PeopleCert International Limited

Annual report and Financial statements

Year ended 31 December 2018

Contents

PeopleCert International Limited
Company information

Board of Directors:	Eleni P. Kinani Panagiotis I. Kinanis Christos P. Kinanis Nicolaas Petrus Wilhelmus Maria Horvers
Company Secretary:	Zoulian Limited
Independent Auditors:	Grant Thornton (Cyprus) Limited Certified Public Accountants and Registered Auditors 41-49 Agiou Nicolaou Street Nimeli Court, Block C P.O. Box 23907 1687, Nicosia, Cyprus
Registered office:	40, Themistokli Dervi Nicosia Cyprus
Bankers:	Societe Generale Bank Bank of Cyprus Public Company Ltd Piraeus Bank S.A HSBC UK Bank Plc
Registration number:	HE160322

Management Report

The Board of Directors presents its report and audited separate Financial statements of PeopleCert International Limited (the Company) for the year ended 31 December 2018.

Incorporation
The Company was incorporated in Cyprus on 3 May 2005 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

About PeopleCert
Established in 2000, PEOPLECERT is a global leader in assessment and certification of professional skills, partnering with multi-national organisations and government bodies for the development & delivery of exams.

Principal activities and nature of operations of the Company
The principal activity of the Company, which is unchanged from last year, is the design, development, management, control and support of personnel certification programs and the design, development and assessment of automated examination systems. Also the Company acts as an agent regarding the organization and execution of examinations on behalf of other companies.

The Company has a branch in Dubai which was incorporated during 2014 .

Product Portfolio
The Company continuously invests in growing its product portfolio through third-party and own exam products, covering a wide range of subjects, including:

Business & IT
- IT Governance & Service Management (ITIL, ISO 20000, Lean IT, DevOps etc)
- Project, Programme & Portfolio Management (PRINCE2, Agile, MSP etc)
- Business Management & Improvement (Lean Six Sigma, ISO9001 etc)
- Change, Risk and Benefits Management (MoR etc)
- Cyber Security & Resilience (Resilia, ISO 27001 etc)

LanguageCert
- English Language Skills
- Spanish Language Skills
- Turkish Language Skills

Global Presence
The product portfolio is delivered across 200+ countries through the Company's Partner Network and direct website sales in 24 languages. Key markets include USA, United Kingdom, Germany, Australia, Poland, Netherlands, Norway, Ireland, France, Mexico, Italy, Canada and Singapore. The Partner Network is growing rapidly and currently consists of over 2.000 Accredited Training Organisations around the globe, including Global Knowledge, ITpreneurs, New Horizons, Pink Elephant, Quint Wellington Redwood , Simplilearn Solutions, ILX Group, Serview, Inprogress, ITSM Technologies and many more. The Company has also established Language related partnerships with Universidad de Salamanca (Spain) and Ankara Universitesi (Turkey).

Partners are evaluated against the highest quality standards, enabling them to deliver IT education and exam services to global organisations and government agencies, such as Bank of America, IBM, NASA, Microsoft, Morgan Stanley, Intel, Siemens, U.S. Department of Defence, British Petroleum, Deutsche Bank, Barclays, HSBC, Vodafone, HP and many more.

Commitment to Quality
The Company embraces industry best practice which is objectively demonstrated by an impressive list of quality credentials, awarded and regularly audited by independent authorities including:

Accreditations by the National Hellenic Accreditation System :
- ISO 17024 Certification of Persons (since 2006)

Certifications by Lloyds Register:
- ISO 9001 Quality Management (since 2003)
- ISO 10002 Customer Satisfaction and Complaints Handling (since 2006)
- ISO 14001 Environmental Management (since 2006)

- ISO 27001 Information & Data Security (since 2008)
- ISO 23988 Use of IT in the delivery of assessments (since 2013)
- ISO 22301 Business Continuity (2015)

<u>Certifications by TUV Informationstechnik GmbH</u>:
- Trusted Product Maintainability v9.0

<u>OFQUAL Recognition as Awarding Body (since 2017)</u>
- Wales - Qualifications Wales: Qualifications Wales

Regulatory Bodies

PeopleCert is regulated by the below Regulatory bodies:
- OFQUAL Recognition as Awarding Body (since 2017)
- Wales – Qualifications Wales: Qualifications Wales
- ESYD (Hellenic Accreditation System) – Accreditation as personnel certification body
- EOPPEP (Hellenic Organization for the certification of qualifications & vocational guidance): Certification as personnel certification body for ECDL exams

Recognitions- LanguageCert International ESOL Qualifications

<u>Regulated qualifications</u>
LanguageCert has been recognised by:
- England – OFQUAL: The Office of Qualifications and Examinations Regulation (OFQUAL)
- Wales - Qualifications Wales: Qualifications Wales
- ASEP (Supreme Council for Civil Personnel Selection) at levels B1, B2, C1 and C2

<u>Recognised qualifications</u>
LanguageCert International ESOL qualifications have been recognised by:
- Czech Republic: LanguageCert International ESOL qualifications have been by the Czech Ministry of Education and are listed in the new STANDARDISED LANGUAGE EXAMINATIONS list, at levels A1, A2, B1, B2, C1 and C2
- Greece: ASEP (Supreme Council for Civil Personnel Selection) at levels B1, B2, C1 and C2
- Hungary
- Italy: Ministry of Education, Universities and Research
- New Zealand: New Zealand Qualifications Authority (NZQA)
- Romania: Romanian Ministry of National Education and Scientific Research
- Spain: ACLES (Association of Language Centers in Higher Education) and CRUE Universidades Espanolas, at levels A1, A2, B1, B2, C1, C2

Assessment Technology
The Company's business is conducted over its proprietary, state-of-the-art exam management and delivery platform, accommodating all possible exam delivery & supervision methods:
- Computer Based Testing – CBT
- Paper Based Testing – PBT
- Classroom invigilator – Onsite Supervision both for Computer and Paper Based Exams
- Online invigilator – Supervision over webcam

The diversity of exam delivery options and the proprietary technology to support these, makes for a significant differentiator and enables the Company to further grow significantly in the coming years. The Company's IT infrastructure is Cloud-based, ensuring business continuity.

Centralised 24/7/365 Operation
PEOPLECERT operates through a centralised, round-the-clock service availability, ensuring an efficient, secure and unified customer experience. This is supported through a multilingual and highly trained Customer Service team, available 24/7/365. The team currently serves customers worldwide in 12 languages and can be reached via email, chat and telephone, in both local rate and tollfree numbers.

Future Outlook
The Company is targeting to maintain the growth pace of the past years through:
- Organic growth of existing exam products
- Product portfolio expansion (owned and third party)
- Acquisitions

The Company will continue its significant investment in its owned Language qualifications portfolio (LanguageCert), through product development and subsequent recognition from prominent regulatory authorities from around the world.

Review of current position, and performance of the Company's business
The Company's development to date, financial results and position as presented in the Financial statements are considered satisfactory.

Financial key performance indicators

	2018	2017
Gross margin		
Gross profit to Revenue	17.612.087 / 70.594.020 = 24,95%	12.497.947 / 30.637.694 = 40,79%
Net margin		
Profit before tax to Revenue	4.819.041 / 70.594.020 = 6,83%	2.294.612 / 30.637.694 = 7,49%
Return on capital		
Profit before tax to Capital	4.819.041 / 17.401.922 = 27,69%	2.294.612 / 13.450.344 = 17,06%
Return on equity		
Profit before tax to Equity	4.819.041 / 17.397.220 = 27,70%	2.294.612 / 12.718.693 = 18,04%

Gross margin (Gross profit to Revenue) decreased by 15,84pp to 24,95% due to new test owner contract.

Net margin decreased by 0,66pp to 6,83% and Return on capital and Return on equity increased by 10,63pp to 27,69% and by 9,66pp to 27,70% respectively, due to higher examination volumes in 2018.

Principal risks and uncertainties
The principal risks and uncertainties faced by the Company are disclosed in notes 6 and 32 of the Financial statements.

Future developments of the Company
The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future

Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's The Directors monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities - primarily trade receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Credit risk related to trade receivables: This is managed based on established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal ratings. Credit quality of the customer is assessed and outstanding customer receivables are regularly monitored. The Company does not hold collateral as security.

Liquidity risk
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Results and Dividends
The Company's results for the year are set out on page 11.

Dividends
The board of Directors recommends the payment of a final dividend as detailed below.
On 31 December 2018 the Company in General Meeting declared the payment of a final dividend of €111.791 (2017: €1.100.000).

Share capital
Authorised capital
On 21 September 2017, the authorised share capital of the Company was increased by 5.000 preference shares of €1 each.

On 14 December 2017 the Company agreed the conversion of the 5.000 preference shares of €1 each to 5.000 ordinary shares of €1 each.

Issued capital
Upon incorporation on 3 May 2005 the Company issued to the subscribers of its Memorandum of Association 5.000 ordinary shares of €1 each at par.
On 21 September 2017 the authorised share capital of the Company was increased by 5.000 preference shares of €1 each.

On 14 December 2017 the Company agreed the conversion of the 5.000 preference shares of €1 each to 5.000 ordinary shares of €1 each.

Board of Directors
The members of the Company's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2018.

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

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

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 34 to the Financial statements.

Independent Auditors
The Independent Auditors, Grant Thornton (Cyprus) Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Nicolaas Petrus Wilhelmus Maria Horvers
Director

Nicosia, 31 May 2019

Grant Thornton

Independent Auditor's Report to the Members of PeopleCert International Limited

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Report on the Audit of the Financial Statements

Opinion

We have audited the Financial statements of parent company PeopleCert International Limited (the "Company"), which are presented in pages 11 to 57 and comprise the statement of financial position as at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the Financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial statements give a true and fair view of the financial position of parent company PeopleCert International Limited as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company 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 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the Financial statements and our auditor's report thereon.

Our opinion on the Financial statements does not cover the other information and 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, 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.

Independent Auditor's Report to the Members of PeopleCert International Limited (continued)

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of 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 Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is 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 Board of Directors is responsible for assessing the 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial statements, including the disclosures, and whether the Financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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Independent Auditor's Report to the Members of PeopleCert International Limited (continued)

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the Financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the 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.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018.

Froso Yiangoulli
Certified Public Accountant and Registered Auditor
for and on behalf of
Grant Thornton (Cyprus) Limited
Certified Public Accountants and Registered Auditors

Nicosia, 14 June 2019

Statement of financial position

31 December 2018

ASSETS	Note	2018 €	2017 €
Non-current assets			
Property, plant and equipment	7	2,545	2,977
Intangible assets	8	7,005,741	6,847,665
Investments in subsidiaries	9	4,064,954	3,954,179
Available-for-sale financial assets	10	-	8,953
Financial assets at fair value through other comprehensive income	11	8,953	-
Non-current loans receivable	12	300,000	-
		11,382,193	10,813,774
Current assets			
Trade and other receivables	13	11,877,452	7,620,787
Loans receivable	12	614,623	163,807
Bank deposits and cash in hand	14	8,273,241	415,806
		20,765,316	8,200,400
Total assets		32,147,509	19,014,174
EQUITY AND LIABILITIES			
Equity			
Share capital	15	10,000	10,000
Share premium		495,002	495,002
Retained earnings		16,892,218	12,213,691
Total equity		17,397,220	12,718,693
Non-current liabilities			
Borrowings	16	3,750,000	-
		3,750,000	-
Current liabilities			
Trade and other payables	17	7,430,117	5,489,111
Deferred income	18	2,301,620	-
Borrowings	16	1,259,223	731,651
Current tax liabilities	19	9,329	74,719
		11,000,289	6,295,481
Total liabilities		14,750,289	6,295,481
Total equity and liabilities		32,147,509	19,014,174

On 31 May 2019 the Board of Directors of PeopleCert International Limited authorised these Financial statements for issue

Nicolaas Petrus Wilhelmus Maria Horvers
Director

Christos P Kinanis
Director

The notes on pages 14 to 57 form an integral part of these financial statements

Statement of comprehensive income

Year ended 31 December 2018

	Note	**2018** €	2017 €
Revenue	20	**70.594.020**	30.637.694
Cost of sales	21	**(52.981.933)**	(18.139.747)
Gross profit		**17.612.087**	12.497.947
Other operating income	22	**243.577**	15.709
Selling and distribution expenses	23	**(2.033.662)**	(854.239)
Administration expenses	24	**(10.010.687)**	(7.111.488)
Other expenses	25	**-**	(5.727)
Operating profit		**5.811.315**	4.542.202
Finance income	27	**5.145**	596
Finance costs	27	**(997.419)**	(769.378)
Loss from investing activities		**-**	(1.478.808)
Profit before tax		**4.819.041**	2.294.612
Tax	28	**(28.723)**	(26.418)
Net profit for the year		**4.790.318**	2.268.194
Other comprehensive income		**-**	-
Total comprehensive income for the year		**4.790.318**	2.268.194

The notes on pages 14 to 57 form an integral part of these financial statements.

Statement of changes in equity

Year ended 31 December 2018

	Note	Share capital €	Share premium €	Retained earnings €	Total €
Balance at 1 January 2017		**5.000**	**495.002**	**11.045.497**	**11.545.499**
Comprehensive income					
Net profit for the year		-	-	2.268.194	2.268.194
Transactions with owners					
Issue of share capital	15	5.000	-	-	5.000
Dividends	29	-	-	(1.100.000)	(1.100.000)
Total transactions with owners		5.000	-	(1.100.000)	(1.095.000)
Balance at 31 December 2017		**10.000**	**495.002**	**12.213.691**	**12.718.693**
Balance at 31 December 2017/ 1 January 2018		**10.000**	**495.002**	**12.213.691**	**12.718.693**
Comprehensive income					
Net profit for the year		-	-	4.790.318	4.790.318
Transactions with owners					
Dividends	29	-	-	(111.791)	(111.791)
Total transactions with owners		-	-	(111.791)	(111.791)
Balance at 31 December 2018		**10.000**	**495.002**	**16.892.218**	**17.397.220**

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed 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.

Cash flow statement

Year ended 31 December 2018

	Note	2018 €	2017 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4.819.041**	2.294.612
Adjustments for:			
Depreciation of property, plant and equipment	7	**432**	467
Amortisation of intangible assets	8	**1.813.221**	684.805
Impairment charge - investments in subsidiaries	9	**-**	1.478.808
Dividend income	22	**(200.336)**	-
Interest income	27	**(5.145)**	(596)
Interest expense	16	**120.223**	21.092
Exchange difference of loan from shareholder		**5.180**	(12.531)
		6.552.616	4.466.657
Changes in working capital:			
Increase in trade and other receivables		**(4.056.329)**	(2.148.938)
Increase in trade and other payables		**1.829.216**	1.399.153
Increase in deferred income		**2.301.620**	-
Cash generated from operations		**6.627.123**	3.716.872
Tax paid		**(94.114)**	(24.951)
Net cash generated from operating activities		**6.533.009**	3.691.921
Cash flows from investing activities			
Payment for purchase of intangible assets	8	**(1.971.297)**	(1.693.136)
Payment for purchase of internally generated intangible assets		**-**	(1.638.932)
Payment for purchase of investments in subsidiaries	9	**(110.775)**	(99.980)
Loans granted		**(910.000)**	-
Loans repayments received		**163.607**	-
Interest received		**722**	596
Net cash used in investing activities		**(2.827.743)**	(3.431.452)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	5.000
Repayments of borrowings		**(736.831)**	(400.000)
Proceeds from borrowings		**5.000.000**	800.000
Interest paid		**(111.000)**	728
Dividends paid		**-**	(1.100.000)
Net cash generated from/(used in) financing activities		**4.152.169**	(694.272)
Net increase/(decrease) in cash and cash equivalents		**7.857.435**	(433.803)
Cash and cash equivalents at beginning of the year		**415.806**	849.609
Cash and cash equivalents at end of the year	14	**8.273.241**	415.806

The notes on pages 14 to 57 form an integral part of these financial statements.

1. Incorporation and principal activities

Country of incorporation

The Company PeopleCert International Limited (the "Company") was incorporated in Cyprus on 3 May 2005 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 40, Themistokli Dervi, Nicosia, Cyprus.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the design, development, management, control and support of personnel certification programs and the design, development and assessment of automated examination systems. Also the Company acts as an agent regarding the organization and execution of examinations on behalf of other companies.

2. Basis of preparation

These separate financial statements have been prepared in accordance with International Financial Reporting Stanards (IFRS) as adopted by the European Union and the requirements of the Companies Law of Cyprus, Cap 113.

These financial statements have been prepared on an accrual basis (other than for cash flow information) using the significant accounting policies and measurement bases summarised in note 3, and also on a going concern assumption.

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cypriot Income Tax Law.

The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from 40, Themistokli Dervi, Nicosia, Cyprus.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2018 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption had a material effect on the accounting policies of the Company as follows:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from contracts with customers"

As explained below, in accordance with the transition provisions of IFRS 9 and IFRS 15, the Company has elected the simplified approach for adoption of the standards. Accordingly, IFRS 9 and IFRS 15 were adopted without restating the comparative information. The comparative information is prepared in accordance with IAS 39 and IAS 18 and IAS 11, and the impact of adoption has been recognised in the opening retained earnings.

The following table summarized the impact of adoption of the new standard each individual line item of statement of financial position. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

3. Adoption of new or revised standards and interpretations (continued)

(a) Impact on the statement of financial position

	31 December 2017 under IAS 18 and IAS 39	Effect of adoption of IFRS 15	Effect of adoption of IFRS 9	1 January 2018 under IFRS 15 and IFRS 9
	€	€	€	€
Equity securities at fair value through other comprehensive income	-	-	8.953	8.953
Loans receivable	13.607	-	-	13.607
Trade receivables	4.111.054	-	-	4.111.054
Cash at bank	300.394	-	-	300.394
Trade payables	4.816.441	-	-	4.816.441
Other creditors	68.479	-	-	68.479
Retained earnings	12.213.691	-	-	12.213.691

(i) IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (either FVTPL or FVPL) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

In particular, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

With the introduction of IFRS 9 "Financial Instruments", the IASB confirmed that gains or losses that result from modification of financial liabilities that do not result in derecognition shall be recognized in profit or loss.

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedge ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Company has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Company's new accounting policies following adoption of IFRS 9 at 1 January 2018 are set out in note 4.

Impact of adoption

In accordance with the transition provisions in IFRS 9, the Company has elected the simplified transition method for adopting the new standard. Accordingly, the effect of transition to IFRS 9 was recognised as at 1 January 2018 as an adjustment to the opening retained earnings (or other components of equity, as appropriate). In accordance with the transition method elected by the Company for implementation of IFRS 9 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 39. Consequently, the revised requirements of IFRS 7 "Financial Instruments: Disclosures" have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

On 1 January 2018 for debt instruments held by the Company, management has assessed which business models apply to the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI test). In addition separate assessment for equity instruments held by the Company was performed, in respect of whether they are held for trading or not. As a result of both assessments The Directors has classified its debt and equity instruments into the appropriate IFRS 9 categories.

As a result of the adoption of IFRS 9 the Company revised its impairment methodology for each class of assets subject to the new impairment requirements. From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI, cash and cash equivalents and bank deposits with original maturity over 3 months and loan commitments and financial guarantees. The impairment methodology applied depends on whether there has been a significant increase in credit risk and whether the debt instruments qualify as low credit risk and whether the debt investments qualify as low credit risk.

The Company has the following types of assets that are subject to IFRS 9's new expected credit loss model: trade receivables, contract assets, financial assets at amortised cost, cash and cash equivalents, bank deposits with original maturity over 3 months, debt financial assets at FVOCI and loans commitments and financial guarantees.

The Company has adopted the simplified expected credit loss model for its trade receivables, trade receivables with significant financing component, lease receivables and contract assets, as required by IFRS 9, paragraph 5.5.15, and the general expected credit loss model for financial assets at amortised cost, cash and cash equivalents, bank deposits with original maturity over 3 months, debt financial assets at FVOCI and loan commitments and financial guarantees.

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

The following table reconciles the carrying amounts of financial instruments, from their previous measurement categories in accordance with IAS 39 into their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	Measurement category			Effect of IFRS 9				
	IAS 39	**IFRS 9**	Carrying value per IAS 39 (closing balance at 31 December 2017)	Re-measurement ECL	Re-measurement Other	Reclassifi-cation Mandatory	Reclassifi-cation Voluntary	Carrying value per IFRS 9 (opening balance at 1 January 2018)
			€	€	€	€	€	€
Unlisted equity securities	AFS (available-for-sale)	FVOCI (designated)	8.953	-	-	-	-	8.953
Total investments in equity securities			8.953	-	-	-	-	8.953
Trade receivables	Loans and receivables	Amortised cost	4.111.054	-	-	-	-	4.111.054
Loans receivable	Loans and receivables	Amortised cost	13.607	-	-	-	-	13.607
Cash and cash equivalents	Loans and receivables	Amortised cost	415.806	-	-	-	-	415.806
Total other financial assets			4.540.467	-	-	-	-	4.540.467
Total financial assets			4.549.420	-	-	-	-	4.549.420
Trade and other payables	Amortised cost	Amortised cost	4.816.441	-	-	-	-	4.816.441
Total financial liabilities			4.816.441	-	-	-	-	4.816.441

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

- *Investments in equity securities previously classified as available-for-sale (AFS):*

The Company elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of €8.953 were reclassified from available-for-sale financial assets to financial assets at FVOCI.

- *Other financial instruments:*

For all other financial assets The Directors assessed that the Company's business model for managing the assets is "hold to collect" and these assets meet SPPI tests. As a result all other financial assets were classified as financial assets at amortised cost and reclassified from the category "loans and receivables" under IAS 39, which was "retired". Previously under IAS 39 these financial assets were also measured at amortised cost. Thus there were no impact of adoption of IFRS 9 as of 1 January 2018.

At 31 December 2017, all of the Company's financial liabilities were carried at amortised cost. Starting from 1 January 2018 the Company's financial liabilities continued to be classified at amortised cost.

The assessment of the impact of adoption of IFRS 9 on the Company's accounting policies required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on The Directors's conclusion are disclosed in note 6.

- *Assets reclassified to amortised cost category and the assets reclassified out of fair value through profit or loss to fair value through other comprehensive income category*

The main reasons for reclassifications were as follows:

♦ Securities within the liquidity portfolio identified as held to collect. Following the assessment of its business model for securities within the Company's liquidity portfolio, which are mostly held to collect the contractual cash flows and sell, the Company has identified certain securities which are managed separately and for which the past practice has been (and the Company's intention remains) hold to collect the contractual cash flows. Consequently, the Company has assessed that the appropriate business model for this group of securities is held to collect. These securities, which were previously classified as AFS, were reclassified at AC from the date of initial application. The remainder of the Company's liquidity portfolio is held to collect contractual cash flows and sell.

(ii) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from contracts with customers" and related amendments superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. The new standard replaces the separate models for recognition of revenue for the sale of goods, services and construction contracts under previous IFRS and establishes uniform requirements regarding the nature, amount and timing of revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised in such a way to depict the transfer of goods or services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those goods or services to the customer; the transaction price.

The new standard provides a principle-based five-step model that must be applied to all categories of contracts with customers. Any bundled goods or services must be assessed as to whether they contain one or more performance obligations (that is, distinct promises to provide a good or service). Individual performance obligations must be recognised and accounted for separately and any discounts or rebates in the contract price must generally be allocated to each of them.

3. Adoption of new or revised standards and interpretations (continued)

(ii) IFRS 15 "Revenue from Contracts with Customers" (continued)

The amendments to IFRS 15 clarify how to identify a performance obligation in a contract, how to determine whether a Company is a principal (that is, the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided) and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a Company when it first applies the new standard.

The Company's new accounting policies following adoption of IFRS 15 at 1 January 2018 are set out below in note 4.

Impact of adoption

In accordance with the transition provisions of IFRS 15, the Company has elected the simplified transition method for adopting the new standard. Accordingly, the cumulative effect of transition to IFRS 15 was recognized as at 1 January 2018 as an adjustment to opening retained earnings directly in equity.

The Company has applied IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application and adopted the practical expedient not to retrospectively restate contracts for which contract modifications occurred before the date of initial application. In accordance with the transition method elected by the Company for implementation of IFRS 15 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 18 and IAS 11 and related interpretations.

Based on detailed analysis of the Company's revenue streams and individual contracts' terms and on the basis of the facts and circumstances relating to the Company's revenue transactions, the impact of the adoption of IFRS 15 on 1 January 2018 is summarized in the table below:

		Effect of IFRS 15		
	31 December 2017 under IAS 18 and IAS 11[1]	Reclassi- fication	Re- measurement	1 January 2018 under IFRS 15
	€	€	€	€
Trade receivables	4.111.054	-	-	4.111.054
Trade payables	4.816.441	-	-	4.816.441
Retained earnings	12.213.691	-	-	12.213.691

(1) The amounts in this column are before the adjustments from the adoption of IFRS 9, including increase in the impairment loss allowance for trade receivables and contract assets, but after the voluntarily changed presentation as at 31 December 2017 as disclosed above in table (a).

The assessment of the impact of adoption of IFRS 15 on the Company's accounting policies required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on The Directors's conclusion are disclosed in note 6.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these Financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in note 33.

4. Significant accounting policies (continued)

Consolidated financial statements

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company PeopleCert International Limited and the financial statements of the following subsidiaries, PeopleCert Qualifications Ltd, PeopleCert UK Ltd, PeopleCert Global Services S.A., PeopleCert Hellas S.A. and PeopleCert Personel Belgelendirme Anonim Sirketi.

Transactions with non-controlling interests that do not result in loss of control of a subsidiary, are accounted for as transactions with the owners (i.e. as equity transactions). The difference between the fair value of any consideration and the resulting change in the non-controlling interests' share of the net assets of that subsidiary, in recorded in equity.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Dividends and other distributions from subsidiaries are recognised as income when the Company's right to receive payment has been established.

Customer base acquisition

Customer base acquisition represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Customer base acquisition on acquisition of subsidiaries is included in "intangible assets". Customer base acquisition on acquisitions of associates is included in "Investments in associates". Goodwill on acquisitions of investments in joint ventures is included in "investments in joint ventures".

Customer base acquisition is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

4. Significant accounting policies (continued)

Revenue recognition (continued)

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

Identification of performance obligations

The Company 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).

- **Rendering 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 actual labour hours spent relative to the total expected labour hours.

- **Work executed**

  Work executed is recognised in the accounting period in which the work is carried out by reference to completion of the specific transaction assessed on the basis of the actual work executed provided as a proportion of the total work to be carried out.

- **Dividend income**

  Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

- **Financing component**

  The Company does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company elects to use the practical expedient and does not adjust any of the transaction prices for the time value of money.

4. Significant accounting policies (continued)

Revenue recognition (continued)

- **Contract assets and contract liabilities**

  In case the services rendered by the Company as of the reporting date exceed the payments made by the customer as of that date and the Company does not have the unconditional right to charge the client for the services rendered, a contract asset is recognised. The Company assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9 which requires expected lifetime losses to be recognised from initial recognition of the contract asset. An impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9. If the payments made by a customer exceed the services rendered under the relevant contract, a contract liability is recognised. The Company recognises any unconditional rights to consideration separately from contract assets as a trade receivable because only the passage of time is required before the payment is due.

  Contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

- **Costs to obtain or fulfil contracts with customers**

  The Company recognizes the incremental costs incurred by the Company to obtain contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset if those costs are expected to be recoverable, and record the in "Other assets" in statement of financial position. Incremental costs of obtaining contracts are those costs that the Company incurs to obtain a contract with customer that would not have been incurred if the contract had not been obtained. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue and recognised in "cost of sales" in statement of comprehensive income. Additionally the asset is assessed for impairment and any impairment loss is recognized in "cost of sales" in statement of comprehensive income.

  The Company recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Debtors and provisions for bad debts

Bad debts are written off to profit or loss and a specific provision is made, where it is considered necessary. No general provision for bad debts is made. Trade debtors are stated after deducting the specific provision for bad and doubtful debts, if any.

Finance income

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

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

4. Significant accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Gains and losses on disposal of the property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Plant and machinery	10
Furniture, fixtures and office equipment	10

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Deferred income

Deferred income represents income receipts which relate to future periods.

4. Significant accounting policies (continued)

Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Company's e-business development is recognised only if the Company can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. Their amortisation expense is included in cost of sales.

4. Significant accounting policies (continued)

Computer software in use

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred.

Software development costs are capitalised in accordance with the Research and development of Computer software accounting policy below.

Computer software costs are amortised using the straight-line method over their useful live, which commences when the computer software is available for use. Their amortisation expense is included in cost of sales.

Customer base acquisition

Relates to the acquisition of customer base and more specifically to a take over of a direct relationship of another company's customers. Customer base has been initiallytially recognised at acquisition cost and then depreciated over it's estimated useful life, on straight line basis. Their amortisation expense is included in cost of sales.

Certification rights

Certification rights represent the fees paid for the Intellectual property rights and the associated registered trademarks in long term contracts. The asset is amortized on a straight-line method over its useful life which equals the exclusivity right period of five years and starts on 1 January 2018.

The annual amortisation rates used are as follows:

	%
Customer software in use	20
Patents and trademarks	20
Customer base acquisition	20
Certification rights	20

Impairment of non-financial assets

Intangible assets under development are tested annually for impairment. For the purposes of assessing impairment, Intangible assets under development are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGU).

Also, at each reporting date, the Company reviews the carrying amounts of its depreciable tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverableamount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs.

An impairment loss is recognised for the amount by which the asset's (or CGU's) carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use (present value of estimated future cash flows) of the asset (or CGU). An impairment loss is recognised immediately in profit or loss.

Financial assets - Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

4. Significant accounting policies (continued)

Financial assets - Classification (continued)

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

4. Significant accounting policies (continued)

Financial assets - Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in ‘other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income". Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the statement of comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Company's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses)" in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within "net impairment losses on financial and contract assets".

4. Significant accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 32, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 32, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 32, Credit risk section for a description of how the Company determines low credit risk financial assets.

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

4. Significant accounting policies (continued)

Financial assets - modification (continued)

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Where the liabilities are of a short-term nature the fair value is determined over the term of the borrowings.

4. Significant accounting policies (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9.The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See Note 6 Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

5. New accounting pronouncements

Standards issued but not yet effective

Up to the date of approval of the Financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

(i) Issued by the IASB and adopted by the European Union

- *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.

5. New accounting pronouncements (continued)

(i) Issued by the IASB and adopted by the European Union (continued)

- *Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) (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 thederecognition 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.

6. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires the Directors to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on The Directors's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Revenue recognition**

  The Company uses the percentage-of-completion method in accounting for its fixed price contract to deliver services since the customer receives and uses the benefits from the services simultaneously. Use of the percentage-of-completion method requires the Company to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed differs from management's estimates, the amount of revenue recognised in the year would be different.

- **Deferred revenue**

  The amount allocated to the points, granted through a customer loyalty programme, is estimated by reference to the fair value of the discounted products for which they could be redeemed, since the fair value of the points themselves is not directly observable. The fair value of the right to purchase products at a discount for which the points can be redeemed takes into account the amount of the discount, adjusted to take into account the expected forfeiture rate.

- **Internally generated intangibles**

  Significant judgement is required in distinguishing research from the development phase. A detailed forecast of sales or cost savings expected to be generated by the intangible asset is incorporated into the Company's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets is based on the same data. The Company's Directors also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

6. Critical accounting estimates and judgments (continued)

- **Income taxes**

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

- **Impairment of investments in subsidiaries**

  The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of loans receivable**

  The Company periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of financial assets**

  The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 32, Credit risk section.

- **Impairment of intangible assets**

  Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Useful lives of depreciable assets**

  The Directors review the useful lives of depreciable assets at each reporting date, and revises them if necessary so that the useful lives represent the expected utility of the assets to the Company. Actual results, however, may vary due to technological obsolescence, mis-usage and other factors that are not easily predictable.

6. Critical accounting estimates and judgments (continued)

- **Impairment assessment of intangibles under development**

  Determining whether impairment exists for intangibles under development requires an estimation of the value in use of the cash generating units of the Company to which this intangible has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating units for a period of five years and then apply a sustainable growth rate thereafter, and then using a suitable discount rate to calculate present value.

- **Contingent liability**

  The Directors exercise significant judgement in assessing whether or not a certain situation gives rise to a present obligation and in determining that this obligation will lead to a probable outflow of economic resources. Based on these judgements it is decided not to recognise a provision for a liability.

7. Property, plant and equipment

	Plant and machinery	Furniture, fixtures and office equipment	Total
	€	€	€
Cost			
Balance at 1 January 2017	2.136	2.580	4.716
Balance at 31 December 2017/ 1 January 2018	**2.136**	**2.580**	**4.716**
Balance at 31 December 2018	**2.136**	**2.580**	**4.716**
Depreciation			
Balance at 1 January 2017	662	610	1.272
Charge for the year	209	258	467
Balance at 31 December 2017/ 1 January 2018	**871**	**868**	**1.739**
Charge for the year	174	258	432
Balance at 31 December 2018	**1.045**	**1.126**	**2.171**
Net book amount			
Balance at 31 December 2018	**1.091**	**1.454**	**2.545**
Balance at 31 December 2017	**1.265**	**1.712**	**2.977**

Depreciation expense for the year has been recognised in profit or loss as follows:

	2018	2017
	€	€
Administration expenses	432	467
	432	467

8. Intangible assets

	Customer base acquisition €	Computer software in use €	Computer software under development €	Patents and trademarks €	Certification rights €	Total €
Cost						
Balance at 1 January 2017	680.455	3.100.578	474.994	30.000	-	4.286.027
Additions	-	1.535.143	103.789	-	3.374.527	5.013.459
Write-offs	-	(358.253)	-	-	-	(358.253)
Transfer	-	66.204	(66.204)	-	-	-
Balance at 31 December 2017/ 1 January 2018	**680.455**	**4.343.672**	**512.579**	**30.000**	**3.374.527**	**8.941.233**
Additions	-	1.971.297	-	-	-	1.971.297
Transfer	-	512.579	(512.579)	-	-	-
Balance at 31 December 2018	**680.455**	**6.827.548**	**-**	**30.000**	**3.374.527**	**10.912.530**
Amortisation						
Balance at 1 January 2017	230.853	1.512.163	-	24.000	-	1.767.016
Amortisation for the year	140.126	541.679	-	3.000	-	684.805
Write-offs	-	(358.253)	-	-	-	(358.253)
Balance at 31 December 2017/ 1 January 2018	**370.979**	**1.695.589**	**-**	**27.000**	**-**	**2.093.568**
Amortisation for the year	136.091	999.225	-	3.000	674.905	1.813.221
Balance at 31 December 2018	**507.070**	**2.694.814**	**-**	**30.000**	**674.905**	**3.906.789**
Net book amount						
Balance at 31 December 2018	**173.385**	**4.132.734**	**-**	**-**	**2.699.622**	**7.005.741**
Balance at 31 December 2017	**309.476**	**2.648.083**	**512.579**	**3.000**	**3.374.527**	**6.847.665**

Depreciation expense for the year has been recognised in profit or loss as follows:

	2018 €	2017 €
Cost of sales	1.813.221	684.805
	1.813.221	684.805

Certification rights represent the fees paid for the Intellectual property rights and the associated registered trademarks in long term contracts.

The additions in Computer software relate to capitalized development costs for new features, new qualifications, integrations and cost optimization incurred in the Company's certifications software Passport, Company's website and other software.

9. Investments in subsidiaries

	2018	2017
	€	€
Balance at 1 January	**3.954.179**	5.333.007
Additions	**110.775**	99.980
Impairment charge	**-**	(1.478.808)
Balance at 31 December	**4.064.954**	3.954.179

The details of the subsidiaries are as follows:

Name	**Country of incorporation**	**Principal activities**	Direct holding %	Indirect holding %
PeopleCert Hellas A.E.	Greece	Design, development, management, control and support of Personnel Certification Programs and design, development and support of Automated Examination Systems	99,99	
PeopleCert Global Services A.E.	Greece	Design, development, management, control and support of Personnel Certification Programs and design, development and support of Automated Examination Systems	100	
PeopleCert Personnel Belgenendirme A.S	Turkey	Personnel Certification		99,97
PeopleCert UK Limited	United Kingdom	Personnel Certification	100	
PeopleCert Qualifications Limited	United Kingdom	Personnel Certification	100	
PeopleCert Educational S.A.	Greece	Personnel Certification	99,98	

The holdings of each of the subsidiaries have not changed during the year.

The subsidiaries PeopleCert Educational S.A., PeopleCert Hellas S.A., PeopleCert Global Services S.A., PeopleCert UK Ltd, PeopleCert Qualifications Ltd and PeopleCert Personel Belgenendirme A.S were consolidated. Non-controlling interest has not been recognised, since it is insignificant.

Impairment assessment

The Company carried out tests for impairment as at the reporting date, given that impairment indications were identified, for the subsidiary PeopleCert Hellas A.E. The recoverable amount of the subsidiary as at 31 December 2018 was calculated at € 3.900.000.

The recoverable amount for each of the above subsidiaries has been determined based on the fair value less costs to sell, using discounted cash flow techniques.

These calculations use cash flow projections based on financial budgets approved by Management covering a five-year period. The Management prepares the financial budgets based on past performance experience and its expectations for business and market developments. Cash flows beyond the five-year period are extrapolated using the best estimate of the expected growth rate. The growth rate does not in any case exceed the long-term average growth rate for the business in which the subsidiary operates, and it is consistent with the macroeconomic factors of the country of operation. The discount rate used does not include the tax effects and reflects specific risks relating to the subsidiary.

The key assumptions used for the calculations are as follows:

Average annual increase in operating cash inflows	10%
Average annual increase in operating cash outflows	10%
Growth rate for cash flows after the five year period	1,8%
Discount rate	14,17%

The impairment tests resulted in the recognition of impairment losses of € - (2017: €1.478.808).

Sensitivity analysis

Impairment losses will start occuring if any of the above assumptions is individually changed to the following values:

Average annual increase in operating cash inflows	9%
Average annual increase in operating cash outflows	11%
Growth rate for cash flows after the five year period	1,3%
Discount rate	14,5%

10. Available-for-sale financial assets

	2018	2017
	€	€
Balance at 1 January	**8.953**	8.953
Transfer on initial application of IFRS 9	**(8.953)**	-
Balance at 31 December	**-**	8.953

As per operating agreement signed on 01 January 2015, the Company has an investment in Lean IT Association LLC of 16 2/3% with an investment of initial capital €8.953.

11. Financial assets at fair value through other comprehensive income

	2018	2017
	€	€
Transfer on initial application of IFRS 9	**8.953**	-

12. Loans receivable

	2018	2017
	€	€
Balance at 1 January	**163.807**	13.607
New loans granted	**910.000**	150.200
Repayments	**(164.005)**	-
Interest charged	**5.145**	-
Foreign exchange difference	**(324)**	-
Balance at 31 December	**914.623**	163.807

	2018	2017
	€	€
Loans receivable	**-**	13.607
Loans to related parties (Note 30.5)	**914.623**	150.200
	914.623	163.807
Less current portion	**(614.623)**	(163.807)
Non-current portion	**300.000**	-

12. Loans receivable (continued)

The loans are repayable as follows:

	2018	2017
	€	€
Within one year	**614.623**	163.807
Between one and five years	**300.000**	-
	914.623	163.807

The effective interest rates on receivables (current and non-current) were as follows:

	2018	2017
Loans receivable	**3%**	3%

13. Trade and other receivables

	2018	2017
	€	€
Trade receivables	**8.154.365**	4.111.054
Less: credit loss on trade receivables	**(264.007)**	(63.819)
Trade receivables - net	**7.890.358**	4.047.235
Receivables from own subsidiaries (Note 30.4)	**2.016.789**	2.994.668
Receivables from related parties (Note 30.4)	**43.161**	232.724
Shareholders' current accounts - debit balances	**240.247**	184.458
Receivables from parent (Note 30.4)	**15.355**	9.439
Deposits and prepayments	**1.644.134**	138.539
Other receivables	**1.300**	-
Refundable VAT	**26.108**	13.724
	11.877.452	7.620.787

Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers. The Company's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, The Directors believes that no additional credit risk beyond amounts provided for collections losses is inherent in the Company's trade receivables.

Deposits and prepayments include retainer fees provided to suppliers for products and services which will be delivered after the year end.

The Company does not hold any collateral over the trading balances.

Movement in provision for impairment of receivables:

	2018	2017
	€	€
Balance at 1 January	**63.819**	17.119
Impairment losses recognised on receivables	**200.188**	46.700
Balance at 31 December	**264.007**	63.819

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

14. Bank deposits and cash in hand

	2018	2017
	€	€
Cash at bank and in hand	8.042.759	300.394
Cash equivalents	230.482	115.412
	8.273.241	415.806

Cash equivalents of €230.482 (2017: €115.412) represent cash held in merchant accounts.

	2018	2017
Maturity analysis:	€	€
On demand	8.273.241	415.806
	8.273.241	415.806

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2018	2017
	€	€
Cash at bank and in hand	8.273.241	415.806
	8.273.241	415.806

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 32 of the Financial statements.

15. Share capital

	2018 Number of shares	2018 €	2017 Number of shares	2017 €
Authorised				
Ordinary shares of €1 each	10.000	10.000	10.000	10.000
		€		€
Issued and fully paid				
Balance at 1 January	10.000	10.000	5.000	5.000
Issue of shares	-	-	5.000	5.000
Balance at 31 December	10.000	10.000	10.000	10.000

Authorised capital

On 21 September 2017, the authorised share capital of the Company was increased by 5.000 preference shares of €1 each.

On 14 December 2017 the Company agreed the conversion of the 5.000 preference shares of €1 each to 5.000 ordinary shares of €1 each.

Issued capital

Upon incorporation on 3 May 2005 the Company issued to the subscribers of its Memorandum of Association 5.000 ordinary shares of €1 each at par.

On 21 September 2017, the authorised share capital of the Company was increased by 5.000 preference shares of €1 each.

15. Share capital (continued)

On 14 December 2017 the Company agreed the conversion of the 5.000 preference shares of €1 each to 5.000 ordinary shares of €1 each.

16. Borrowings

	2018	2017
	€	€
Balance at 1 January	**731.651**	322.362
Additions	**5.000.000**	800.000
Repayments of principal	**(736.831)**	(400.000)
Interest and commitment fees charged for the year	**120.223**	21.820
Exchange differences	**5.180**	(12.531)
Repayments of interest	**(111.000)**	-
Balance at 31 December	**5.009.223**	731.651

	2018	2017
	€	€
Current borrowings		
Bank loans	**1.254.521**	-
Loans from shareholders	**4.702**	331.651
Loan from parent company (Note 30.7)	**-**	400.000
	1.259.223	731.651
Non-current borrowings		
Bank loans	**3.750.000**	-
Total	**5.009.223**	731.651

On 21 December 2017, the European Bank for Reconstruction and Development and the Company entered in a loan agreement for an amount not to exceed €6.000.000.

The first disbursement of €3.000.000 was made on 23 January 2018 and the second disbursement of €2.000.000 was made on 21 December 2018. The loan shall be repaid on 19 January 2023 and bears interest of 3 months Euribor plus 3% with a floor of 0%.

In addition of the above borrowings, the Company at 31 December 2018 had available approved but undrawn facilities which amounted to €1.000.000.

Maturity of non-current borrowings:

	2018	2017
	€	€
Within one year	**1.259.223**	731.651
Between one and five years	**3.750.000**	-
	5.009.223	731.651

The bank loans are secured by guarantees from subsidiary PeopleCert UK Limited.

The weighted average effective interest rates at the reporting date were as follows:

	2018	2017
Bank loans	**3,53%**	
Loans from subsidiaries	**3,63%**	3,63%

16. Borrowings (continued)

The Company borrowings are denominated in the following currencies:

	2018	2017
	€	€
Euro	**5.004.521**	400.000
British Pounds	**4.702**	331.651
	5.009.223	731.651

Covenants

Bank loans

The bank loans include the following covenants:

	Met as at 31 December 2018
• Debt Service Coverage Ratio on a consolidated basis of not less than 1,20	Yes
• Financial Debt to EBITDA Ratio on a consolidated basis of not more than 2,0.	Yes
• The aggregate EBITDA of the Company's and PeopleCert UK Ltd's is greater than 80% of the consolidated Company's EBITDA	Yes
• The aggregate revenue of the Company's and PeopleCert UK Ltd's is greater than 80% of the consolidated Company's revenues	Yes

17. Trade and other payables

	2018	2017
	€	€
Trade payables	**5.968.441**	4.816.441
Prepayments from clients	**130.183**	35.577
Social insurance and other taxes	**2.296**	2.942
Payables to parent (Note 30.6)	**111.791**	-
Staff cost payable	**18.507**	-
Accruals	**1.185.502**	450.308
Other creditors	**-**	68.479
Defence tax on rent payable	**17**	-
Payables to related parties (Note 30.6)	**9.539**	15.384
Payables to own subsidiaries (Note 30.6)	**-**	99.980
Payables to associates (Note 30.6)	**3.841**	-
	7.430.117	5.489.111

Accrued expenses mainly relate to commissions accrued for royalties to test owners.

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

18. Deferred income

	2018	2017
	€	€
Other income	**2.301.620**	-
	2.301.620	-

Deferred income includes discounts and accreditation fees of €2.019.990.

19. Current tax liabilities

	2018	2017
	€	€
Corporation tax	**8.002**	74.540
Special contribution for defence	**1.327**	179
	9.329	74.719

20. Revenue

	2018	2017
	€	€
Business and IT Qualifications	**62.208.910**	23.908.059
Language Qualifications	**255.000**	158.690
Other Revenue	**8.130.110**	6.570.945
	70.594.020	30.637.694

Other Revenue includes Accreditation and Management fees invoiced to subsidiaries and the services provided for Managed Learning Services.

21. Cost of sales

	2018	2017
	€	€
Intellectual Properties Rights fees	**258.373**	474.433
Commissions payable	**257.610**	218.678
Accreditation fees	**210.558**	-
Learning service purchase cost	**127.927**	617.046
Consulting Fees	**-**	28.628
Royalty fees	**49.832.328**	15.888.153
Exams supervision and testing program expenses	**465.544**	199.240
Amortisation of intangibles	**1.813.221**	684.805
Other direct costs	**16.372**	28.764
	52.981.933	18.139.747

Royalty fees mainly relate to the provision of various test owner certifications. Royalty fees are the consideration provided by PeopleCert in order to act as Examination Institute and use such certifications.

Learning service purchase cost is referring to the provision of training services and training material.

22. Other operating income

	2018	2017
	€	€
Dividend income	**200.336**	-
Other income	**43.241**	15.709
	243.577	15.709

23. Selling and distribution expenses

	2018	2017
	€	€
Overseas travelling	**166.667**	28.656
Advertising	**102.562**	71.663
Sales consultants fees	**1.139.335**	605.464
Consultancy fees	**217.654**	-
Bad debts written off	**8.524**	13.872
General provision for bad debts	**200.188**	46.700
Sponsorships and conference participation	**198.732**	140.530
Other sundry selling expenses	**-**	(52.646)
	2.033.662	854.239

24. Administration expenses

	2018	2017
	€	€
Staff costs	**156.597**	163.407
Rent	**9.120**	8.970
Other taxes	**9.168**	-
Repairs and maintenance	**311**	1.026
Sundry expenses	**118.273**	21.545
Telephone and postage	**47.609**	37.328
Subscriptions and contributions	**67.060**	27.331
Non charitable donations	**3.268**	-
Sundry staff costs	**1.447**	-
Computer supplies and maintenance	**122.255**	33.426
Auditors' remuneration for the statutory audit of annual accounts	**35.000**	35.000
Auditors' remuneration for tax advice	**-**	1.000
Accounting fees	**33.043**	11.497
Legal fees	**213.029**	118.244
Consultancy other professional fees	**425.018**	371.248
Overseas travelling	**323.522**	199.014
Inland travelling and accommodation	**2.129**	104.410
Irrecoverable VAT	**-**	4.370
Entertaining	**177.043**	112.951
Motor vehicle running costs	**90**	11.521
Management fees	**7.617.801**	5.295.880
Office expenses	**4.061**	6.802
Expenses of Dubai branch	**24.816**	23.394
IT services	**516.480**	469.800
Depreciation	**432**	467
Other administration expenses	**103.115**	52.857
	10.010.687	7.111.488

Legal fees aside dealing with legal issues, include the preparation of agreements, evaluation of agreements with third parties and correspondence with banks.

Consultancy services are mainly for the provision of support and guidance of strategic business decisions of the company and facilitation of key projects of Business & IT and Languagecert.

25. Other expenses

	2018	2017
	€	€
Write-off of cash equivalent balance	**-**	5.727
	-	5.727

26. Staff costs

	2018	2017
	€	€
Salaries	**141.146**	146.614
Social security costs	**15.451**	16.794
	156.597	163.408
Average number of employees	**7**	9

27. Finance income/(costs)

	2018	2017
	€	€
Interest income	**5.145**	596
Finance income	**5.145**	596
Net foreign exchange losses	**(359.444)**	(462.768)
Interest expense	**(92.554)**	(21.092)
Sundry finance expenses	**(545.421)**	(285.518)
Finance costs	**(997.419)**	(769.378)
Net finance costs	**(992.274)**	(768.782)

28. Tax

	2018	2017
	€	€
Corporation tax - current year	**66.002**	35.934
Overseas tax	**-**	6.689
Defence contribution - current year	**1.327**	179
Deferred tax - credit	**(38.606)**	(16.384)
Charge for the year	**28.723**	26.418

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

The tax on the Company's profit before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2018	2017
	€	€
Profit before tax	**4.819.041**	2.294.612
Tax calculated at the applicable tax rates	**602.380**	286.827
Tax effect of expenses not deductible for tax purposes	**621.909**	203.287
Tax effect of allowances and income not subject to tax	**(1.158.287)**	(457.109)
Tax effect of tax loss for the year	**-**	2.929
Defence contribution current year	**1.327**	179
Deferred tax	**(38.606)**	(16.384)
Overseas tax in excess of credit claim used during the year	**-**	6.689
Tax charge	**28.723**	26.418

29. Dividends

	2018	2017
	€	€
Final dividend paid	**-**	1.100.000
Declared final dividend	**111.791**	-
	111.791	1.100.000

On 31 December 2018 the Company in General Meeting declared the payment of a final dividend of €111.791 (2017: €1.100.000).

Dividends are subject to a deduction of special contribution for defence at 17% for individual shareholders that are both Cyprus tax resident and Cyprus domiciled.

Dividends declared out of dividends received, which suffered withholding tax at the rate of 20%, are exempt from the 15% special contribution for defence. The exemption applies if the dividends are declared within a six-year period from the date of their receipt.

30. Related party balances and transactions

The Company is directly controlled by PeopleCert Holdings UK Ltd, incorporated in UK, which owns the 100% of the Company's shares.

The Company's ultimate parent is PeopleCert Holdings Europe Ltd, incorporated in Cyprus.

The Company's ultimate controlling party is Byron Nicolaides.

The related party balances and transactions are as follows:

30.1 Key management compensation

The remuneration of the members of key management was as follows:

	2018	2017
	€	€
Directors' fees	52.750	43.200
Director's social insurance and other contributions	6.089	4.968
	58.839	48.168

30.2 Revenue and other income

Name	**Nature of transactions**	**2018** **€**	2017 €
Subsidiaries			
PeopleCert UK Ltd	Trading	7.576.332	5.109.497
PeopleCert UK Ltd	Management fees	473.381	1.635.241
PeopleCert Hellas S.A.	Interest on loan	4.423	-
PeopleCert Educational S.A.	Trading	4.263	-
PeopleCert Global S.A.	Dividends	200.336	-
Other related parties			
Angelstorm Ltd (under common control)	Interest on loan	564	596
Lean IT Association	Interest on loan	722	-
		8.260.021	6.745.334

Sales to PeopleCert UK Ltd were not made at market prices and terms.

30.3 Purchases of goods and services

Name	**Nature of transactions**	**2018** **€**	2017 €
Controlling parties			
Byron Nicolaides	Interest on loan	4.702	20.820
Subsidiaries			
PeopleCert Global Services A.E.	Management fees	7.505.235	5.295.880
PeopleCert Global Services A.E.	Intangible Assets	1.578.638	1.386.432
PeopleCert Qualification Ltd	Trade	601.253	43.086
PeopleCert Qualification Ltd	Management fees	112.566	-
		9.802.394	6.746.218

30. Related party balances and transactions (continued)

30.4 Receivables from related parties (Note 13)

Name	Nature of transactions	2018 €	2017 €
Controlling parties			
Byron Nicolaides	Current account	240.247	184.458
PeopleCert Holdings UK Ltd	Financing	15.355	4.439
PeopleCert Holdings UK Ltd	Share capital contributions	-	5.000
PeopleCert Holdings Europe Ltd	Financing	4.747	3.317
Dimitirs Nicolaides	Financing	10.488	-
Subsidiaries			
PeopleCert UK Limited	Trading	1.144.011	2.119.235
PeopleCert Qualifications Ltd	Trading	56.304	115.384
PeopleCert Global Services S.A.	Trading	812.211	760.049
PeopleCert Educational S.A.	Trading	4.263	-
Other related parties			
ECDL Hellas S.A. (under common control)	Trading	27.925	27.925
Angelstorm Ltd (under common control)	Financing	-	201.482
		2.315.551	3.421.289

The balances with related parties are interest free, unsecured, and have no specified repayment date.

30.5 Loans to related parties (Note 12)

	Terms	2018 €	2017 €
PeopleCert Hellas S.A.	Commercial	914.623	150.200
		914.623	150.200

The loan to related company PeopleCert Hellas S.A. was provided with interest rate of 4%, and has repayment date of 31 December 2020.

30.6 Payables to related parties (Note 17)

Name	Nature of transactions	2018 €	2017 €
Controlling parties			
PeopleCert Holdings UK Ltd	Dividends	111.791	-
Subsidiaries			
PeopleCert Educational S.A.		-	99.980
Other related parties			
ECDL Foundation (under common control)	Trade	804	804
Hepis (under common control)	Finance	-	14.580
Angelstorm Ltd (under common control)	Finance	8.735	-
Associates		**-**	**-**
Lean IT Association	Trade	3.841	-
		125.171	115.364

30. Related party balances and transactions (continued)

30.7 Loans from related parties (Note 16)

	2018	2017
	€	€
Byron Nicolaides	4.702	331.651
PeopleCert Holdings Europe Ltd	-	400.000
	4.702	731.651

On 1 July 2014, Byron Nicolaides and the Company entered in a loan agreement for an amount of GBP 230.000 with a repayment date on 31 December 2015. Both parties agreed that the repayment of the loan is extended up to the end of 31 March 2018. The loan was repaid on 22 March 2018.

The loan from Byron Nicolaides bears interest at 8%.

On 12 December 2017, Peoplecert Holdings Europe Limited and PeopleCert International Limited entered in a loan agreement for an amount up to EUR 1.000.000 with a repayment date not later than 28 February 2018. The loan bears interest of 0% per annum. The loan was repaid on 28 February 2018.

31. Commitments

The Company had no capital or other commitments as at 31 December 2018.

32. Financial risk management

Financial risk factors
The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk, compliance risk, reputation risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

32.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's The Directors monitors the interest rate fluctuations on a continuous basis and acts accordingly.

32.2 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets.

(i) Risk management

Credit risk is managed on a group basis.

For banks and financial institutions, only independently rated parties with a minimum rating of 'C' are accepted. If customers are independently rated, these ratings are used.

Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

32. Financial risk management (continued)

32.2 Credit risk (continued)

(ii) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- financial assets at amortised cost
- financial assets carried at FVOCI
- cash and cash equivalents

Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including those with a significant financing component, lease contracts and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Company defines default as a situation when the debtor is more than 90 days past due on its contractual payments. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	More than 180 days past due	**Total**
	€	€	€	€	€	**€**
Expected loss rate	0,1%	0,3%	0,5%	6,4%	1,3%	**8,6%**
Gross carrying amount - trade receivables	5.480.328	2.102.223	114.434	57.904	277.593	**8.032.482**

1 January 2018	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	More than 180 days past due	**Total**
	€	€	€	€	€	**€**
Expected loss rate	0,1%	0,3%	0,5%	6,4%	1,3%	**8,6%**
Gross carrying amount - trade receivables	3.236.937	748.992	41.678	2.375	106.190	**4.136.172**

The expected credit loss on trade receivables is not significant as at 31December 2018 and 1 January 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

32. Financial risk management (continued)

32.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. A provision for impairment of trade receivables was established when there was objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments (more than 120 days overdue) were considered indicators that the trade receivable was impaired. The amount of the provision was the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate.

Debt investments

Other financial assets at amortised cost

Other financial assets at amortised cost include loans to related parties including loans to directors and key management personnel, receivable from related party and other receivables.

Loans to related parties, receivables from related parties, other receivables and debt investments at amortised cost

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

32. Financial risk management (continued)

32.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

The Company uses three categories for loans, receivables,other receivables, debt securities at FVOCI which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor, Moody's and Fitch.

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	**Company definition of category**	**Basis for recognition of expected credit loss provision**	**Basis for calculation of interest revenue**
Performing	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Underperforming	Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Stage 2: Lifetime expected losses	Gross carrying amount
Non-performing	Interest and/or principal repayments are 90 days past due	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off	None

The Company has no financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows.

Over the term of the loans, receivables and other receivables, and debt securities the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data.

32. Financial risk management (continued)

32.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

The Company provides for credit losses against loans to related parties, receivables, other receivables and cash and cash equivalents. The following tables contains an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised. The gross carrying amounts below also represents the Company's maximum exposure to credit risk on these assets as at 31 December 2018.

Receivables from related parties

Company internal credit rating	Gross carrying amount	(Loss allowance)	Carrying amount (net of impairment provision)
	€	€	€
Performing	3.214.665	-	3.214.665
Total receivables from related parties	3.214.665	-	3.214.665

Cash and cash equivalents

Company internal credit rating	**External credit rating**	Expected credit loss rate	Gross carrying amount	(Loss allowance)	Carrying amount (net of impairment provision)
		€	€	€	€
Performing	AAA - A	- %	1.078.942	-	1.078.942
Underperforming	BBB - B	- %	324.572	-	324.572
Not performing	CCC - C	0,03%	6.869.952	-	6.869.952
Total cash and cash equivalents			8.273.466	-	8.273.466

(iii) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Company will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Company is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. The Company monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

32. Financial risk management (continued)

32.2 Credit risk (continued)

32.2.4 Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2018	2017
	€	€
Fully performing trade receivables		
Counterparties without external credit rating		
Group 1	**72.122**	1.217.879
Group 2	**5.313.727**	1.934.086
	5.385.849	3.151.965
Total fully performing trade receivables	**5.385.849**	3.151.965
Fully performing other receivables		
Group 4	**2.075.304**	3.387.031
Group 5	**240.247**	184.458
	2.315.551	3.571.489
Cash at bank and short term bank deposits		
A/A2	**-**	100.928
A-/A3	**-**	84
AAA/Aaa	**230.482**	-
AA-/Aa3	**848.460**	-
BB/Ba2	**324.571**	-
Lower than B-/B3	**6.869.728**	199.382
No Rating	**-**	115.412
	8.273.241	415.806

Group 1 - new customers (less than 6 months).

Group 2 - existing customers (more than 6 months) with no defaults in the past.

Group 4 - companies within the group, common control companies and associates with no defaults in the past.

Group 5 - Directors, shareholders and key management personnel.

None of the financial assets that are fully performing has been renegotiated.

32.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

32. Financial risk management (continued)

32.3 Liquidity risk (continued)

31 December 2018	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years
	€	€	€	€	€	€
Bank loans	5.004.521	5.640.000	4.521	1.405.479	1.410.000	2.820.000
Trade and other payables	6.319.083	6.319.083	-	6.319.083	-	-
Payables to related parties	125.171	125.171	-	125.171	-	-
Loans from shareholders	4.702	4.702	4.702	-	-	-
	11.453.477	**12.088.956**	**9.223**	**7.849.733**	**1.410.000**	**2.820.000**

31 December 2017	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years
	€	€	€	€	€	€
Trade and other payables	5.450.592	5.450.592	-	5.450.592	-	-
Loans from shareholders	331.651	331.651	-	331.651	-	-
Loan from parent company	400.000	400.000	-	400.000	-	-
	6.182.243	6.182.243	-	6.182.243	-	-

32.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the Euro. The Company's Directors monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

		Liabilities		**Assets**
	2018	2017	**2018**	2017
	€	€	**€**	€
United States Dollars	**-**	(117.509)	**2.934.637**	1.579.241
New Zealand Dollar	**-**	(82)	**-**	23.211
Singapore Dollar	**-**	-	**-**	4.077
British Pounds	**(1.464.505)**	(4.424.022)	**-**	1.095.634
Australian Dollar	**-**	(8.154)	**395.540**	170.459
Japanese Yen	**-**	(7.353)	**549.113**	681
	(1.464.505)	(4.557.120)	**3.879.290**	2.873.303

32. Financial risk management (continued)

Sensitivity analysis
A 10% strengthening of the Euro against the following currencies at 31 December 2018 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss	
	2018	2017
	€	€
Australian Dollar	**(35.958)**	(16.230)
United States Dollars	**(266.785)**	(146.173)
British Pounds	**188.467**	332.839
Other	**(49.919)**	(2.054)
	(164.195)	168.382

32.5 Compliance risk
Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

32.6 Supplier concentration risk
The Company's main cost is derived from a single major supplier. The loss of this supplier would adversely affect the Company's financial position and operating results. The Company takes all reasonable steps to retain good relationship with that supplier.

32.7 Capital risk management
Capital includes equity shares and share premium, convertible preference shares and loan from parent company.

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

33. Accounting policies up to 31 December 2017

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows.

Revenue recognition

Revenue comprises the invoiced amount for the sale of products net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **Rendering of services**

  Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

33. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Prepayments from clients

Payments received in advance on sale contracts for which no revenue has been recognised yet, are recorded as prepayments from clients as at the reporting date and carried under liabilities.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets

(1) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless The Directors intends to dispose of the investment within twelve months of the reporting date.

33. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Financial assets (continued)

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale securities the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

33. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Financial assets (continued)

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

34. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the Financial statements.

Independent auditor's report on pages 7 to 9