

REGISTERED NUMBER: 09285656 (England and Wales)

Group Strategic Report, Report of the Director and
Consolidated Financial Statements for the Year Ended 31 December 2018
for
IT Web Capital Ltd

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for the Year Ended 31 December 2018**

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IT Web Capital Ltd

Company Information
for the Year Ended 31 December 2018

DIRECTOR:

Ms I Takova Zaharieva

REGISTERED OFFICE:

3rd Floor
11-12 St. James's Square
London
SW1Y 4LB

REGISTERED NUMBER:

09285656 (England and Wales)

AUDITORS:

S H LANDES LLP
3rd Floor, Fairgate House
78 New Oxford Street
London
WC1A 1HB

IT Web Capital Ltd

Group Strategic Report **for the Year Ended 31 December 2018**

The director presents her strategic report of the company and the group for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the company is that of a holding company. The principal activity of the group during the year was that of web hosting services. The group offers a variety of web hosting services including shared hosting, cloud hosting, hosting on dedicated servers, reseller hosting, enterprise hosting solutions, reselling of domain names and a high number of extra services and tools.

REVIEW OF BUSINESS

The group profit for the year 2018 after taxation, is € 23,898,742 (2017: € 5,936,655) and the company profit for the year 2018 after taxation, is € 1,908,509 (2017: a loss of € 26,902). The Director makes no recommendation for dividend distribution as of the date of this report.

Group turnover and other operating income follow the continuing upward trend and in 2018 it nearly doubled compared to the previous year increasing by 89% to €72,411,382 in 2018 (2017: €38,381,756). This is due to the increasing number of customers and to renewals of existing customers, which is a result of the successful marketing and advertising strategy and also attests to the quality of the services provided and satisfaction of the customers.

This significant increase in group turnover as well as the improved cost management within the group contributed to the increase in the operating profit by 230% to €27,022,270 in 2018 (2017: €8,190,739).

Shareholder's equity of the group increased by 538% to €28,434,048 (2017: €4,458,047) due to retained earnings and in particular - due to the current year profits.

The group's 'current ratio' (current assets to current liabilities) in 2018 is 183% (2017: 118.5%). The increase by 64.5% mainly comes as a result of the increasing cash and cash equivalents position.

IT Web Capital Ltd

Group Strategic Report **for the Year Ended 31 December 2018**

PRINCIPAL RISKS AND UNCERTAINTIES

Risks are those business factors that may expose a company to the possibility of loss or damage. The company and the Group are affected by number of risks and uncertainties, not all of which are wholly within its control. Although many of the risks and uncertainties are macro-economic and are likely to affect the performance of the business generally, others are specific to the group's operations.

Major risks are being managed on group level. In general, the Group and the risk management approach aims to actively monitor the internal and external threats and to regularly identify the different forms of risk encountered during the pursuit of business activity, and to assess them according to both potential damage and probability of occurrence, as well as to implement corrective action plans to prevent and control those risks.

External Risks/Macro-economic

External risks refer to those risks that the market players are not able to influence, or only to a very limited extent. These mainly entail the general state of economy with direct influence on the web hosting industry. Web hosting providers depend to a large extent on the overall state of the economy, especially in the markets where their clients are located.

Business and market risks

The primary business-related risk is the risk of customer changing the service provider if not satisfied with the quality. To serve our customers best the group provides 24/7/365 customer support.

Another risk related to the market is the risk of implementing not appropriate marketing strategy and activities so that they cannot reach the target audience. SiteGround Hosting Ltd has diversified its product portfolio to offer different and flexible hosting services to ensure that we meet customers' changing needs. At group level we constantly explore market and customer trends and expand our product portfolio.

Operational risk - Supply (digital) and servicing risks

The web hosting industry involves digitalized operations, network and information systems which in turn is related to the risks involving system failures, cyber-attacks, downtime as well as the risk of disruptions in delivery and poor quality of the connections ensured by Internet suppliers. The Company bears the risk of information systems non-performance. A technical infrastructure that may not meet the current needs of the market or the security requirements could inhibit a web hosting company from achieving its business goals. These risks are managed at group level by employing people who have the necessary skills and knowledge and providing regular trainings to them as well as implementing internal control system and performance management system, including such as: making of regular backups, updating the level of protection and ensuring restricted access, multiple tests on pilot versions, etc.

Financial risks - Currency risks

Potential exposures to foreign currency exchange rate movements in all currencies in which the group trades are monitored on a daily basis by the finance department and appropriate action taken to manage net open foreign currency positions. The group does not trade in currency derivatives.

Financial risks - Liquidity risks

Liquidity risk refers to the risk that the company and the group may be unable to fund its on-going cash requirements. The company and the group retain sufficient cash and cash equivalents to ensure it has adequate funds available for operations.

FUTURE DEVELOPMENTS

The director expects the general level of activity to increase in the forthcoming year as a result of the improving quality of the products and services.

IT Web Capital Ltd

Group Strategic Report
for the Year Ended 31 December 2018

EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events, which have taken place since the balance sheet date.

ON BEHALF OF THE BOARD:



Ms I Takova Zaharieva - Director

26 July 2019

IT Web Capital Ltd

Report of the Director **for the Year Ended 31 December 2018**

The director presents her report with the financial statements of the company and the group for the year ended 31 December 2018.

DIRECTOR

Ms I Takova Zaharieva held office during the whole of the period from 1 January 2018 to the date of this report.

DIVIDENDS

No dividend has been proposed for distribution as at the date of this report.

GOING CONCERN

The directors have a reasonable expectation that the Company has adequate resources to continue operational existence for the foreseeable future. Accordingly, the Company continues to use the going concern basis in preparing the financial statements.

FINANCIAL INSTRUMENT

Details on financial instruments are provided in Note 16 to the financial statements.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Group Strategic Report, the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless she is satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable her to ensure that the financial statements comply with the Companies Act 2006. She is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and she has taken all the steps that she ought to have taken as a director in order to make herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

IT Web Capital Ltd

Report of the Director
for the Year Ended 31 December 2018

AUDITORS

The auditors, S H LANDES LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



Ms I Takova Zaharieva - Director

26 July 2019

**Report of the Independent Auditors to the Members of
IT Web Capital Ltd**

Opinion

We have audited the financial statements of IT Web Capital Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The director is responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Director but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Director have been prepared in accordance with applicable legal requirements.

**Report of the Independent Auditors to the Members of
IT Web Capital Ltd**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Director.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other Matter

The financial statements of the Company for the year ended 31 December 2017, were unaudited. The corresponding figures in these consolidated financial statements are also unaudited.

Responsibilities of director

As explained more fully in the Statement of Director's Responsibilities set out on page five, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the group's and the parent company'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 director either intends to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

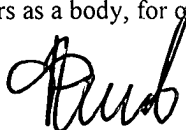
Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors 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 (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Filip Lyapov (Senior Statutory Auditor)
for and on behalf of S H LANDES LLP
3rd Floor, Fairgate House
78 New Oxford Street
London
WC1A 1HB

26 July 2019

IT Web Capital Ltd**Consolidated Income Statement**
for the Year Ended 31 December 2018

		31.12.18	31.12.17 (Unaudited)
	Notes	€	€
TURNOVER		72,280,849	38,380,724
Cost of sales		<u>(12,376,820)</u>	<u>(7,442,752)</u>
GROSS PROFIT		59,904,029	30,937,972
Other operating expenses		(85,638)	(463,623)
Administrative expenses		<u>(32,926,654)</u>	<u>(22,284,642)</u>
		26,891,737	8,189,707
Other operating income		<u>130,533</u>	<u>1,032</u>
OPERATING PROFIT	4	27,022,270	8,190,739
Interest receivable and similar income		<u>89,914</u>	<u>12,598</u>
PROFIT BEFORE TAXATION		27,112,184	8,203,337
Tax on profit	6	<u>(3,213,442)</u>	<u>(2,266,682)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>23,898,742</u>	<u>5,936,655</u>
Profit attributable to: Owners of the parent		<u>23,898,742</u>	<u>5,936,655</u>

IT Web Capital Ltd**Consolidated Other Comprehensive Income**
for the Year Ended 31 December 2018

	Notes	31.12.18 €	31.12.17 (Unaudited) €
PROFIT FOR THE YEAR		23,898,742	5,936,655
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		49,712	(130,181)
Income tax relating to other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>49,712</u>	<u>(130,181)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>23,948,454</u>	<u>5,806,474</u>
Total comprehensive income attributable to: Owners of the parent		<u>23,948,454</u>	<u>5,806,474</u>

IT Web Capital Ltd (Registered number: 09285656)**Consolidated Balance Sheet**
31 December 2018

		31.12.18	31.12.17 (Unaudited)
	Notes	€	€
FIXED ASSETS			
Intangible assets	8	1,729,687	670,551
Tangible assets	9	1,081,136	550,650
Investments	10	<u>16,890</u>	<u>16,890</u>
		<u>2,827,713</u>	<u>1,238,091</u>
CURRENT ASSETS			
Stocks		7	-
Debtors	11	6,535,336	3,361,958
Cash and cash equivalents	12	<u>56,777,142</u>	<u>24,645,160</u>
		63,312,485	28,007,118
CREDITORS			
Amounts falling due within one year	13	<u>(31,799,713)</u>	<u>(22,199,676)</u>
NET CURRENT ASSETS		<u>31,512,772</u>	<u>5,807,442</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		34,340,485	7,045,533
CREDITORS			
Amounts falling due after more than one year	14	(4,791,554)	(2,587,486)
PROVISIONS FOR LIABILITIES	17	<u>(1,114,883)</u>	<u>-</u>
NET ASSETS		<u>28,434,048</u>	<u>4,458,047</u>
CAPITAL AND RESERVES			
Called up share capital	18	1,377	1,377
Capital contribution	19	334,711	307,164
Foreign exchange differences	19	(80,469)	(130,181)
Retained earnings	19	<u>28,178,429</u>	<u>4,279,687</u>
SHAREHOLDERS' FUNDS		<u>28,434,048</u>	<u>4,458,047</u>

The financial statements were approved by the director on 26 July 2019 and were signed by:



Ms I Takova Zaharieva - Director

IT Web Capital Ltd (Registered number: 09285656)**Company Balance Sheet**
31 December 2018

		31.12.18	31.12.17 (Unaudited)
	Notes	€	€
FIXED ASSETS			
Intangible assets	8	-	-
Tangible assets	9	-	-
Investments	10	<u>713,126</u>	<u>186,046</u>
		<u>713,126</u>	<u>186,046</u>
CURRENT ASSETS			
Debtors	11	206	4,361
Cash and cash equivalents	12	<u>1,432,642</u>	<u>3,503</u>
		1,432,848	7,864
CREDITORS			
Amounts falling due within one year	13	<u>(60,075)</u>	<u>(4,156)</u>
NET CURRENT ASSETS		<u>1,372,773</u>	<u>3,708</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,085,899</u>	<u>189,754</u>
CAPITAL AND RESERVES			
Called up share capital	18	1,377	1,377
Capital contribution	19	334,711	307,164
Foreign exchange differences	19	(91,041)	(51,130)
Retained earnings	19	<u>1,840,852</u>	<u>(67,657)</u>
SHAREHOLDERS' FUNDS		<u>2,085,899</u>	<u>189,754</u>
Company's profit/(loss) for the financial year		<u>1,908,509</u>	<u>(26,902)</u>

The financial statements were approved by the director on 26 July 2019 and were signed by:



.....
Ms I Takova Zaharieva - Director

IT Web Capital Ltd**Consolidated Statement of Changes in Equity**
for the Year Ended 31 December 2018

	Called up share capital €	Retained earnings €	Capital contribution €	Foreign exchange differences €	Total equity €
Balance at 1 January 2017	1,377	(1,656,968)	259,603	-	(1,395,988)
Changes in equity					
Total comprehensive income	-	5,936,655	-	(130,181)	5,806,474
Capital contribution	-	-	47,561	-	47,561
Balance at 31 December 2017 (Unaudited)	<u>1,377</u>	<u>4,279,687</u>	<u>307,164</u>	<u>(130,181)</u>	<u>4,458,047</u>
Changes in equity					
Total comprehensive income	-	23,898,742	-	49,712	23,948,454
Capital contribution	-	-	27,547	-	27,547
Balance at 31 December 2018	<u>1,377</u>	<u>28,178,429</u>	<u>334,711</u>	<u>(80,469)</u>	<u>28,434,048</u>

IT Web Capital Ltd**Company Statement of Changes in Equity**
for the Year Ended 31 December 2018

	Called up share capital €	Retained earnings €	' Capital contribution €	Foreign exchange differences €	Total equity €
Balance at 1 January 2017	1,377	(40,755)	259,603	-	220,225
Changes in equity					
Total comprehensive income	-	(26,902)	-	(51,130)	(78,032)
Capital contribution	-	-	47,561	-	47,561
Balance at 31 December 2017 (Unaudited)	<u>1,377</u>	<u>(67,657)</u>	<u>307,164</u>	<u>(51,130)</u>	<u>189,754</u>
Changes in equity					
Total comprehensive income	-	1,908,509	-	(39,911)	1,868,598
Capital contribution	-	-	27,547	-	27,547
Balance at 31 December 2018	<u>1,377</u>	<u>1,840,852</u>	<u>334,711</u>	<u>(91,041)</u>	<u>2,085,899</u>

IT Web Capital Ltd**Consolidated Cash Flow Statement
for the Year Ended 31 December 2018**

		31.12.18	31.12.17 (Unaudited)
	Notes	€	€
Cash flows from operating activities			
Cash generated from operations	1	41,250,892	21,542,575
Non-cash item		18,878	58,902
Tax paid		<u>(6,065,726)</u>	<u>(56,688)</u>
Net cash from operating activities		<u>35,204,044</u>	<u>21,544,788</u>
Cash flows from investing activities			
Acquisition of intangible fixed assets		(1,283,779)	(598,721)
Acquisition of tangible fixed assets		(677,452)	(493,248)
Acquisition of fixed asset investments		-	(916,773)
Disposal of intangible fixed assets		187,583	-
Disposal of tangible fixed assets		4,631	-
Interest received		<u>89,914</u>	<u>12,598</u>
Net cash from investing activities		<u>(1,679,103)</u>	<u>(1,996,144)</u>
Cash flows from financing activities			
New loans in year		-	1,189,889
Loan repayments in year		-	(1,458,853)
Capital contribution		27,547	47,561
Share issue		-	-
Loans given		<u>(1,470,218)</u>	<u>-</u>
Net cash from financing activities		<u>(1,442,671)</u>	<u>(221,403)</u>
Increase in cash and cash equivalents		<u>32,082,270</u>	<u>19,327,241</u>
Cash and cash equivalents at beginning of year	2	24,645,160	5,448,099
Effect of foreign exchange rate changes		<u>49,712</u>	<u>(130,181)</u>
Cash and cash equivalents at end of year	2	<u><u>56,777,142</u></u>	<u><u>24,645,160</u></u>

IT Web Capital Ltd**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 December 2018****1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	31.12.18	31.12.17 (Unaudited)
	€	€
Profit before taxation	27,112,184	8,203,337
Depreciation charges	179,855	89,557
Foreign exchange losses/(gains)	85,638	463,623
Write off	80,969	-
Finance income	<u>(89,914)</u>	<u>(12,598)</u>
	27,368,732	8,743,919
Increase in stocks	(7)	-
Increase in trade and other debtors	(1,104,891)	(354,815)
Increase in trade and other creditors	<u>14,987,058</u>	<u>13,153,471</u>
Cash generated from operations	<u>41,250,892</u>	<u>21,542,575</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2018

	31.12.18	1.1.18
	€	€
Cash and cash equivalents	<u>56,777,142</u>	<u>24,645,160</u>

Year ended 31 December 2017

	31.12.17	1.1.17 (Unaudited)
	€	€
Cash and cash equivalents	<u>24,645,160</u>	<u>5,448,099</u>

Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2018

1. STATUTORY INFORMATION

IT Web Capital Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

In publishing the parent company financial statements here together with the group financial statements, the company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes.

The consolidated financial statements are expressed in Euro (€) which is the Group's presentational currency. Further, each subsidiary has its own identified functional currency. The rounding in the financial statements is to the nearest euro.

Going concern

After reviewing the forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Basis of consolidation

The consolidated financial statements incorporate the results of IT Web Capital Limited and all of its subsidiary undertakings as at 31 December 2018 using the acquisition method of accounting. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The cost of an acquisition is measured as the fair value of the assets plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as Goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The company holds 100% shares in each of its subsidiary and therefore, there is no non-controlling interest.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018

2. ACCOUNTING POLICIES - continued

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and operating costs during the reporting period. The most significant judgments and estimates are stated below.

i. Related party transactions

In the normal course of business, the Group enters into transactions with its related parties. FRS 102 Section 11 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

ii. Useful life of property and equipment

Management assesses the remaining useful lives of items of property and equipment at least at each financial year-end. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with FRS 102. These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognized in profit or loss.

iii. Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

iv. Classification of expenses

Costs of sales are direct costs which the Company incurs related to the services provided to customers. Costs of sales are in connection to use of server functionality, domain names and licensing fees paid for third-party productivity applications.

Marketing and advertising expenses represent the costs for attracting and acquiring customers, primarily consisting of expenses for affiliate program commissions. These expenses also include fees paid for marketing and advertising campaigns, online display, social media and event sponsorships.

Administrative and other operating expenses primarily consist of management charges for intercompany services, payment processing fees, personnel costs for administrative functions, professional service fees and other general costs.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018

2. ACCOUNTING POLICIES - continued

Turnover

The Group offers a variety of web hosting services including shared hosting, cloud hosting, hosting on dedicated servers, reseller hosting, enterprise hosting solutions, reselling of domain names and a high number of extra services and tools.

The Group commence revenue recognition when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Turnover is recognised at the point in time where the company has a right to receive payment for its services. Customers are billed, generally in advance, based on their selected contract term. Service contracts are time apportioned to the respective accounting periods. Cash received in advance is recorded as deferred revenue.

Turnover is measured net of discounts and Value Added Tax.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are being amortised as follows:

Proprietary software – 20% straight line method
Computer software – 50% straight line method
IP addresses – 10% straight line method
Other – 15% straight line method

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery - 33% straight line method
Computers (part of Plant and machinery) - 50% straight line method
Fixtures and fittings - 15% straight line method
Motor vehicle - 25% straight line method

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018

2. ACCOUNTING POLICIES - continued

Financial instruments

i. Financial assets: loans and debtors

Loans and debtors are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and debtors are measured at amortised cost using the effective interest method, less any impairment losses unless the effect of discounting would be immaterial. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the consolidated statement of comprehensive income when the loans and debtors are derecognised or impaired as well as through the amortisation process.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

ii. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts, deposits receivable on demand and deposits with maturity dates of three months or less from the date of inception. Bank overdrafts that are repayable on demand and which form an integral part of the company's cash management are also included as a component of cash and cash equivalents where offset conditions are met.

iii. Financial liabilities: interest bearing loans and borrowings

All loans and borrowings are valued initially at fair value of the proceeds received (which is determined using the prevailing market rate of interest for a similar instrument, if significantly differs from the transaction price), net of transaction costs incurred. In subsequent periods, interest bearing loans and borrowings are stated at amortised cost using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the loans and borrowings.

Interest expense is recognised on a time-proportion basis using the effective interest method.

iv. Financial liabilities: trade and other creditors

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The notes form part of these financial statements

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018

2. ACCOUNTING POLICIES - continued

Foreign currencies

The individual financial statements of each Group company are reported in the currency of the primary economic environment in which it operates. The closing rate method was used for translating the financial statements of the company's overseas subsidiaries and the income statement and cash flow statement are translated at the average exchange rate for the period. The resulting exchange differences are recognised in the translation reserve.

Monetary assets and liabilities in foreign currencies are translated into Euro at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Euro at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Provisions for affiliate commissions

A provision is recognised when the company has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation as well as a reliable estimate can be made of the amount of the obligation.

2. TURNOVER

All turnover is derived from ordinary activities representing online sales to global customer base. In the view of the director. The Group does not have any distinguished geographical segments for financial reporting purposes.

3. EMPLOYEES AND DIRECTORS

	31.12.18	31.12.17 (Unaudited)
	€	€
Wages and salaries	15,327,509	6,119,989
Social security costs	<u>1,451,460</u>	<u>856,321</u>
	<u>16,778,969</u>	<u>6,976,310</u>

The average number of employees during the year was as follows:

	31.12.18	31.12.17 (Unaudited)
Administrative staff	268	147
Professionals/specialists	165	104
Head of departments/executives	<u>18</u>	<u>12</u>
	<u>451</u>	<u>263</u>

	31.12.18	31.12.17 (Unaudited)
	€	€
Director's remuneration	<u>2,355,000</u>	<u>363,695</u>

Information regarding the highest paid director is as follows:

	31.12.18	31.12.17 (Unaudited)
	€	€
Remuneration	<u>2,021,080</u>	<u>245,420</u>

The notes form part of these financial statements

IT Web Capital Ltd**Notes to the Consolidated Financial Statements - continued**
for the Year Ended 31 December 2018**4. OPERATING PROFIT**

The operating profit is stated after charging:

	31.12.18	31.12.17 (Unaudited)
	€	€
Depreciation - owned assets	142,335	63,314
Software amortisation	37,520	26,243
Exchange difference recognised	85,638	463,623
Operating lease rentals	<u>709,942</u>	<u>454,914</u>

5. AUDITORS' REMUNERATION

The remuneration of the auditors or its associates is further analysed as follows:

	31.12.18	31.12.17
	€	€
Audit of financial statements of the company (IT Web Capital Limited)	25,435	-
Audit of subsidiaries	79,148	3,221
	<u>104,583</u>	<u>3,221</u>

6. TAXATION**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	31.12.18	31.12.17 (Unaudited)
	€	€
Current tax:		
UK corporation tax	151,523	101,949
Foreign Tax	<u>3,285,594</u>	<u>2,372,213</u>
Total current tax	3,437,117	2,474,162
Deferred tax	<u>(223,675)</u>	<u>(207,480)</u>
Tax on profit	<u>3,213,442</u>	<u>2,266,682</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

6. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.18 €	31.12.17 (Unaudited) €
Profit before tax	<u>27,112,184</u>	<u>8,203,337</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.500%)	5,151,315	1,599,651
Effects of:		
Income not taxable for tax purposes	(384,601)	-
Depreciation in excess of capital allowances	3,020	8,664
Utilisation of tax losses	(8,022)	(100,006)
Losses on which deferred tax is not recognised	12,390	5,640
Effect of profit taxed in foreign jurisdiction	<u>(1,560,660)</u>	<u>752,733</u>
Total tax charge	<u>3,213,442</u>	<u>2,266,682</u>

Tax effects relating to effects of other comprehensive income

	31.12.18 Gross €	Tax €	Net €
Foreign currency translation differences	<u>49,712</u>	<u>-</u>	<u>49,712</u>

	31.12.17 Gross €	Tax €	Net €
Foreign currency translation differences	<u>(130,181)</u>	<u>-</u>	<u>(130,181)</u>

7. INDIVIDUAL INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

IT Web Capital Ltd**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018****8. INTANGIBLE FIXED ASSETS**
Group

	Software €
COST	
At 1 January 2018	701,059
Additions	1,283,779
Disposals	(187,583)
Exchange differences	570
At 31 December 2018	<u>1,797,825</u>
AMORTISATION	
At 1 January 2018	30,508
Amortisation for year	37,520
Exchange differences	110
At 31 December 2018	<u>68,138</u>
NET BOOK VALUE	
At 31 December 2018	<u>1,729,687</u>
At 31 December 2017	<u>670,551</u>

9. TANGIBLE FIXED ASSETS**Group**

	Plant and machinery €	Fixtures and fittings €	Motor vehicles €	Totals €
COST				
At 1 January 2018	252,851	381,799	2,578	637,228
Additions	127,815	549,637	-	677,452
Disposals	(6,506)	-	-	(6,506)
At 31 December 2018	<u>374,160</u>	<u>931,436</u>	<u>2,578</u>	<u>1,308,174</u>
DEPRECIATION				
At 1 January 2018	67,007	19,517	54	86,578
Charge for year	95,465	46,226	644	142,335
Eliminated on disposal	(1,875)	-	-	(1,875)
At 31 December 2018	<u>160,597</u>	<u>65,743</u>	<u>698</u>	<u>227,038</u>
NET BOOK VALUE				
At 31 December 2018	<u>213,563</u>	<u>865,693</u>	<u>1,880</u>	<u>1,081,136</u>
At 31 December 2017	<u>185,844</u>	<u>362,282</u>	<u>2,524</u>	<u>550,650</u>

The notes form part of these financial statements

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

10. FIXED ASSET INVESTMENTS

	Group		Company	
	31.12.18	31.12.17 (Unaudited)	31.12.18	31.12.17 (Unaudited)
	€	€	€	€
Shares in group undertakings	-	-	23,185	23,446
Investments (neither listed nor unlisted)	<u>16,890</u>	<u>16,890</u>	<u>689,941</u>	<u>162,600</u>
	<u>16,890</u>	<u>16,890</u>	<u>713,126</u>	<u>186,046</u>

Additional information is as follows:

Group

Investments (neither listed nor unlisted) were as follows:

	31.12.18	31.12.17 (Unaudited)
	€	€
Guarantees and deposits	<u>16,890</u>	<u>16,890</u>

Company

	Shares in group undertakings €	Unlisted investments €	Totals €
COST OR VALUATION			
At 1 January 2018	23,446	162,600	186,046
Additions	-	541,326	541,326
Disposals	-	(29,656)	(29,656)
Exchange differences	<u>(261)</u>	<u>15,671</u>	<u>15,410</u>
At 31 December 2018	<u>23,185</u>	<u>689,941</u>	<u>713,126</u>
NET BOOK VALUE			
At 31 December 2018	<u>23,185</u>	<u>689,941</u>	<u>713,126</u>
At 31 December 2017	<u>23,446</u>	<u>162,600</u>	<u>186,046</u>

Cost or valuation at 31 December 2018 is represented by:

	Shares in group undertakings €	Unlisted investments €	Totals €
Cost	<u>23,185</u>	<u>689,941</u>	<u>713,126</u>

IT Web Capital Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018

10. FIXED ASSET INVESTMENTS - continued

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

Siteground Hosting

Registered office: London, UK

Nature of business: Web Hosting Services

	%
Class of shares:	holding
Ordinary	100.00

Siteground Spain S.L.

Registered office: Madrid, Spain

Nature of business: Web Hosting Services

	%
Class of shares:	holding
Ordinary	100.00

SG Hosting Inc.

Registered office: Alexandria, VA, USA

Nature of business: Web Hosting Services

	%
Class of shares:	holding
Ordinary	100.00

SiteGround Hosting EOOD

Registered office: Sofia, Bulgaria

Nature of business: IT and other services

	%
Class of shares:	holding
Ordinary	100.00

Siteground Italia Srl

Registered office: Milan, Italy

Nature of business: Web Hosting Services

	%
Class of shares:	holding
Ordinary	100.00

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018

11. DEBTORS

	Group		Company	
	31.12.18	31.12.17 (Unaudited)	31.12.18	31.12.17 (Unaudited)
	€	€	€	€
Amounts falling due within one year:				
Trade debtors	658,439	529,157	-	-
Other debtors	14,247	1,496	-	-
Corporation tax	374,593	-	-	-
Deferred tax asset	532,196	308,521	-	-
Prepayments	<u>2,101,513</u>	<u>1,138,655</u>	<u>206</u>	<u>4,361</u>
	<u>3,680,988</u>	<u>1,977,829</u>	<u>206</u>	<u>4,361</u>

Amounts falling due after more than one year:

Other loans - related parties	<u>2,854,348</u>	<u>1,384,129</u>	<u>-</u>	<u>-</u>
Aggregate amounts	<u>6,535,336</u>	<u>3,361,958</u>	<u>206</u>	<u>4,361</u>

Deferred tax asset

	Group		Company	
	31.12.18	31.12.17 (Unaudited)	31.12.18	31.12.17 (Unaudited)
	€	€	€	€
Deferred tax	<u>532,196</u>	<u>308,521</u>	<u>-</u>	<u>-</u>

The below is the movement in deferred tax during the year -

	31.12.18 €
Balance at 1 January 2018	308,521
Provided during the year	-
Credit to income statement during the year	223,675
	<u>=====</u>
Balance at 31 December 2018	532,196

12. CASH AND CASH EQUIVALENTS

	31.12.18 €	31.12.17 €
Cash and cash equivalents in AUD	251,388	231,818
Cash and cash equivalents in EUR	22,467,990	7,734,832
Cash and cash equivalents in GBP	7,380,816	2,048,096
Cash and cash equivalents in USD	25,620,558	14,212,189
Cash and cash equivalents in BGN	1,056,334	417,188
Cash and cash equivalents in others	<u>56</u>	<u>1,037</u>
	<u>56,777,142</u>	<u>24,645,160</u>

The notes form part of these financial statements

IT Web Capital Ltd**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018****13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	31.12.18	31.12.17 (Unaudited)	31.12.18	31.12.17 (Unaudited)
	€	€	€	€
Payments on account	8,504	6,495	-	-
Trade creditors	244,525	365,734	11,437	131
Corporation tax	-	2,254,016	-	-
Social security and other taxes	287,876	251,555	-	-
Net wages	991,107	720,418	-	-
Other payable to employees	716,550	26,603	-	-
VAT	869,756	628,757	-	-
Other creditors	99,243	59,515	248	251
Deferred income	28,399,758	17,785,513	-	-
Accrued expenses	182,394	101,070	48,390	3,774
	<u>31,799,713</u>	<u>22,199,676</u>	<u>60,075</u>	<u>4,156</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	31.12.18	31.12.17 (Unaudited)
	€	€
Severance indemnities reserves	34,790	17,130
Deferred income	<u>4,756,764</u>	<u>2,570,356</u>
	<u>4,791,554</u>	<u>2,587,486</u>

15. LEASING COMMITMENTS

Where the Group is a lessee, future minimum payments under non-cancellable operating lease fall due as below:

	31.12.18	31.12.17
	€	€
Within one year	976,581	563,095
Between one and five years	<u>4,877,992</u>	<u>917,634</u>
	<u>5,854,573</u>	<u>1,480,729</u>

IT Web Capital Ltd**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018****16. FINANCIAL INSTRUMENTS**

The following table presents by category the carrying value of the company's financial assets and liabilities and their categorisation. The carrying value equals the fair value of the assets and liabilities.

		Categorisation	2018 €	2017 €
Financial assets				
Trade debtors		Amortised cost (undiscounted)	658,439	529,157
Other debtors		Amortised cost (undiscounted)	14,247	1,496
Loans to related party (non-group)		Amortised cost (undiscounted)	2,854,348	1,384,129
Cash and cash equivalents		Amortised cost (undiscounted)	56,777,142	24,645,160
			60,304,176	26,559,942
Financial liabilities				
Trade creditors		Amortised cost (undiscounted)	244,525	365,734
Other creditors		Amortised cost (undiscounted)	107,747	66,010
Accruals		Amortised cost (undiscounted)	182,394	101,070
Net wages and other payable to employees		Amortised cost (undiscounted)	1,707,657	747,021
			2,242,323	1,279,835

17. PROVISIONS FOR LIABILITIES

	Group	
	31.12.18	31.12.17 (Unaudited)
	€	€
Other provisions	<u>1,114,883</u>	<u>-</u>
Aggregate amounts	<u>1,114,883</u>	<u>-</u>

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.18	31.12.17
			€	€
1,000	Ordinary	£1	<u>1,377</u>	<u>1,377</u>

The notes form part of these financial statements

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018****19. RESERVES****Group**

	Retained earnings €	Capital contribution €	Foreign exchange differences €	Totals €
At 1 January 2018	4,279,687	307,164	(130,181)	4,456,670
Profit for the year	23,898,742			23,898,742
Foreign exchange differences	-		49,712	49,712
Capital contributions	-	27,547	-	27,547
At 31 December 2018	<u>28,178,429</u>	<u>334,711</u>	<u>(80,469)</u>	<u>28,432,671</u>

Company

	Retained earnings €	Capital contribution €	Foreign exchange differences €	Totals €
At 1 January 2018	(67,657)	307,164	(51,130)	188,377
Profit for the year	1,908,509			1,908,509
Foreign exchange differences	-	-	(39,911)	(39,911)
Capital contributions	-	27,547	-	27,547
At 31 December 2018	<u>1,840,852</u>	<u>334,711</u>	<u>(91,041)</u>	<u>2,084,522</u>

NATURE AND PURPOSES OF RESERVES**Share capital**

Holders of these ordinary shares are entitled to dividends and are also entitled to one vote per share at general meetings of the Company.

Retained earnings

The retained earnings reserve represents the accumulated retained profits and losses of the Group.

Foreign exchange translation reserve

The foreign exchange translation reserve comprises all currency exchange differences arising from the translation of the financial statements of non-euro denominated operations into the presentational currency of the Group.

Capital contribution

Capital contribution reserve represents additional funding provided by the owners.

20. ULTIMATE CONTROLLING PARTY

The parent company is IT Web Capital Limited, and the ultimate controlling party is Ivo Tzenov.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018

21. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to financial risks: market risk (currency risk) and liquidity risk. No active financial risk management is undertaken by management.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet current operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of gross and undiscounted financial liabilities, including estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

2018	Carrying Amount	Contractual cash flow	Up to 1 year	1-2 years	Over 2 years
Trade and other payables	5,120,385	5,120,385	5,120,385	-	-
Borrowings	-	-	-	-	-
	=====	=====	=====	=====	=====
	5,120,385	5,120,385	5,120,385	-	-
2017	Carrying Amount	Contractual cash flow	Up to 1 year	1-2 years	Over 2 years
Trade and other payables	4,460,260	4,460,260	4,460,260	-	-
Borrowings	-	-	-	-	-
	=====	=====	=====	=====	=====
	4,460,260	4,460,260	4,460,260	-	-

Market risk

Market risk is the risk that changes in market prices, mainly includes foreign exchange rates which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on services provided and availed that are denominated in a currency other than the functional currency of Group entities. The group mainly deals in GBP sterling, US dollars and Australian dollar and Euro.

For all monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**
Exposure to currency risk (continued)

31.12.18	AUD	EUR	GBP	USD	BGN	Total
Loans receivable	-	-	-	-	2,854,348	2,854,348
Trade and other receivables	1,007	48,918	7,193	309,751	305,817	672,686
Cash and cash equivalents	251,388	22,467,990	7,380,816	25,620,558	1,056,334	56,777,141
Trade and other payables	-	(429,823)	(542,313)	(628,825)	(48,586)	(1,649,547)
	225,395	22,087,085	6,845,969	25,301,482	4,167,913	58,654,628

31.12.17	AUD	EUR	GBP	USD	BGN	Total
Loans receivable	-	1,384,129	-	-	-	1,384,129
Trade and other receivables	58	69,245	4,389	175,853	281,108	530,653
Cash and cash equivalents	231,818	7,734,832	24,048,096	14,212,189	418,224	24,645,159
Trade and other payables	(7,834)	(66,518)	(65,891)	(121,756)	(270,815)	(532,814)
	224,042	9,121,688	1,986,594	14,266,286	428,517	26,027,127

During the year following main exchange rates were applied:

in EUR	Average exchange rate		Spot rate at the balance sheet date	
	2018	2017	2018	2017
AUD	1.5797	1.4732	1.6220	1.5346
GBP	0.8847	0.8767	0.8945	0.8872
USD	1.1810	1.1297	1.1450	1.1993
BGN	1.9558	1.9558	1.9558	1.9558

The following table presents sensitivities of profit or loss and equity to reasonable possible changes in exchange rates applied at the reporting date with all variables held constant:

	2018		2017	
	Strengthening by 10%	Weakening by 10%	Strengthening by 10%	Weakening by 10%
EUR/AUD	-25,240	25,240	-22,401	22,401
EUR/GBP	-684,570	684,570	-198,659	198,659
EUR/USD	-2,530,148	2,530,147	-1,426,629	1,426,629
EUR/BGN	-416,791	416,791	-42,748	42,748
Total impact	-3,656,749	3,656,749	-1,690,440	1,690,440

Notes to the Consolidated Financial Statements - continued
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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2018 and 2017 are detailed below.

Entities under common control - 31.12.2018

	Other debtors	Loan receivable	Trade creditor	Other income	Interest income	Other expenses
Web consulting						
EOOD	-	-	-	-	-	-
Real site OOD	-	2,854,348	-	-	89,747	-
TN Global EOOD	-	-	-	-	-	73,587
I H OOD	-	-	-	-	-	891
	=====	=====	=====	=====	=====	=====
	-	2,854,348	-	-	89,747	74,478

Entities under common control - 31.12.2017

	Other debtors	Loan receivable	Trade creditor	Other income	Interest income	Other expenses
Web consulting						
EOOD	697	-	235,635	32,595	-	2,376,372
Real site OOD	-	1,384,129	-	38,079	38,079	-
TN Global EOOD	-	-	47,803	14,776	-	1,564,900
I H OOD	3,507	-	-	4,008	-	-
	=====	=====	=====	=====	=====	=====
	4,204	1,384,129	283,438	89,458	38,079	3,941,272

Above loans are unsecured. They carry interest rate of 4% and maturity period of 5 years.

23. RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.