the annual Risk Management report and especially its adherence to the defined risk tolerance level.
- g. To formulate suggestions and recommend corrective actions to the Board of Directors, in the case where it identifies a weakness in the implementation of the strategy that has been formed for the Company's risk management or deviations on its implementation.
- h. To formulate suggestions to the Board of Directors regarding any matter that falls within its purpose and duties.
- i. To prepare and review a Risk Management Manual which will record:
  - i. The Company's risk management policy (risk appetite/tolerance, risk capacity, risk target, actual risks),
  - ii. The risks that the Company faces (credit risk, market risk, liquidity risk, operational risk),
  - iii. The procedure of Risk Management (risk measurement, risk control, risk mitigation, risk monitoring and performance).

5.3. The Committee has respective powers and duties for the entire Group of the Company.

### **B.6. Terms of Reference of the Compliance Officer**

The Compliance Officer is responsible for the implementation of the Code. In performing his duties, he may consult with the other members of the Board of Directors and obtain advice from the Company's internal and external advisors, as the case may be. The Directors may address the Compliance Officer to ensure that their actions are in full compliance with the Code. The Directors who are informed or suspect that a breach of the Code has occurred or may occur must immediately notify the Compliance Officer.

### **B.7. Terms of Reference of the Investor Liaison Officer**

The Investor Liaison Officer shall act in order to:

1. Ensure the ongoing and smooth communication with all the shareholders;
2. Provide the shareholders with sound and accurate information on material changes in the Company concerning its financial situation, performance, assets and their governance, in an ongoing and timely manner;
3. Encourage the shareholders to have a greater participation in the General Meetings and their business and provide them with the opportunity to express their views on various matters affecting the Company;
4. Where deemed necessary by the Board of Directors, organize meetings, workshops, seminars and lectures aimed at providing additional information to investors;
5. Ensure the Company's presence and participation in press conferences, meetings and other activities that may be organized by the Cyprus Stock Exchange in Cyprus and abroad.

The Investor Liaison Officer must have knowledge of the Company's financial situation and growth strategy and be updated on any significant developments in the Company.

### **B.8. The Corporate Governance Code applicable at any time**

The Terms of Reference of the Committees and the Officers will also include all powers and responsibilities provided for in the Corporate Governance Code applicable at any time.

## II. PART TWO – The Implementation of the Corporate Governance Code

### A. DIRECTORS

#### A.1. Board of Directors

During 2018, the Board of Directors held 18 meetings. It has also taken 20 Written Decisions according to the article 112 of the Company's Article of Association. The Board's regular meetings were scheduled for the last Thursday of each month. The Company's Management is aware of the schedule of the meetings of the Board of Directors and the issues on the agenda, where deemed advisable. The Group Planning and Development Manager, the Director of Distribution, the Group Director of Sales, Marketing and Services, and the Director of Group Operations as a rule or when it is advisable, attend the meetings of the Board of Directors.

The Directors hold offices on other boards of directors as well. Unless otherwise expressly stated, holding such offices on other boards of directors does not affect the Board of Directors' independence.

The exclusive responsibility of the Board of Directors covers all the matters set out in provision A.1.2. of the Code.

In view of the better exercise of their duties, Directors may obtain independent, professional advice at the Company's expense, provided they notify the Board of Directors or, in exceptional cases, the Chairman or another member of the Board of Directors. The Directors have access to the advice and services of the Company's Secretary.

It is deemed that the judgment of the Directors is impartial and independent and is taken in the interests of the Company and, by extension, of its shareholders.

There is no specific training programme for the Directors in relation to the legislation on the Stock Exchange and the companies. They are, however, informed about the basic provisions that regulate the status and function of directors of public companies and the relevant amendments made from time to time.

The responsibilities of the Board of Directors are exercised collectively and performed with the authorization granted by the Managing Director.

The managerial staff is considered to be the backbone of the Company's business and the employment procedure follows rational criteria aimed at recruiting the best available candidates under the circumstances.

#### A.2. Balance in the Board of Directors

The Board of Directors comprises up to 21/06/2018 seven members (Adamos Adamides (until 21/06/2018), Varnavas Irinarchos, Takis Klerides (Chairman of the Board of Directors from 25/10/2018), Nicos Michaelas, George Papaioannou, Anthoulis Papachristoforou and Anastasios Athanasiades).

Takis Klerides, Nicos Michaelas, George Papaioannou and Anastasios Athanasiades are Non-Executive Directors.

Based on the criteria of the Code, amongst the Non-Executive Directors, Anastasios Athanasiades is an Independent Director. On 15/09/2012 Takis Klerides and on 24/08/2017 George Papaioannou completed nine years of service on the Board of Directors and according to provision A.2.3.(h) of the Code, following that date they ought to have been considered as Non-Independent. However, the Board of Directors is of the opinion that their personality, scientific knowledge, professional experience and background, on the one hand, and proven objectivity and impartiality in the exercise of their duties as Directors of the Company on the other, as well as the absence of any interconnection with the Management or the Main Shareholders and of any direct or indirect conflict of interest with the interests of the Company and its shareholders, confirm and guarantee that their independence is not affected. For the reasons stated above, the Board of Directors considers them to be Independent Directors.

Amongst the Non-Executive Directors, Adamos Adamides was at the material time a partner in the firm of the Company's legal advisors and a member of the board of directors of the Company's Secretary.

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Chief Executive Officer is the Vice-Chairman and Managing Director Varnavas Irinarchos and Deputy Chief Executive and Managing Director Anthoulis Papachristoforou. Anthoulis Papachristoforou is also the Group's Chief Financial Officer.

Pursuant to provision A.2.3.(g) of the Code, Nicos Michaelas is considered to be Non-Independent.

Based on the above, out of the seven- until 21/06/2018 - members of the Board of Directors, excluding the Chairman, three are Independent Directors, two are Executive Directors and one is a Non-executive, Non-Independent Director.

As of 21/06/2018, in the total of six members, three are Independent Directors, two are Executive Directors and one is Non-executive, Non-Independent Director.

Independent Directors have confirmed their independence in accordance with the criteria laid down in provision A.2.3. of the Code.

There have been no issues between the Shareholders and the Company and no reports have been made to the Compliance Officer to resolve any such issues.

The benefits arising from the diversity in the composition of the Board of Directors are also recognised. The Board of Directors should be composed by members of high academic training and successful professional background taking also into account that the experience is a significant element of the perception and fair judgement. However, the extent and the significance of these parameters should be evaluated in parallel to the necessity of age renewal. The necessity for diversity in the training and specialization of the directors to optimally cover the requirements of the Company's areas of operations, also exists. In the evaluation of these criteria no discrimination should be made in regards to the gender.

The policy for diversity is implemented by the Board of Directors at the appointment of the directors, following the recommendations of the Corporate Governance Code's Nomination Committee. The final decision is taken on the basis of objective criteria. The composition of the Company's Board of Directors at the period under review is considered to be in adherence with the above mentioned policy and is as follows:

Adamos Adamides (until 21/06/2018), 76 years old. Graduate of Ethniko and Kapodistriako University Law School of Athens. He exercised the profession of lawyer with a specific interest, among others, in the fields of Corporate Governance, Securities Law, Telecommunications Law and Public Contracts Law. He served as a Minister of Communications and Works and as a member of the Board of the Electricity Authority of Cyprus. He serves on the Board of Directors of the Company since 8 July 1999.

Takis Klerides, 67 years old. He holds a business Studies Diploma of the United Kingdom and he is a member of the Association of Chartered Certified Accountants UK. He exercised the profession of Certified Accountant up to 1999. From 2003 onwards, he exercises the profession of Business Consultant specialised in the field of banking, financing, insurance and maritime activities. He served as a Minister of Finance (1993-2003) and he was a member of the Cyprus Association of Certified Public Accountants' Board. He serves on the Board of Directors of the Company since 15 September 2003. On 25 October 2018 he was elected Chairman of the Company's Board of Directors.

Varnavas Irinarchos, 60 years old. Graduate of Stockholm University Business Administration school and postgraduate of the same University in Computers Science. He is an entrepreneur in the sector of information technology. He serves on the Board of Directors of the Company, of which he is the founder, since 9 December 1986.

Nicos Michaelas, 46 years old. He holds a BSc Industrial Economics with Accounting of the Nottingham University and a PhD in financial economics from Manchester Business School. He is a Director of Operations of Demetra Investments Public Ltd specialised, among others, in the field of investments. He is also the chairman of the Association of Portfolio Investments and Mutual Funds and is a member of the Board of other public companies. He serves on the Board of Directors of the Company since 28 September 2006.

## LOGICOM PUBLIC LIMITED

George Papaioannou, 56 years old. Graduate of Ethniko and Kapodistriako University Law School of Athens. From 1990 up to 2002 he served at the Law Office of the Republic of Cyprus, as an Attorney of the Republic with a specific interest in issues of administrative and criminal law. He took part in legal congresses and was a member of the anti-corruption committee in the Council of Europe. In 2002 he resigned from his position in the Republic's Law Office and he runs his own law firm in Nicosia, with specific interest in issues of criminal nature. He serves on the Board of Directors of the Company since 21 August 2008.

Anthoulis Papachristoforou, 50 years old. He holds a Bachelor's degree in Accounting and Finance from the London South Bank University, and a degree in Business Studies from the Institute of Commercial Management in Bournemouth, UK, and professionally specialised in the field of finance. He is a member of the Association of Chartered Certified Accountants (ACCA) and the Institute of Certified Public Accountants of Cyprus (ICPAC). He serves on the Board of Directors since 17 November 2013.

Anastasios Athanasiades, 49 years old. He holds a Bachelor of Arts Honors Degree in Economics, Accounting, and Finance from the University of Manchester. He is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA) and a member of the Institute of Certified Public Accountants of Cyprus. He exercises the profession of Certified Accountant and Tax Consultant, specializing on the issues of international tax and audit of financial statements. He served as Deputy Chairman and Deputy Government Commissioner of the Cyprus Securities and Exchange Commission until 2001. He serves on the Board of Directors of the Company since 7 December 2015.

### **A.3. Provision of Information**

The Board of Directors has been regularly informed about the Company's financial situation and prospects. Directors are notified of the items to be discussed prior to the meetings.

The businesses of the Board of Directors are held on the basis of the agenda which is drafted following liaison between the Chairman, the Vice-President and Managing Director and the other members of the Board and forwarded to the Secretary at least three days prior to the date set for the meeting, except in urgent cases. In addition to the issues on the agenda, at its meetings the Board of Directors also addresses issues raised by the Directors after the drafting of the agenda.

The minutes of each meeting are prepared and forwarded to the members of the Board of Directors prior to the date of the next meeting and, upon approval, are signed by all Directors present at the meeting in question.

### **A.4. Appointments to the Board of Directors**

The composition of the Nomination Committee is set out in Part I.A.2. of this Report. The majority of the Members of the Nomination Committee are Non-Executive Directors and its chairman, up to 21/06/2018 Adamos Adamides and from 26/07/2018 George Papaioannou. The Terms of Reference of the Nomination Committee are set out in Part I under B.2., with reference also to paragraph 1.B.8..

### **A.5. Re-election**

According to article 94 of the Company's Articles of Association, at every Annual General Meeting 1/3 of the members of the Board of Directors (or the nearest percentage thereof) retires by rotation. Moreover, according to Provision A.5 of the Code, Directors are required to resign [...] at least every three years [...] but may offer themselves for re-election.

The members of the Board of Directors retiring by rotation at the Annual General Meeting of 2019 are Takis Klerides and Nicos Michaelas who offer themselves for re-election.

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Takis Klerides is a member of the Board of Directors since September 2003. He was born in 1951. He holds a Business Studies Diploma of United Kingdom, partner of the Association of Chartered Certified Accountants of the United Kingdom and member of the Institute of Certified Public Accountants of Cyprus. Before returning to Cyprus he was employed in England and Greece. From 1977 to 1981 he was employed at Metaxas Loizides & Co (KPMG) and from 1981 until 1999 was a partner in the same firm, specializing amongst others, in the banking, financing and insurance sectors of operation. In March 1999 he was elected Minister of Finance, which he served until February 2003. Among others he was a member of the Board of Institute of Certified Public Accountants of Cyprus and a representative of Cyprus on the global assembly of Association of Chartered Certified Accountants of the United Kingdom, as well as President of the Cyprus Basketball Federation and member of the executive board of the Cyprus Olympic Committee. Since April 2003 he is the Executive Director of the management consulting company CMK Eurofinance Consultants Ltd. He is a member of numerous Board of Directors in Cyprus and abroad.

Nicos Michaelas is a member of the Board of Directors from 28/09/2006. He graduated from the University of Nottingham (BSc Industrial Economics with Accounting) and from Manchester Business School acquiring a Ph.D. in Financial Economics. Since 1997 until 2000 he conducted research and taught business economics and financial management at the Manchester Business School as a Research Fellow. He presented his research in global conferences abroad and many of his publications have been published in global scientific magazines and newspapers. From 2000 until 2005 he was employed in Lefkoniko Chrimatistiriaki Limited as Responsible of the Research and Analysis Department and from 2002 as Services Director. Since October 2005 he is employed at Demetra Investments Public Ltd as Managing Director. He is the chairman of the Association of Portfolio Investments and Mutual Funds and is a member of the Board of Directors of other public and private companies.

Save as stated above, no member of the Board has been elected or re-elected for a period exceeding three years.

### ***B. REMUNERATION OF DIRECTORS***

#### **B.1. Procedure**

The composition of the Remuneration Committee is set out in Part I.A.3 of this Report. The Members of the Committee are Non-Executive Directors and have no business or other relationship that could materially affect the performance of their duties. The majority of the Members are Independent Directors. Due to his long-standing experience with a business consulting firm, the Chairman of the Remuneration Committee has knowledge and experience in remuneration policy issues. The Terms of Reference of the Remuneration Committee are set out in Part I.B.3 with reference also to paragraph I.B.8.

#### **B.2. The level and composition of the remuneration – Remuneration Policy**

In the year under review, it was not deemed necessary to use the services of a consultant on market standards for remuneration systems.

The Company's policy on the remuneration of its Executive directors recognises the necessity of the determination of remuneration of which the level and composition will be able to allow the attraction, retention and motivation of Executive directors which fulfill the required criteria, academic qualifications, knowledge and experience. Consists in correlating remuneration to individual performance and the Company's overall progress and the competitive comparison against other businesses of similar operations and comparable size.

Not any factor exists in the composition of the Executive directors' remuneration which consists wholly of non-variable factors without any predetermined or quantifiable performance criteria.

There is no annual bonus scheme and other benefits to the Executive directors, except the bestowal of a car or the reimbursement of maintenance and running expenses of a private car.

There are no retirement or early retirement plans or option plans or share-option plans to the benefit of Executive directors.



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The level and the composition of the Non-Executive directors remuneration is decided by the General Meeting. On the one hand it is recognised that the Non-Executive directors should not include share-option rights or other elements that relate to the performance of the Company and the other hand, it should fairly reflect the time commitment, the requirements and the responsibilities of their role, though without affecting the independence of the Independent Non-Executive directors.

The report of the Remuneration Committee was approved by the Board of Directors and is submitted to the Company's shareholders for approval as part of this Report and of the Annual Report.

### **B.3. Notification**

The remuneration and other benefits of the Executive directors in 2018 were as follows:

Varnavas Irinarchos, Managing Director- €176.500 (Salary €151.500 plus Entertainment Expenses €25.000). Running and maintenance costs of privately bought owned car are also covered, amounting to €27.578 in the period under review. His employment contract was renewed and is valid from 01/01/2019 until 31/12/2019 with a salary of €150.000 plus entertainment expenses of €25.000 plus running and maintenance costs of privately owned car.

Anthoulis Papachristoforou, Deputy Managing Director- €174.750 (Salary €150.750 plus Entertainment Expenses €24.000). He is provided with a car the value of which was fully depreciated in 2012 and the relevant running and maintenance costs amounting to €6.768 in the period under review are covered.

The Executive directors participate in the Share Option or other Bonus Schemes, if and where applicable to the Company's regular personnel, but are not remunerated for their participation in the Board of Directors and its committees. No Share Option Schemes or Options were in force during 2018 and are not in force at the present time.

The remuneration of the Non-Executive Directors for their participation in the Board of Directors which were determined with the decision taken by the Annual General Meeting in 2018 are the following: Chairman annual lump sum amount of €20.000 plus €500 per participation at the meetings of the Board of Directors and Non-Executive Directors annual lump sum amount of €2.500 plus €350 per participation at the meetings of the Board of Directors. The chairman of the Audit Committee is remunerated with an additional annual lump sum amount of €1.000. Unless otherwise resolved by the Board of Directors, the remuneration of the Non-Executive Directors for their participation in the Committees set up pursuant to the Code, is equal to their remuneration for participating in the Board of Directors meetings.

The total remuneration received by the Chairman and the Non-Executive directors in 2018 relating to the period between the Annual General Meetings of 2017 and 2018 is as follows: Adamos Adamides (Chairman) €28.200, Takis Klerides €12.300, Nicos Michaelas €12.650, George Papaioannou €11.600 and Anastasios Athanasiades €14.000.

Total fees for legal and advisory services provided by the law firm Skordis, Papapetrou & Co LLC, as well as the total fees for Adaminco Secretarial Ltd, which provides Secretarial services to the Group's companies, are referred to in Note 9 Administrative expenses, to the Consolidated and Separate Financial Statements.

No remuneration is paid for the participation of members of the Company's Board of Directors in the boards of directors of its subsidiary companies.

The Independent Non-Executive Directors do not receive and did not receive any reimbursement from the Company except from their remuneration as members of the Board of Directors within the twelve months preceding their appointment, as this was approved with a decision of the Annual General Meeting of 2018.

The report of the Remuneration Committee is presented in Part II.B.2. immediately above.

**LOGICOM PUBLIC LIMITED*****C. RESPONSIBILITY AND INTERNAL AUDIT – RISK MANAGEMENT*****C.1. Financial Statements**

The notifications, reports and statements of the Company, reflect the true picture of the Board of Directors data and estimates at the material time. Notifications are issued where required under statutory obligations and where deemed advisable in order to provide shareholders and investors in general with timely information.

The Company intends to continue to operate as a going concern for the next 12 months.

**C.2. Internal Control and Risk Management Systems**

The internal control services are carried out by the Internal Audit Department, headed by Mr. Michael Kourtellas until 20/01/2019 and Rovertos Giousellis from 21/01/2019, both members of the Association of Chartered Certified Accountants (ACCA) and the Institution of Certified Public Accountants of Cyprus (ICPAC).

The Company's statutory auditors do not provide internal audit services.

The Directors have reviewed the Company's internal control systems as well as the procedures for verifying the accuracy, completeness and validity of the information provided to investors and confirm their effectiveness. The review carried out and the confirmation provided covers all the control systems including financial and operational systems as well as compliance and risk management systems that threaten the fulfillment of the Company's objectives and in respect of which relevant procedures apply and the Internal Auditor has submitted a relevant report.

The Board of Directors has not become aware of any breach of the Laws and Regulations that regulate the operation of the Cyprus Stock Exchange and the Securities and Exchange Commission.

No loans or guarantees have been granted to any Directors (or to any person associated with the same within the first degree or to their spouses or to companies in which they hold more than 20% of the voting rights) of the Company or the Company's subsidiaries either by the Company itself or its subsidiaries or by a company associated with the Company and, with the exception of normal business practice, there are no amounts receivable from a Director or any person associated therewith as stated above.

**C.3. Audit Committee, Auditors and Compliance with the Code – Risk Management Committee**

The Audit Committee comprises four members and its composition is set out in Part I.A.4 of this Report. Its Chairman and two of the members are Non-Executive, Independent Directors and have no business or other relationship that could materially affect the exercise of their duties. A member is a Non-Executive, Non-Independent Director. The Terms of Reference of the Audit Committee are set out in Part I.B.4 with additional reference in paragraph I.B.8.. The Chairman of the audit Committee has experience in Accounting and Audit and is a Qualified Accountant/Auditor. The members of the Committee, as a whole, have sufficient experience in the area in which the Company operates.

In 2018, the Audit Committee held 10<sup>3</sup> meetings and, as per its Terms of Reference, examined, amongst other issues, the issues related to the services of the Auditors, which have been found to be adequate, including their remuneration, which it considers reasonable. The relevant report has been submitted to the Board of Directors.

The statutory auditors and the entities belonging to the same group as the statutory auditors of the company do not provide to the Company any other services which as statutory auditors are not allowed to provide.

The accounting policies and accounting estimates followed are deemed to be satisfactory. The Company has adopted the International Financial Reporting Standards in relation to its business.

3. On 09/02/2018, 27/02/2018, 03/04/2018, 30/04/2018 & 02/05/2018 & 03/05/2018 (in a row meetings for the same topic), 11/05/2018, 10/06/2018, 23/07/2018, 09/10/2018, 25/10/2018 and 26/11/2018.

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There have been no material transactions of the Company or its subsidiaries or associated companies, of any kind, in which the Chief Executive Officer, a senior management executive, secretary, auditor or major shareholder of the Company holding directly or indirectly more than 5% of the Company's issued share capital or voting rights, has any material interest, either directly or indirectly.

It is hereby confirmed that the Company has complied with the provisions of the Code.

This Report was drafted with the assistance of the Compliance Officer.

### *Risk Management Committee*

The Risk Management Committee comprises three members who are Non-Executive Directors. Its composition is set out in Part I.A.5 of this Report. The Committee's Terms of Reference are set out in Part I.B.5 with additional reference in paragraph I.B.8.

The Risk Management Committee has perused, approved and adopted a Risk Management Manual, prepared by the Company's Internal Auditor, which records in detail, the categories of risks encountered by the Company and the Management's policy and procedures for addressing these risks.

In 2018, the Risk Management Committee held 4 meetings. At the quarterly meetings of the Committee, the Management presented the results of the methods and processes of managing the risks based on the Manual and the Committee confirmed the ongoing effectiveness of the internal risk management system and its continuous development across the range of the Company's operations. The Chairman of the Committee informed the Board of Directors accordingly.

## **D. RELATIONSHIP WITH SHAREHOLDERS**

### **D.1. Constructive use of the Annual General Meeting**

The Annual General Meeting was convened and held in accordance with legal and regulatory provisions as well as with the provisions of the Corporate Governance Code.

The procedures followed at the general meetings permit, challenge and support the participation of the shareholders in the discussion of the issues on the agenda and the adoption of relevant resolutions. The shareholders are provided with satisfactory evidence and adequate time is provided for investigation and additional explanations in relation to the issues concerning extraordinary business at the annual general meetings or issues relating to the agenda of an extraordinary general meeting. Prior to and after concluding the business of the general meetings, opportunities are provided for communication and discussion amongst the shareholders and the members of the Board of Directors and the other officers and management executives of the Company.

### **D.2. Equal Treatment of Shareholders**

The entire authorized and issued share capital is divided into ordinary shares and there are no shareholders holding any titles with varied rights in relation to the exercise of voting rights or participation in the Company's profits. During voting, every shareholder is entitled to one vote for every share held.

Participation in the general meeting by proxy requires authorizations for which relevant forms are proposed and attached to the invitation.

The invitations are sent out within the deadlines determined by the Companies Law.

Provided they represent an adequate number of shares (5%), shareholders may propose issues to be discussed at the general meetings of the shareholders in accordance with the procedures established by the Companies Law.

**LOGICOM PUBLIC LIMITED**

The members of the Board of Directors and management executives are aware of their obligations, subject to their ongoing obligations for immediate announcement, to communicate information to the Board of Directors and to the shareholders through the Company's annual report and the accounts, relating to any material own interest which may arise from Company's transactions that fall within their duties, as well as any other conflicts of interest with those of the Company or its associated companies arising in the performance of their duties.

The information concerning the Company is provided to all shareholders fairly, promptly and free of charge.

The Company has a website providing information on important developments in the Company's operations, including the announcements made to the Stock Exchange, and allows visitors to personally contact the Investor Liaison Officer.

The Company's announcements and reports provide prompt and accurate information on the material changes concerning the Group and its business, including issues relating to the Company's financial statements, the objectives and activities, as amended, the main shareholders and voting rights, material foreseeable risks, material issues concerning employees (upgrading and restructuring of personnel) and the shareholders, governance structure and policies and the Company's extraordinary transactions.

Nicosia, 28 February 2019

By order of the Board of Directors,

Adaminco Secretarial Limited  
Secretary of Logicom Public Limited

## **Independent Auditors' report**

### **To the Members of Logicom Public Limited**

#### **Report on the Audit of the Consolidated and Separate Financial Statements**

##### ***Opinion***

We have audited the accompanying consolidated financial statements of Logicom Public Limited and its subsidiaries (“the Group”) and the separate financial statements of Logicom Public Limited (the “Company”), which are presented on pages 38 to 158 and comprise the consolidated statement of financial position and statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows and statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the year then ended, and including, a summary of significant accounting policies and notes to the consolidated and separate financial statements.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated financial position of the Group and the Company as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS-EU”) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the “Companies Law, Cap. 113”).

##### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate 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’ Code of Ethics for Professional Accountants (“IESBA Code”) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Cyprus, 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.

**Key audit matters**

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

<p><b>Valuation of trade receivables for the Group and trade receivables and other receivables for the Company and disclosure on the expected impact of IFRS 9.</b></p> <p>Refer to notes 22 and 35 to the consolidated and separate financial statements</p>	
<p><b>The key audit matter</b></p>	<p><b>How the matter was addressed in our audit</b></p>
<p>The significance of the balances for the Group and the Company, the general economic and political environment in the countries the Group is operating in which creates a risk concerning the recoverability of these balances and the uncertainty regarding the estimation of the provision for doubtful debts, constitute the valuation of these balances one of the key audit matters.</p> <p>The Company and the Group on 1 January 2018 initially applied IFRS 9, which replaced the International Accounting Standard (“ISA”) 39. This new Standard introduces an impairment model based on expected credit losses as well as new requirements on classification and measurement of financial assets. The expected impact is disclosed in note 3B of the financial statements.</p>	<p>Audit procedures performed included the following:</p> <ul style="list-style-type: none"> <li>— Assessment of the operational effectiveness of the controls in relation to the insurance of the Group’s customers;</li> <li>— Review of subsequent to the year-end cash receipts;</li> <li>— Assessment of the Group’s experience in developing expectations and assumptions regarding provisions for impairment in receivables value according to the IFRS 9 provisions, the review of expectations and assumptions, taking into account the relevance of expectations of previous years and whether these expectations were representative of the future conditions and events, as well as the business model for managing credit risk;</li> <li>— Assessment of the reasonableness of the assumptions and information taken into account in the calculation of the provision for doubtful debts such as the age of the balances, the characteristics of the customers and the macroeconomic conditions forecasts of the countries in which the Group is operating, the extent of the insurance coverage and whether the amounts have been recovered post year end.</li> </ul>

	<ul style="list-style-type: none"> <li>— The assessment of the methodology of generating macroeconomic scenarios, the reasonableness of macroeconomic forecasts used in the estimating the expected credit loss for impairment in value.</li> <li>— The recalculation of some calculations and assumptions in the impairment model of trade receivable.</li> </ul>
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**Valuation of inventories for the Group and the Company**

Refer to note 21 to the consolidated and separate financial statements

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Considering that the activities of the Group include the provision of high tech products and the fact that this industry is characterized by rapid developments and changes, there is a risk that the inventories held at year end may be slow moving or that they may have suffered a decrease in value. The uncertainty that accompanies the estimate of the provision for slow moving stock constitute the valuation of these balances one of the key audit matters.</p>	<p>Audit procedures performed included the following:</p> <ul style="list-style-type: none"> <li>— Assessment of the Group’s experience in developing expectations regarding provision for slow moving stock taking into account the expectations of the previous years and whether these expectations were representative of the future conditions and events;</li> <li>— Assessment of the amount of provision for slow moving stock based on the characteristics of the country in which the inventories are held, the age and type of inventories, their marketability as well as the Group’s option for stock rotation and price protection from the vendors;</li> <li>— Comparison of the carrying value of inventories with their net realizable value.</li> </ul>

**Amount payable and share of loss from related company for the Group and amount payable from subsidiary company for the Company**

Refer to notes 22 and 42 to the consolidated and separate financial statements

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group and the Company have significant receivable balances from M.N. Larnaca Desalination Co. Limited (the “desalination company”), as a result of financing the desalination project in Larnaca through its subsidiary, Verendrya Ventures Limited.</p>	<p>Audit procedures performed included the following:</p> <ul style="list-style-type: none"> <li>— Assessment of the reasonableness of the assumptions used to determine the value of significant assets of the desalination company, in comparison with statistical and other data, and</li> </ul>

<p>The share of the results and the impairment of the amount due by the desalination company which were recognized during the year have been determined on the basis of assumptions and estimates that involve inherent uncertainty in the calculation of the expected discounted cash flows in relation to the desalination project. The subject matter is one of the key issues that the Board of Directors has exercised significant judgment and therefore is one of the key audit matters.</p>	<p>consequently the share of loss recognized in the Group;</p> <ul style="list-style-type: none"> <li>— Review of the expected discounted cash flows of the subsidiary company Verendrya Ventures Limited which consists of the expected discounted cashflows of the desalination company in Larnaca as well as those of the company that has undertaken the similar project of the desalination unit in Limassol to determine a possible impairment on the amount payable by Verendrya Ventures Limited to the Company;</li> <li>— Evaluate the reasonableness of the estimates and assumptions used to calculate the expected discounted cashflows from the desalination company in Larnaca such as the validity of the claims in favor and against the desalination company in Larnaca on the basis of legal advice received from the Group’s legal advisors and the level of compensation that the desalination company is expected to receive based on the opinion of its advisors which are specialized in the subject matter, the level of the expected inflows and outflows resulting from the normal operations of the desalination company and the review of the calculation of the impairment resulting from the assessment of a possible impairment of the amount owed by the desalination company to Verendrya Ventures Limited and ultimately to the Group.</li> <li>— Assessment of the Group’s experience in developing expectations in relation to the expected future inflows and outflows taking into account the expectations of the previous years and whether these expectations were representative of the future conditions and events.</li> </ul>
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***Other information***

The Board of Directors is responsible for the other information. The other information comprises the management report and the consolidated management report and the corporate governance statement, but does not include the consolidated and separate financial statements and our auditors’ report thereon.



Our opinion on the consolidated and separate 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 and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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.

Our report in relation to management report and the consolidated management report and the corporate governance statement is presented in section “Report on Other Legal and Regulatory Requirements”.

#### ***Responsibilities of the Board of Directors for the Consolidated and Separate Financial Statements***

The Board of Directors is responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Board of Directors is responsible for assessing the Company’s and 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 Company and the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company’s and the Group’s financial reporting process.

#### ***Auditors’ Responsibilities for the Audit of the Consolidated and Separate Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Company's and 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 Company's and 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 and separate 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 Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities 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, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

### **Report on Other Legal and Regulatory Requirements**

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of International Standards of Auditing.

#### *Date of appointment and period of engagement*

We were appointed first auditors of the Company since its incorporation in 1986 and since then our appointment is renewed annually by shareholder resolution.

#### *Consistency of the Additional Report to the Audit Committee*

We confirm that our audit opinion on the consolidated and separate financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 26 February 2019.

#### *Provision of Non-audit Services*

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017.

#### **Other legal requirements**

Pursuant to the additional requirements of 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 management report and the consolidated management report, 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 and separate financial statements.
- In the light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit of the consolidated and separate financial statements, we are required to report if we have identified material misstatements in the management report and the consolidated management report. We have nothing to report in this respect.
- In our opinion, the information included in the corporate governance statement which are presented in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report and the consolidated management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated and separate financial statements.

- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

### **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the European Union (EU) Regulation 537/2014 and Section 69 of Auditors Law of 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.

The engagement partner on the audit resulting in this independent auditors' report is Michael M. Antoniadis.

Michael M. Antoniadis, FCA  
Certified Public Accountant and Registered Auditor  
for and on behalf of  
KPMG Limited

Certified Public Accountants and Registered Auditors  
14 Esperidon street  
1087 Nicosia  
Cyprus

28 February 2019

## LOGICOM PUBLIC LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMEYear ended 31 December 2018

	Note	2018 €	2017 Restated <sup>1</sup> €
Revenue	6	899.984.186	865.808.647
Cost of sales		<u>(835.947.255)</u>	<u>(804.898.678)</u>
<b>Gross profit</b>		64.036.931	60.909.969
Other income	7	1.599.446	2.163.417
Impairment loss on trade receivables	36	(68.591)	(379.811)
Other expenses	8	(13.955)	(2.244.282)
Administrative expenses	9	<u>(40.435.487)</u>	<u>(37.595.397)</u>
<b>Profit from operations</b>		<u>25.118.344</u>	<u>22.853.896</u>
Net foreign exchange profit		393.371	1.051.610
Interest receivable		1.178.293	1.481.184
Interest payable and bank charges		<u>(8.445.243)</u>	<u>(7.185.218)</u>
<b>Net finance expenses</b>	10	(6.873.579)	(4.652.424)
Net share of profit from associated companies after tax and write off of negative goodwill	18	6.261.315	-
Net share of profit/ (loss) from jointly controlled companies and partnership after tax	18	<u>67.967</u>	<u>(409.162)</u>
<b>Profit before taxation</b>		24.574.047	17.792.310
Taxation	11	<u>(1.894.164)</u>	<u>(3.164.048)</u>
<b>Profit for the year after tax</b>		<u>22.679.883</u>	<u>14.628.262</u>
<b>Other comprehensive income that will not be reclassified to profit or loss in future periods</b>			
Surplus on revaluation of land and buildings	16	231.136	-
Deferred taxation arising from revaluation of land and buildings		<u>3.559</u>	<u>168.689</u>
		<u>234.695</u>	<u>168.689</u>
<b>Other comprehensive income that are to be reclassified to profit or loss in future periods</b>			
Surplus/ (deficit) from revaluation of available for sale investments	16	-	1.151.284
Exchange difference from translation and consolidation of financial statements from foreign operations	10	1.162.373	(10.566.579)
Exchange difference in relation to hedge of a net investment in a foreign operation	10	<u>(1.581.709)</u>	<u>3.069.531</u>
<b>Other comprehensive expenses for the year after tax</b>		<u>(184.641)</u>	<u>(6.177.075)</u>
<b>Total comprehensive income for the year after tax</b>		<u>22.495.242</u>	<u>8.451.187</u>
<b>Profit for the year after tax attributable to:</b>			
Company's shareholders		22.266.227	15.624.710
Non-controlling interest		<u>413.656</u>	<u>(996.448)</u>
<b>Profit for the year after tax</b>		<u>22.679.883</u>	<u>14.628.262</u>
<b>Total comprehensive income for the year after tax attributable to:</b>			
Company's shareholders		22.081.586	9.447.635
Non-controlling interest		<u>413.656</u>	<u>(996.448)</u>
<b>Total comprehensive income</b>		<u>22.495.242</u>	<u>8.451.187</u>
<b>Basic earnings per share (cent)</b>	13	<u>30,06</u>	<u>21,09</u>
<b>Diluted earnings per share (cent)</b>	13	<u>30,06</u>	<u>21,09</u>

<sup>1</sup>The Group initially adopted IFRS15 and IFRS9 on 1 January 2018. The transition method chosen permits non retrospective application on comparatives except the separate disclosure of impairment loss on receivables.

The notes on pages 45 to 148 form an integral part of these consolidated and separate financial statements.

## LOGICOM PUBLIC LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 €	2017 €
<b>Assets</b>			
Property, plant and equipment	14	20.432.645	12.180.638
Intangible assets and goodwill	15	9.659.165	9.909.558
Equity-accounted investees	18	37.456.513	-
Available-for-sale investments	3	-	6.428.220
Trade and other receivables	22	22.160.626	21.129.431
Deferred taxation	32	<u>2.305.056</u>	<u>1.619.047</u>
<b>Total non-current assets</b>		<u>92.014.005</u>	<u>51.266.894</u>
Inventories	21	69.332.835	64.957.047
Trade and other receivables	22	187.245.224	181.643.637
Investments at fair value through profit and loss	19	244.041	16.448
Current tax assets	29	382.881	739.810
Cash and cash equivalents	23	<u>31.211.426</u>	<u>38.582.807</u>
<b>Total current assets</b>		<u>288.416.407</u>	<u>285.939.749</u>
<b>Total assets</b>		<u>380.430.412</u>	<u>337.206.643</u>
<b>Equity</b>			
Share capital	24	25.187.064	25.187.064
Reserves	25	<u>80.099.123</u>	<u>64.169.458</u>
<b>Equity attributable to shareholders of the company</b>		105.286.187	89.356.522
<b>Non-controlling interest</b>	25	<u>(1.989.007)</u>	<u>(2.402.663)</u>
<b>Total equity</b>		<u>103.297.180</u>	<u>86.953.859</u>
<b>Liabilities</b>			
Long-term loans	30	23.397.196	13.326.255
Trade and other payables	28	11.246.270	11.066.714
Deferred taxation	32	412.422	794.200
Provisions for other liabilities and termination of employment	26,27	<u>2.542.474</u>	<u>2.139.532</u>
<b>Total non-current liabilities</b>		<u>37.598.362</u>	<u>27.326.701</u>
Trade and other payables	28	117.807.652	109.987.681
Bank overdrafts	30	49.530.095	40.564.031
Short term loans	30	58.138.882	62.295.134
Current portion of long-term loans	30	8.337.235	4.423.077
Promissory notes	31	3.470.451	1.781.542
Derivative financial instruments	20	1.350.649	2.338.169
Current tax liabilities	29	846.263	1.483.489
Provisions for other liabilities and termination of employment	26,27	<u>53.643</u>	<u>52.960</u>
<b>Total current liabilities</b>		<u>239.534.870</u>	<u>222.926.083</u>
<b>Total liabilities</b>		<u>277.133.232</u>	<u>250.252.784</u>
<b>Total equity and liabilities</b>		<u>380.430.412</u>	<u>337.206.643</u>

The consolidated financial statements were approved by the Board of Directors of Logicom Public Limited on 28 February 2019.

.....  
Varnavas Irinarchos  
Vice Chairman and Managing Director

.....  
Anthoulis Papachristoforou  
Group Chief Financial Officer/ Director

The Group initially adopted IFRS15 and IFRS9 on 1 January 2018. The transition method chosen permits non retrospective application on comparatives except the separate disclosure of impairment loss on receivables.  
The notes on pages 45 to 148 form an integral part of these consolidated and separate financial statements.

## LOGICOM PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITYYear ended 31 December 2018

	Share capital €	Share Premium €	Revaluation Reserve €	Fair Value Reserve €	Difference arising on the conversion the share capital to Euro €	Hedge reserve €	Statutory reserve €	Translation reserve €	Retained earnings €	Total €	Non-controllin g interest €	Total €
<b>Balance at 1 January 2017</b>	25.187.064	10.443.375	4.620.982	730.523	116.818	(10.507.021)	977.963	5.132.530	47.281.031	83.983.265	(1.406.215)	82.577.050
<b>Total comprehensive income</b>												
Profit for the year	-	-	-	-	-	-	-	-	15.624.710	15.624.710	(996.448)	14.628.262
Other comprehensive income	-	-	168.689	1.151.284	-	3.069.531	-	(10.566.579)	-	(6.177.075)	-	(6.177.075)
<b>Transactions with owners of the Company, recognized directly in equity</b>												
Proposed dividend for 2016 that was paid in 2017 (note 12)	-	-	-	-	-	-	-	-	(4.074.378)	(4.074.378)	-	(4.074.378)
Transfer	-	-	-	-	-	-	400.467	-	(400.467)	-	-	-
Revaluation reserve realised through use	-	-	(28.844)	-	-	-	-	-	28.844	-	-	-
<b>Balance at 1 January 2018 as previously reported</b>	25.187.064	10.443.375	4.760.827	1.881.807	116.818	(7.437.490)	1.378.430	(5.434.049)	58.459.740	89.356.522	(2.402.663)	86.953.859
Change in accounting policy for the application of IFRS9 after tax (note 3)	-	-	-	379.500	-	-	-	-	(1.787.219)	(1.407.719)	-	(1.407.719)
<b>Restated balance at 1 January 2018</b>	<u>25.187.064</u>	<u>10.443.375</u>	<u>4.760.827</u>	<u>2.261.307</u>	<u>116.818</u>	<u>(7.437.490)</u>	<u>1.378.430</u>	<u>(5.434.049)</u>	<u>56.672.521</u>	<u>87.948.803</u>	<u>(2.402.663)</u>	<u>85.546.140</u>
<b>Total comprehensive income</b>												
Profit for the year	-	-	-	-	-	-	-	-	22.266.227	22.266.227	413.656	22.679.883
Other comprehensive income	-	-	3.559	231.136	-	(1.581.709)	-	1.162.373	-	(184.641)	-	(184.641)
<b>Transactions with owners of the Company, recognized directly in equity</b>												
Proposed dividend for 2017 that was paid in 2018 (note 12)	-	-	-	-	-	-	-	-	(4.815.174)	(4.815.174)	-	(4.815.174)
Transfer	-	-	-	(2.492.443)	-	-	493.821	-	1.998.622	-	-	-
Adjustment from remeasurement of obligation	-	-	-	-	-	-	-	-	81.673	81.673	-	81.673
Deferred taxation on the adjustment from remeasurement of obligation	-	-	-	-	-	-	-	-	(10.701)	(10.701)	-	(10.701)
Total other movements	-	-	-	-	-	-	-	-	70.972	70.972	-	70.972
<b>Balance at 31 December 2018</b>	<u>25.187.064</u>	<u>10.443.375</u>	<u>4.764.386</u>	<u>-</u>	<u>116.818</u>	<u>(9.019.199)</u>	<u>1.872.251</u>	<u>(4.271.676)</u>	<u>76.193.168</u>	<u>105.286.187</u>	<u>(1.989.007)</u>	<u>103.297.180</u>

The Group initially adopted IFRS15 and IFRS9 on 1 January 2018. The transition method chosen permits non retrospective application on comparatives except the separate disclosure of impairment loss on receivables.

The notes on pages 45 to 148 form an integral part of these consolidated and separate financial statements.

**LOGICOM PUBLIC LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)****Year ended 31 December 2018**

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 period of 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 of 17% will be payable on such deemed dividends to the extent that the shareholders at the end of the period of the two years from the end of the year of assessment to which the profits refer are Cyprus tax residents and Cyprus domiciled. The amount of deemed dividend distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

Retained earnings is the only reserve that is available for distribution.



## LOGICOM PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS  
Year ended 31 December 2018

	Note	2018 €	2017 €
<b>Cash flows from operations</b>			
Profit for the year after tax		22.679.883	14.628.262
<i>Adjustments for:</i>			
Exchange differences		(920.064)	(9.392.460)
Depreciation	14	1.302.191	1.320.144
Depreciation on leased property, plant and equipment	14	302.144	421.161
Interest payable		7.541.707	6.209.496
Interest receivable	10	(1.178.293)	(1.481.184)
Change in fair value of derivative financial instruments	10	(987.521)	2.576.032
Realised exchange profit on derivative financial instruments		-	2.081
Share of (profit)/loss of jointly controlled companies and partnership after tax	18	(67.967)	409.162
Share of profit from associated companies after tax	18	(6.261.315)	-
Profit from the revaluation of investments at fair value through profit or loss	7	(37.698)	-
Profit from bargain purchase of operations		-	(661.459)
(Reversal of impairment of)/Impairment of the loan receivable from jointly controlled company	7	(661.913)	2.214.726
Impairment of property, plant and equipment	8	13.955	29.556
Profit from the disposal of property, plant and equipment	7	(33)	(19.739)
Amortisation of research and development	15	249.057	6.226
Charge to profit or loss for provisions	26,27	803.415	627.614
Taxation	11	<u>1.894.164</u>	<u>3.164.048</u>
		24.671.712	20.053.666
(Increase)/decrease in inventories		(4.375.788)	13.933.728
Increase in trade and other receivables		(7.559.651)	(22.616.974)
Increase/(decrease) in trade and other payables		7.999.527	(3.296.500)
Proceeds/(repayments) from promissory notes		<u>1.688.909</u>	<u>(807.347)</u>
		22.424.709	7.266.573
Interest paid		(7.541.707)	(6.209.496)
Taxation (paid) / received		<u>(3.205.347)</u>	<u>4.885.128</u>
<b>Net cash flow from operations</b>		<u>11.677.655</u>	<u>5.942.205</u>
<b>Cash flows used in investing activities</b>			
Proceeds from disposal of property, plant and equipment		54.755	155.934
Payments to acquire intangible assets		-	(495.514)
Payments to acquire investments in equity accounted investees	18	(23.933.710)	-
Payments for provisions		(40.000)	(143.943)
Adjustments on provisions		-	99.650
Payments to acquire property, plant and equipment	14	(9.643.088)	(1.215.696)
Interest received	10	<u>1.178.293</u>	<u>1.481.184</u>
<b>Net cash flow used in investing activities</b>		<u>(32.383.750)</u>	<u>(118.385)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of new loans	30	75.253.796	79.558.455
Repayment of loans	30	(66.718.211)	(70.422.003)
Dividends paid		<u>(4.815.174)</u>	<u>(4.074.378)</u>
<b>Net cash flow from financing activities</b>		<u>3.720.411</u>	<u>5.062.074</u>
<b>Net change in cash and cash equivalents</b>		(16.985.684)	10.885.894
<b>Cash and cash equivalents at beginning of the year</b>		(1.981.224)	(12.867.118)
Effect of exchange rate fluctuations on cash held		<u>648.239</u>	-
<b>Cash and cash equivalents at end of the year</b>	23	<u>(18.318.669)</u>	<u>(1.981.224)</u>

The Group initially adopted IFRS15 and IFRS9 on 1 January 2018. The transition method chosen permits non retrospective application on comparatives except the separate disclosure of impairment loss on receivables.

The notes on pages 45 to 148 form an integral part of these consolidated and separate financial statements.

## LOGICOM PUBLIC LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
Year ended 31 December 2018

	2018	2017	
	€	Restated <sup>1</sup>	
Note	€	€	
Revenue	6	89.667.145	79.872.213
Cost of sales		<u>(82.762.117)</u>	<u>(76.135.230)</u>
<b>Gross profit</b>		6.905.028	3.736.983
Other income	7	17.543.327	9.699.627
Impairment loss on trade receivables	36	(1.159.640)	(137.659)
Other expenses	8	-	(116.748)
Administrative expenses	9	<u>(6.650.703)</u>	<u>(5.979.118)</u>
<b>Profit from operations</b>		16.638.012	7.203.085
Net foreign exchange profit/(loss)		834.187	(592.411)
Interest receivable		147	147
Interest payable and bank charges		<u>(3.898.986)</u>	<u>(2.497.522)</u>
<b>Net finance expenses</b>	10	<u>(3.064.652)</u>	<u>(3.089.786)</u>
<b>Profit before taxation</b>		13.573.360	4.113.299
Taxation	11	<u>281.499</u>	<u>(490.099)</u>
<b>Profit for the year after tax</b>		<u>13.854.859</u>	<u>3.623.200</u>
<b>Other comprehensive income that will not be reclassified to profit or loss in future periods</b>			
Deferred taxation arising from revaluation of land and buildings	11	<u>3.559</u>	<u>168.689</u>
<b>Other comprehensive income for the year after tax</b>		<u>3.559</u>	<u>168.689</u>
<b>Total comprehensive income for the year after tax</b>		<u>13.858.418</u>	<u>3.791.889</u>
<b>Basic earnings per share (cent)</b>	13	<u>18.70</u>	<u>4.89</u>
<b>Diluted earnings per share (cent)</b>	13	<u>18.70</u>	<u>4.89</u>

<sup>1</sup>The Group initially adopted IFRS15 and IFRS9 on 1 January 2018. The transition method chosen permits non retrospective application on comparatives except the separate disclosure of impairment loss on receivables.  
The notes on pages 45 to 148 form an integral part of these consolidated and separate financial statements.

## LOGICOM PUBLIC LIMITED

STATEMENT OF FINANCIAL POSITION  
As at 31 December 2018

	Note	2018 €	2017 €
<b>Assets</b>			
Property, plant and equipment	14	4.387.315	4.328.136
Investments in subsidiary companies	17	53.708.587	43.427.339
Long-term loans to subsidiary companies	42	28.406.793	27.554.737
Deferred taxation	32	<u>1.341.864</u>	<u>959.528</u>
<b>Total non-current assets</b>		<u>87.844.559</u>	<u>76.269.740</u>
Inventories	21	2.197.547	5.869.194
Trade and other receivables	22	18.798.611	16.775.495
Receivables from subsidiary companies	42	56.038.179	38.687.577
Investments at fair value through profit and loss	19	9.594	9.594
Cash and cash equivalents	23	<u>2.299.735</u>	<u>15.965.365</u>
<b>Total current assets</b>		<u>79.343.666</u>	<u>77.307.225</u>
<b>Total assets</b>		<u>167.188.225</u>	<u>153.576.965</u>
<b>Equity</b>			
Share capital	24	25.187.064	25.187.064
Reserves	25	<u>18.150.602</u>	<u>10.055.516</u>
<b>Total equity</b>		<u>43.337.666</u>	<u>35.242.580</u>
<b>Liabilities</b>			
Long-term loans	30	16.714.478	7.156.085
Deferred taxation	32	<u>352.088</u>	<u>299.551</u>
<b>Total non-current liabilities</b>		<u>17.066.566</u>	<u>7.455.636</u>
Trade and other payables	28	31.563.725	55.176.919
Bank overdrafts	30	29.933.854	24.031.913
Short term loans	30	33.915.953	23.733.890
Current portion of long-term loans	30	6.568.820	3.850.411
Promissory notes	31	3.470.451	1.781.542
Derivative financial instruments	20	1.327.871	2.300.767
Current tax liabilities	29	<u>3.319</u>	<u>3.307</u>
<b>Total current liabilities</b>		<u>106.783.993</u>	<u>110.878.749</u>
<b>Total liabilities</b>		<u>123.850.559</u>	<u>118.334.385</u>
<b>Total equity and liabilities</b>		<u>167.188.225</u>	<u>153.576.965</u>

The financial statements were approved by the Board of Directors of Logicom Public Limited on 28 February 2019.

.....  
Varnavas Irinarchos  
Managing Director

.....  
Anthoulis Papachristoforou  
Group Chief Financial Officer / Director

The Group initially adopted IFRS15 and IFRS9 on 1 January 2018. The transition method chosen permits non retrospective application on comparatives except the separate disclosure of impairment loss on receivables.  
The notes on pages 45 to 148 form an integral part of these consolidated and separate financial statements.

**LOGICOM PUBLIC LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 December 2018**

Note	Share capital €	Share Premium €	Revaluation Reserve €	Difference arising on the conversion the share capital to Euro €	Retained earnings €	Total €
	25.187.064	10.443.375	2.056.664	116.818	(2.278.852)	35.525.069
	<b>Balance at 1 January 2017</b>					
	<b>Total comprehensive income</b>					
	-	-	-	-	3.623.200	3.623.200
	-	-	168.689	-	-	168.689
	<b>Transactions with owners of the Company, recognized directly in equity</b>					
12	-	-	-	-	(4.074.378)	(4.074.378)
	-	-	(28.844)	-	28.844	-
	25.187.064	10.443.375	2.196.509	116.818	(2.701.186)	35.242.580
	<b>Balance at 1 January 2018 as previously reported</b>					
3	-	-	-	-	(948.158)	(948.158)
	25.187.064	10.443.375	2.196.509	116.818	(3.649.344)	34.294.422
	<b>Restated balance at 1 January 2018</b>					
	<b>Total comprehensive income</b>					
	-	-	-	-	13.854.859	13.854.859
	-	-	3.559	-	-	3.559
	<b>Transactions with owners of the Company, recognized directly in equity</b>					
12	-	-	-	-	(4.815.174)	(4.815.174)
	25.187.064	10.443.375	2.200.068	116.818	5.390.341	43.337.666
	<b>Balance at 31 December 2018</b>					

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 period of 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 of 17% will be payable on such deemed dividends to the extent that the shareholders at the end of the period of the two years from the end of the year of assessment to which the profits refer are Cyprus tax residents and Cyprus domiciled. The amount of deemed dividend distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

Retained earnings is the only reserve that is available for distribution.

The Group initially adopted IFRS15 and IFRS9 on 1 January 2018. The transition method chosen permits non retrospective application on comparatives except the separate disclosure of impairment loss on receivables.

The notes on pages 45 to 148 form an integral part of these consolidated and separate financial statements.

## LOGICOM PUBLIC LIMITED

## STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 €	2017 €
<b>Cash flows from operations</b>			
Profit for the year after tax		13.854.859	3.623.200
<i>Adjustments for:</i>			
Exchange differences		-	2.081
Depreciation	14	391.350	302.143
Net exchange (profit)/loss from derivative financial instruments	10	(972.895)	2.526.881
Amortisation of research and development	15	-	6.226
Profit from the disposal of property, plant and equipment	7	(840)	(7.638)
Loss from impairment of investments in subsidiary companies		-	116.748
Dividends receivable	7	(16.865.393)	(9.367.792)
Interest receivable	10	(147)	(147)
Interest payable		3.736.987	2.147.492
Taxation		(281.499)	490.099
		<u>(137.578)</u>	<u>(160.707)</u>
Decrease/(increase) in inventories		3.671.647	(193.792)
Increase in trade and other receivables		(2.028.604)	(3.479.799)
(Increase)/decrease in balances with subsidiary companies		(18.793.783)	13.215.620
Increase in receivables from related companies		(351.546)	-
Decrease in trade and other payables		(23.613.194)	(2.911.264)
Increase/(decrease) in promissory notes		<u>1.688.909</u>	<u>(807.347)</u>
		<u>(39.564.149)</u>	<u>5.662.711</u>
Interest paid		(3.736.987)	(2.147.492)
Taxation paid		<u>(44.729)</u>	<u>(41.430)</u>
<b>Net cash flow (used in)/from operations</b>		<u>(43.345.865)</u>	<u>3.473.789</u>
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment	14	(450.529)	(432.922)
Payments to acquire investments in subsidiary companies	17	(10.281.248)	-
Proceeds from disposal of property, plant and equipment		840	31.088
Interest received		147	147
Dividends received		<u>16.865.393</u>	<u>9.367.792</u>
<b>Net cash flow from investing activities</b>		<u>6.134.603</u>	<u>8.966.105</u>
<b>Cash flows from financing activities</b>			
Repayment of loans	30	(27.584.301)	(30.679.371)
Proceeds from issue of new loans	30	50.043.166	34.740.386
Dividends paid		<u>(4.815.174)</u>	<u>(4.074.378)</u>
<b>Net cash flow from/(used in) financing activities</b>		<u>17.643.691</u>	<u>(13.363)</u>
<b>Net change in cash and cash equivalents</b>		<u>(19.567.571)</u>	<u>12.426.531</u>
<b>Cash and cash equivalents at beginning of the year</b>		<u>(8.066.548)</u>	<u>(20.493.079)</u>
<b>Cash and cash equivalents at end of the year</b>	23	<u><u>(27.634.119)</u></u>	<u><u>(8.066.548)</u></u>

The Group initially adopted IFRS15 and IFRS9 on 1 January 2018. The transition method chosen permits non retrospective application on comparatives except the separate disclosure of impairment loss on receivables.

The notes on pages 45 to 148 form an integral part of these consolidated and separate financial statements.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**1. STATUS AND PRINCIPAL ACTIVITY**

Logicom Public Limited (the "Company") was incorporated in Cyprus on 9 December 1986 as a private company with limited liability. The principal activity of the Company is the distribution of high technology products. On 23 July 1999 the Company became public in accordance with the provisions of the Cyprus Companies Law and on 4 January 2000 commenced trading of its shares in the Cyprus Stock Exchange.

These separate and consolidated financial statements include the Company and its subsidiaries ("the Group").

The address of the registered office of the Company is the following:

Zenonos Sozou 3

1st floor

3105 Limassol

The address of the management office of the Company is the following:

Stasinou 26

Ayia Paraskevi

2003 Strovolos

Nicosia

On 1 January 1999, Logicom Public Limited acquired the whole share capital of Logicom (Overseas) Limited of €17.100. The principal activity of Logicom (Overseas) Limited is the distribution of high technology products and the assembly of computers. The company remained dormant during 2018.

On 1 January 2000, Logicom Public Limited acquired the whole share capital of SOLATHERM ELECTRO - TELECOMS "SET" Limited, of €5.135 which was renamed to ENET Solutions Limited on 11 January 2001. The principal activity of ENET Solutions Limited is the supply of solutions and services for networks and telecommunications. The company ENET Solutions Limited was renamed to Logicom Solutions Limited on 30 January 2009. The operations of the companies DAP Noesis Business Solutions Ltd and Netvision Ltd were transferred to Logicom Solutions Ltd in January 2009. The share capital of Logicom Solutions Ltd was transferred to Logicom Services Ltd for €2.398.056 on 31 December 2011.

On 27 April 2000, Netcom Limited was incorporated in Cyprus with a share capital of €17.086, which is wholly owned by Logicom Public Limited. The principal activity of Netcom Limited is the execution of infrastructure projects, such as the construction of a desalination plant in Episkopi Limassol and the renovation and operation of a desalination plant in Larnaca. On 20 July 2010 the whole share capital of Netcom Limited was acquired by Verendrya Ventures Limited. The company remained dormant during 2018.

On 25 July 2000, Logicom (Middle East) SAL was incorporated in Lebanon, with a share capital of LBP 75.000.000 which is wholly owned by Logicom Public Limited. The principal activity of Logicom (Middle East) SAL is the distribution of high technology products.

On 21 February 2001, ENET Solutions Logicom S.A. was incorporated in Greece with a share capital of €601.083, which is wholly owned by Logicom Public Limited. The principal activity of ENET Solutions Logicom S.A. is the distribution of high technology products.

On 7 August 2001, Logicom Jordan LLC was incorporated in Jordan, with a share capital of JOD 50.000, which is wholly owned by Logicom Public Limited. The principal activity of Logicom Jordan LLC is the distribution of high technology products.

On 3 October 2001, Logicom FZE was incorporated in the United Arab Emirates, with a share capital of AED 1.000.000, which is wholly owned by Logicom Public Limited. The principal activity of Logicom FZE is the distribution of high technology products.

## LOGICOM PUBLIC LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

#### 1. STATUS AND PRINCIPAL ACTIVITY *(continued)*

On 7 November 2001, Logicom Dubai LLC was incorporated in the United Arab Emirates, with a share capital of AED 300.000, which is wholly owned, directly and indirectly, by Logicom Public Limited. The principal activity of Logicom Dubai LLC is the distribution of high technology products.

On 14 June 2005, Logicom Italia s.r.l. was incorporated in Italy, with a share capital of €10.000, which is wholly owned by Logicom Public Limited. The principal activity of Logicom Italia s.r.l. is the distribution of high technology products. On 5 May 2014 there was an increase in the share capital of Logicom Italia s.r.l to €200.000 which is wholly owned by Logicom Public Ltd.

On 1 December 2005, Logicom IT Distribution Ltd was incorporated in Turkey, with a share capital of 5.000 Turkish liras, which is owned evenly by subsidiary companies ENET Solutions Logicom S.A. and Logicom FZE. On 30 March 2007 there was an increase in the share capital of Logicom IT Distribution Ltd to 140.000 Turkish liras, which is owned by 40 % from Enet Solutions Logicom S.A. and by 60% from Logicom FZE. On 27 December 2007 there was a further increase in the share capital of Logicom IT Distribution Ltd to 1.540.000 Turkish liras which is owned by 4% from Enet Solutions Logicom S.A. and by 96% from Logicom FZE. The principal activity of Logicom IT Distribution Ltd is the distribution of high technology products.

On 1 August 2006, Rehab Technologies Ltd was incorporated in Saudi Arabia, with a share capital of SAR 500.000 which is held by a trustee on behalf of Logicom Public Ltd. Logicom Public Ltd has full control of the operations of Rehab Technologies Ltd through a contractual agreement. The principal activity of Rehab Technologies Ltd is the distribution of high technology products. The activities of Rehab Technologies Ltd were transferred to Logicom Saudi Arabia LLC on 8 June 2010 and the company has since remained dormant.

On 19 March 2007, Logicom Information Technology Distribution S.R.L. was incorporated in Romania with a share capital of 200 Romanian Lei, which is wholly owned by Logicom Public Limited. During the year 2018 there was an increase in the share capital of the company to 10.250.000 Romanian Lei. The principal activity of Logicom Information Technology Distribution S.R.L. is the distribution of high technology products.

On 12 April 2007, Logicom Bulgaria EOOD was incorporated in Bulgaria, with a share capital of 20.000 Bulgarian Lev, which is wholly owned by Logicom Public Limited. The principal activity of Logicom Bulgaria EOOD is the distribution of high technology products. During 2018, the company remained dormant.

On 30 January 2008, Verendrya Ventures Limited was incorporated in Cyprus, with a share capital of EUR1.000 which belongs to Logicom Public Limited and to Demetra Investments Public Limited by 60% and 40% respectively. The principal activity of Verendrya Ventures Limited is the execution of projects relating to the construction and renovation of desalination units.

On 6 May 2009, Logicom Services Limited was incorporated in Cyprus, with a share capital of €10.000, which is wholly owned by Logicom Public Limited. The principal activity of Logicom Services Limited is the holding of investments.

On 28 July 2009, the Group acquired, through its subsidiary Logicom Services Limited, the 36,77% of the company Newcytech Business Solutions Limited. The main activity of Newcytech Business Solutions Limited is the provision of complete IT solutions. On 30 October 2009 Logicom Services Limited acquired the 100% of the share capital of Newcytech Business Solutions Limited amounting to €756.776.

With the acquisition of Newcytech Business Solutions Limited the Group acquired also the 100% of the company Newcytech Distribution Ltd with share capital of €8.550. The main activity of Newcytech Distribution Ltd is the import and wholesale of computers in the local market. The share capital of Newcytech Distribution Ltd was transferred to Logicom Services Limited on 30 June 2010.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**1. STATUS AND PRINCIPAL ACTIVITY** *(continued)*

On 16 August 2009, Enet Solutions LLC was incorporated, in the United Arab Emirates, with a share capital of AED300.000. The main activity of Enet Solutions LLC is the provision of complete IT solutions. During 2018, the company remained dormant.

On 29 September 2009, Logicom Saudi Arabia LLC was incorporated in Saudi Arabia, with a share capital of SAR 26.800.000 which is owned by 75% from Logicom FZE and by 25% from a trustee on behalf of Logicom Public Limited. Logicom Public Limited has contractually the full control of the operations of Logicom Saudi Arabia LLC. The principal activity of Logicom Saudi Arabia LLC is the distribution of high technology products.

On 3 November 2009, ICT Logicom Solutions SA was incorporated in Greece, with a share capital of €100.000. The principal activity of ICT Logicom Solutions SA is the provision of complete IT solutions.

On 29 September 2010, Logicom Distribution Germany GmbH was incorporated in Germany, with a share capital of €27.000 which is wholly owned by Logicom Public Limited. The principal activity of Logicom Distribution Germany GmbH is the distribution of high technology products.

On 7 April 2010, M.N. E.P.C. Water Co. was incorporated in Cyprus with a partners' share of €10.000 which is owned by 50% from the Group's company Veredrya Ventures Ltd, through its subsidiary Netcom Ltd. M.N. E.P.C. Water Co. undertook the construction of Episkopi desalination plant on behalf of M.N. Limassol Water Co. Ltd.

On 4 November 2010, M.N. Limassol Water Co. Limited was incorporated in Cyprus with a share capital of €10.000 which is composed of 5.000 shares Class A and 5.000 shares Class B. The Group's company Verendrya Ventures Limited, through its subsidiary Netcom Ltd holds 2.500 shares Class A and 2.495 shares Class B. M.N. Limassol Water Co. Limited was assigned the construction and operation of Episkopi Desalination plant.

On 29 November 2011, the Group obtained 100% of Inteli-scape Limited, through its subsidiary Logicom Services Limited, with share capital of €85.500. The principal activity of Inteli-scape Limited is the development and sale of computer software. On 1 January 2015, the company Inteli- Scape Limited merged with Logicom Solutions Limited which is wholly owned by Logicom Services Limited.

On 7 August 2012, M.N. Larnaca Desalination Co. Limited was incorporated in Cyprus with a share capital of €10.000 which is composed of 5.000 shares Class A and 5.000 shares Class B. The Group's company Verendrya Ventures Ltd, through its subsidiary Netcom Ltd holds 2.500 shares Class A and 2.495 shares Class B. M.N. Larnaca Desalination Co. Limited was assigned the renovation and operation of Larnaca Desalination plant.

On 2 September 2012, Logicom LLC was incorporated in Oman with a share capital of USD 51.800 which is owned by 99% by the subsidiary company Logicom FZE and by 1% by the subsidiary Logicom Dubai LLC. The principal activity of Logicom LLC is the distribution of high technology products.

On 1 October 2013, Cadmus Tech Points S.A.L. was incorporated in Lebanon with a share capital of LBP 30.000.000 which is wholly owned by Logicom Public Limited. The principal activity of Cadmus Tech Points S.A.L. is the distribution of high technology products. During the year, the company remained dormant.

On 23 March 2014, Logicom Trading and Distribution LLC was incorporated in Qatar with a share capital of QAR 200.000 which is owned by 49% by Logicom Public Limited and by 51% by a trustee on behalf of Logicom Public Limited. The principal activity of Logicom Trading and Distribution LLC is the distribution of high technology products.

On 1 June 2014, Logicom Kuwait for Computer Company W.L.L. was incorporated in Kuwait with a share capital of KD 20.000 which is owned by 49% by the subsidiary company Logicom FZE and by 51% by a trustee on behalf of Logicom Public Limited. The principal activity of Logicom Kuwait for Computer Company W.L.L. is the distribution of high technology products.



**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**1. STATUS AND PRINCIPAL ACTIVITY** *(continued)*

On 23 May 2017, the Group acquired the company Najada Holdings Limited in Cyprus, with a share capital of €100, which is wholly owned by Logicom Public Limited. The principal activity of Najada Holdings Limited is the purchase and holding of immovable property.

On 6 September 2018, Logicom Bahrain W.L.L. was incorporated in Bahrain, with a share capital of BD 5.000 which is owned by 49% by the subsidiary Logicom FZE and by 51% by a trustee on behalf of Logicom Public Limited. The principal activity of Logicom Bahrain W.L.L. is the distribution of high technology products.

**2. BASIS OF PREPARATION*****Statement of compliance***

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113 and the requirements of the Stocks and Cyprus Stock Exchange laws and regulations and the Transparency (securities admitted to trading on a regulated market) Law.

These are the first consolidated and separate financial statements of the Group and the Company on which the IFRS9 and IFRS15 have been applied. The changes in significant accounting policies are described in note 3.

The consolidated and separate financial statements of the Company were approved by the Board of Directors on 28 February 2019.

***Basis of presentation***

The consolidated and separate financial statements have been prepared under the historical cost convention, except for the land and buildings, investments at fair value through profit or loss and investments at fair value through other comprehensive income which are stated at their fair value. The methods used to measure the fair values are analysed further in note 4.

***Going concern***

Even though, as at 31 December 2018, the Company's current liabilities exceeded its current assets, the Board of Directors taking into consideration the prospects of the Company, the planned development and the available banking facilities for use, has evaluated that the Company has the ability to continue as a going concern and therefore has prepared the financial statements on this basis.

***Functional and presentation currency***

The consolidated and separate financial statements are presented in Euro (€) which is the functional currency of the Company.

***Estimates and judgments***

The preparation of the consolidated and separate financial statements in conformity with the IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on the past experience and in other various factors which are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**2. BASIS OF PREPARATION** *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

*Judgements*

Information about judgements in applying accounting policies that have significant effects on the amounts recognised in the consolidated and separate financial statements are included in the following notes:

- Note 34 – Operating lease
- Note 18 – Equity - accounted investees

*Assumptions and estimates*

Information about assumptions and estimates that have a significant risk of resulting in a material adjustment to the values of the assets and liabilities within the next financial year are included in the following notes:

- Note 15 – Measurement of the recoverable amount of goodwill
- Note 17 – Recoverability of investments in subsidiary companies
- Note 18, 43 – Impairment of equity accounted investees
- Note 21 – Measurement of provision for slow moving stock
- Note 22, 36 – Measurement of provision for expected credit losses for trade receivables and contract assets: main assumptions for the determination of the weighted average loss rate
- Note 27 - Provisions for termination of employment
- Note 32 - Recognition of deferred taxation: Utilisation of tax losses
- Note 42 - Recoverability of receivables from subsidiary companies

Fair value calculation: A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**3. CHANGES IN ACCOUNTING POLICIES**

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

Due to the transition methods chosen by the Group and the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for certain hedging requirements and separately presenting impairment loss on trade receivables and contract assets.

The effect of initially applying these standards is mainly attributed to the increase of impairment losses that are recognised on the financial assets. (Note 3 (B))

***A. IFRS 15 Revenue from contracts with customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time– requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e.1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

There was no effect on the profit after tax and to the reserves balance on 1 January 2018 that arose from the application of IFRS 15.

***B. IFRS 9 Financial Instruments***

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

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and Other Comprehensive Income.

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

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**3. CHANGES IN ACCOUNTING POLICIES** *(continued)***B. IFRS 9 Financial Instruments** *(continued)*

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves at 1 January 2018.

**THE GROUP**

	Note	Impact of adopting IFRS 9 on opening balance €
<i>Retained earnings</i>		
Recognition of expected credit losses on trade receivables	25	(1.407.719)
Transfer from fair value reserve	25	<u>(379.500)</u>
Impact on 1 January 2018		<u><u>(1.787.219)</u></u>
<i>Fair value reserve</i>		
Transfer to retained earnings	25	<u>379.500</u>
Impact on 1 January 2018		<u><u>379.500</u></u>

**THE COMPANY**

	Note	Impact of adopting IFRS 9 on opening balance €
<i>Retained earnings</i>		
Recognition of expected credit losses on trade receivables	25	(5.488)
Recognition of expected credit losses on receivables from subsidiary companies	25	<u>(942.670)</u>
		<u><u>(948.158)</u></u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**3. CHANGES IN ACCOUNTING POLICIES** (continued)**B. IFRS 9 Financial Instruments** (continued)*i. Classification and measurement of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: Measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, refer to note 4.

The following table and notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

<b>Note</b>	<b>THE GROUP</b>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	Original carrying amount under IAS 39 €	New carrying amount under IFRS 9 €
	<i>Financial assets</i>				
a	Equity securities	Fair value through profit or loss	Fair value through profit or loss	16.448	16.448
b	Equity securities	Available-for-sale investments	Fair value through profit or loss	194.156	194.156
c	Equity securities	Available-for-sale investments	Fair value through other comprehensive income	6.234.064	6.234.064
d	Trade and other receivables	Loans and receivables	Amortised cost	159.253.317	158.256.869
	Cash and cash equivalents	Loans and receivables	Amortised cost	<u>38.582.807</u>	<u>38.582.807</u>
	Total financial assets			<u>204.280.792</u>	<u>203.284.344</u>

## LOGICOM PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. CHANGES IN ACCOUNTING POLICIES (continued)

## B. IFRS 9 Financial Instruments (continued)

## i. Classification and measurement of financial assets and financial liabilities (continued)

	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	Original carrying amount under IAS 39 €	New carrying amount under IFRS 9 €
<i>Financial liabilities</i>				
Long term loans	Other financial liabilities	Other financial liabilities	17.749.332	17.749.332
Short term loans	Other financial liabilities	Other financial liabilities	62.295.134	62.295.134
Promissory notes	Other financial liabilities	Other financial liabilities	1.781.542	1.781.542
Bank overdrafts	Other financial liabilities	Other financial liabilities	40.564.031	40.564.031
Trade and other payables	Other financial liabilities	Other financial liabilities	123.313.936	123.313.936
Derivative financial instruments	Fair value – hedging instrument	Fair value – hedging instrument	2.338.169	2.338.169
Total financial liabilities			<u>248.042.144</u>	<u>248.042.144</u>
<b>THE COMPANY</b>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	Original carrying amount under IAS 39 €	New carrying amount under IFRS 9 €
<i>Financial assets</i>				
Equity securities	Fair value through profit or loss	Fair value through profit or loss	9.594	9.594
Trade and other receivables	Loans and receivables	Amortised cost	16.775.495	16.770.007
Receivables from subsidiary companies	Loans and receivables	Amortised cost	66.242.314	65.299.644
Cash and cash equivalents	Loans and receivables	Amortised cost	15.965.365	15.965.365
Total financial assets			<u>98.992.768</u>	<u>98.044.610</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**3. CHANGES IN ACCOUNTING POLICIES** *(continued)***B. IFRS 9 Financial Instruments** *(continued)***i. Classification and measurement of financial assets and financial liabilities** *(continued)*

	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	Original carrying amount under IAS 39 €	New carrying amount under IFRS 9 €
<i>Financial liabilities</i>				
Long term loans	Other financial liabilities	Other financial liabilities	11.006.496	11.006.496
Short term loans	Other financial liabilities	Other financial liabilities	23.733.890	23.733.890
Promissory notes	Other financial liabilities	Other financial liabilities	1.781.542	1.781.542
Trade and other payables	Other financial liabilities	Other financial liabilities	55.176.919	55.176.919
Derivative financial instruments	Fair value – hedging instrument	Fair value – hedging instrument	<u>2.300.767</u>	<u>2.300.767</u>
Total financial liabilities			<u>93.999.614</u>	<u>93.999.614</u>

a. Under IAS 39, these equity securities were designated as at fair value through profit or loss because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at fair value through profit or loss under IFRS 9.

b. These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at fair value through other comprehensive income. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

c. Logicom Services Ltd investment in Demetra Investments Public Limited has been designated as Available-for-sale under IAS 39. After the adoption of IFRS 9, the investment is reclassified to Investments at Fair Value through Other Comprehensive Income, until 15 March 2018 when the shareholding of the company in this investment increased and therefore the accounting policy was adjusted according to the provisions of IAS 28.

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

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**3. CHANGES IN ACCOUNTING POLICIES** *(continued)***B. IFRS 9 Financial Instruments** *(continued)***i. Classification and measurement of financial assets and financial liabilities** *(continued)*

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

<b>THE GROUP</b>	IAS 39 carrying amount at 31 December 2017 €	Reclassification €	Remeasurement €	IFRS 9 carrying amount at 1 January 2018 €
<i>Amortised cost</i>				
Trade and other receivables:				
Opening balance - Loans and receivables	202.773.068	-	-	-
Remeasurement	-	-	(1.410.719)	-
Closing balance - Amortised cost	-	-	-	201.362.349
<i>Fair value through profit or loss</i>				
Investment securities				
Opening balance - Available-for-sale investments	194.157	-	-	-
Reclassification - Fair value through profit or loss	-	(194.157)	-	-
Closing balance - Fair value through profit or loss	-	194.157	-	194.157
<i>Fair value through other comprehensive income</i>				
Opening balance - Available-for-sale investments	6.234.063	-	-	-
Reclassification - Fair value through other comprehensive income	-	(6.234.063)	-	-
Closing balance - Fair value through other comprehensive income	-	<u>6.234.063</u>	-	<u>6.234.063</u>
	<u>209.201.288</u>	<u>-</u>	<u>(1.410.719)</u>	<u>207.790.569</u>



## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**3. CHANGES IN ACCOUNTING POLICIES** *(continued)***B. IFRS 9 Financial Instruments** *(continued)***i. Classification and measurement of financial assets and financial liabilities** *(continued)*

<b>THE COMPANY</b>	IAS 39 carrying amount at 31 December 2017 €	Reclassification €	Remeasurement €	IFRS 9 carrying amount at 1 January 2018 €
<i>Amortised cost</i>				
Trade and other receivables				
Opening balance - Loans and receivables	16.775.495	-	-	-
Remeasurement	-	-	(5.488)	-
Closing balance - Amortised cost	-	-	-	16.770.007
<i>Amortised cost</i>				
Receivables from subsidiary companies				
Opening balance - Loans and receivables	66.242.314	-	-	-
Remeasurement	-	-	(942.670)	-
Closing balance - Amortised cost	-	-	-	65.299.644
	<u>83.017.809</u>	<u>-</u>	<u>(948.158)</u>	<u>82.069.651</u>

**ii. Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to:

- financial assets measured at amortised cost,
- debt investments measured at fair value through other comprehensive income,
- contract assets,
- contractual leases,
- borrowings, commitments and financial guarantee contracts.

The new impairment model does not apply to investments in equity instruments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in scope of the IFRS 9, impairment losses are generally expected to increase and become more volatile.

The following table below discloses information that permits the reconciliation of the impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9 as at 1 January 2018.

**THE GROUP**

	€
Impairment allowances on 31 December 2017, under IAS 39	2.402.504
Trade receivables	926.869
Loans receivable from related companies	<u>480.850</u>
Loss allowance at 1 January 2018, under IFRS 9	<u><u>3.810.223</u></u>

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**3. CHANGES IN ACCOUNTING POLICIES** *(continued)*

**B. IFRS 9 Financial Instruments** *(continued)*

**ii. Impairment of financial assets** *(continued)*

**THE COMPANY**

	€
Impairment allowances on 31 December 2017, under IAS 39	115.208
Trade receivables	5.488
Long term loans to subsidiary companies	819.832
Receivables from subsidiary companies	<u>122.838</u>
Loss allowance at 1 January 2018, under IFRS 9	<u><u>1.063.366</u></u>

**iv. Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment). Differences in the carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and liabilities.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently to all periods presented in the consolidated and separate financial statements of the Company, and have been applied consistently by all Group entities.

Comparative information in the statement of profit or loss and other comprehensive income have been restated, reclassified or represented to as a result:

- Change in accounting policy (Note 3)

Adoption of new and revised IFRSs and Interpretations as adopted by the European Union (EU)

From 1 January 2018, the Group has adopted all the changes to International Financial Reporting Standards (IFRS) as adopted by the EU that are relevant to its operations. This adoption did not have a material effect on the financial statements of the Company except for the adoption of IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers' (refer to Note 3).

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2018. Those that are relevant to the activities of the Group are presented below. The Group does not intend to adopt the following before the date of validity.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*(i) Standards and Interpretations adopted by the EU**IAS 28 (Amendments) “Long-term Interest in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2019).**

The amendments clarify that an entity applies IFRS 9 “Financial Instruments”, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The Group is currently evaluating the expected impact of adopting these amendments on its Financial.

The Group at this stage evaluates the effect of the amendments in the consolidated and separate financial statements.

**IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).**

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. The key test is whether it is probable that the tax authority will accept the chosen tax treatment, on the assumption that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty being either the most likely amount or the expected value. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements in relation to judgements made, assumptions and estimates used, and the potential impact of uncertainties that are not reflected.

The Group at this stage evaluates the effect of the interpretation in the consolidated and separate financial statements.

**IFRS 9 (Amendments) “Prepayment Features with Negative Compensation” (effective for annual periods beginning on or after 1 January 2019).**

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

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*(i) Standards and Interpretations adopted by the EU (continued)**IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019).**

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard introduces a single, on-balance sheet lease accounting model for lessees. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The previous distinction between operating and finance leases is removed for lessees. Instead, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Management has evaluated the expected impact on the consolidated and separate financial statements. The expected impact from the application of this standard on the Group and Company's results is analysed as follows:

*The Group and the Company as a lessee*

The Group retains operating leases of land, buildings, warehouses and motor vehicles. The Group will recognise new assets and liabilities for its operating leases with the exception of short-term leases and leases of low-value items. The nature of expenses related to these leases will change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

After considering the information currently available the Group estimates that it will recognise new assets and liabilities of which the expected minimum lease payments from non-cancellable leases amount to €4.086 thous. before discounting as at 1 January 2019. For the Company the respective amount is €318 thous.

The actual impacts of adopting the standard may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

*The Group and the Company as a lessor*

The Group estimates that the adoption of the provisions of the new standard that affect the Group and the Company as a lessor is not expected to have a material impact on the results.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(ii) Standards and Interpretations not yet adopted by the EU

**Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019).**

In December 2017, the IASB published Annual Improvements to IFRSs 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements”. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest in that business at fair value. The amendments to IFRS 11 clarify that when an entity maintains (or obtains) joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 “Income Taxes”: the amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.
- IAS 23 “Borrowing Costs”: the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Group at this stage evaluates the effect of these amendments in the consolidated and separate financial statements.

**IAS 19 (Amendments) “Plan Amendment, Curtailment or Settlement” (effective for annual periods beginning on or after 1 January 2019).**

In February 2018, the IASB issued amendments to the guidance in IAS 19 “Employee Benefits”, in connection with accounting for planned amendments, curtailments and settlements.

The Group at this stage evaluates the effect of the amendments in the consolidated and separate financial statements.

**“Amendments to References to the Conceptual Framework in IFRS Standards” (effective for annual periods beginning on or after 1 January 2020).**

In March 2018 the IASB issued a comprehensive set of concepts for financial reporting, the revised “Conceptual Framework for Financial Reporting” (Conceptual Framework), replacing the previous version issued in 2010. The main changes to the framework’s principles have implications for how and when assets and liabilities are recognised and derecognized in the financial statements, while some of the concepts in the revised Framework are entirely new (such as the “practical ability” approach to liabilities”. To assist companies with the transition, the IASB issued a separate accompanying document. “Amendments to References to the Conceptual Framework in IFRS Standards”. This document updates some references to previous versions of the Conceptual Framework in IFRS Standards, their accompanying documents and IFRS Practice Statements.

The Group at this stage evaluates the effect of the amendments in the consolidated and separate financial statements.

**IFRS 3 “Business Combinations” (amendments): Definition of a Business (effective for annual periods beginning on or after 1 January 2020).**

The amendments narrow and clarify the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance. Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business. The Group at this stage evaluates the effect of the amendments in the consolidated and separate financial statements.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*(ii) Standards and Interpretations not yet adopted by the EU (continued)**IAS 1 and IAS 8 (amendments): Definition of Material (effective for annual periods beginning on or after 1 January 2020).**

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

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

The Group at this stage evaluates the effect of the amendments in the consolidated and separate financial statements.

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

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

The Group at this stage evaluates the effect of the amendments in the consolidated and separate financial statements.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Basis of consolidation***Business combinations*

Business combinations are accounted using the 'acquisition method' when control is transferred to the Group. The cost of an acquisition is measured as the total consideration which is transferred at the fair values on the date of acquisition and the amount of non-controlling interests in the acquired company. For each business combination the Group decides whether it will measure the non-controlling interests in the acquired company in fair value or in proportion of the share of identifiable assets of the acquired company. When the acquisition cost exceeds the share of the Group in the identifiable net assets acquired, the difference is recognised as goodwill in the consolidated statement of financial position. In the case where the share of the Group in the identifiable net assets acquired exceeds the acquisition cost (i.e. negative goodwill), the difference is recognised directly in the consolidated income statement at the year of acquisition. Expenses related to the acquisition are recognised as they occur and they are included in other operating expenses.

When the Group acquires a company, it evaluates the financial assets and liabilities undertaken in regards to their classification and predetermination based on the terms of the contract, the economic circumstances and the relevant terms at the date of acquisition.

*Subsidiary companies*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiary companies acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date that control commences until the date that control ceases to exist.

Adjustments were made in the financial statements of the subsidiaries, where was considered necessary, in order to align their accounting policies with the accounting policies applied by the Group.

In the separate financial statements of the Company, the investments in subsidiary companies are presented at cost. In the event where the value of one investment is estimated to be permanently impaired, the deficit is transferred to the results.

*Non-controlling interests*

Non-controlling interest relates to the portion of profit or loss and the net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. Profits or losses attributable to the Non-controlling interest are disclosed in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss for the period. Non-controlling interest is presented in the consolidated statement of financial position in equity, separately from equity attributable to equity holders of the parent company.

*Contingent Consideration*

Any contingent consideration is recognized initially at fair value at the acquisition date. If the contingent consideration is classified as equity it should not be remeasured and its subsequent settlement must be accounted for within equity. If the contingent consideration is classified as an asset or a liability, any changes in its fair value should be recognized in profit or loss.

*Equity accounted investees*

Investments in associated companies relate to all entities, in which the Group exercises significant influence, but not control or joint control, and are in general accompanied with a share between 20% and 50% in the voting rights. Entities under common control relate to entities in which the Group exercises joint control based on contractual arrangement that provides for the unanimous consent of the parties exercising control over the strategic financial and operating decisions.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Basis of consolidation** (continued)

Investments in jointly controlled companies and entities under common control are accounted for using the equity method. Investments which are accounted for using the equity method, which includes transaction costs, are recognised initially at cost. After the recognition, the consolidated financial statements include the share of profit/(loss) from the equity accounted investees until the date on which the Group ceases to exercise significant influence or joint control.

When Group's share of losses exceeds the share of investments recognised under the equity method, the carrying amount of investments, including any long-term share which is part of the investment is eliminated and no additional losses are recognized, except to the degree that the Group has an obligation or has made payments on behalf of its investment.

***Elimination of transactions on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions within equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

***Investments in subsidiary companies***

Investments in subsidiary companies are stated in the parent company's books at cost less adjustments for any permanent impairment in the value of the investments. Any adjustments that arise are recorded in profit or loss.

***Investments in associates***

Associates are those entities in which the Group has significant influence but no control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

In these consolidated financial statements, interests in associates are accounted for using the equity method. Under the equity method, an investment in an associate is initially recognised at cost, which includes transaction costs, and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate, until the date on which significant influence ceases. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.



**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Revenue

*Policy applicable before 1 January 2018*

Revenue from sales is recognised when the significant risks and rewards of ownership have been transferred to the buyer, there are no material doubts regarding the repayment of the due amount, related expenses or possible return of products which can be estimated, there is no continuing management involvement with the products and the amount of revenue can be measured reliably. Income from services is recognised in proportion of the stage of completion at the end of the year.

Revenue represents amounts invoiced for products sold or services rendered during the year and are stated after the deduction of trade discounts and returns.

*Policy applicable from 1 January 2018*

The Group has initially applied IFRS 15 from 1 January 2018. Information about the Group's accounting policies relating to contracts with customers and the effect of initially applying IFRS 15 is described in note 3 of the Consolidated and Separate Financial Statements.

Under IFRS15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgment.

The Group bases its estimates on historic results, taking into consideration the type of the customer, the type of the transaction and the specific features of each contract. In order to estimate the possibility of receiving a consideration, the Group examines only the ability and the intention of the customer to give the consideration when it falls due.

The sales, the cost or the level of completion estimates are reconsidered in cases of changes in conditions. Any increases or decreases in the estimates arising, are reflected in the statement of profit or loss during the period in which the circumstances that led to the reconsideration are made known to the management.

*Identification of performance obligations*

The Group assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

*Sale of goods*

Sales of goods are recognised at the point in time when the Company satisfies its performance obligation by transferring control over the promised goods to the customer, which is usually when the goods are delivered to the customer, risk of obsolescence and loss have been transferred to the customer and the customer has accepted the goods.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Revenue recognition (continued)

*Sale of services*

Revenue from rendering of services is recognised over time while the Company satisfies its performance obligation by transferring control over the promised service to the customer in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the completion of the milestones set in the contract that approximate the percentage of completion of the contract. When there is no milestones basis in the contract, the basis used is the actual labor hours spent relative to the total expected labor hours.

Cost of sales

Cost of sales is presented after the deduction of rebates from suppliers and provisions for slow moving stock.

Other income

Other income is recognised when it is considered as receivable. The income from dividend is recognized at the date the right to receive payment is established from the Group.

Finance income and finance costs

The Group's finance income and finance costs include Interest income, interest expense, the foreign currency gain or loss on financial assets and financial liabilities and hedge ineffectiveness recognised in profit or loss.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses except in the case of land and buildings which are stated at fair value. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised as net within other income in the profit or loss. When revalued assets are sold, the relating amounts included in the revaluation reserve are transferred to retained earnings.

Depreciation is provided to write off the cost or the revalued amount less the estimated residual value of items of property, plant and equipment on a straight-line basis over their expected useful economic lives as follows:

	%
Buildings	4-5
Furniture and fittings	10
Computers	20-33,3
Motor vehicles	20

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Property, plant and equipment (continued)

No depreciation is provided on land.

Depreciation is calculated on a daily basis from the date that the property, plant and equipment are acquired until the date of their disposal.

Depreciation methods, estimated useful economic lives and estimated residual values of all property, plant and equipment are reviewed at the reporting date of the accounts.

Expenses for replacement improvement or repair of buildings

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of repair and maintenance of the buildings and other parts of property, plant and equipment are charged in profit or loss during the year they are incurred.

Revaluation and provision for impairment of parts of property, plant and equipment

Approximately every three years, or earlier if necessary, assessments are performed to estimate the net values of land and buildings. If it is determined that the net recoverable amount of a part is significantly lower than its net value as it appears in the books of the Company and this difference is considered to be permanent, then the book value is reduced to the net recoverable amount. The revaluation is made by professional independent valuers.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is assigned by using the first-in-first-out method. The cost calculation includes the cost of purchase, transportation costs to the warehouse and freight charges.

The net realisable value is the estimated selling price in which the inventories can be sold in the ordinary course of business, less costs to sell.

Financial instruments

*i. Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially 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.

*ii. Classification and subsequent measurement*

*Financial assets - Policy applicable from 1 January 2018*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Financial instruments (continued)

*ii. Classification and subsequent measurement* (continued)

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 cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. 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: Policy applicable from 1 January 2018*

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 assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- 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 this 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.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Financial instruments (continued)

*ii. Classification and subsequent measurement* (continued)

*Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018*

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 time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

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

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

*Financial assets - Policy applicable before 1 January 2018*

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Investments at fair value through profit or loss comprise of investments held for trading and are presented as assets in the statement of financial position based on their fair value.

The investments are firstly recognised at cost and then adjusted to fair value. For publicly available securities, the fair value is estimated by reference to the closing bid prices of the stock exchange at the end of the year. For non-publicly available securities, the fair value is determined based on the net asset position at the end of the year. Any surplus or deficit that arises from the revaluation at fair value is recognised in the profit or loss.

## LOGICOM PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

## ii. Classification and subsequent measurement (continued)

Available for sale investments comprise of bonds and investments in public companies are presented as assets based on their fair value. The fair value is calculated based on their bid value according to the market values in the stock exchange at the year end. For non-listed stocks or where it is determined that there is no active market, the fair value is calculated based on certain stocks valuation methods. Such valuation methods take into account the market conditions and the discounted cash flows using the expected future cash flows and the discounting rate that is based on the market conditions. Any surplus or deficit that arises from the revaluation at fair value, except from the cases of impairment described below is recognized in other comprehensive income and are presented in equity in the fair value reserve.

*Financial assets - Subsequent measurement and gains and losses:*

<i>Policy applicable from 1 January 2018</i>	<i>Policy applicable before 1 January 2018</i>
<i>Financial assets at FVTPL</i>	<i>Financial assets at FVTPL</i>
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
<i>Financial assets at amortised cost</i>	<i>Held-to-maturity financial assets</i>
These assets are subsequently measured at amortised cost using the effective interest 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.	Measured at amortised cost using the effective interest method.
<i>Debt investments at FVOCI</i>	<i>Loans and receivables</i>
These assets are subsequently measured at fair value. Interest income calculated using the effective interest 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.	Measured at amortised cost using the effective interest method.
<i>Equity investments at FVOCI</i>	<i>Available-for-sale financial assets</i>
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Financial instruments (continued)

*Financial liabilities - Classification, subsequent measurement and gains and losses*

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 designated as such on initial recognition. 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 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.

*iii. Derecognition*

*Financial assets*

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 in a transaction in which substantially all of 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.

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises 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.

*iv. Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously

*v. Derivative financial instruments and hedge accounting*

*Derivative financial instruments and hedge accounting - Policy applicable from 1 January 2018*

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Financial instruments (continued)

*v. Derivative financial instruments and hedge accounting* (continued)

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

*Net investment hedges*

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

*Derivative financial instruments and hedge accounting - Policy applicable before 1 January 2018*

*Hedge of a net investment in foreign operation*

The Group applies hedge accounting to exchange differences arising between the functional currency of the investment in foreign operation and the parent Company's functional currency, irrespectively of whether the net investment is held directly or through a different Group company. Exchange differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the Hedge Reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the Hedge Reserve is transferred to profit or loss as part of the profit or loss on disposal.

*Derivative financial instruments*

The Group uses derivative financial instruments to hedge its exposure to risks arising from exchange differences from operational or financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. The derivative financial instruments are recognised initially at fair value and the attributable transaction costs are recognised in profit or loss. Subsequent to initial recognition, they are measured at fair value and the gain or loss arising from the measurement at fair value is recognised in profit or loss. The fair value of the forward exchange contracts for rate of exchange is their quoted market price at the end of the year, being the present value of the quoted forward price.

Impairment

*(i). Non-derivative financial assets*

*Policy applicable from 1 January 2018*

*Financial instruments and contract assets*

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and



**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Financial instruments (continued)

*(i). Non-derivative financial assets* (continued)

- contract assets.

The Group measures loss allowances 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 and contract assets are always measured at an amount equal to lifetime ECLs.

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 assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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
- financial asset is more than 90 days past initial recognition.

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 month after the reporting date (or a 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 the Group is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all 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.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is '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;

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Financial instruments (continued)

*(i). Non-derivative financial assets* (continued)

- 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.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

*Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For trade receivables, the Group has a policy of writing off the gross carrying amount only when there are legal assurances that the Group have exercised all its legal rights and the financial assets cannot be recovered or the Group has entered in to an agreement for partial settlement of the financial asset and the remaining amount can be written off.

*Policy applicable before 1 January 2018*

*Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at end of the year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives the recoverable amount is estimated each year at the same time.

In assessing value in use, the estimated future cash flows are 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

*(ii). Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, 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.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments** (continued)*(ii). Non-financial assets* (continued)

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

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

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

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

*Measurement at fair value*

Fair value is the amount that could be recovered from the sale of an asset or paid to transfer a liability in a current transaction between participants in the principal or, failing this, in the most advantageous market in which the Group has access at the measurement date. The fair value of the liability reflects the risk of a failure.

The Group measures the fair value of an element using the values presented in an active market where these are available. A market is considered active if the transactions for the asset or liability are presented with sufficient frequency and volume to provide values on a continuous basis.

If there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of data in the markets and minimize the use of unobservable inputs. The valuation technique used incorporates all the main parameters that market participants would consider in pricing a transaction. The best evidence of fair value of a financial instrument on initial recognition is normally the transaction price, which is the fair value of the consideration paid or received.

Based on the Group's judgment on whether the fair value on the initial recognition differs from the transaction price and the fair value is not established by the quoted market price in an active market for similar assets or liabilities, and it is not based on a valuation technique that uses only data extracted from the markets then, the financial asset is measured initially at fair value, adjusted so that the difference between the fair value at initial recognition and transaction value is presented as deferred income / expense. Then, the difference is recognised to the profit or loss throughout the life of the instrument using appropriate apportionment methodology, but not later than when the valuation is entirely supported by data extracted exclusively from the markets or the transaction has been completed.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures its assets at bid price and liabilities at an ask price.

The Group recognises transfers between levels of the fair value hierarchy at the end of reporting period in which the change occurs.

*Cash and cash equivalents*

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand and bank overdrafts.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments** (continued)*Trade and other payables*

Trade and other payables are initially recognized at fair value plus any attributable transaction costs and subsequently these are stated at amortized cost using the effective interest method less any impairment losses.

*Interest-bearing borrowings*

Borrowings are recorded initially at the proceeds received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

*Promissory notes*

Promissory notes comprise of Company's and Group's liabilities towards financial institutions that undertake the financing of invoices issued from certain suppliers. The financing of invoices by the subject financial institutions decreases the vendors' liabilities and is recognised as borrowings. The promissory notes bear discounting cost which is recognised in finance expenses.

**Taxation**

Taxation comprises current and deferred tax. Taxation is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the year.

Deferred tax assets and liabilities are offset if there is a legally enforceable right from the Group to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets or their tax assets and liabilities will be realised simultaneously.

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

**Foreign currency transactions**

Transactions in foreign currencies are translated using the exchange rates enacted at the date of the transaction at the respective functional currency of each company of the Group. Monetary assets and liabilities denominated in foreign currencies at the end of the year are translated to the functional currency at the exchange rate ruling at that date.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. 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 at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

Translation of results of foreign subsidiary companies

The results of foreign subsidiary companies are translated to Euro at the average exchange rate prevailing during the year, while assets and liabilities are translated to Euro at the rate prevailing at the end of the year. Any foreign currency differences on translation are transferred to other comprehensive income.

Long term loans that represent part of the Group's net investment in foreign subsidiary companies

All foreign exchange differences arising on long term loans to foreign subsidiaries are recorded in other comprehensive income in the financial statements of the Group and are transferred to profit or loss at the disposal of the subsidiary company.

All foreign exchange differences arising on long-term loans, are recognised in profit or loss in the year they are incurred in the parent company's financial statements.

Deferred taxation arising from net foreign exchange differences that arise from the long-term loans is transferred to other comprehensive income.

Non-derivative financial instruments including hedge accounting

On initial designation of the non derivative financial instrument as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 - 125 percent.

Intangible assets

Software development and licensing costs for the use and distribution of computer software are capitalized and amortised in profit or loss on a straight line basis over their useful economic lives. Intangible assets are amortised as follows:

Development costs	5 years
Licensing costs	2 years

Goodwill arising from the difference between the acquisition cost and the net assets of subsidiary companies at the acquisition is capitalised and is assessed annually for impairment. Provision for impairment is recognised in profit or loss.

Goodwill is tested for impairment on an annual basis and it is presented at cost less any accumulated impairment losses.

Negative goodwill that arises from the difference between the net assets of subsidiary companies and the cost of acquisition during the acquisition is recognised in profit or loss in the same year.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Operating segments**

Operating segments relate to components of the Group which may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors to make decisions about the allocation of resources to each segment and assess its performance.

**Lease*****Determining whether an arrangement contains a lease***

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

***Leased assets***

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

***Lease payments***

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**Warranties**

No provision is made for warranties given by the Group on computers and computer components because all computers and computer components carry a warranty from suppliers equal to the warranties given.

**Provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event and it's probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Provisions for end of service benefits**

Group companies pay benefits to the personnel at the end of service, as per the existing law of each country. The right to these benefits is determined based on the years of employment and the remuneration of each employee provided that the minimum service period is completed. The estimated expenses for these benefits are recognised based on an accrual basis.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Deferred income

Deferred income consists of sales of services based on contracts, and relates to services that were incurred in the period after the year end. Deferred income is included in trade and other payables.

Deferred expenditure

Deferred expenditure are the expenses that consist of purchases of services based on contracts, and relates to services that were incurred in the period after the year end. Deferred expenditure is included in trade and other receivables.

Earnings per share

The Company presents basic and diluted earnings per share that corresponds to the shareholders. The basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of issued shares outstanding during the year. The diluted earnings per share are calculated by adjusting the profit attributable to the shareholders of the Company and the weighted average number of issued shares.

Events after the reporting date

Assets and liabilities are adjusted for events that occurred during the period from the year end to the date of approval of the financial statements by the Board of Directors, when these events provide additional information for the valuation of amounts relating to events existing at the year end or imply that the going concern concept in relation to part or the whole of the Group is not appropriate.

Share capital

(i) Ordinary shares

Ordinary shares issued and fully paid are classified as share capital. Incremental costs directly attributable to the issue of ordinary shares are recognised as a reduction from equity, net of any tax effects.

(ii) Dividends

Dividends are recognised as a liability in the year they are declared, according to IAS 10.

**5. OPERATING SEGMENTS**

The Group can be divided into two important segments, the distribution segment and the services segment. The distribution segment that mainly operates in the distribution of high technology products is divided in three main geographical segments as described below. The services segment operates mainly in the provision of solutions and services for networks and telecommunications and the provision of solutions and services for software to customers in Cyprus and abroad. The following summary describes the operations in each of the Group's reportable segments:

- European markets distribution segment - This segment operates mainly in the distribution of high technology products in Cyprus, Greece and Italy.
- UAE and Saudi Arabia distribution segment - This segment operates mainly in the distribution of high technology products in United Arab Emirates and Saudi Arabia.
- Other markets distribution segment - This segment operates mainly in the distribution of high technology products in countries that the Group operates in other than the countries mentioned above.
- Services segment - This segment operates mainly in the provision of solutions and services for networks and telecommunications and the provision of solutions and services for software to customers in Cyprus and abroad.

The companies of the Group buy and sell goods and services according to their needs from other group companies. Transactions are mainly carried out at cost. There are cases where transactions are carried out at a price other than cost, when this is agreed between the parties involved. When necessary, Logicom Public Limited charges every year its subsidiary companies with a fee for administration services.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**Year ended 31 December 2018**5. OPERATING SEGMENTS** *(continued)*

Information regarding the results of each reportable segment is presented below. The information is used for the preparation of the consolidated and separate financial statements. The performance is evaluated based on the profit before taxation of each segment, as presented in the management reports which are examined by the Board of Directors. For this reason the taxation of each reporting segment is not presented in the note. The profit of each segment is used for the evaluation of the performance since the management believes that the below information are the most appropriate for the evaluation of the results of all segments that are reported. The accounting policies of the operating segments are presented in note 4.



## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**5. OPERATING SEGMENTS** *(continued)*

Revenue and total non-current assets that relate to intangible assets and property, plant and equipment are allocated between Cyprus and abroad as follows:

	Revenue		Total non-current assets	
	2018	2017	2018	2017
	€	€	€	€
Cyprus	85.245.514	77.918.812	83.484.791	42.699.637
Greece	107.032.314	96.471.856	660.669	504.335
United Arab Emirates	284.564.006	323.008.307	4.680.206	4.808.474
Other foreign countries	<u>423.142.352</u>	<u>368.409.672</u>	<u>3.188.339</u>	<u>3.254.448</u>
	<u>899.984.186</u>	<u>865.808.647</u>	<u>92.014.005</u>	<u>51.266.894</u>

Major Customer

Revenue from one customer of the Group's European Markets Distribution Segment represents approximately €18.439.000 (2017: €15.870.000) of the Group's total revenue.

## LOGICOM PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 5. OPERATING SEGMENTS (continued)

2018	European Markets Distribution Segment €	Middle East Markets Distribution Segment €	All other Segments €	Services Segment €	Transactions between Operating Segments €	Total €
Revenue from third parties	192.829.603	558.688.017	96.265.640	53.497.704	(1.296.778)	899.984.186
Intersegment revenue	75.384.512	143.732.845	912.269	3.573.881	(223.603.507)	-
Other income	17.542.575	6.410.312	665.101	5.376.067	(28.394.609)	1.599.446
Other expenses	-	-	-	13.955	-	13.955
Depreciation and amortisation	451.008	527.404	405.018	168.327	-	1.551.757
Personnel costs	6.729.946	11.233.324	3.128.426	4.856.588	-	25.948.284
Travelling expenses	475.106	253.047	104.583	144.126	-	976.862
Provision for doubtful debts	1.298.391	27.752	(53.200)	92.087	(1.365.030)	-
Professional fees	1.162.823	362.252	329.302	374.184	(30.000)	2.198.561
Rent	312.774	929.279	389.870	330.102	-	1.962.025
Credit insurance	(210.696)	972.979	47.347	43.343	-	852.973
Transportation expenses	564.848	1.101.359	415.076	35.101	(30.000)	2.086.384
<b>Profit/(loss) from operations</b>	<b>20.692.415</b>	<b>22.499.124</b>	<b>(813.609)</b>	<b>10.897.290</b>	<b>(28.156.876)</b>	<b>25.118.344</b>
Net foreign exchange profit/(loss)	(299.929)	68.722	(396.966)	(133.222)	1.154.766	393.371
Interest receivable	4.932	-	947.327	226.034	-	1.178.293
Interest payable and bank charges	(4.774.592)	(3.625.460)	(1.038.543)	(303.426)	1.296.778	(8.445.243)
<b>Net finance expenses/(expenses)</b>	<b>(5.069.589)</b>	<b>(3.556.738)</b>	<b>(488.182)</b>	<b>(210.614)</b>	<b>2.451.544</b>	<b>(6.873.579)</b>
Net share of profit from associated companies after tax and write off of negative goodwill	-	-	67.967	6.261.315	-	6.329.282
Impairment of investments in subsidiary companies	(30.608)	(7.790.136)	-	-	7.820.744	-
<b>Profit/(loss) before taxation</b>	<b>15.592.218</b>	<b>11.152.250</b>	<b>(1.233.824)</b>	<b>16.947.999</b>	<b>(17.884.596)</b>	<b>24.574.047</b>
Acquisition of property, plant and equipment	491.917	163.275	8.355.747	632.149	-	9.643.088
Total assets	434.117.921	226.472.120	72.134.840	85.800.544	(438.095.013)	380.430.412
Total liabilities	379.472.825	158.169.690	73.548.331	41.877.963	(375.935.577)	277.133.232

## LOGICOM PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 5. OPERATING SEGMENTS (continued)

2017	European Markets Distribution Segment €	Middle East Markets Distribution Segment €	All other Segments €	Services Segment €	Transactions between Operating Segments €	Total €
Revenue from third parties	174.902.211	567.770.626	75.053.713	48.082.097	-	865.808.647
Intersegment revenue	67.233.075	148.545.738	690.758	4.506.107	(220.975.678)	-
Other income	9.577.123	540.460	630.223	3.705.869	(12.290.258)	2.163.417
Other expenses	-	-	2.214.726	29.556	-	2.244.282
Depreciation and amortisation	379.126	624.990	164.516	157.738	-	1.326.370
Personnel costs	5.951.490	10.517.089	2.563.353	4.688.730	-	23.720.662
Travelling expenses	458.370	262.662	157.810	199.450	-	1.078.292
Provision for doubtful debts	228.736	302.086	(8.110)	(6.795)	(515.917)	-
Professional fees	774.817	364.586	206.043	378.380	(30.000)	1.693.826
Rent	311.505	876.738	296.087	271.896	-	1.756.226
Credit insurance	509.485	1.262.345	83.921	51.300	-	1.907.051
Transportation expenses	295.308	1.120.310	177.209	35.700	(30.000)	1.598.527
<b>Profit/(loss) from operations</b>	<b>10.774.866</b>	<b>19.663.350</b>	<b>(1.978.710)</b>	<b>8.253.427</b>	<b>(13.859.037)</b>	<b>22.853.896</b>
Net foreign exchange profit	1.853.734	149.134	508.145	392.781	(1.852.184)	1.051.610
Interest receivable	4.400	-	1.197.468	279.316	-	1.481.184
Interest payable and bank charges	(3.586.578)	(3.479.451)	(1.224.659)	(195.361)	1.300.831	(7.185.218)
<b>Net finance income/(expenses)</b>	<b>(1.728.444)</b>	<b>(3.330.317)</b>	<b>480.954</b>	<b>476.736</b>	<b>(551.353)</b>	<b>(4.652.424)</b>
Net share of loss from associated companies after tax and write off of negative goodwill	-	-	(409.162)	-	-	(409.162)
Impairment of investments in subsidiary companies	-	(1.858.901)	-	-	1.858.901	-
<b>Profit/(loss) before taxation</b>	<b>9.046.421</b>	<b>18.191.934</b>	<b>(1.906.918)</b>	<b>8.730.163</b>	<b>(16.269.290)</b>	<b>17.792.310</b>
Acquisition of property, plant and equipment	510.996	172.272	86.827	445.601	-	1.215.696
Total assets	206.285.570	199.093.198	68.578.404	59.572.059	(196.322.588)	337.206.643
Total liabilities	161.193.586	136.656.094	66.382.791	21.243.350	(135.223.037)	250.252.784

## 6. REVENUE

## THE GROUP

	2018 €	2017 €
Sales of products	887.051.274	850.340.018
Rendering of services	12.932.912	15.468.629
	<u>899.984.186</u>	<u>865.808.647</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**6. REVENUE** *(continued)***THE COMPANY**

	2018	2017
	€	€
Sales of products	87.831.798	78.610.199
Interest receivable from subsidiary companies	<u>1.835.347</u>	<u>1.262.014</u>
	<u>89.667.145</u>	<u>79.872.213</u>

**7. OTHER INCOME****THE GROUP**

	2018	2017
	€	€
Profit from the disposal of property, plant and equipment	33	19.739
Fair value gains on other investments (Note 19)	37.698	-
Negative goodwill (Note 15)	-	661.459
Reversal of impairment of investments in associates (Note 43)	661.913	-
Marketing funds	-	543.047
Sundry operating income	<u>899.802</u>	<u>939.172</u>
	<u>1.599.446</u>	<u>2.163.417</u>

**THE COMPANY**

	2018	2017
	€	€
Profit from the disposal of property, plant and equipment	840	7.638
Dividends receivable	16.865.393	9.367.792
Commissions (Note 42)	120.000	120.000
Administration services (Note 42)	137.000	137.000
Sundry operating income	<u>420.094</u>	<u>67.197</u>
	<u>17.543.327</u>	<u>9.699.627</u>

**8. OTHER EXPENSES****THE GROUP**

	2018	2017
	€	€
Impairment of the loan receivable from jointly controlled company	-	2.214.726
Impairment charge of property, plant and equipment	<u>13.955</u>	<u>29.556</u>
	<u>13.955</u>	<u>2.244.282</u>

**THE COMPANY**

	2018	2017
	€	€
Impairment charge of investments in subsidiaries	<u>-</u>	<u>116.748</u>
	<u>-</u>	<u>116.748</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**9. ADMINISTRATIVE EXPENSES****THE GROUP**(a) Personnel expenses

	2018	2017
	€	€
Staff salaries	20.371.557	18.799.253
Social insurance	1.977.036	2.169.308
Other personnel costs	2.666.308	2.399.501
Expenses related to defined benefits plan	<u>582.132</u>	<u>-</u>
	<u>25.597.033</u>	<u>23.368.062</u>

The average number of employees during the year was 815 (2017: 751).

(b) Other administrative expenses

	2018	2017
	€	€
Depreciation	1.302.191	1.320.144
Amortisation of research and development	249.057	6.226
Directors fees - Non-executive directors	78.750	69.950
- Executive directors	351.250	352.600
Rent	1.962.025	1.756.226
Common expenses	61.201	40.427
Taxes and licenses	144.894	227.286
Electricity and water	304.414	307.102
Cleaning	115.535	116.599
Insurance	1.361.297	2.406.342
Repairs and maintenance	223.361	196.542
Telephone and postage	526.887	548.823
Printing and stationery	97.363	96.831
Subscriptions and donations	286.690	226.706
Staff training expenses	115.687	133.754
Other staff expenses	628.319	449.074
Computer hardware maintenance expenses	199.540	158.643
Auditors' remuneration for the statutory audit of annual accounts	287.378	269.616
Legal fees (Note 1)	311.500	214.816
Other professional fees (Note 2)	1.067.818	763.567
Advertising	441.945	417.802
Traveling	976.862	1.078.292
Entertainment	268.470	207.533
Motor vehicles expenses	532.354	519.819
Transportation expenses	2.086.384	1.598.527
Services from third parties	453.114	375.877
Other expenses	<u>404.168</u>	<u>368.211</u>
	<u>14.838.454</u>	<u>14.227.335</u>
<b>Total administrative expenses</b>	<u><u>40.435.487</u></u>	<u><u>37.595.397</u></u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**9. ADMINISTRATIVE EXPENSES** *(continued)***THE COMPANY**(a) Personnel expenses

	2018	2017
	€	€
Staff salaries	3.220.579	2.823.337
Social insurance	359.803	329.411
Other personnel costs	(95.254)	(85.679)
	<u>3.485.128</u>	<u>3.067.069</u>

The average number of employees during the year was 87 (2017: 84).

(b) Other administrative expenses

	2018	2017
	€	€
Depreciation	391.350	302.143
Amortisation of research and development	-	6.226
Directors fees – Non-executive directors	78.750	69.950
- Executive directors	351.250	352.600
Rent	120.886	120.330
Common expenses	2.550	2.550
Taxes and licenses	9.625	12.107
Electricity and water	56.532	53.142
Cleaning	7.141	7.427
Insurance	(412.956)	312.170
Repairs and maintenance	125.508	75.615
Telephone and postage	80.083	78.335
Printing and stationery	9.406	8.962
Subscriptions and donations	208.784	149.461
Staff training expenses	12.455	33.074
Other staff expenses	87.256	86.044
Computer hardware maintenance expenses	106.209	86.058
Auditors' remuneration for the statutory audit of annual accounts	45.175	45.175
Legal fees (Note 1)	121.011	34.076
Other professional fees (Note 2)	325.488	69.109
Advertising	242.116	99.156
Traveling	325.784	335.584
Entertainment	47.949	51.336
Motor vehicles expenses	91.627	95.055
Transportation expenses	30.875	26.725
Services from third parties	407.025	366.060
Platform fees	247.402	-
Other expenses	46.294	33.579
	<u>3.165.575</u>	<u>2.912.049</u>
<b>Total administrative expenses</b>	<u><u>6.650.703</u></u>	<u><u>5.979.118</u></u>

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS****Year ended 31 December 2018****9. ADMINISTRATIVE EXPENSES** *(continued)***Note 1**

The total fees for the services of the lawyers and legal advisors of the law office Scordis, Papapetrou & Co LLC amounting to €136.466 (2017: €95.352) and are included in the legal fees and other professional fees. The total fees for the services of the secretary, Adaminco Secretarial Ltd, amounting to €25.730 (2017: €25.103) and are included in other professional fees.

**Note 2**

The Group's other professional fees that are presented above include fees amounting to €8.488 (2017: €55.373) for non-audit services provided by the audit firm of the Company.

The Company's other professional fees that are presented above include fees amounting to €8.488 (2017: €16.150) for non-audit services provided by the audit firm of the Company.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**10. NET FINANCE EXPENSES****THE GROUP**

	2018	2017
	€	€
<u>Finance income</u>		
Interest receivable	1.178.293	1.481.184
Net foreign exchange profit	-	3.627.642
Net foreign exchange profit on derivative financial instruments	<u>987.521</u>	<u>-</u>
	<u>2.165.814</u>	<u>5.108.826</u>
<u>Finance expenses</u>		
Interest payable and bank charges	(8.445.243)	(7.185.218)
Net foreign exchange loss	(594.150)	-
Net foreign exchange loss on derivative financial instruments	<u>-</u>	<u>(2.576.032)</u>
	<u>(9.039.393)</u>	<u>(9.761.250)</u>
Net finance expenses	<u>(6.873.579)</u>	<u>(4.652.424)</u>
<b>Net finance expenses recognized in other comprehensive income that are to be reclassified to profit or loss in future periods</b>		
Exchange difference from translation and consolidation of financial statements from foreign operations	681.523	(10.566.579)
Exchange difference in relation to hedge of net investment in a foreign operation	<u>(1.581.709)</u>	<u>3.069.531</u>
	<u>(900.186)</u>	<u>(7.497.048)</u>

**THE COMPANY**

	2018	2017
	€	€
<u>Finance income</u>		
Interest receivable	147	147
Net foreign exchange profit	-	1.934.470
Net foreign exchange profit on derivative financial instruments	<u>972.895</u>	<u>-</u>
	<u>973.042</u>	<u>1.934.617</u>
<u>Finance expenses</u>		
Interest payable and bank charges	(3.898.986)	(2.497.522)
Net foreign exchange loss	(138.708)	-
Net foreign exchange loss on derivative financial instruments	<u>-</u>	<u>(2.526.881)</u>
	<u>(4.037.694)</u>	<u>(5.024.403)</u>
Net finance expenses	<u>(3.064.652)</u>	<u>(3.089.786)</u>



## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**11. TAXATION****THE GROUP**

	2018 €	2017 €
Corporation tax - current year	3.064.163	2.465.441
Corporation tax- adjustment for prior years	(216.498)	(417.623)
Special defence contribution	7.612	80
Capital gains tax	69.773	64.480
Deferred tax - (credit)/charge (Note 32)	<u>(1.030.886)</u>	<u>1.051.670</u>
	<u>1.894.164</u>	<u>3.164.048</u>

The subsidiary companies of the Group are taxed in the countries in which they operate as follows:

Company	Country	Tax rate %
Logicom (Overseas) Limited	Cyprus	12,5
Logicom Solutions Limited	Cyprus	12,5
Netcom Limited	Cyprus	12,5
Najada Holdings Limited	Cyprus	12,5
Logicom (Middle East) SAL	Lebanon	15
ENET Solutions - Logicom S.A.	Greece	29
Logicom FZE	United Arab Emirates	0
Logicom Dubai LLC	United Arab Emirates	0
Logicom Jordan LLC	Jordan	20
Logicom Italia s.r.l.	Italy	24
Logicom IT Distribution Limited	Turkey	22
Rehab Technologies Limited	Saudi Arabia	20
Logicom Bulgaria EOOD	Bulgaria	10
Logicom Information Technology Distribution s.r.l.	Romania	16
Verendrya Ventures Ltd	Cyprus	12,5
Logicom Services Ltd	Cyprus	12,5
Enet Solutions LLC	United Arab Emirates	0
ICT Logicom Solutions SA	Greece	29
Logicom Saudi Arabia LLC	Saudi Arabia	20
Newcytech Business Solutions Ltd	Cyprus	12,5
Newcytech Distribution Ltd	Cyprus	12,5
Logicom Distribution Germany GmbH	Germany	30
Logicom LLC	Oman	15
Logicom Kuwait for Computer Company W.L.L	Kuwait	15
Logicom Trading & Distribution LLC	Qatar	10
Cadmus Tech Points S.A.L	Lebanon	15
Logicom Bahrain WLL	Μπαχρέιν	0

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**11. TAXATION** *(continued)***THE COMPANY**

	2018 €	2017 €
Special defence contribution	4.907	40
Other taxes	39.834	41.026
Deferred tax - (credit)/charge (Note 32)	<u>(326.240)</u>	<u>449.033</u>
	<u>(281.499)</u>	<u>490.099</u>

The Company is subject to corporation tax at 12,5% on all of its profits.

Reconciliation of taxation with the taxation based on accounting profit**THE GROUP**

	2018 €	2017 €
Profit before taxation	<u>24.574.047</u>	<u>17.792.310</u>
Effective tax rate	<u>15,70%</u>	<u>20,70%</u>
Tax for the year based on accounting profit	3.858.125	3.683.008
Tax effect for:		
Depreciation	383.572	90.106
Capital allowances	(242.442)	(85.187)
Income not allowed in computation of taxable income	(2.552.696)	(1.956.365)
Expenses not allowed in computation of taxable income	736.284	550.754
Tax effect of tax losses brought forward	881.320	183.125
Special defence contribution	7.612	80
Other taxes	69.773	64.480
Deferred tax	(1.030.886)	1.051.670
Adjustment for prior years	<u>(216.498)</u>	<u>(417.623)</u>
	<u>1.894.164</u>	<u>3.164.048</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**11. TAXATION** *(continued)*Reconciliation of taxation with the taxation based on accounting profit**THE COMPANY**

	2018 €	2017 €
Profit before taxation	<u>13.573.360</u>	<u>4.113.299</u>
Effective tax rate	<u>12,50%</u>	<u>12,50%</u>
Tax for the year based on accounting profit	1.696.670	514.162
Tax effect for:		
Depreciation	223.542	19.137
Capital allowances	(42.543)	(29.460)
Income not allowed in computation of taxable income	(2.247.248)	(1.484.616)
Expenses not allowed in computation of taxable income	(12.757)	412.986
Tax effect of tax losses brought forward	382.336	567.791
Special defence contribution	4.907	40
Other taxes	39.834	41.026
Deferred tax	<u>(326.240)</u>	<u>449.033</u>
	<u>(281.499)</u>	<u>490.099</u>

Deferred taxation recognized in other comprehensive income**THE GROUP**

	2018 €	2017 €
Revaluation of land and buildings	<u>3.559</u>	<u>168.689</u>
	<u>3.559</u>	<u>168.689</u>

**THE COMPANY**

	2018 €	2017 €
Revaluation of land and buildings	<u>3.559</u>	<u>168.689</u>
	<u>3.559</u>	<u>168.689</u>

**12. DIVIDENDS**

	2018 €	2017 €
Dividends paid	<u>4.815.174</u>	<u>4.074.378</u>
	<u>4.815.174</u>	<u>4.074.378</u>

During the year a final dividend for 2017 of €4.815.174 was paid. This corresponds to €0,065 cent per share. In accordance with IAS 10, dividends are recognised in the year in which they are declared.

The proposed final dividend for 2018 amounting to €5.185.572, corresponds to €0,070 cent per share and in accordance with IAS 10, it will be recognized during 2017, the year in which it will be declared.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**13. EARNINGS PER SHARE****THE GROUP**Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to the shareholders of the parent Company, the weighted average number of issued shares and the weighted average number of issued shares during the year as follows:

	2018	2017
<b>Earnings attributable to shareholders (€)</b>	<u>22.266.227</u>	<u>15.624.710</u>
Weighted average number of issued shares during the year	<u>74.079.600</u>	<u>74.079.600</u>
<b>Basic earnings per share (cent)</b>	<u>30,06</u>	<u>21,09</u>
<b>Diluted weighted average number of shares</b>	<u>74.079.600</u>	<u>74.079.600</u>
<b>Diluted earnings per share (cent)</b>	<u>30,06</u>	<u>21,09</u>

**THE COMPANY**Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to the shareholders of the parent Company, the weighted average number of issued shares and the weighted average number of issued shares during the year as follows:

	2018	2017
<b>Earnings attributable to shareholders (€)</b>	<u>13.854.859</u>	<u>3.623.200</u>
Weighted average number of issued shares during the year	<u>74.079.600</u>	<u>74.079.600</u>
<b>Basic earnings per share (cent)</b>	<u>18,70</u>	<u>4,89</u>
<b>Diluted weighted average number of shares</b>	<u>74.079.600</u>	<u>74.079.600</u>
<b>Diluted earnings per share (cent)</b>	<u>18,70</u>	<u>4,89</u>

## LOGICOM PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 14. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Land and buildings €	Computers €	Furniture and fittings €	Motor vehicles €	Total €
<b>Cost or revaluation</b>					
<b>2017</b>					
<b>Balance at 1 January 2017</b>	10.184.695	6.866.809	3.718.515	1.810.584	22.580.603
Additions for the year	24.927	729.434	283.194	178.141	1.215.696
Disposals for the year	-	(462.423)	(208.925)	(299.036)	(970.384)
Exchange differences	(765.949)	(256.309)	(198.490)	(82.718)	(1.303.466)
Impairment charge	-	(100.616)	-	-	(100.616)
<b>Balance at 31 December 2017</b>	<u>9.443.673</u>	<u>6.776.895</u>	<u>3.594.294</u>	<u>1.606.971</u>	<u>21.421.833</u>
<b>2018</b>					
<b>Balance at 1 January 2018</b>	9.443.673	6.776.895	3.594.294	1.606.971	21.421.833
Additions for the year	8.145.295	754.025	556.032	187.736	9.643.088
Disposals for the year	-	(246.665)	(103.905)	(203.340)	(553.910)
Exchange differences	264.882	90.922	72.775	24.756	453.335
Impairment charge	-	(13.955)	-	-	(13.955)
<b>Balance at 31 December 2018</b>	<u>17.853.850</u>	<u>7.361.222</u>	<u>4.119.196</u>	<u>1.616.123</u>	<u>30.950.391</u>
<b>Depreciation</b>					
<b>2017</b>					
<b>Balance at 1 January 2017</b>	253.585	4.878.035	2.354.443	1.316.917	8.802.980
Charge for the year	361.001	855.408	355.637	169.259	1.741.305
Disposals for the year	-	(447.906)	(199.078)	(187.205)	(834.189)
Exchange differences	(31.790)	(202.780)	(104.874)	(58.397)	(397.841)
Impairment charge	-	(71.060)	-	-	(71.060)
<b>Balance at 31 December 2017</b>	<u>582.796</u>	<u>5.011.697</u>	<u>2.406.128</u>	<u>1.240.574</u>	<u>9.241.195</u>
<b>2018</b>					
<b>Balance at 1 January 2018</b>	582.796	5.011.697	2.406.128	1.240.574	9.241.195
Charge for the year	351.327	755.116	329.347	168.545	1.604.335
Disposals for the year	-	(238.794)	(83.394)	(177.000)	(499.188)
Exchange differences	25.253	79.119	45.577	21.455	171.404
Impairment charge	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<u>959.376</u>	<u>5.607.138</u>	<u>2.697.658</u>	<u>1.253.574</u>	<u>10.517.746</u>
<b>Net book value</b>					
<b>Balance at 31 December 2017</b>	<u>8.860.877</u>	<u>1.765.198</u>	<u>1.188.166</u>	<u>366.397</u>	<u>12.180.638</u>
<b>Balance at 31 December 2018</b>	<u>16.894.474</u>	<u>1.754.084</u>	<u>1.421.538</u>	<u>362.549</u>	<u>20.432.645</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**14. PROPERTY, PLANT AND EQUIPMENT** *(continued)*

THE COMPANY	Land and buildings €	Computers €	Furniture and fittings €	Motor vehicles €	Total €
<b>Cost or revaluation</b>					
<b>2017</b>					
<b>Balance at 1 January 2017</b>	3.743.000	1.381.571	581.648	468.037	6.174.256
Additions for the year	-	278.582	36.774	117.566	432.922
Disposals for the year	-	(1.537)	-	(129.524)	(131.061)
<b>Balance at 31 December 2017</b>	<u>3.743.000</u>	<u>1.658.616</u>	<u>618.422</u>	<u>456.079</u>	<u>6.476.117</u>
<b>2018</b>					
<b>Balance at 1 January 2018</b>	3.743.000	1.658.616	618.422	456.079	6.476.117
Additions for the year	-	304.786	13.742	132.001	450.529
Disposals for the year	-	-	-	(12.617)	(12.617)
<b>Balance at 31 December 2018</b>	<u>3.743.000</u>	<u>1.963.402</u>	<u>632.164</u>	<u>575.463</u>	<u>6.914.029</u>
<b>Depreciation</b>					
<b>2017</b>					
<b>Balance at 1 January 2017</b>	13.993	1.062.268	486.267	390.921	1.953.449
Charge for the year	98.093	149.046	26.084	28.920	302.143
Write offs of the year	-	(92)	-	(107.519)	(107.611)
<b>Balance at 31 December 2017</b>	<u>112.086</u>	<u>1.211.222</u>	<u>512.351</u>	<u>312.322</u>	<u>2.147.981</u>
<b>2018</b>					
<b>Balance at 1 January 2018</b>	112.086	1.211.222	512.351	312.322	2.147.981
Charge for the year	98.057	203.012	27.895	62.386	391.350
Disposals for the year	-	-	-	(12.617)	(12.617)
<b>Balance at 31 December 2018</b>	<u>210.143</u>	<u>1.414.234</u>	<u>540.246</u>	<u>362.091</u>	<u>2.526.714</u>
<b>Net book value</b>					
<b>Balance at 31 December 2017</b>	<u>3.630.914</u>	<u>447.394</u>	<u>106.071</u>	<u>143.757</u>	<u>4.328.136</u>
<b>Balance at 31 December 2018</b>	<u>3.532.857</u>	<u>549.168</u>	<u>91.918</u>	<u>213.372</u>	<u>4.387.315</u>

If land and buildings were recognised under historic cost, these would have been as follows:

	2018 €	2017 €
Cost	13.900.996	5.755.701
Depreciation	<u>(2.322.495)</u>	<u>(2.105.619)</u>
	<u>11.578.501</u>	<u>3.650.082</u>

The value of the land which is not depreciated is as follows:

	2018 €	2017 €
Balance at 31 December	<u>8.479.091</u>	<u>354.091</u>

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**14. PROPERTY, PLANT AND EQUIPMENT** *(continued)*

Approximately every three years, or earlier if required, revaluations are prepared to estimate the fair values of land and buildings.

The valuations were prepared by independent professional valuers.

On 9 February 2018, the company Najada Holdings Limited, a subsidiary company of Logicom Public Limited, acquired from Bank of Cyprus Public Company Limited all the interests of the immovable property Parcel 1878 Sheet/Plan 30/06E2, area 16 decares and 147 sq.m, at Strovolos Municipality in Nicosia ('The Property'). The purchase price was agreed at the amount of €8.125.000 plus VAT at 19% (total of €9.668.750), payable immediately. The decision for the acquisition of the Property was taken taking into consideration the present and future premises needs of the Group as well as the opportunities for its commercial development and exploitation. The estimation of the Property's value was assessed by two independent professional property valuers. Relevant announcement with reference to the provision 5.2.1.17 of RAA 379/2014 was issued on February 2018.

The subsidiary company Logicom (Overseas) Limited acquired buildings (land, offices and warehouse) in the Larnaca Free Zone Area in December 1994. Land was acquired on a long term lease agreement from the Cyprus Government to the subsidiary, ending on 30 September 2016 with an option for renewal for another two lease periods of 33 years. The lease agreement was renewed for an additional period of 33 years and has been transferred to Logicom Public Limited. The buildings with an initial cost of €130.178 followed by additions of cost €29.672, were revalued on 10 May 2016, resulting to a revaluation surplus of €96.108 and were distributed in the form of dividends to the parent company.

The land and buildings of Logicom Public Limited were revalued on 31 December 2016 and the surplus from revaluation amounted to €126.841.

The subsidiary company Logicom FZE acquired land in the Free Trade Zone Area in Jebel Ali. The land is leased under an operating lease for 10 years from the 1 August 2007 with an option for renewal. During the year, the subsidiary proceeded with the construction of an office building and a warehouse in the land. The annual lease payment is €99.488. The land and buildings were revalued on 31 December 2016 and the revaluation surplus amounted to €1.225.959.

The land and buildings of Logicom Jordan LLC were revalued on 31 December 2016 and the revaluation surplus amounted to €6.983.

As at 31 December 2016 the Group's management estimates that the book value of buildings of Logicom (Middle East) SAL in Lebanon is not significantly different from their fair value which amounts to €154.121.

The Group's Management estimates that the accounting value of land and buildings is not significantly different from their fair value.

Taking into account the absence of satisfactory evidence, the general inertia of the real estate market and the unpredictable developments, the calculation of the fair value of land and buildings is classified at Level 3.

The provision for deferred taxation arising from the revaluation of land and buildings is presented in note 32.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**15. INTANGIBLE ASSETS AND GOODWILL**

<b>THE GROUP</b>	<b>Development costs</b>	<b>Licensing costs</b>	<b>Goodwill</b>	<b>Distribution rights</b>	<b>Total</b>
	€	€	€	€	€
<b>Cost</b>					
<b>2017</b>					
<b>Balance at 1 January 2017</b>	141.603	475.666	9.316.104	-	9.933.373
Additions	-	-	-	1.246.623	1.246.623
Exchange differences	-	-	-	-	-
<b>Balance at 31 December 2017</b>	<u>141.603</u>	<u>475.666</u>	<u>9.316.104</u>	<u>1.246.623</u>	<u>11.179.996</u>
<b>2018</b>					
<b>Balance at 1 January 2018</b>	141.603	475.666	9.316.104	1.246.623	11.179.996
Additions for the year	-	-	-	-	-
Exchange differences	-	-	-	(1.336)	(1.336)
<b>Balance at 31 December 2018</b>	<u>141.603</u>	<u>475.666</u>	<u>9.316.104</u>	<u>1.245.287</u>	<u>11.178.660</u>
<b>Amortisation</b>					
<b>2017</b>					
<b>Balance at 1 January 2017</b>	141.603	469.440	653.169	-	1.264.212
Amortisation for the year	-	6.226	-	-	6.226
<b>Balance at 31 December 2017</b>	<u>141.603</u>	<u>475.666</u>	<u>653.169</u>	<u>-</u>	<u>1.270.438</u>
<b>2018</b>					
<b>Balance at 1 January 2018</b>	141.603	475.666	653.169	-	1.270.438
Amortisation for the year	-	-	-	249.057	249.057
<b>Balance at 31 December 2018</b>	<u>141.603</u>	<u>475.666</u>	<u>653.169</u>	<u>249.057</u>	<u>1.519.495</u>
<b>Net book value</b>					
<b>Balance at 31 December 2017</b>	<u>-</u>	<u>-</u>	<u>8.662.935</u>	<u>1.246.623</u>	<u>9.909.558</u>
<b>Balance at 31 December 2018</b>	<u>-</u>	<u>-</u>	<u>8.662.935</u>	<u>996.230</u>	<u>9.659.165</u>



## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**15. INTANGIBLE ASSETS AND GOODWILL** *(continued)*

<b>THE COMPANY</b>	<b>Licensing costs €</b>
<b>Cost</b>	
<b>2017</b>	
<b>Balance at 1 January 2017</b>	<u>465.852</u>
<b>Balance at 31 December 2017</b>	<u>465.852</u>
<b>2018</b>	
<b>Balance at 1 January 2018</b>	<u>465.852</u>
<b>Balance at 31 December 2018</b>	<u>465.852</u>
<b>Amortisation</b>	
<b>2017</b>	
<b>Balance at 1 January 2017</b>	459.626
Amortisation for the year	<u>6.226</u>
<b>Balance at 31 December 2017</b>	<u>465.852</u>
<b>2018</b>	
<b>Balance at 1 January 2018</b>	465.852
Amortisation for the year	<u>-</u>
<b>Balance at 31 December 2018</b>	<u>465.852</u>
<b>Net book value</b>	
<b>Balance at 31 December 2017</b>	<u><u>-</u></u>
<b>Balance at 31 December 2018</b>	<u><u>-</u></u>

Goodwill

For the purpose of the impairment testing, each subsidiary company is considered as a separate cash generating unit.

*Logicom Solutions Ltd*

Goodwill amounting to €2.343.488 arose by €449.755 on the acquisition of the subsidiary company Logicom Solutions Ltd on 1 January 2000 and on the acquisition of the subsidiary company Inteli-scape Limited on 29 November 2011 by €1.893.733. On 1 January 2015 the operation of Inteli-Scape Limited were merged with Logicom Solutions Ltd as an undertaking of an active economic unit and therefore it is considered as a single cash generating unit. The management estimates that there is no need for goodwill impairment on the basis that the recoverable amount exceeds the carrying amount of goodwill. The recoverable amount is equal to the value in use that is estimated as the current value of the expected future cash flows for a period of 3 years and the company's terminal value. For the determination of the terminal value the expected cash flows up to 2021 were used divided by the difference between the weighted average cost of capital and the growth rate. The weighted average cost of capital was calculated at 11% and the growth rate to perpetuity to 2%.

The amount of goodwill as at 31 December 2018 is €2.343.488 (2017: €2.343.488).

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**15. INTANGIBLE ASSETS AND GOODWILL** *(continued)*

*Newcytech Business Solutions Limited*

Goodwill amounting to €7.535.670 arose on the acquisition of the subsidiary company Newcytech Business Solutions Limited (“Newcytech”) on 30 October 2009.

Management estimates that there is no need for impairment of the goodwill, that arose on the acquisition of Newcytech, on the basis that the recoverable amount exceeds the carrying amount of goodwill. The recoverable amount equals the value in use that is calculated as the present value of the estimated expected future cash flows for a period of 3 years and the terminal value of the company. For the determination of the terminal value the cash flows up to 2021 were used divided with the difference of the weighted average cost of capital and the growth rate. The weighted average cost of capital was calculated to 11% and the growth rate to perpetuity to 2%.

The amount of goodwill arising from the acquisition of Newcytech Business Solutions Limited as at 31 December 2018 is €6.319.447 (2017: €6.319.447).

The main assumptions that were used in calculating the present value of the estimated future cash flows as assessed and evaluated by the Management are:

*Discount rate*

The discount rate is calculated at the same level as the weighted average cost of capital of the Group. For the calculation the interest rate of a 5 year government bond, the cost of financing after the tax deduction, the market interest rate and the effect of changes in the market on the Company were taken into account.

*Growth rate for terminal value*

The rate is calculated based on previous experience of the company's growth rate and the Company's segments of operations, and by also taking into account the ongoing technological development, expertise and experience of the company. The rate is compared with the growth rate of the Gross Domestic Product of Cyprus, the country in which the company is operating.

*Estimated future inflows*

The future inflows from the above subsidiaries have been calculated based on the growth rates of the companies in the last years as well as based on the business development plans of the companies:

- The budget for 2019 shows a decrease of 5,4% in the turnover of Logicom Solutions Ltd and 9,6% increase in the turnover of Newcytech Business Solutions Ltd, taking into consideration the projects that the companies expect to perform during the year as well as their planned development.
- The growth for 2020 is estimated to be at positive rates at the level of 3% for Logicom Solutions Ltd and for Newcytech Business Solutions Ltd and a 3% increase is also foreseen for 2021 respectively.
- The growth after 2021 is expected to be within the expectations of the Management based on growth data for the country and segment of operations of the Company.

Management does not consider that there will be a considerable change in the above main assumptions that will affect the recoverable amount of goodwill so that it will be lower than the carrying amount.

Development/licensing costs

The software development costs and licensing costs arose on the acquisition of the subsidiary company DAP Noesis Business Solutions Limited on 20 March 2002.

These costs, relate to the use and distribution of software, are capitalized and then amortized in profit or loss on a straight line basis over their useful economic life as follows:

Development costs 5 years  
Licensing costs 2 years

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**15. INTANGIBLE ASSETS AND GOODWILL** (*continued*)

Licencing costs relate to the acquisition of the distribution rights of Nokia products in Cyprus which have been acquired by Logicom Public Ltd on 11 July 2011 through a distribution contract and which have a duration until the end of 2015 with a right of renewal for a further year. This contract was not renewed. However, a new contract was signed for the distribution of Nokia products.

Licencing costs have been written off in full at the end of the year ended 31 December 2016.

Distribution rights

Costs relating to the distribution of products are capitalised and amortised in profit or loss with equal annual charges over the expected useful economic life for 5 years.

The distribution rights of €1.246.623 arose from the acquisition of the business of Gemini SP S.R.L. on 5 December 2017, a distributor of high technology products. The distribution rights which relate to the contracts with Hewlett Packard Enterprise N.V., Hewlett Packard Europe N.V. and Dell Distribution (EMEA) Ltd, are capitalised and then amortised to profit or loss.

The consideration transferred was calculated at the date of the acquisition at fair value of €1.480.874 out of which €99.650 referred to a contingent consideration. (Note 26)

The total identifiable value of the assets acquired amounts to €2.127.847 and is composed of: Inventories of €881.224 and Intangible assets of €1.246.623.

The negative goodwill that arose from the acquisition amounted to €661.459 and has been recognised in Other income for the year ended 31 December 2017.

The distribution rights' stated amount as at 31 December 2018 is €996.230.

**16. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

On 1 January 2018, the Group classified the following investments which were previously classified as available-for-sale investments to investments at fair value through profit or loss due to the Group's intention to retain these investments for strategic purposes.

*Equity securities:*

Demetra Investments Public Limited

	€
Balance at 1 January	6.234.063
Additions	3.583.710
Revaluation at fair value	231.136
Transfer to equity accounted investees	<u>(10.048.909)</u>
Balance at 31 December	<u><u>-</u></u>

The amount of the available-for-sale investments' revaluation as at 31 December 2017 amounted to €1.151.284.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**17. INVESTMENTS IN SUBSIDIARY COMPANIES**

The Company has the following investments in subsidiary companies:

Company	Country of incorporation	2018 Holding %	2017 Holding %	Cost 2018 €	Cost 2017 €
Logicom (Overseas) Limited	Cyprus	100	100	-	-
Logicom (Middle East) SAL	Lebanon	100	100	1.525.819	1.525.819
ENET Solutions - Logicom S.A.	Greece	100	100	1.205.400	1.205.400
Logicom FZE	United Arab Emirates	100	100	17.545.376	9.510.441
Logicom Trading & Distribution LLC	Qatar	100	-	46.313	-
Logicom Jordan LLC	Jordan	100	100	78.372	78.372
Logicom Italia s.r.l.	Italy	100	100	3.569.544	3.569.544
Rehab Technologies Limited	Saudi Arabia	100	100	-	-
Logicom Information Technology Distribution s.r.l.	Romania	100	100	2.200.063	63
Logicom Bulgaria EOOD	Bulgaria	100	100	-	-
Logicom Services Ltd	Cyprus	100	100	24.010.000	24.010.000
Verendrya Ventures Ltd	Cyprus	60	60	600	600
Logicom Distribution Germany GmbH	Germany	100	100	27.000	27.000
Cadmus Tech Points S.A.L	Lebanon	100	100	-	-
Najada Holdings Limited	Cyprus	100	100	3.500.100	3.500.100
				<u>53.708.587</u>	<u>43.427.339</u>

The Company owns indirectly, through the subsidiary company Logicom Services Limited, the 100% of Logicom Solutions Ltd in Cyprus with share capital of €11.115.

The Company owns indirectly, through the subsidiary companies Enet Solutions Logicom S.A. and Logicom FZE, the 100% of Logicom IT Distribution Ltd in Turkey with share capital of €11.343.372.

The Company owns indirectly, through the subsidiary company Verendrya Ventures Limited, the 60% of the subsidiary Netcom Limited in Cyprus with share capital €17.100.

The Company owns indirectly, through the subsidiary company Logicom FZE, the 100% of the subsidiary Logicom Saudi Arabia LLC in Saudi Arabia with share capital of €4.960.896.

The Company owns indirectly, through the subsidiary company Logicom FZE, the 100% of the subsidiary Logicom Dubai LLC in United Arab Emirates, with share capital of €92.129.

The Company owns indirectly, through the subsidiary company Logicom Services Limited, the 100% of Newcytech Business Solutions Limited in Cyprus with share capital of €756.776.

The Company owns indirectly, through the subsidiary company Logicom Services Limited, the 100% of Newcytech Distribution Limited in Cyprus with share capital of €8.550.

The Company owns indirectly, through the subsidiary company Logicom Services Limited, the 100% of the subsidiary Enet Solutions LLC in the United Arab Emirates with share capital of €56.589.

The Company owns indirectly, through the subsidiary company Logicom Services Limited, the 100% of the subsidiary ICT Logicom Solutions SA in Greece, with share capital of €100.000.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**17. INVESTMENTS IN SUBSIDIARY COMPANIES** *(continued)*

The Company owns indirectly, through the subsidiaries Logicom FZE and Logicom Dubai LLC, the 100% of Logicom LLC in Oman, with share capital of €41.086.

The Company owns indirectly, through its subsidiary Logicom FZE, the 100% of Logicom Kuwait for Computer Company WLL in Kuwait, with share capital of €50.997.

The Company owns indirectly, through its subsidiary Logicom FZE, the 100% of Logicom Bahrain W.L.L. in Bahrain, with share capital of €11.676.

As at 31 December 2018, the Company made an impairment assessment on the value of the investments in subsidiary companies by comparing the net asset value of each investment with the carrying amount as stated in the Company's books. There was no indication for impairment in the value of the investments in subsidiaries, except for Logicom Information Technology Distribution s.r.l, Logicom (Middle East) SAL, and Logicom Italia s.r.l, according to the comparison mentioned above. The value of the investment in Logicom IT Distribution Ltd was fully impaired in 2018. The value of the investments in the companies Logicom Information Technology Distribution s.r.l, Logicom (Middle East) SAL and Logicom Italia s.r.l were not impaired based on the calculation of the expected future cash flows of these companies for the years 2019-2021 divided by the weighted average cost of capital that was calculated at 11%, with growth rate to perpetuity of 2% and based on the fact that the discounted future cash flows exceed the value of these investments.

The following table presents the dates of acquisition, the nominal values and the number of shares of the main subsidiary companies:

Company	Date of acquisition/ incorporation	Nominal Value	Number of shares
Logicom (Overseas) Limited	01/01/1999	EUR 1,71	10.000
Logicom Solutions Limited	01/01/1999	EUR 1,71	6.500
Netcom Limited	27/04/2000	EUR 1,71	10.000
Logicom (Middle East) SAL	25/07/2000	LBP 15.000	20.000
ENET Solutions - Logicom S.A.	21/02/2001	EUR 2,94	410.000
Logicom Jordan LLC	07/08/2001	JOD 1	50.000
Logicom FZE	03/10/2001	AED 1 m.	1
Logicom Dubai LLC	07/11/2001	AED 100	3.000
Logicom Italia s.r.l.	14/06/2005	EUR 10.000	1
Logicom IT Distribution Limited	01/12/2005	YTL 25	920.000
Rehab Technologies Limited	01/08/2006	SAR 500	1.000
Logicom Information Technology Distribution s.r.l.	19/03/2007	RON 200	1
Logicom Bulgaria EOOD	12/04/2007	BGN 20.000	1
Verendrya Ventures Ltd	30/01/2009	EUR 1	1.000
Logicom Services Ltd	06/05/2009	EUR 1	10.000
Enet Solutions LLC	16/08/2009	AED 1.000	300
ICT Logicom Solutions SA	03/11/2009	EUR 1	100.000
Logicom Saudi Arabia LLC	29/09/2009	SAR 10	2.680.000
Newcytech Business Solutions Ltd	30/10/2009	EUR 1,71	442.559
Newcytech Distribution Ltd	30/10/2009	EUR 1,71	5.000
Logicom Distribution Germany GmbH	29/09/2010	EUR 1	25.000
Logicom LLC	02/09/2012	OMR 1	20.000
Cadmus Tech Points S.A.L	01/10/2013	LBP10.000	3.000
Logicom Kuwait for Computer Company W.L.L	13/03/2014	KWD200	100
Logicom Trading & Distribution LLC	23/03/2014	QAR1.000	200
Najada Holdings Limited	23/05/2017	EUR 1	100
Logicom Bahrain WLL	06/09/2018	BD50	100

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**18. EQUITY-ACCOUNTED INVESTEEES**

The Group participates in the consortium M.N Limassol Water Co. Limited and M.N. E.P.C Water Co. (partnership) with 50% holding through its subsidiary company Verendrya Ventures Limited. The above consortiums have undertaken the construction and operation of the desalination plant in Episkopi.

During 2012, the Group has also acquired a 50% holding through its subsidiary company Verendrya Ventures Limited, in the joint venture M.N Larnaca Desalination Co. Limited for the renovation and operation of the existing desalination unit in Larnaca.

On 15 March 2018, the Group acquired 17,5% of the share capital of Demetra Investments Public Limited ("Demetra Investments") for the amount of €20.350.000 through its subsidiary Logicom Services Limited. As a result, the total share capital held in Demetra Investments increased to 29,62%, resulting to acquisition of significant influence.

The Group recognizes the above investments using the equity method.

The profit that resulted from M.N. Limassol Water Co. Limited of €591.926 (2017: €14.686) was debited to the amount of investment in Verendrya Ventures Limited in M.N. Limassol Water Co. Limited since the impairment on the loan that was granted by Verendrya Ventures Limited to M.N. Limassol Water Co. Limited were reversed in full during 2017.

Part of the loss that arose from M.N. Larnaca Desalination Co. Ltd of €278.279 (2017:€986.387) was credited to the loan granted from Verendrya Ventures Limited to M.N. Larnaca Desalination Co. Ltd and the rest of the loss of €243.490 was credited to the investment of Verendrya Ventures Limited in M.N. Larnaca Desalination Co. Ltd.

The loss arising from M.N. E.P.C. Water Co. Limited of €2.180 (2017:€1.104) was credited to the loan granted from Verendrya Ventures Limited to M.N. Limassol Water Co. Limited.

The Group through the consolidation of the results of the subsidiary company Verendrya Ventures Limited recognised a net total gain of €67.967 (2017: loss €409.162) which mainly results from its indirect participation in the company M.N. Larnaca Desalination Co. Limited and M.N. Limassol Water Co. Limited.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**18. EQUITY-ACCOUNTED INVESTEEES** *(continued)***THE GROUP**

	2018 €	2017 €
M.N. Limassol Water Co. Ltd	796.289	563.643
M.N. E.P.C Water Co.	-	-
M.N. Larnaca Desalination Co. Ltd	-	-
Demetra Investments Public Limited	<u>36.660.224</u>	<u>-</u>
	<u>37.456.513</u>	<u>563.643</u>

	M.N. Larnaca Desalination Co. Ltd €	M.N. E.P.C Water Co. €	M.N. Limassol Water Co. Ltd €	Demetra Investments Public Limited €
Balance at 1 January 2018	-	-	563.643	-
Dividend	-	-	(359.280)	-
Recognition of investments in jointly controlled companies after tax	1.229.868	-	-	-
Reclassification of loss from investments in jointly controlled companies after tax	(986.378)	-	-	-
Share of profit from investments in jointly controlled companies after tax	(243.490)	-	591.926	-
Net share of profit from associated companies after tax	-	-	-	1.846.822
Transfer from investments at fair value through other comprehensive income (Note 16)	<u>-</u>	<u>-</u>	<u>-</u>	<u>34.813.402</u>
Balance at 31 December 2018	<u>-</u>	<u>-</u>	<u>796.289</u>	<u>36.660.224</u>

According to the Bank Loan Agreement between M.N. Limassol Water Co. Ltd and Hellenic Bank (former Cyprus Cooperative Bank), a restriction with regards to the dividend distribution exists if any of the below applies:

- Based on the instructions issued by the Water Development Department, the production of the desalinated water is restricted below the minimum quantities as specified in the contract.
- The Water Development Department instructs the company to operate in a stand-by mode.
- The economic position or the future cash flows of M.N. Limassol Water Co. Limited are not in a position to warrant the distribution of dividends.

In addition, according to the Bank Loan Agreement, the ratio of the total borrowings of the Consortium to M.N. Limassol Water Co. Limited, the company's equity and the available cash in the company's account compared to the amount borrowed from the bank should be at least 30%-70% for a period of 3 years from the date of the commencement of the production. After the 3 years lapse, this ratio will not apply provided that M.N. Limassol Water Co. Ltd will have available a Debt Service Reserve Account, which will be blocked in favor of the Bank. Following the lapse of the 3 years, the company maintains the minimum ratio of 30%-70% and therefore has not created a Debt Service Reserve Account.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**18. EQUITY-ACCOUNTED INVESTEEES** *(continued)*

Regarding the investment in the desalination unit of Larnaca, M.N. Larnaca Desalination Co's Limited management has prepared its financial statements for the year ended 31 December 2018 using estimates, assumptions and evidence that include the legal opinion in relation to the validity of claims in favor and against the company and an opinion from its consultants in respect of the level of compensation that the company is expected to be entitled to. Judgement has also been applied in the allocation of the expected compensation in the financial model of the company between financial and intangible asset. In accordance with the provisions of the paragraph 92 of IAS 37 'Provisions, contingent liabilities and contingent assets' no further information is disclosed in relation to the subject matter on the grounds that it may prejudice the position of the company in a dispute with other parties.

The desalination unit of M.N Limassol Water Co. Limited has been instructed to a restriction of 50% of the agreed production from 1 March 2019 and operate in stand-by mode from 1 April 2019 for a period of at least 3 months.

The recognition of investment in M.N. Larnaca Desalination Co. Ltd, arose from the decrease of the conventional interest of the loan receivable to 0% from 4,5% and in consequence the fair value of the rejected cash flows discounted at the effective interest was recognised as increase in the investment.

Significant total amounts of investments accounted for using the equity method:

<u>2018</u>	M.N. Larnaca Desalination Co. Limited	M.N. E.P.C. Water Co.	M.N. Limassol Water Co. Limited	Total
Percentage Reporting date	50% 31/12/2018 €	50% 31/12/2018 €	50% 31/12/2018 €	€
Non-current assets	19.053.294	-	38.988.257	58.041.551
Current assets	4.750.698	2.415	13.158.084	17.911.197
Total assets	23.803.992	2.415	52.146.341	75.952.748
Current liabilities	(1.614.803)	(1.500)	(7.309.531)	(8.925.834)
Non-current liabilities	(33.242.229)	(27.950)	(43.867.345)	(77.137.524)
Total liabilities	(34.857.032)	(29.450)	(51.176.876)	(86.063.358)
Net assets	(11.053.040)	(27.035)	969.465	(10.110.610)
Revenue	11.043.146	-	13.264.208	24.307.354
Expenses	(12.086.704)	(2.180)	(12.080.356)	(24.169.240)
(Loss)/profit	(1.043.558)	(2.180)	1.183.852	138.114
Group's share in net assets	(5.526.520)	(13.518)	484.733	(5.055.305)
Group's share in (loss)/profit	(521.779)	(1.090)	591.926	67.967



## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**18. EQUITY-ACCOUNTED INVESTEEES** *(continued)*

<u>2017</u>	M.N. Larnaca Desalination Co. Limited	M.N. E.P.C. Water Co.	M.N. Limassol Water Co. Limited	Total
Percentage Reporting date	50% 31/12/2017	50% 31/12/2017	50% 31/12/2017	
	€	€	€	€
Non-current assets	19.687.537	-	41.807.438	61.494.975
Current assets	4.926.841	2.076	11.308.991	16.237.908
Total assets	24.614.378	2.076	53.116.429	77.732.883
Current liabilities	(1.355.687)	(26.930)	(6.606.461)	(7.989.078)
Non-current liabilities	(33.242.229)	-	(45.357.804)	(78.600.033)
Total liabilities	(34.597.916)	(26.930)	(51.964.265)	(86.589.111)
Net assets	(9.983.538)	(24.854)	1.152.164	(8.856.228)
Revenue	9.223.231	-	11.598.687	20.821.918
Expenses	(11.196.005)	(2.208)	(10.442.029)	(21.640.242)
(Loss)/profit	(1.972.774)	(2.208)	1.156.658	(818.324)
Group's share in net assets	(4.991.769)	(12.427)	576.082	(4.428.114)
Group's share in (loss)/profit	(986.387)	(1.104)	578.329	(409.162)

The balances and transactions between the jointly controlled companies are presented in note 42.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**18. EQUITY-ACCOUNTED INVESTEEES** (*continued*)

On 15 March 2018, the Group acquired 17,5% of the share capital of Demetra Investments Public Limited ('Demetra Investments') for the consideration of €20.350.000 through the Company's subsidiary company Logicom Services Limited. As a result the total share capital held in Demetra Investments increased to 29,62%, resulting in the acquiring of significant influence.

During the valuation of the investment at fair value, judgement was exercised in relation to the existence of an active market due to the volume of the transaction compared to the market, with a negative result. Therefore the fair value of the identifiable assets and liabilities were measured separately.

*Identifiable assets and liabilities*

The table below summarises the identifiable assets and liabilities at the date of acquiring significant influence.

	€
Property, plant and equipment	1.488.833
Property investments	31.461.074
Deferred tax	1.151.662
Receivables from related companies	11.122.735
Investments at fair value through other comprehensive income	296.003
Inventories	7.737.324
Investments at fair value through profit or loss	58.419.546
Other receivables and prepayments	143.254
Cash and cash equivalents	9.477.456
Provision for related companies' losses	(2.601.814)
Liabilities and other payables	<u>(1.162.643)</u>
Total identifiable assets and liabilities	<u>117.533.430</u>

The acquired value attributable to the Group in proportion of its participation in the share capital of 29,62% is €34.813.402.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**18. EQUITY-ACCOUNTED INVESTEEES** *(continued)**Revaluation to fair value*

The methods of revaluation to fair value of material identifiable assets are as follows:

	Fair value level	Revaluation method
Property, plant and equipment	Level 3	Independent, qualified valuers using various revaluation methods and assumptions which are based mainly on the market state at the date of the revaluation.
Property investments	Level 3	Independent, qualified valuers using various revaluation methods and assumptions which are based mainly on the market state at the date of the revaluation.
Inventories	Level 3	Independent, qualified valuers using various revaluation methods and assumptions which are based mainly on the market state at the date of the revaluation.
Investments at fair value through profit or loss	Level 1	Listed stocks were revalued at bid prices from an active market.
Investments at fair value through profit or loss	Level 2	Complex and other products were revalued at fair value that is included in the relevant funds at the date of the measurement.

*Negative goodwill*

The recognition at fair value of the investment in Demetra Investments as an equity accounted investee resulted in the recognition of negative goodwill that was written off in profit or loss as follows:

	€
Transfer to investments at fair value through other comprehensive income	10.048.909
Consideration	20.350.000
Fair value acquired	<u>(34.813.402)</u>
Negative goodwill written off in profit or loss	<u>(4.414.493)</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**18. EQUITY-ACCOUNTED INVESTEEES** *(continued)*

The following table summarises the investment in the associated company for the period from 15 March until 31 December 2018.

<u>2018</u>	Demetra Investments Public Company Ltd
Percentage Reporting date	29,62% 15 March - 31 December 2018 €
Non-current assets	45.304.478
Current assets	<u>81.526.954</u>
Total assets	<u>126.831.432</u>
Current liabilities	<u>(3.062.951)</u>
Total liabilities	<u>(3.062.951)</u>
Net assets	<u>123.768.481</u>
Revenue	7.891.094
Expenses	<u>(1.909.053)</u>
Profit	<u>5.982.041</u>
Group's share in net assets	<u>36.660.224</u>
Group's share in profit for the period 15 March - 31 December 2018	<u>1.846.822</u>

The balances and transactions between the jointly controlled companies are presented in note 42.

**19. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	€	€	€	€
Balance at 1 January	16.448	16.448	9.594	9.594
Change in fair value	37.698	-	-	-
Transfer	<u>189.895</u>	-	-	-
Balance at 31 December	<u>244.041</u>	<u>16.448</u>	<u>9.594</u>	<u>9.594</u>

**THE GROUP**

	2018	2017
	€	€
Shares of the companies listed in ASE	1.051	1.051
Shares of the companies listed in CSE	234.447	6.854
Other investments	<u>8.543</u>	<u>8.543</u>
	<u>244.041</u>	<u>16.448</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**19. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS** *(continued)***THE COMPANY**

	2018 €	2017 €
Shares of the companies listed in ASE	1.051	1.051
Other investments	<u>8.543</u>	<u>8.543</u>
	<u><u>9.594</u></u>	<u><u>9.594</u></u>

As at the date of the approval of the financial statements, 28 February 2019, the value of the shares traded in the CSE was €213.000 and the shares traded in ASE was €1.051.

**20. DERIVATIVE FINANCIAL INSTRUMENTS**

	THE GROUP		THE COMPANY	
	2018 €	2017 €	2018 €	2017 €
<b>Derivative financial instruments - liabilities</b>	<u>1.350.649</u>	<u>2.338.169</u>	<u>1.327.871</u>	<u>2.300.767</u>

The derivative financial instruments of the Group and the Company refer to contracts for differences for the hedging of the fluctuations in foreign currencies. The Group and the Company's management follow a policy to minimize the risk arising from the fluctuation of foreign exchange differences, as stated in the significant accounting policies.

The profit from the change in fair value of derivative financial instruments for the year, that was recognised in Group's and Company's results amounted to €987.521 (2017 loss: €2.576.032) and €972.895 (2017 loss: €2.526.881) respectively.

The exposure of the Group and the Company to foreign exchange risk is presented in note 36.3 of the consolidated and separate financial statements.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**21. INVENTORIES****THE GROUP**

	2018 €	2017 €
<b>Net value of inventories at 31 December</b>	<u>69.332.835</u>	<u>64.957.047</u>

**THE COMPANY**

	2018 €	2017 €
<b>Net value of inventories at 31 December</b>	<u>2.197.547</u>	<u>5.869.194</u>

Inventories consist of finished goods for sale. Inventories are stated net of any provision for slow moving stock determined as obsolete and which it is possible that they cannot be sold.

Movement in provision for slow moving stocks:

**THE GROUP**

	2018 €	2017 €
<b>Balance at 1 January</b>	660.930	263.708
Provision recognised for the decrease in the value of inventories	296.298	730.137
Reversal of provision	(77.743)	(256.790)
Exchange differences	<u>27.512</u>	<u>(76.125)</u>
<b>Balance at 31 December</b>	<u>906.997</u>	<u>660.930</u>

**THE COMPANY**

	2018 €	2017 €
<b>Balance at 1 January</b>	<u>4.065</u>	<u>4.065</u>
<b>Balance at 31 December</b>	<u>4.065</u>	<u>4.065</u>

For the determination of the provision for slow moving stock, the characteristics of the country in which the inventories are held, the age and the type of inventories, their marketability as well as the Group's option for stock rotation and price protection from the vendors, were taken into consideration.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**22. TRADE AND OTHER RECEIVABLES****THE GROUP**

	2018 €	2017 €
Trade receivables	174.630.514	159.253.317
Other receivables	9.526.253	7.354.022
Prepayments	3.244.162	15.036.298
Receivables from jointly controlled companies (Note 43)	<u>22.004.921</u>	<u>21.129.431</u>
	<u>209.405.850</u>	<u>202.773.068</u>
<b>Non-current receivables</b>		
Receivables from jointly controlled companies (Note 43)	22.004.921	21.129.431
Trade debtors	155.705	-
<b>Current receivables</b>	<u>187.245.224</u>	<u>181.643.637</u>
	<u>209.405.850</u>	<u>202.773.068</u>

**THE COMPANY**

	2018 €	2017 €
Trade receivables	8.320.441	7.862.468
Other receivables	10.459.671	8.887.871
Prepayments	18.116	24.906
Receivables from related companies (Note 42)	<u>383</u>	<u>250</u>
	<u>18.798.611</u>	<u>16.775.495</u>

Trade and other receivables are stated net of any provision for doubtful debts. The provision for doubtful debts amounted to €3.312.677 (2017: €2.402.504) for the Group and to €120.133 (2017: €115.208) for the Company. (Note 36.1)

Part of the trade receivables of Logicom Public Ltd in Cyprus and Malta and the subsidiary companies Enet Solutions Logicom S.A. in Greece and Logicom FZE in United Arab Emirates have been settled through the factoring agreement with recourse. The total amount of trade receivables that were settled as at 31 December amounted to €22.655.489 (2017: €21.903.359).

The amount of €545.912 (2017: €0) of the total trade debtors of Logicom FZE in United Arab Emirates have been settled through the factoring agreement without recourse.

The Group has recognized a loss of €68.591 (2017: €379.811) for the impairment of its trade receivables during the year ended 31 December 2018. The loss has been included in selling and distribution costs in profit or loss.

The Company's other receivables mainly include trade receivable balances of the subsidiary company Logicom FZE that were settled through the factoring agreement with recourse.

The risks in relation to trade and other receivables as well as the information relevant to the provision for doubtful debts are presented in note 36.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**23. CASH AND CASH EQUIVALENTS****THE GROUP**

	2018 €	2017 €
Cash in hand	21.808	51.446
Current accounts with banks	<u>31.189.618</u>	<u>38.531.361</u>
	<u>31.211.426</u>	<u>38.582.807</u>

**THE COMPANY**

	2018 €	2017 €
Cash in hand	2.853	3.397
Current accounts with banks	<u>2.296.882</u>	<u>15.961.968</u>
	<u>2.299.735</u>	<u>15.965.365</u>

The deposit interest rates for 2018 amounts to 0% - 1,0% per annum (2017: 0,5% - 1,0%).

For cash flow statement purposes, cash and cash equivalents include:

**THE GROUP**

	2018 €	2017 €
Cash at bank and in hand	31.211.426	38.582.807
Bank overdrafts (Note 30)	<u>(49.530.095)</u>	<u>(40.564.031)</u>
	<u>(18.318.669)</u>	<u>(1.981.224)</u>

**THE COMPANY**

	2018 €	2017 €
Cash at bank and in hand	2.299.735	15.965.365
Bank overdrafts (Note 30)	<u>(29.933.854)</u>	<u>(24.031.913)</u>
	<u>(27.634.119)</u>	<u>(8.066.548)</u>

**24. SHARE CAPITAL**

	2018 Number of shares	2018 €	2017 Number of shares	2017 €
<b>Authorised</b>				
Ordinary shares of €0,34 each	<u>100.000.000</u>	<u>34.000.000</u>	<u>100.000.000</u>	<u>34.000.000</u>
<b>Issued and fully paid</b>				
Balance at 1 January	<u>74.079.600</u>	<u>25.187.064</u>	<u>74.079.600</u>	<u>25.187.064</u>
Balance at 31 December	<u>74.079.600</u>	<u>25.187.064</u>	<u>74.079.600</u>	<u>25.187.064</u>

All the shares are listed and traded in the Cyprus Stock Exchange, they have the same and equal rights and have no limitations in their transfer.



## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**25. RESERVES  
THE GROUP**

	Difference arising on the conversion the share capital to Euro €	Share Premium €	Retained earnings €	Revaluation Reserve €	Fair Value Reserve €	Translation reserve €	Hedge reserve €	Statutory reserve €	Total €	Non-controll ing interest €	Total €
<b>Balance at 1 January 2017</b>	116.818	10.443.375	47.281.031	4.620.982	730.523	5.132.530	(10.507.021)	977.963	58.796.201	(1.406.215)	57.389.986
Profit for the year	-	-	15.624.710	-	-	-	-	-	15.624.710	(996.448)	14.628.262
Exchange differences in relation to foreign operations	-	-	-	-	-	(10.566.579)	3.069.531	-	(7.497.048)	-	(7.497.048)
Deferred tax on revaluation of land and buildings	-	-	-	168.689	-	-	-	-	168.689	-	168.689
Surplus arising from the revaluation of available for sale investments	-	-	-	-	1.151.284	-	-	-	1.151.284	-	1.151.284
<b>Total comprehensive income</b>	-	-	15.624.710	168.689	1.151.284	(10.566.579)	3.069.531	-	9.447.635	(996.448)	8.451.187
Proposed dividend for 2016 that was paid in 2017 (note 12)	-	-	(4.074.378)	-	-	-	-	-	(4.074.378)	-	(4.074.378)
Transfer	-	-	(400.467)	-	-	-	-	400.467	-	-	-
Revaluation reserve realised through use	-	-	28.844	(28.844)	-	-	-	-	-	-	-
	-	-	(4.446.001)	(28.844)	-	-	-	400.467	(4.074.378)	-	(4.074.378)
<b>Balance at 31 December 2017</b>	116.818	10.443.375	58.459.740	4.760.827	1.881.807	(5.434.049)	(7.437.490)	1.378.430	64.169.458	(2.402.663)	61.766.795

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**25. RESERVES (continued)**  
**THE GROUP**

	Difference arising on the conversion the share capital to Euro €	Share Premium €	Retained earnings €	Revaluation Reserve €	Fair Value Reserve €	Translation reserve €	Hedge reserve €	Statutory reserve €	Total €	Non-controll ing interest €	Total €
<b>Balance at 1 January 2018</b>	116.818	10.443.375	58.459.740	4.760.827	1.881.807	(5.434.049)	(7.437.490)	1.378.430	64.169.458	(2.402.663)	61.766.795
Changes in accounting policies for the application of IFRS9 after tax	-	-	(1.787.219)	-	379.500	-	-	-	(1.407.719)	-	(1.407.719)
<b>Restated balance at 1 January 2018</b>	<u>116.818</u>	<u>10.443.375</u>	<u>56.672.521</u>	<u>4.760.827</u>	<u>2.261.307</u>	<u>(5.434.049)</u>	<u>(7.437.490)</u>	<u>1.378.430</u>	<u>62.761.739</u>	<u>(2.402.663)</u>	<u>60.359.076</u>
Profit for the year	-	-	22.266.227	-	-	-	-	-	22.266.227	413.656	22.679.883
Exchange differences in relation to foreign operations	-	-	-	-	-	1.162.373	(1.581.709)	-	(419.336)	-	(419.336)
Deferred tax on revaluation of land and buildings	-	-	-	3.559	-	-	-	-	3.559	-	3.559
Surplus arising from the revaluation of available for sale investments	-	-	-	-	231.136	-	-	-	231.136	-	231.136
<b>Total comprehensive income</b>	<u>-</u>	<u>-</u>	<u>22.266.227</u>	<u>3.559</u>	<u>231.136</u>	<u>1.162.373</u>	<u>(1.581.709)</u>	<u>-</u>	<u>22.081.586</u>	<u>413.656</u>	<u>22.495.242</u>
Proposed dividend for 2017 that was paid in 2018 (note 12)	-	-	(4.815.174)	-	-	-	-	-	(4.815.174)	-	(4.815.174)
Transfer to retained earnings	-	-	1.998.622	-	(2.492.443)	-	-	493.821	-	-	-
Adjustment for remeasurement of obligation	-	-	81.673	-	-	-	-	-	81.673	-	81.673
Deferred tax on the adjustment for remeasurement of obligation	-	-	(10.701)	-	-	-	-	-	(10.701)	-	(10.701)
	<u>-</u>	<u>-</u>	<u>(2.745.580)</u>	<u>-</u>	<u>(2.492.443)</u>	<u>-</u>	<u>-</u>	<u>493.821</u>	<u>(4.744.202)</u>	<u>-</u>	<u>(4.744.202)</u>
<b>Balance at 31 December 2018</b>	<u>116.818</u>	<u>10.443.375</u>	<u>76.193.168</u>	<u>4.764.386</u>	<u>-</u>	<u>(4.271.676)</u>	<u>(9.019.199)</u>	<u>1.872.251</u>	<u>80.099.123</u>	<u>(1.989.007)</u>	<u>78.110.116</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**25. RESERVES** (continued)

<b>THE COMPANY</b>	Difference arising on the conversion the share capital to Euro €	Share Premium €	Retained earnings €	Revaluation Reserve €	Total €
<b>Balance at 1 January 2017</b>	116.818	10.443.375	(2.278.852)	2.056.664	10.338.005
Profit for the year	-	-	3.623.200	-	3.623.200
Deferred tax on revaluation of land and buildings	-	-	-	168.689	168.689
<b>Total comprehensive income</b>	-	-	3.623.200	168.689	3.791.889
Proposed dividend for 2016 that was paid in 2017 (note 12)	-	-	(4.074.378)	-	(4.074.378)
Transfer	-	-	28.844	(28.844)	-
	-	-	(4.045.534)	(28.844)	(4.074.378)
<b>Balance at 1 January 2018</b>	116.818	10.443.375	(2.701.186)	2.196.509	10.055.516
Change in accounting policy for the application of IFRS9	-	-	(948.158)	-	(948.158)
<b>Restated balance at 1 January 2018</b>	116.818	10.443.375	(3.649.344)	2.196.509	9.107.358
Profit for the year	-	-	13.854.859	-	13.854.859
Deferred tax on revaluation of land and buildings	-	-	-	3.559	3.559
<b>Total comprehensive income</b>	-	-	13.854.859	3.559	13.858.418
Proposed dividend for 2017 that was paid in 2018 (note 12)	-	-	(4.815.174)	-	(4.815.174)
	-	-	(4.815.174)	-	(4.815.174)
<b>Balance at 31 December 2018</b>	116.818	10.443.375	5.390.341	2.200.068	18.150.602

Retained earnings

Retained earnings include accumulated profits or losses of the Company.

Share premium

Share premium consists of amounts incurred from the issue of shares at prices higher than the nominal value.

Reserve arising from the change of the nominal value of the shares

Reserve arising from the change of the nominal value of the shares consists of the difference arising from the change of the nominal value of the shares, following the adoption of the Euro as the official currency of the Republic of Cyprus.

Revaluation reserve

Revaluation reserve consists of the accumulated amounts of revaluations of land and buildings and the deferred taxation arising from the revaluations.

Fair value reserve

Fair value reserve consists of the accumulated amounts of revaluations of the available for sale investments recognised at their fair value.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**25. RESERVES** *(continued)***Translation Reserve**

Translation reserve consists of the accumulated exchange differences that arise on the translation of the equity of the foreign subsidiary companies and the exchange differences that arise from the long-term loans of the parent company to the foreign subsidiary companies.

Exchange differences that arise from the long-term loans to foreign subsidiary companies are transferred to other comprehensive income and presented in the translation reserve in the financial statements of the Group. Exchange differences are transferred to profit and loss on the disposal of the subsidiary company. Deferred taxation arising from net exchange differences from the translation of the long-term loans is transferred to other comprehensive income and is presented in the translation reserve.

Exchange differences arising from long-term loans to foreign subsidiary companies are recognised in profit and loss in the year they are incurred and are recognised in the financial statements of the parent Company.

**Hedging Reserve**

Hedging Reserve consists of the accumulated amounts of the hedging of the net investment in foreign subsidiary companies with the Group's liabilities at a foreign currency.

**Statutory reserve in Group subsidiary companies**

This reserve consists of amounts transferred every year from retained earnings, according to the statutory requirements applicable in certain countries.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**26. PROVISIONS FOR OTHER LIABILITIES**

<b>THE GROUP</b>	Contingencies from the acquisition of operations €
<b>Balance at 1 January 2017</b>	160.000
Payments during the year	(40.000)
Additions from the acquisition of operations	<u>99.650</u>
<b>Balance at 1 January 2018</b>	219.650
Payments during the year	(40.000)
Exchange differences	<u>(107)</u>
<b>Balance at 31 December 2018</b>	<u><u>179.543</u></u>

*Contingencies from acquisition of operations*

The contingencies from the acquisition of operations refer to:

1. Amount of €80.000 (2017: €120.000) refers to a balance payable to the previous owner of Inteli-scape Ltd as this was adjusted due to payments and revised agreements. The amount is payable in equal installments of €40.000 per annum.
2. Amount of €99.650 refers to a balance payable to Gemini SP S.r.l. relating to the acquisition of business from the Group's subsidiary company Logicom IT Distribution S.r.l (note15). The amount is payable provided that no liabilities occur that will burden Logicom IT Distribution S.r.l. and so long as Gemini SP S.R.L and its owners do not undertake competitive operations to those acquired by Logicom IT Distribution S.r.l. The lump sum amount is payable in 5 years.

The amounts included in the consolidated statement of financial position include the following:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	€	€	€	€
Provisions to be used after more than twelve months	139.543	179.650	-	-
Provisions to be used within twelve months	<u>40.000</u>	<u>40.000</u>	-	-

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**27. PROVISION FOR EMPLOYEES END OF SERVICE BENEFITS**

	THE GROUP	
	2018	2017
	€	€
<b>Balance at 1 January</b>	1.972.842	1.640.764
Charged to profit or loss	803.415	627.614
Adjustment from remeasurement of defined benefit obligation	(70.972)	-
Utilised during the year	(368.976)	(103.943)
Exchange differences	80.265	(191.593)
<b>Balance at 31 December</b>	<u>2.416.574</u>	<u>1.972.842</u>

The amounts included in the consolidated statement of financial position include the following:

	THE GROUP	
	2018	2017
	€	€
Provisions to be used after more than twelve months	2.402.931	1.959.882
Provisions to be used within twelve months	<u>13.643</u>	<u>12.960</u>
	<u>2.416.574</u>	<u>1.972.842</u>

**Total employee benefit asset**

	THE GROUP	
	2018	2017
	€	€
Net defined benefit liability	<u>2.416.574</u>	<u>1.972.842</u>
<b>Total employee benefit liability</b>	<u>2.416.574</u>	<u>1.972.842</u>

**THE GROUP**

	Defined benefit obligation	
	2018	2017
	€	€
<b>Balance at 1 January</b>	<u>1.972.842</u>	<u>1.444.215</u>
<i>Included in profit or loss</i>		
Current service cost	608.027	830.475
Interest cost	<u>57.492</u>	<u>44.995</u>
	<u>665.519</u>	<u>875.470</u>
<i>Included in OCI</i>		
Remeasurement loss (gain):		
Actuarial loss (gain) arising from:		
Experience adjustments	(71.143)	-
Effect of movements in exchange rates	<u>174.840</u>	<u>(86.128)</u>
	<u>103.697</u>	<u>(86.128)</u>
<i>Other</i>		
Contributions paid by the employer	(19.203)	-
Benefits paid	<u>(306.281)</u>	<u>(260.715)</u>
	<u>(325.484)</u>	<u>(260.715)</u>
<b>Balance at 31 December</b>	<u>2.416.574</u>	<u>1.972.842</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**27. PROVISION FOR EMPLOYEES END OF SERVICE BENEFITS** *(continued)*

Assumptions	THE GROUP			
	2018 %	2017 %		
Discount rate	3,82	3,82		
Future salary growth	2,73	2,73		
Duration of defined benefit obligation (in years)	<u>15,94</u>	<u>16,94</u>		
<b>THE GROUP</b>	2018	2017	2018	2017
Sensitivity analysis:	%	%	%	%
0,5% movement	Increase		Decrease	
Discount rate	(6,9)	(6,9)	7,7	7,6
Future salary growth	<u>7,0</u>	<u>(6,3)</u>	<u>6,9</u>	<u>(6,3)</u>

The Group contributes to a defined benefit retirement plan in subsidiary companies on the basis of the local legislation. The contributions refer to the subsidiary companies in Greece, Italy, Lebanon, Kuwait, Oman, Qatar and Turkey however, the significant amounts relate to the subsidiary companies in United Arab Emirates and Saudi Arabia.

**28. TRADE AND OTHER PAYABLES****THE GROUP**

	2018 €	2017 €
Trade payables	87.960.755	89.177.076
Accrued expenses	11.494.198	7.047.807
Other payables	23.348.711	20.388.862
Deferred income	<u>6.250.258</u>	<u>4.440.650</u>
	<u>129.053.922</u>	<u>121.054.395</u>
<b>Non-current payables</b>		
Loans payable to associated companies	11.241.317	11.066.714
Other payables	<u>4.953</u>	<u>-</u>
<b>Current payables</b>	<u>117.807.652</u>	<u>109.987.681</u>
	<u>129.053.922</u>	<u>121.054.395</u>

Other payables included in the non-current payables relate to a loan between the subsidiary company Verendrya Ventures Limited and Demetra Investments Public Limited as a result of its participation in the desalination plants in Episkopi and Larnaca.

**THE COMPANY**

	2018 €	2017 €
Trade payables	28.143.336	51.644.201
Accrued expenses	1.519.047	1.288.138
Other payables	<u>1.901.342</u>	<u>2.244.580</u>
	<u>31.563.725</u>	<u>55.176.919</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**28. TRADE AND OTHER PAYABLES** *(continued)*

The risks in relation to trade and other payables are presented in note 36.

**29. CURRENT TAX ASSETS AND LIABILITIES****THE GROUP**

	2018 €	2017 €
Current tax assets	<u>382.881</u>	<u>739.810</u>
Current tax liabilities	<u>846.263</u>	<u>1.483.489</u>

**THE COMPANY**

	2018 €	2017 €
Current tax liabilities	<u>3.319</u>	<u>3.307</u>

During the year 2017, the amount of €6.482.702 which related to tax receivable paid by the subsidiary company Enet Solutions Logicom S.A., was received.

**30. LOANS AND BANK OVERDRAFTS****THE GROUP**

	2018 €	2017 €
Long-term loans	31.734.431	17.749.332
Short term loans	58.138.882	62.295.134
Bank overdrafts (Note 23)	<u>49.530.095</u>	<u>40.564.031</u>
	<u>139.403.408</u>	<u>120.608.497</u>

The long-term loans of the Group are repayable as follows:

**THE GROUP**

	2018 €	2017 €
Within one year	8.337.235	4.423.077
Between two and five years	<u>23.397.196</u>	<u>13.326.255</u>
	<u>31.734.431</u>	<u>17.749.332</u>

**THE COMPANY**

	2018 €	2017 €
Long-term loans	23.283.298	11.006.496
Short term loans	33.915.953	23.733.890
Bank overdrafts (Note 23)	<u>29.933.854</u>	<u>24.031.913</u>
	<u>87.133.105</u>	<u>58.772.299</u>



## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**30. LOANS AND BANK OVERDRAFTS** (continued)

The long-term loans of the Company are repayable as follows:

**THE COMPANY**

	2018 €	2017 €
Within one year	6.568.820	3.850.411
Between two and five years	<u>16.714.478</u>	<u>7.156.085</u>
	<u>23.283.298</u>	<u>11.006.496</u>

The long term loans of the Group and the Company consist of:

Loan in Euro repayable in three years, with 12 equal quarterly installments of €174.903. The interest rate is equal to 3 month EURIBOR + 3,0% annually and the first installment was paid on 28 February 2018.

Loan in Euro repayable in three years, with 12 equal quarterly installments of €787.700. The interest rate is equal to 3 month EURIBOR + 3,0% annually and the first installment was paid on 31 March 2018.

Loan in Euro repayable in fourteen years in 168 equal monthly installments of €47.901. The interest rate is equal to 6 month EURIBOR +3,15% annually and the first installment was paid on 27 July 2017.

Loan in Euro repayable in eight years, in 32 equal quarterly installments of €516.488. The interest rate is equal to 3 month EURIBOR +3,25% annually and the first installment was paid on 13 June 2018.

Loan in Euro repayable in five years, in 20 equal quarterly installments of €163.114. The interest rate is equal to 3 month EURIBOR +3,25% annually and the first installment was paid on 22 April 2018.

Loan in AED repayable in two years, in 8 equal quarterly installments of AED1.375.000 plus interest. The interest rate is equal to 3 month EIBOR +3,25% annually and the first installment was paid in February 2019.

The weighted average cost of the bank overdraft is 4,6% annually (2017: 4,3%). The bank overdrafts are repayable on demand by the respective banks.

The interest rate of short-term loans is equal to 3 month USD LIBOR plus 2,90% annually, 3 month USD LIBOR plus 2,75% annually and 3 month USD LIBOR plus 2,80% annually (2017: 3 month USD LIBOR plus 2,90% annually, 3 month USD LIBOR plus 2,75% annually and 3 month USD LIBOR plus 2,80% annually.). Short-term loans are repayable within three months from the day that they are signed.

The undrawn balance of the bank overdrafts of the Group at 31 December 2018 amounted to €115 million (2017: €99,6 million) and of the Company to €8,5 million (2017: €29,9 million).

## LOGICOM PUBLIC LIMITED

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 30. LOANS AND BANK OVERDRAFTS (continued)

## Reconciliation of liabilities arising from financing activities:

## THE GROUP

	Bank loans €	Bank overdrafts €	Retained Earnings €	Total €
<b>Balance at 1 January 2018</b>	<b>80.044.466</b>	<b>40.564.031</b>	<b>58.459.740</b>	<b>179.068.237</b>
<i>Changes from financing cash flows:</i>				
Proceeds from borrowings	75.253.796	-	-	75.253.796
Repayment of principal	(66.718.211)	-	-	(66.718.211)
Dividends paid	-	-	(4.815.174)	(4.815.174)
<b>Total changes from financing cash flows</b>	<b>8.535.585</b>	<b>-</b>	<b>(4.815.174)</b>	<b>3.720.411</b>
<b>The effect of changes in foreign exchange rates</b>				
	<b>1.293.262</b>	<b>-</b>	<b>-</b>	<b>1.293.262</b>
Change in bank overdrafts	-	8.966.064	-	8.966.064
Interest expense	4.799.815	1.189.503	-	5.989.318
<i>Other changes:</i>				
Interest payable	(4.799.815)	(1.189.503)	-	(5.989.318)
<b>Total liability-related other changes</b>	<b>-</b>	<b>8.966.064</b>	<b>-</b>	<b>8.966.064</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>23.198.528</b>	<b>23.198.528</b>
<b>Balance at 31 December 2018</b>	<b>89.873.313</b>	<b>49.530.095</b>	<b>76.843.094</b>	<b>216.246.502</b>

## THE COMPANY

	Bank loans €	Bank overdrafts €	Retained Earnings €	Total €
<b>Balance at 1 January 2018</b>	<b>34.740.386</b>	<b>24.031.913</b>	<b>(2.701.186)</b>	<b>56.071.113</b>
<i>Changes from financing cash flows:</i>				
Proceeds from borrowings	50.043.166	-	-	50.043.166
Repayment of principal	(27.584.301)	-	-	(27.584.301)
Dividends paid	-	-	(4.815.174)	(4.815.174)
<b>Total changes from financing cash flows</b>	<b>22.458.865</b>	<b>-</b>	<b>(4.815.174)</b>	<b>17.643.691</b>
<i>Other changes:</i>				
Interest payable	2.042.776	1.105.350	-	3.148.126
Repayment of interest	(2.042.776)	(1.105.350)	-	(3.148.126)
Changes in the bank overdrafts	-	5.901.941	-	5.901.941
<b>Total liability-related other changes</b>	<b>-</b>	<b>5.901.941</b>	<b>-</b>	<b>5.901.941</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>12.770.755</b>	<b>12.770.755</b>
<b>Balance at 31 December 2018</b>	<b>57.199.251</b>	<b>29.933.854</b>	<b>5.254.395</b>	<b>92.387.500</b>

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**30. LOANS AND BANK OVERDRAFTS** *(continued)*

The banking facilities are secured by:

1. The guarantee of Logicom Solutions Ltd for \$6.600.000, €24.366.000, €6.500.000 and €528.672.
2. First mortgage with registration number Y2256/95 for factory and offices in Larnaca with registration number L6 on the name of Logicom (Overseas) Limited for €170.861 (it also secures the liabilities of Logicom (Overseas) Limited).
3. First mortgage with registration number Y1858/99 amounts to €598.010, second mortgage with registration number Y3404/99 amounts to €256.290 and third mortgage with registration number Y3405/99 amounts to €170.860 on building with registration number N1664 at Ayia Paraskevi owned by Logicom Public Limited
4. First mortgage with registration number Y1953/99 dated 9 March 1999 for plot with registration number N1665 in Nicosia (Ayia Paraskevi area, Strovolos) for €133.270, owned by Logicom Public Limited.
5. Second mortgage with registration number Y5753/00 dated 21 July 2000 on plot with registration number N1665 in Nicosia (Ayia Paraskevi area, Strovolos) for €136.688, owned by Logicom Public Limited.
6. First mortgage with registration number Y791/18 dated 16 February 2018 on plot with registration number 10/2003 in Nicosia (Apostolos Varnavas area - Agios Makarios (Strovolos municipality)) for €6.500.000 owned by the company Najada Holdings Limited.
7. Assignment of receivables of Logicom Public Ltd for the amount of \$9.837.208 and €1.490.667.
8. The guarantee of Logicom (Overseas) Limited for €170.861
9. Corporate guarantee of Logicom Public Limited with no amount restriction.
10. Corporate guarantee of Logicom Public Limited of \$40.000.000, \$36.000.000, \$1.500.000, €1.500.000, €1.500.000, AED 30.000.000, AED 35.000.000, JOD 700.000, €4.800.000, €500.000, €216.000, €6.500.000 and €6.103.000.
11. Fire safety guarantee of €1.500.000.
12. Pledge of Demetra Investments Public Company Ltd listed securities owned by Logicom Services Limited.

**31. PROMISSORY NOTES**

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	€	€	€	€
Liabilities	3.470.451	1.781.542	3.470.451	1.781.542

The Company has signed an agreement, with FIMBank Plc, for the financing of invoices issued from certain suppliers, with a limit of €3.3m. The Company uses this facility to settle the invoices issued by Hewlett-Packard Europe B.V and Microsoft Ireland Operations Ltd.

The exposure of the Group and the Company to liquidity risk is presented in note 36 of the consolidated and separate financial statements.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**32. DEFERRED TAX****Liabilities/Assets of deferred taxation**

	Liabilities 2018 €	Assets 2018 €	Transfer to Reserves €	Transfer to Statement of Comprehensi ve Income €	Liabilities 2017 €	Assets 2017 €
<b>THE GROUP</b>						
Deferred taxation arising from:						
Temporary differences arising from differences between depreciation and capital allowances	(143.308)	34	-	(52.076)	(86.506)	(4.692)
Temporary differences arising from loss for the year	-	1.461.672	-	332.336	-	1.129.336
Revaluation of land and buildings	(269.258)	-	3.559	-	(272.817)	-
Temporary differences arising from administrative expenses	-	795.145	10.038	290.579	(54.525)	559.091
Temporary differences arising from unrealised exchange difference	(64.609)	96.696	-	460.047	(429.680)	1.720
Exchange difference	64.753	(48.491)	-	-	49.328	(66.408)
	<u>(412.422)</u>	<u>2.305.056</u>	<u>13.597</u>	<u>1.030.886</u>	<u>(794.200)</u>	<u>1.619.047</u>
<b>THE COMPANY</b>						
Deferred taxation arising from:						
Temporary differences arising from differences between depreciation and capital allowances	(82.830)	-	-	(56.096)	(26.734)	-
Temporary differences arising from loss for the year	-	1.341.864	-	382.336	-	959.528
Revaluation of land and buildings	(269.258)	-	3.559	-	(272.817)	-
	<u>(352.088)</u>	<u>1.341.864</u>	<u>3.559</u>	<u>326.240</u>	<u>(299.551)</u>	<u>959.528</u>

Deferred tax assets and liabilities are offset if there is a legal enforceable right to offset current tax assets and liabilities and when the deferred taxes relate to the same tax authority.

Deferred tax asset recognised relates to unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of the year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax asset mainly relates to the Company's tax losses. The Company is expected to generate taxable profits in the next years based on the overall tax planning prepared in relation to its operations.

**LOGICOM PUBLIC LIMITED****NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS****Year ended 31 December 2018****33. CONTINGENCIES AND LITIGATIONS**

The most important guarantees are as follows:

- (1) The Company has provided a bank guarantee of up to USD 3.600.000 (€3.144.105) to a foreign supplier for providing a trading credit facility. This guarantee is valid from 19 August 2018 until 18 August 2019.
- (2) The Company has provided a second bank guarantee of up to USD 400.000 (€349.345) to a second foreign supplier for providing a trading credit facility. This guarantee is valid from 19 August 2018 until 18 August 2019.
- (3) The Company has provided a third bank guarantee of up to €1.700.000 to a third foreign supplier for providing a trading credit facility. This guarantee is valid from 12 August 2018 until 11 August 2019.
- (4) The Company has provided a fourth bank guarantee of up to €450.000 to a fourth foreign supplier for providing a trading credit facility. This guarantee is valid from 12 August 2018 until 11 August 2019.
- (5) The Company has provided a fifth bank guarantee of up to USD 1.000.000 (€873.362) to a fifth foreign supplier for providing a trading credit facility. This guarantee is valid from 13 April 2018 until 12 April 2019.
- (6) The Company has provided a sixth bank guarantee of up to USD 300.000 (€262.009) to a sixth foreign supplier for providing a trading credit facility. This guarantee is valid from 12 September 2018 until 11 September 2019.
- (7) The Company has provided a seventh bank guarantee of up to USD 500.000 (€436.681) to a seventh foreign supplier for providing a trading credit facility. This guarantee is valid from 12 September 2018 until 11 September 2019.
- (8) The Company has provided an eighth bank guarantee of up to €34.172 to the Director of Customs and Excise Department for the use of a Bonded Warehouse in the Free Trade Zone in Larnaca.
- (9) Companies of the Group have provided bank guarantees in order to participate to government projects and private sector projects.

On 19 December 2018, the subsidiary company Logicom Saudi Arabia LLC in Saudi Arabia, received notice of Zakat and Income tax assessments from the General Authority of Zakat and Tax (“GAZT”) relating to the years 2010 - 2014. The total claim is additional tax and Zakat of €2,4m (SAR10,3 m), plus additional penalties to be computed when the tax is settled. On 14 February 2019 the company has filed an objection in response to the claim. At this stage the company is of the view that any amount of payable in the form of charges or penalties is not probable and as a result no provision is made as at 31 December 2018.

The company has submitted the Zakat and Income tax forms up to 2017 and is expecting the assessment of the local authorities.

Apart from the tax liabilities that have already been accounted for in the consolidated and separate financial statements, based on the existing information, it is possible that additional tax liabilities may arise during the examination of the tax and other affairs of the companies of the Group.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**34. OPERATING LEASE**

**THE GROUP**

	2018	2017
	€	€
Within one year	1.884.675	1.887.972
Between one and five years	3.414.139	2.224.089
After more than five years	690.731	121.471
	5.989.545	4.233.532

The Group rents a number of buildings, warehouses and motor vehicles. The Group assesses the categorization to operating lease or hire purchase. Based on the fact that, firstly, the land is not transferable, secondly, because the rents are adjusted to the market rent prices at regular intervals and the Group is not involved in the residual values of the buildings, it was assessed that the risks and rewards remain substantially with the owner. Based on the above factors, it is concluded that the leases are classified as operating leases.

The Group acquired land in the Larnaca Free Trade Zone Area in December 1994, on a long-term operating lease agreement ending on 30 September 2016 from the Cyprus Government, with an option for renewal for another two lease periods of 33 years. The leasing was renewed for one period of 33 years. The buildings with an initial purchase cost of €130.178 and with further additions at the cost of €29.672, were revalued on 10 May 2016 and distributed in the form of dividends to the parent company. The annual lease expense amounts to €3.210.

The Group acquired land in the Free Trade Zone Area in Jebel Ali through the subsidiary Logicom FZE in the United Arab Emirates. The land was acquired on a long-term operating lease agreement for 10 years from 1 August 2007, with an option for renewal.

The Group also acquired offices and a warehouse in Greece through the subsidiary Enet Solutions Logicom S.A. under a lease agreement.

The lease expense recognized during 2018 in the statement of profit or loss and other comprehensive income is €1.359.329 (2017: €1.924.688).

Included in operating leases is an amount which relates to hire purchases, which is considered immaterial to be disclosed separately.

**35. FAIR VALUES**

Management believes that the fair values of the financial assets and liabilities of the Group and the Company are approximately equal to the amounts shown in the books at the end of the year.

**36. RISK MANAGEMENT**

The main financial assets held by the Group and the Company are cash and cash equivalents, investments and trade and other receivables. The main financial liabilities of the Group and the Company are bank overdrafts and loans and trade and other payables. The Group and the Company are exposed to the following risks from their financial assets and liabilities.

The Group adopted the IFRS 15 and IFRS 9 from 1 January 2018.

Due to the transition methods chosen by the Group and the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for certain hedging requirements and separately presenting impairment loss on trade receivables and contract assets.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**36. RISK MANAGEMENT** *(continued)***36.1 Credit risk**

Credit risk is the risk of default by counter parties to transactions mainly from trade receivables of the Group and the Company. The Group and the Company ensure the application of appropriate mechanisms and ensure the maintenance of related monitoring procedures and controls over credits. Credit risk is monitored on an ongoing basis.

The Group entered into an agreement with Atradius Credit Insurance N.V. ('Insurance Company') for the credit insurance that the Group offers to its customers. The issuance of such insurance agreement is considered to be the most appropriate method for hedging against credit risk.

The insurance agreements for the trade receivables and the procedures required under these agreements, have significantly improved the monitoring and control of trade receivables, mainly in the approval of credit limits, which is done in cooperation with the credit insurance company as the latest has the resources for a better evaluation of the credibility of each debtor. It should be noted that the credit insurance covers all trade receivables other than governmental or semi-governmental organizations as well as natural persons.

The carrying value of investments represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date of the consolidated and separate financial statements was:

**THE GROUP**

	2018 €	2017 €
Available-for-sale investments	-	6.428.220
Investments at fair value through profit and loss	244.041	16.448
Receivables from jointly controlled companies	22.801.210	21.129.431
Trade and other receivables	206.161.687	181.643.637
Cash and cash equivalents	<u>31.189.618</u>	<u>38.582.807</u>
	<u>260.396.556</u>	<u>247.800.543</u>

**THE COMPANY**

	2018 €	2017 €
Investments at fair value through profit and loss	9.594	9.594
Long-term loans to subsidiary companies	28.406.793	27.554.737
Trade and other receivables	18.780.495	16.750.589
Cash and cash equivalents	2.299.735	15.965.365
Balances with subsidiary companies	<u>56.038.179</u>	<u>38.687.577</u>
	<u>105.534.796</u>	<u>98.967.862</u>

**Cash and cash equivalents**

The Group held cash and cash equivalents amounting to €31.189.618 (2017: €38.582.807), which represent the maximum credit risk exposure, after trade and other receivables from whom any risk has been limited as explained above. Cash and cash equivalents are deposited in banks and financial institutions, which are valued from Caa3 to A1, based on Moody's, from CCC- to A+ based on Standard & Poor's and from CCC- to AA+ based on Fitch's.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**36. RISK MANAGEMENT** *(continued)**36.1 Credit risk (continued)*

The maximum exposure to credit risk of the Group, for trade receivables by geographic region, is as follows:

**THE GROUP**

	2018 €	2017 €
Europe	62.238.521	60.198.328
Middle East	<u>112.391.993</u>	<u>99.054.989</u>
	<u><u>174.630.514</u></u>	<u><u>159.253.317</u></u>

**THE COMPANY**

	2018 €	2017 €
Europe	<u>8.320.441</u>	<u>7.862.468</u>
	<u><u>8.320.441</u></u>	<u><u>7.862.468</u></u>

In accordance to the above analysis, 36% of the Group's trade receivables (2017: 38%) originates from Europe and 64% (2017: 62%) of the Group's trade receivables originates from the Middle East.

**THE GROUP****THE COMPANY**

The ageing of the remaining trade receivables which are not impaired is as follows:

**THE GROUP**

	2018 €	2017 €
0 until 90 days	163.269.268	147.929.889
91 until 180 days	8.039.684	7.966.276
more than 180 days	<u>3.321.562</u>	<u>3.357.152</u>
	<u><u>174.630.514</u></u>	<u><u>159.253.317</u></u>

**THE COMPANY**

	2018 €	2017 €
0 until 90 days	8.056.520	7.264.879
91 until 180 days	133.101	595.027
more than 180 days	<u>130.820</u>	<u>2.562</u>
	<u><u>8.320.441</u></u>	<u><u>7.862.468</u></u>



**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**36. RISK MANAGEMENT** *(continued)*

*36.1 Credit risk (continued)*

The other debtors of the Company mainly include the customer balances of the subsidiary company Logicom FZE that are granted to the Company (note 22) aged 0-90 days which are considered recoverable in full.

The ageing of the balances of the subsidiary companies in the Company's books is as follows:

**THE COMPANY**

	2018	2017
	€	€
0 until 180 days	56.038.179	38.687.577
more than 180 days	<u>28.406.793</u>	<u>27.554.737</u>
	<u>84.444.972</u>	<u>66.242.314</u>

For the determination of provision for doubtful debts, the age of the balances, the characteristics of the customers and countries in which the Group operates and the extent to which the outstanding amount was recovered after the year end were taken into consideration.

The provision for doubtful debts for the year shows a decrease in relation to the provision of the corresponding period of 2017. Group's management estimates that the credit insurance has significantly reduced the risk for doubtful debts. The provision for doubtful debts is analysed as follows:

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**36. RISK MANAGEMENT** *(continued)*36.1 Credit risk *(continued)***THE GROUP**Trade debtors

	2018	2017
	€	€
At 1 January	2.402.504	2.602.436
Adjustment from the adoption of IFRS9	<u>926.869</u>	<u>-</u>
Balance on 1 January after the adjustment	3.329.373	2.602.436
Provision for doubtful debts	509.992	653.135
Expected credit losses	(89.106)	-
Decrease in provision for doubtful debts	(315.153)	(273.324)
Exchange differences	<u>(122.429)</u>	<u>(306.419)</u>
At 31 December	<u><u>3.312.677</u></u>	<u><u>2.402.504</u></u>

**THE GROUP**Loans receivable from related companies

	2018	2017
	€	€
Adjustment from the adoption of IFRS9	<u>480.850</u>	<u>-</u>
Balance on 1 January after the adjustment	480.850	-
Expected credit losses	<u>(37.142)</u>	<u>-</u>
At 31 December	<u><u>443.708</u></u>	<u><u>-</u></u>

**THE GROUP**Impairment loss on receivables

	2018	2017
	€	€
Trade receivables	105.733	379.811
Loans receivable from related companies	<u>(37.142)</u>	<u>-</u>
At 31 December	<u><u>68.591</u></u>	<u><u>379.811</u></u>

**THE COMPANY**Trade debtors

	2018	2017
	€	€
At 1 January	115.208	115.208
Adjustment from the adoption of IFRS9	<u>5.488</u>	<u>-</u>
Balance on 1 January after adjustment	120.696	115.208
Expected credit losses	<u>(563)</u>	<u>-</u>
At 31 December	<u><u>120.133</u></u>	<u><u>115.208</u></u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**36. RISK MANAGEMENT** *(continued)**36.1 Credit risk (continued)***THE COMPANY**

<u>Receivables from subsidiary companies</u>	2018	2017
	€	€
Adjustment from the adoption of IFRS9	942.670	-
Balance on 1 January after adjustment	942.670	-
Provision for impairment of receivable from subsidiary company	1.050.000	137.659
Expected credit losses	110.492	-
At 31 December	<u>2.103.162</u>	<u>137.659</u>

**THE COMPANY**

<u>Impairment losses on receivables</u>	2018	2017
	€	€
Trade debtors	(563)	-
Loans receivable from related companies	(46.414)	-
Decrease in provision for doubtful debts	1.206.617	137.659
At 31 December	<u>1.159.640</u>	<u>137.659</u>

The Group estimates that the fair value of trade and other receivables is not significantly different from their carrying value as recognised in the financial statements, as the average repayment period of trade and other receivables is less than 6 months.

The Group estimates expected credit losses for trade receivables using a provision matrix. The Group utilises its experience from the history of credit losses for trade receivables of the past 5 years, after adjusting so as to reflect the effects of the current conditions and provides for future conditions that did not affect the period in which the historic data are based and to eliminate the effects of the conditions of the past period that do not affect the expected future cash flows. The Group, depending on the differentiation of its customer base, uses the appropriate groupings, i.e. by country/geographical region.

The probability of default as well as the assumptions and estimations for credit losses in the case of default is estimated, for loans to subsidiaries or associated companies. The significant increase of the credit risk is also estimated on the basis of the decrease in the credibility of the counter party as this is measured by a credit rating institution.

The following table provides information about the exposure to credit risk and expected credit losses for trade and other receivables as at 31 December 2018.

**THE GROUP**

	Weighted-average loss rate %	Gross carrying amount €	Impairment loss allowance €
Balances not impaired	0,35680	158.224.597	564.578
1 to 90 days	0,5156	17.369.675	89.555
91 to 180 days	6,1519	1.999.999	123.037
More than 180 days	16,3264	193.215	31.545
		<u>177.787.486</u>	<u>808.715</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**36. RISK MANAGEMENT** *(continued)**36.1 Credit risk (continued)***THE COMPANY**

	Weighted-aver age loss rate %	Gross carrying amount €	Impairment loss allowance €
Balances not impaired	0,0143	7.701.717	1.106
1 to 90 days	0,2282	640.745	1.462
91 to 180 days	1,0313	48.289	498
More than 180 days	3,7314	49.821	1.859
		<u>8.440.572</u>	<u>4.925</u>

*36.2 Interest rate risk*

Interest rate risk is the risk of fluctuations in the value of financial instruments due to movements in market interest rates. Income and cash flows from operations of the Group and the Company are dependent on changes of market interest rates, since the Group and the Company have material assets which bear interest. The Group and the Company are exposed to interest rate risk on borrowings. Borrowing in variable interest rates exposes the Group and the Company in interest rate risk that affects cash flows. Borrowing in fixed interest rates exposes the Group and the Company in interest rate risk that affects the fair value. The management of the Group and the Company and more specifically the Risk Management Committee is monitoring the fluctuations of interest rates on an ongoing basis and ensures that the necessary actions are taken.

The interest rates and repayment dates applicable for loans and bank facilities are stated in note 30.

Sensitivity analysis on interest rates

A possible increase of the interest rates by 1% in relation to the weighted average interest rates of the year, would have decrease the profit for the year. The analysis below assumes that all other parameters remain constant:

**THE GROUP**

	2018 €	2017 €
Long-term loans	(317.344)	(177.493)
Short term loans	(581.389)	(622.951)
Bank overdrafts	(495.301)	(405.640)
Cash and cash equivalents	311.896	385.314
Promissory notes	<u>(34.705)</u>	<u>(17.815)</u>
	<u>(1.116.843)</u>	<u>(838.585)</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**36. RISK MANAGEMENT** (continued)36.2 Interest rate risk (continued)**THE COMPANY**

	2018	2017
	€	€
Long-term loans	(232.833)	(110.155)
Short term loans	(339.160)	(237.339)
Bank overdrafts	(299.339)	(240.319)
Promissory notes	(34.705)	(17.815)
Cash and cash equivalents	<u>22.969</u>	<u>159.620</u>
	<u>(883.068)</u>	<u>(446.008)</u>

A possible decrease of the interest rates by the same percentage would have an equal but opposite effect on the profit for the year.

36.3 Foreign exchange risk

This risk arises from adverse movements in foreign exchange rates.

The Company and the Group are subject to foreign exchange risk on sales, purchases and loans in currencies other than the Company's and subsidiary companies functional currency, and on the long term loans to foreign subsidiaries. Management is aware of foreign exchange risk and is examining alternative methods to hedge the risk.

The hedging of foreign exchange risk is managed by the Group Chief Financial Officer together with the Executive Directors. This issue is discussed and examined at the Board of Directors' meetings due to the fact that management has assessed that the Company is materially affected from the movements in foreign currencies against the Euro.

Until today, the hedging methods that have been used against foreign exchange risk are the following:

1. Natural Hedging. The Company maintains to the maximum extent, assets (investments in foreign subsidiaries) and liabilities (bank overdrafts, short and long term loans) at the same currency, mainly the United States Dollars (USD). In this way any gain or loss in assets is hedged by the corresponding loss or gain in liabilities.
2. The percentage of sales in foreign currency on total turnover is approximately the same with the percentage of bank borrowings in foreign currency in relation to the total borrowings of the Group.
3. The bank borrowings are usually made in the currency that the suppliers invoice the Company.
4. In cases of projects where the total cost of completion of the project is known from the time of the validation of the tender, then forward contracts are used, for the period required to complete the project and for the specific amount in foreign currency that the Company will be invoiced.
5. In addition, the Company enters into forward exchange contracts based on turnover at regular intervals e.g. weekly, for covering the payments to suppliers based on the credit period that they give to the Company. In this way the purchase of foreign currency for payments to suppliers in future periods is secured with the receipts from trade receivables.

Hedging of net investment in foreign operation

The Group applies hedge accounting to decrease foreign exchange risk.

Specifically, the equity and long-term loans that are part of the net investment in subsidiary companies Logicom FZE, Logicom Dubai LLC, Logicom (Middle East) SAL, Logicom Jordan LLC and Logicom Saudi Arabia LLC, where the functional currency is the USD are hedged with the bank borrowings of the Group in USD. Hedging is determined on a quarterly basis and the amount is adjusted accordingly. The hedge effectiveness is assessed on a monthly basis and to the extent the hedging is ineffective, the exchange differences are recognized in statement of profit or loss and other comprehensive income.

As at 31 December 2018 the amounts that were hedged were USD 40.000.000 of net investment in the above foreign companies and USD 40.000.000 of bank borrowings.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**36. RISK MANAGEMENT** *(continued)*36.3 Foreign exchange risk *(continued)*

The carrying value of financial assets and liabilities of the Group denominated in foreign currency as at the date of the consolidated and separate financial statements is as follows:

<b>THE GROUP</b>	USD	
	2018 €	2017 €
Trade and other receivables	5.162.276	6.808.952
Cash and cash equivalents	2.338.091	1.388.393
Trade and other payables	(63.744.893)	(71.762.684)
Short term loans	(33.915.953)	(23.733.890)
Bank overdrafts	<u>(24.509.596)</u>	<u>(24.123.165)</u>
	<u>(114.670.075)</u>	<u>(111.422.394)</u>

<b>THE COMPANY</b>	USD	
	2018 €	2017 €
Trade and other receivables	296.014	1.254.976
Cash and cash equivalents	23.147	207.698
Trade and other payables	(26.128.210)	(48.491.591)
Short term loans	(33.915.953)	(23.733.890)
Bank overdrafts	<u>(24.509.596)</u>	<u>(23.816.840)</u>
Balances with subsidiary companies	<u>70.475.701</u>	<u>68.285.533</u>
	<u>(13.758.897)</u>	<u>(26.294.114)</u>

The following foreign exchange rates were used in the preparation of the consolidated and separate financial statements:

	Average Rate		Rate as at reporting date	
	2018 €	2017 €	2018 €	2017 €
USD 1	0,8467	0,8852	0,8734	0,8338

Sensitivity analysis on fluctuations of foreign exchange rates

A possible strengthening of the Euro against the US Dollar and the other currencies by 10% as at 31 December 2018 would have increased/decreased respectively the profit for the year and the shareholders' funds. The analysis below assumes that all other parameters and mainly interest rates remain constant:

**THE GROUP**

	Effect on the shareholders funds		Effect on profit or loss	
	2018 €	2017 €	2018 €	2017 €
USD	<u>4.165.458</u>	<u>6.187.845</u>	<u>10.564.325</u>	<u>1.181.934</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**36. RISK MANAGEMENT** *(continued)*36.3 Foreign exchange risk *(continued)*

THE COMPANY	Effect on the shareholders		Effect on profit or loss	
	funds		2018	2017
	2018	2017	€	€
USD	<u>1.375.890</u>	<u>2.629.411</u>	<u>1.375.890</u>	<u>2.629.411</u>

A possible weakening of the Euro against the above currencies by 10% would have equal but opposite effect, if all other parameters remain constant.

36.4 Liquidity risk

Liquidity risk is the risk that arises when the expiry date of assets and liabilities does not concur. When expiries do not concur, the performance can increase but at the same time the risk for losses can also increase. The Group and the Company have procedures in place to minimize such losses, such as retaining sufficient amounts in cash and other highly liquid assets and retaining sufficient amounts in secured credit facilities in order to cover liabilities when they fall due.

The management estimates that the ability of the Group to receive in advance its trade receivables through the factoring agreement with recourse in Cyprus, Greece and the United Arab Emirates, reduces even further the liquidity risk.

Bank loans and overdrafts of the Group and the Company are presented in note 30.

The expected cash outflows based on the information included in the consolidated and separate financial statements are presented below:

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**36. RISK MANAGEMENT** (continued)36.4 Liquidity risk (continued)**THE GROUP****Liquidity Risk**

	Balance	Cash outflows arising from contractual liabilities				
		6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
	€	€	€	€	€	€
<u>31 December 2018</u>						
Long-term loans	31.734.431	4.005.768	4.331.468	8.781.742	4.442.983	10.172.470
Short term loans	58.138.882	58.138.882	-	-	-	-
Operating leases	5.989.546	1.088.622	796.053	1.278.338	2.135.802	690.731
Trade and other payables	129.053.922	129.053.922	-	-	-	-
Bank overdrafts	49.530.095	49.530.095	-	-	-	-
Provision for other liabilities	179.543	-	-	40.000	139.543	-
Promissory notes	3.470.451	3.470.451	-	-	-	-
	<u>278.096.870</u>	<u>245.287.740</u>	<u>5.127.521</u>	<u>10.100.080</u>	<u>6.718.328</u>	<u>10.863.201</u>
<u>31 December 2017</u>						
Long-term loans	17.749.332	2.315.346	2.315.342	8.510.568	1.741.263	2.866.813
Short term loans	62.295.134	62.295.134	-	-	-	-
Operating leases	4.233.537	1.244.431	643.546	984.273	1.239.816	121.471
Trade and other payables	121.054.395	109.987.681	-	-	-	11.066.714
Bank overdrafts	40.564.031	25.084.734	15.479.297	-	-	-
Provision for other liabilities	219.650	40.000	-	40.000	139.650	-
Promissory notes	1.781.542	1.781.542	-	-	-	-
	<u>247.897.621</u>	<u>202.748.868</u>	<u>18.438.185</u>	<u>9.534.841</u>	<u>3.120.729</u>	<u>14.054.998</u>



## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**36. RISK MANAGEMENT** (continued)36.4 Liquidity risk (continued)**THE COMPANY****Liquidity Risk**

	Balance	Cash outflows arising from contractual liabilities				
		6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
	€	€	€	€	€	€
<u>31 December 2018</u>						
Long-term loans	23.283.298	3.284.410	3.284.410	6.309.094	2.718.408	7.686.976
Short term loans	33.915.953	33.915.953	-	-	-	-
Operating leases	318.230	64.149	64.149	35.758	71.516	82.658
Trade and other payables	31.563.725	31.563.725	-	-	-	-
Bank overdrafts	29.933.854	29.933.854	-	-	-	-
Promissory notes	3.470.451	3.470.451	-	-	-	-
	<u>122.485.511</u>	<u>102.232.542</u>	<u>3.348.559</u>	<u>6.344.852</u>	<u>2.789.924</u>	<u>7.769.634</u>
<u>31 December 2017</u>						
Long-term loans	11.006.496	1.925.209	1.925.206	7.156.081	-	-
Short term loans	23.733.890	23.733.890	-	-	-	-
Trade and other payables	55.176.919	55.176.919	-	-	-	-
Bank overdrafts	24.031.913	24.031.913	-	-	-	-
Promissory notes	2.588.889	2.588.889	-	-	-	-
	<u>116.538.107</u>	<u>107.456.820</u>	<u>1.925.206</u>	<u>7.156.081</u>	<u>-</u>	<u>-</u>

36.5 Fair Value

Items of the assets and liabilities of the Group and the Company, as these are classified in amortised cost or fair value, are presented below:

Assets and liabilities in amortised cost:

**THE GROUP**

	2018	2017
	€	€
Trade and other receivables	187.245.224	181.643.637
Cash and cash equivalents	31.211.426	38.582.807
Long-term loans	(31.734.431)	(17.749.332)
Short term loans	(58.138.882)	(62.295.134)
Bank overdrafts	(49.530.095)	(40.564.031)
Provisions for other liabilities	(179.543)	(219.650)
Trade and other payables	(129.053.922)	(121.054.395)
Promissory notes	(3.470.451)	(1.781.542)
	<u>(53.650.674)</u>	<u>(23.437.640)</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**36. RISK MANAGEMENT** *(continued)*36.5 Fair Value *(continued)***THE COMPANY**

	2018 €	2017 €
Long-term loans to subsidiary companies	28.406.793	27.554.737
Balances with subsidiary companies	55.686.633	38.687.577
Trade and other receivables	18.798.611	16.775.495
Cash and cash equivalents	2.299.735	15.965.365
Long-term loans	(23.283.298)	(11.006.496)
Short term loans	(33.915.953)	(23.733.890)
Bank overdrafts	(29.933.854)	(24.031.913)
Trade and other payables	(31.563.725)	(55.176.919)
Promissory notes	(3.470.451)	(1.781.542)
	<u>(16.975.509)</u>	<u>(16.747.586)</u>

The fair values of the financial assets and liabilities of the Group and the Company are approximately the same as the amounts reported in the consolidated and separate financial statements at the end of year.

Assets and liabilities in fair value:

**THE GROUP**

	2018 €	2017 €
Investments at fair value through profit and loss	244.041	16.448
Available-for-sale investments	-	6.428.220
	<u>244.041</u>	<u>6.444.668</u>

**THE COMPANY**

	2018 €	2017 €
Investments at fair value through profit and loss	<u>9.594</u>	<u>9.594</u>

The table below analyses financial assets carried at fair value, based on the valuation method used to determine their value. The different levels have been defined as follows:

- Level 1: investments measured at fair value using quoted prices in active markets.
- Level 2: investments measured at fair value based on valuation models in which all significant inputs that affect significantly the fair value are based on observable market data.
- Level 3: investments measured at fair value based on valuation models in which all significant inputs that affect significantly the fair value are not based on observable market data.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**36. RISK MANAGEMENT** *(continued)*

36.5 Fair Value *(continued)*

**THE GROUP**

**31 December 2018**

	Level 1 €	Level 2 €	Level 3 €
Investments at fair value through profit and loss	244.041	-	-
	<u>244.041</u>	<u>-</u>	<u>-</u>

**31 December 2017**

	Level 1 €	Level 2 €	Level 3 €
Investments at fair value through profit and loss	16.448	-	-
Available-for-sale investments	6.428.220	-	-
	<u>6.444.668</u>	<u>-</u>	<u>-</u>

During 2018 there were no transfers between the three levels reported above.

The fair value of investments at fair value through profit and loss is based on the stock exchange prices at the reporting date.

The fair value of shares that are classified to available for sale investments are based on stock exchange prices at the reporting date.

36.6 Capital Management

Group's and Company's management has as a principle the maintenance of a strong capital base for the support of the credibility and trust of the investors and creditors as well as the market as a whole. Management monitors continuously the return on equity.

**37. OPERATING ENVIRONMENT OF THE GROUP**

The Group operates in Cyprus, in the geographical area of Southeast Europe and Middle East with significant presence in the wider area of the Gulf where political instability exists resulting in economic instability.

The Cyprus economy has achieved significant recovery after the economic crisis of 2013 as it continued to improve for fifteen consecutive quarters. The economic recovery accelerated in 2017, with the actual GDP increasing by 4,2% on an annual basis. The actual GDP of Cyprus increased during 2018, compared to 2017. The recovery is of a broad basis and has contributed to the employment increase almost in all sectors and to the decrease of unemployment.

The recovery phase, accompanied by positive surprises, has been completed and the economy is entering its growth phase. In terms of absolute figures, the value of the domestic product of final products and services in fixed prices, that is the actual GDP, was formed at €19,5 bil. in 2017 recovering the level held prior to the crisis. The nominal GDP, that is the value of the domestic product of final products and services in current prices, reached the amount of €19,6 bil. in 2017, from €18,5 bil. in the prior year.

The macroeconomic prospects of the Cyprus economy are positive and accompanied by the significant increase of the actual GDP during 2018, the significant growth rate and the further improvement of the basic domestic indicators. The increase is expected to be supported mainly from the private consumption, the investments and from the continuous improvement in the employment market. The public expenditure are also expected to positively contribute to the increase through public investments. In the medium term, the prospects of the economy remain positive and is expected that the growth will continue with a lower pace near the long-term average.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**37. OPERATING ENVIRONMENT OF THE GROUP** *(continued)*

Despite the recovery observed in several economy sectors the high indicator of non performing loans (NPL), the high unemployment and the high public and private debt, which are however in a stable downward trend are expected to affect the macroeconomic prospects of Cyprus economy and the stability of the domestic banking system. The improved macroeconomic environment is expected to further support the efforts of the banks for dealing with the high level of NPLs. The updating of the legislation in regards to insolvency and disposals is expected to form a significant tool in addressing the problem.

The Company's management is unable to predict all developments which could have an impact on the Cyprus economy and the countries in which the Group is operating and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company and the Group.

On the basis of the evaluation performed, the Company's and the Group's management has concluded that no provisions or additional impairment charges are necessary other than those already recognized in the consolidated and separate financial statements.

The Company's management believes that it is taking all the necessary measures to address any problems that may arise due to the external factors, with a view to maintain the viability of the Company and the development of its business in the current business and economic environment.

**38. DIRECTORS' INTEREST**

The percentage of the share capital of the Company that was held by each member of the Board of Directors, directly or indirectly, is as follows:

	31/12/2018	28/02/2019
	Fully paid	Fully paid
	Shares	Shares
	%	%
Adamos Adamides <sup>1</sup>	0,33	0,33
Varnavas Irinarchos <sup>2</sup>	51,55	51,55
Takis Klerides <sup>3</sup>	0,52	0,52
Giorgos Papaioannou <sup>4</sup>	1,01	1,01
Nicos Michaelas <sup>5</sup>	0,02	0,02
Anthoulis Papachristoforou	0,55	0,55
Anastasios Athanasiades	0,05	0,05

- The direct ownership of Mr. Adamos Adamides as at 28 February 2019, (resigned on 21 June 2018), is 0,32% and the indirect ownership which arises from the participation of his wife Mrs. Maro Adamidou, is 0,01%.
- The indirect ownership of Mr. Varnavas Irinarchos as at 28 February 2019 of 51,55% arises from the participation of the company Edcrane Ltd.
- The direct ownership of Mr. Takis Klerides as at 28 February 2019 is 0,46% and the indirect ownership which arises from the participation of his daughter Mrs. Pamela Klerides, is 0,05%.
- The direct ownership of Mr. George Papaioannou as at 28 February 2019 is 1% and his indirect ownership that arises from the participation of his sons Mr. Christos Papaioannou is 0,0034% and Mr. Alexandros Papaioannou is 0,0034% .
- The indirect ownership of Mr. Nicos Michaelas as at 28 February 2019 of 0,02% arises from the share of its shareholding by the Employee Providend Fund of Demetra Investments Public Limited.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**39. SHAREHOLDERS' INTEREST**

The shareholders who held, directly or indirectly, more than 5% of the share capital of the Company were as follows:

	31/12/2018	28/02/2019
	%	%
Varnavas Irinarchos <sup>1</sup>	51,55	51,55
Demetra Investment Public Ltd	10,28	10,28

1. The indirect ownership of Mr. Varnavas Irinarchos as at 28 February 2019 arises through the company Edcrane Ltd. The ultimate parent company of the Group is Takero Limited which holds 100% of Edcrane's Ltd shares.

**40. DIRECTORS' CONTRACTS**

No important contract exists or existed at the end of the financial year and at the date of issuing the financial statements in which the members of management, their spouses or their underage children have or had direct or indirect significant interest, except from the employment contracts of Mr. Varnavas Irinarchos and Mr. Anthoulis Papachristoforou.

**(1) Contract of Mr. Varnavas Irinarchos, Managing Director**

Employment contract as Managing Director of the Company for two years from 1 January 2005, with annual salary (13 months) of €93.973 which will be increasing at a proportion equal to the annual rate of inflation, as determined by the annual index on 31 January each year or at a rate equal to 4% over his last salary, whichever is higher. For 2018 the annual salary of the Managing Director was €151.800. The Company will also pay annually (12 months) for entertainment expenses an amount of €25.629, that will be increasing in every following annual period at a proportion equal to the rate of inflation, as determined by the annual index on 31 January each year or at a rate equal to 4%, whichever is higher. For 2018 the allowance for entertainment expenses amounted to €25.000.

In addition, the Company provides to the Director an appropriate vehicle and covers all related expenses.

The contract was renewed for one year from 1 January 2019, with an annual salary (13 months) of €150.000. The Company will also pay annually (12 months), for entertainment expenses the amount of €25.000.

Mr. Varnavas Irinarchos is committed not to form, assist or take part in any way in the incorporation of a company or business, which performs operations similar or competitive to the operations of the Company during his employment and for at least five years after his departure from the Company. Mr. Varnavas Irinarchos accepts that this constraint is by no means in contrast with the general principle of Restraint of Trade, and that it is considered reasonable as the employee benefited from the bonus issue of shares during the listing of the Company in the CSE.

**(2) Contract of Mr. Anthoulis Papachristoforou, Group Chief Financial Officer**

In 2018 the annual salary of Mr. Anthoulis Papachristoforou amounted to €150.750 and the allowance for entertainment expenses amounted to €24.000. The remuneration of Mr. Anthoulis Papachristoforou for 2019 will be the same as 2018.

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**41. REMUNERATION OF NON EXECUTIVE DIRECTORS**

The remuneration of non-executive directors is analysed as follows:

	2018 €	2017 €
Adamos Adamides	28.200	26.050
Takis Klerides	12.300	10.200
Nicos Michaelas	12.650	11.600
George Papaioannou	11.600	9.500
Anastasios Athanasiades	<u>14.000</u>	<u>12.600</u>
	<u>78.750</u>	<u>69.950</u>

**42. RELATED PARTY TRANSACTIONS**

The companies of the Group buy and sell goods and services according to their needs from other Group companies. Transactions are mainly carried out at cost. There are cases where transactions are carried out at a price other than cost when this is agreed between the parties involved. When necessary, Logicom Public Limited charges every year its subsidiary companies with a fee for administration services.

**Transactions and balances between Group companies:**

The amounts that Logicom Public Limited charged its subsidiary companies and impairments on receivable balances were as follows:

	2018 €	2017 €
Administration Services		
Logicom Solutions Limited	<u>137.000</u>	<u>137.000</u>
Commissions		
Logicom Solutions Limited	<u>120.000</u>	<u>120.000</u>
Impairment of subsidiary receivable balances		
Enet Solutions LLC	-	136.106
Logicom IT Distribution Limited	<u>1.050.000</u>	<u>-</u>
	<u>1.050.000</u>	<u>136.106</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**42. RELATED PARTY TRANSACTIONS** *(continued)*

The sales made by Logicom Public Ltd to its subsidiary companies were as follows:

**Sales**

	2018	2017
	€	€
Logicom Solutions Limited	2.406.547	1.653.604
Newcytech Business Solutions Ltd	3.682.876	3.145.759
ENET Solutions - Logicom S.A.	26.338.322	20.709.102
Logicom Jordan LLC	4.324.318	4.437.954
Logicom (Middle East) SAL	1.623.236	160.757
Logicom FZE	8.374	26.795
Logicom Italia s.r.l.	44.807	38.537
Logicom Information Technology Distribution s.r.l.	12.128.501	12.737.982
Logicom Saudi Arabia LLC	79	630.059
Verendrya Ventures Ltd	<u>-</u>	<u>631.385</u>

The balances between Logicom Public Ltd and its subsidiary companies in the books of the parent company were as follows:

**Long-term loans to subsidiary companies:**

	2018	2017
	€	€
ENET Solutions - Logicom S.A.	2.237.555	2.136.246
Logicom (Middle East) SAL	4.171.441	3.982.573
Logicom FZE	2.589.170	2.471.942
Logicom Jordan LLC	2.669.083	2.548.236
Verendrya Ventures Ltd	<u>16.739.544</u>	<u>16.415.740</u>
	<u>28.406.793</u>	<u>27.554.737</u>

There is no written agreement between the parent and the subsidiary companies, regarding the long-term loans receivable from the subsidiary companies. The loans bear no interest and there is no fixed repayment date. The loans are recognised according to the provisions of IAS 21.

The long-term loan with the subsidiary company Verendrya Ventures Limited, relates to a contract for the financing of the operations of the desalination units in Larnaca and Episkopi. The loan bears an annual interest of 1,75% (2017: 4%) and has no fixed repayment date.

Taking into consideration the expected future cash flows of the subsidiary company, which consists of the expected future cash flows of the desalination company in Larnaca as well as those of the company that has undertaken the same project of the desalination unit in Limassol no impairment has been recognised for the loan with the subsidiary company Verendrya Ventures Limited. The determination of the expected future cash flows is based on estimates, judgements and assumptions that were applied by the management of Verendrya Ventures Limited (Note 18).

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**42. RELATED PARTY TRANSACTIONS (continued)****Balances with subsidiary companies**

	2018	2017
	€	€
	Debit/ (Credit)	Debit/ (Credit)
Logicom (Overseas) Limited	(337.186)	(317.777)
Netcom Limited	121.634	92.202
Logicom Solutions Limited	425.652	2.817.687
Logicom Services Ltd	18.875.644	(5.719.040)
Newcytech Business Solutions Ltd	102.241	1.016.860
ENET Solutions - Logicom S.A.	(3.535.170)	468.886
ICT Logicom Solutions SA	(194.815)	(201.675)
Logicom Jordan LLC	4.816.054	1.519.800
Logicom (Middle East) SAL	1.120.737	(353.726)
Logicom FZE	(10.354.711)	(9.175.318)
Logicom Dubai LLC	(48.510)	-
Logicom Italia s.r.l.	6.885.528	6.343.927
Logicom IT Distribution Limited	4.335.753	3.812.265
Logicom Saudi Arabia LLC	24.435.628	31.288.216
Logicom Information Technology Distribution s.r.l.	13.338.422	9.201.324
Logicom Trading & Distribution LLC	(786.026)	-
Logicom Distribution Germany GmbH	(425.763)	(620.914)
Najada Holdings Limited	(849.371)	(1.571.423)
Verendrya Ventures Ltd	<u>215.600</u>	<u>86.283</u>
	58.141.341	38.687.577
Expected credit losses from subsidiary companies	<u>(2.103.162)</u>	<u>-</u>
	<u><u>56.038.179</u></u>	<u><u>38.687.577</u></u>

The above balances are repayable according to the nature of each transaction.

**Balances with associated companies**

	2018	2017
	€	€
	Debit	Debit
M.N. Larnaca Desalination Co Ltd	383	29
M.N. Limassol Water Co. Ltd	<u>-</u>	<u>221</u>
	<u><u>383</u></u>	<u><u>250</u></u>



## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**42. RELATED PARTY TRANSACTIONS (continued)**

The sales made by Logicom FZE to Group companies were as follows:

**Sales**

	2018 €	2017 €
Logicom Public Limited	220.233	293.894
Logicom Jordan LLC	1.438.376	1.211.854
Logicom (Middle East) SAL	3.180.569	3.069.731
Logicom Dubai LLC	113.104.786	116.512.828
ENET Solutions - Logicom S.A.	1.130	-
Logicom IT Distribution Limited	1.973	41.702
Logicom Saudi Arabia LLC	11.740.956	11.878.595
Logicom Kuwait for Computer Company W.L.L	8.305.454	7.567.860
Logicom Information Technology Distribution s.r.l.	43.446	-
Logicom Trading & Distribution LLC	4.644.506	7.040.086
Logicom LLC	<u>969.315</u>	<u>668.494</u>

The sales made by Logicom (Middle East) SAL to Group companies were as follows:

**Sales**

	2018 €	2017 €
Logicom Public Limited	1.778	8.040
Logicom FZE	<u>136.851</u>	<u>147.692</u>

The sales made by Logicom Dubai LLC to Group companies were as follows:

**Sales**

	2018 €	2017 €
Logicom LLC	-	127
Logicom Trading & Distribution LLC	-	5.677
Logicom FZE	<u>-</u>	<u>103</u>

The sales made by Logicom Jordan LLC to Group companies were as follows:

**Sales**

	2018 €	2017 €
Logicom FZE	-	34.296
Logicom Saudi Arabia LLC	<u>-</u>	<u>360</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**42. RELATED PARTY TRANSACTIONS (continued)**

The sales made by ENET Solutions - Logicom S.A. to Group companies were as follows:

**Sales**

	2018	2017
	€	€
Logicom Public Limited	8.698.677	10.116.314
ICT Logicom Solutions SA	44.583	33.329
Logicom Italia s.r.l.	792	1.187
Logicom IT Distribution Limited	14.819.076	12.585.674
Logicom Information Technology Distribution s.r.l.	1.016.734	884.258
Logicom FZE	-	5
Logicom Solutions Limited	-	99
Logicom (Middle East) SAL	-	14
	<u>-</u>	<u>14</u>

The sales made by Logicom Solutions Ltd to Group companies were as follows:

**Sales**

	2018	2017
	€	€
Logicom Public Limited	139.009	889.535
Newcytech Business Solutions Ltd	659.281	650.275
ICT Logicom Solutions SA	<u>1.950.490</u>	<u>2.377.588</u>

The sales made by Logicom Italia s.r.l. to Group companies were as follows:

**Sales**

	2018	2017
	€	€
Logicom Public Limited	-	690
ENET Solutions - Logicom S.A.	<u>453</u>	<u>1.487</u>

The sales made by Logicom IT Distribution s.r.l. to Group companies were as follows:

**Sales**

	2018	2017
	€	€
Logicom Public Limited	90.272	2.174
ENET Solutions - Logicom S.A.	91.407	132.867
Logicom Solutions Limited	1.822	344
Logicom Italia s.r.l.	<u>-</u>	<u>2.742</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**42. RELATED PARTY TRANSACTIONS (continued)**

The sales made by Logicom Saudi Arabia LLC to Group companies were as follows:

**Sales**

	2018 €	2017 €
ENET Solutions - Logicom S.A.	5.979	-
Logicom (Middle East) SAL	4.163	8.902
Logicom FZE	11.407	26.160
Logicom Solutions Limited	<u>-</u>	<u>779</u>

The sales made by Newcytech Business Solutions Limited to Group companies were as follows:

**Sales**

	2018 €	2017 €
Logicom Public Limited	13.807	13.554
Logicom Solutions Limited	442.137	343.082
Newcytech Distribution Ltd	<u>137.265</u>	<u>78.150</u>

The sales made by Logicom IT Distribution Limited to Group companies were as follows:

**Sales**

	2018 €	2017 €
ENET Solutions - Logicom S.A.	523.732	362.329
Logicom FZE	<u>66.408</u>	<u>-</u>

The sales made by ICT Logicom Solutions S.A. to Group companies were as follows:

**Sales**

	2018 €	2017 €
Logicom Solutions Limited	231.891	144.046
Logicom Information Technology Distribution s.r.l.	<u>-</u>	<u>9.876</u>

The sales made by Logicom Distribution Germany Gmbh to Group companies were as follows:

**Sales**

	2018 €	2017 €
Logicom Italia s.r.l.	<u>246.347</u>	<u>221.738</u>

## LOGICOM PUBLIC LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTSYear ended 31 December 2018**42. RELATED PARTY TRANSACTIONS (continued)**

The sales made by Logicom LLC to Group companies were as follows:

**Sales**

	2018 €	2017 €
Logicom FZE	<u>-</u>	<u>159,334</u>

The balances between Group companies and the parent Company are stated below:

**Balances with related companies**

	2018 €	2017 €
	Debit/ (Credit)	Debit/ (Credit)
Logicom (Overseas) Limited	337.186	317.777
Netcom Limited	(121.634)	(92.202)
Logicom Solutions Limited	(425.652)	(2.817.687)
Logicom Services Ltd	(18.875.644)	5.719.040
Newcytech Business Solutions Ltd	(102.241)	(1.016.860)
ENET Solutions - Logicom S.A.	1.297.615	(2.605.132)
ICT Logicom Solutions SA	194.815	201.675
Logicom Jordan LLC	(7.485.137)	(4.068.036)
Logicom (Middle East) SAL	(5.292.178)	(3.628.847)
Logicom FZE	7.765.541	6.703.376
Logicom Dubai LLC	48.510	-
Logicom Italia s.r.l.	(6.885.528)	(6.343.927)
Logicom IT Distribution Limited	(3.285.753)	(3.812.265)
Logicom Saudi Arabia LLC	(24.435.628)	(31.288.216)
Logicom Information Technology Distribution s.r.l.	(13.338.422)	(9.201.324)
Logicom Trading & Distribution LLC	786.026	-
Logicom Distribution Germany GmbH	425.763	620.914
Najada Holdings Limited	849.371	1.571.423
Verendrya Ventures Ltd	<u>(16.955.144)</u>	<u>(16.502.023)</u>

During the year the companies of the Group paid dividends to the Company, as follow:

**Dividend for 2018:**

	2018 €
Logicom FZE	7.860.262
Logicom Jordan LLC	3.930.131
Logicom Services Ltd	<u>5.075.000</u>
	<u>16.865.393</u>

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Year ended 31 December 2018

**43. BALANCES WITH JOINTLY CONTROLLED COMPANIES OF THE GROUP**

The balances with the jointly controlled companies, relate to the financing of the construction, maintenance, renovation and operation of the desalination plants in Cyprus through its subsidiary company Verendrya Ventures Limited.

The balances with jointly controlled companies were as follows:

**Balances with jointly controlled companies**

	2018	2017
	€	€
	Debit	Debit
M.N. Larnaca Desalination Co Limited	9.997.401	9.414.767
M.N. Limassol Water Co. Limited	<u>12.007.520</u>	<u>11.714.664</u>
	<u>22.004.921</u>	<u>21.129.431</u>

The amounts receivable from jointly controlled companies are presented after the deduction of the accumulated impairments that arose in the companies M.N. Limassol Water Co. Limited and M.N. Larnaca Desalination Co. Limited ('the company'). The net value of the balances as at 31 December 2018 is considered recoverable based on the expected future cash flows from these companies. As mentioned in note 18, for the calculation of the expected discounted future cash flows of the company estimates, assumptions, judgements and evidence which include the legal opinion in relation to the validity of claims in favor and against the company and an opinion from its consultants in respect of the level of compensation that the company is expected to be entitled to, have been made. The Group considers that there were no evidence for impairment of the amount receivable from jointly controlled company M.N. Limassol Water Co. Limited. A reversal of impairment of €661.913 has affected the amount receivable from M.N. Larnaca Desalination Co. Limited. (2017: impairment of €2.214.726).

The loan with M.N. Limassol Water Co. Ltd is non-current, bearing interest of 4,5% per annum and does not have a specified repayment date. The M.N. Larnaca Desalination Co. Ltd is non-current, interest free (2017:4,5%) and has no specified repayment date.

Interest receivable for 2018 amounts to €944.299 (2017: €1.195.933) and is included in note 10.

**44. EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the reporting date that have a bearing on the understanding of the consolidated and separate financial statements.