PEOPLECERT INTERNATIONAL LIMITED

Annual Report and Financial statements

Year ended 31 December 2019

PEOPLECERT INTERNATIONAL LIMITED

Annual Report and Financial statements
Year ended 31 December 2019

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

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 Barclays Bank Plc - IBU HSBC UK Bank Plc
Registration number:	160322

PEOPLECERT INTERNATIONAL LIMITED

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2019.

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

Principal activities and nature of operations of the Company
The principal activities of the Company, which are unchanged from last year, are 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.

Review of current position, future developments and performance of the Company's business
The net profit for the year attributable to the shareholders of the Company amounted to €3.894.024 (2018: €4.790.316). On 31 December 2019 the total assets of the Company were €35.584.358 (2018: €32.147.509) and the net assets of the Company were €20.741.242 (2018: €17.397.218). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal risks and uncertainties
The principal risks and uncertainties faced by the Company are disclosed in note 34 of the financial statements.

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

Use of financial instruments by the Company
The Company is exposed to interest rate risk, credit risk and liquidity risk from the financial instruments it holds.

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 Management 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 has a credit insurance policy in place and 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 8.

Dividends
On 31 December 2019 the Company in General Meeting declared the payment of a final dividend of €550.000 (2018: €111.791).

Share capital
There were no changes in the share capital of the Company during the year under review.

PEOPLECERT INTERNATIONAL LIMITED

MANAGEMENT REPORT

Board of Directors
The members of the Company's Board of Directors as at 31 December 2019 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2019.

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 35 to the financial statements.

Independent Auditors
The Independent Auditors, Grant Thornton (Cyprus) Limited, 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,

Zoulian Limited
Secretary

Nicosia, 8 July 2020

ZOULIAN LIMITED ★ CYPRUS ★

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

We have audited the financial statements of parent company Peoplecert International Limited (the "Company"), which are presented in pages 7 to 47 and comprise the statement of financial position as at 31 December 2019, 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 2019, 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.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

We draw attention to note 35 of the financial statements, which describes the uncertainty related to the outcome of the Coronavirus outbreak and the magnitude of the negative consequences this may have on our business and operations. Our opinion is not qualified in respect of this matter.

Independent Auditor's Report (continued)

To the Members of Peoplecert International Limited

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.

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.

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.

Grant Thornton

Independent Auditor's Report (continued)

To the Members of Peoplecert International Limited

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.

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.

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 2019.

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

Nicosia, 8 July 2020

PEOPLECERT INTERNATIONAL LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2019

	Note	2019 €	2018 €
ASSETS			
Property, plant and equipment	7	**34.457**	2.545
Intangible assets	8	**6.965.054**	7.005.741
Investments in subsidiaries	9	**4.958.902**	4.064.954
Financial assets at fair value through other comprehensive income	10	**8.953**	8.953
Loans receivable	11	**-**	300.000
		11.967.366	11.382.193
Trade and other receivables	12	**11.345.988**	11.952.705
Loans receivable	11	**32.777**	614.623
Cash at bank and in hand	13	**12.238.227**	8.197.988
		23.616.992	20.765.316
Total assets		**35.584.358**	32.147.509
Share capital	14	**10.000**	10.000
Share premium		**495.002**	495.002
Retained earnings		**20.236.240**	16.892.216
Total equity		**20.741.242**	17.397.218
Borrowings	15	**2.500.000**	3.750.000
Obligations under finance leases	16	**13.068**	-
Deferred tax liabilities	17	**110.421**	-
		2.623.489	3.750.000
Trade and other payables	19	**8.912.771**	7.430.119
Deferred income	20	**1.997.457**	2.301.620
Borrowings	15	**1.250.000**	1.259.223
Obligations under finance leases	16	**18.800**	-
Financial liabilities at fair value through profit or loss	18	**39.201**	-
Current tax liabilities	21	**1.398**	9.329
		12.219.627	11.000.291
Total liabilities		**14.843.116**	14.750.291
Total equity and liabilities		**35.584.358**	32.147.509

On 8 July 2020 the Board of Directors of Peoplecert International Limited authorised these financial statements for issue.

....
Nicolaas Petrus Wilhelmus Maria Horvers
Director

....
Eleni P. Kinani
Director

The notes on pages 11 to 47 form an integral part of these financial statements.

PEOPLECERT INTERNATIONAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	Note	**2019**	2018
		€	€
Revenue	22	**74.639.097**	70.594.020
Cost of sales	23	**(55.080.073)**	(52.981.934)
Gross profit		**19.559.024**	17.612.086
Other operating income	24	**689.323**	243.577
Selling and distribution expenses	25	**(2.511.401)**	(2.033.663)
Administration expenses	26	**(11.326.631)**	(10.010.687)
Net impairment (loss) on financial and contract assets		**(1.206.052)**	-
Operating profit		**5.204.263**	5.811.313
Finance income	28	**18.154**	5.145
Finance costs	28	**(1.145.128)**	(997.419)
Profit before tax		**4.077.289**	4.819.039
Tax	29	**(183.265)**	(28.723)
Net profit for the year		**3.894.024**	4.790.316
		-	-
Total comprehensive income for the year		**3.894.024**	4.790.316

The notes on pages 11 to 47 form an integral part of these financial statements.

PEOPLECERT INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Note	**Share capital €**	**Share premium €**	**Retained earnings €**	**Total €**
Balance at 1 January 2018		**10.000**	**495.002**	**12.213.691**	**12.718.693**
Comprehensive income					
Net profit for the year		-	-	4.790.316	4.790.316
Total comprehensive income for the year		-	-	4.790.316	4.790.316
Transactions with owners					
Dividends	30	-	-	(111.791)	(111.791)
Total transactions with owners		-	-	(111.791)	(111.791)
Balance at 31 December 2018/ 1 January 2019		**10.000**	**495.002**	**16.892.216**	**17.397.218**
Comprehensive income					
Net profit for the year		-	-	3.894.024	3.894.024
Total comprehensive income for the year		-	-	3.894.024	3.894.024
Transactions with owners					
Dividends	30	-	-	(550.000)	(550.000)
Total transactions with owners		-	-	(550.000)	(550.000)
Balance at 31 December 2019		**10.000**	**495.002**	**20.236.240**	**20.741.242**

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.

The notes on pages 11 to 47 form an integral part of these financial statements.

PEOPLECERT INTERNATIONAL LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2019

	Note	**2019** €	2018 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4.077.289**	4.819.039
Adjustments for:			
Depreciation of property, plant and equipment	7	**25.535**	432
Unrealised exchange (profit)/loss		**(4.877)**	5.180
Amortisation of intangible assets	8	**2.153.484**	1.813.221
Decrease in share capital of subsidiary	9	**1.206.052**	-
Dividend income	24	**(131.000)**	(200.336)
Interest income	28	**(18.154)**	(5.145)
Interest expense	28	**152.628**	120.223
Bad debts recovered		**(6.943)**	-
		7.454.014	6.552.614
Changes in working capital:			
Decrease/(increase) in trade and other receivables		**606.717**	(4.056.329)
Increase in trade and other payables		**1.348.993**	1.829.216
(Decrease)/increase in deferred income		**(304.163)**	2.301.620
Increase in provisions	18	**39.201**	-
Cash generated from operations		**9.144.762**	6.627.121
Tax paid		**(71.446)**	(94.114)
Net cash generated from operating activities		**9.073.316**	**6.533.007**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	8	**(2.112.797)**	(1.971.297)
Payment for purchase of property, plant and equipment	7	**(989)**	-
Payment for purchase of investments in subsidiaries	9	**(1.577.159)**	(110.775)
Loans granted		**-**	(910.000)
Loans repayments received		**-**	163.607
Interest received		**-**	722
Dividends received		**131.000**	-
Net cash used in investing activities		**(3.559.945)**	(2.827.743)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		**(1.259.223)**	(736.831)
Proceeds from borrowings		**-**	5.000.000
Interest paid		**(137.620)**	(111.000)
Dividends paid		**(111.791)**	-
Net cash (used in)/generated from financing activities		**(1.508.634)**	4.152.169
Net increase in cash and cash equivalents		**4.004.737**	7.857.433
Cash and cash equivalents at beginning of the year		**8.197.988**	415.808
Cash and cash equivalents at end of the year	13	**12.202.725**	8.273.241

The notes on pages 11 to 47 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 activities of the Company, which are unchanged from last year, are 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.

Operating Environment of the Company

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/quarantine by those potentially affected, implementing social distancing measures,and controlling or closing borders and “locking-down” cities/regions or even entire countries. These measures have slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time (Note 35).

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention.

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

The Company has also prepared consolidated financial statements in accordance with IFRSs 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 2019 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 2019, including the following:

- IFRS 16 "Leases"

As explained below, in accordance with the transition provisions of IFRS 16, the Company has elected the simplified approach for adoption of the standards. Accordingly, IFRS 16 was adopted without restating the comparative information. The comparative information is prepared in accordance with IAS 17, and the impact of adoption has been recognised in the opening retained earnings.

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

As at 31 December 2018, leases of offices were classified as financial or operating leases. The payments made under operating leases were charged to the results using the fixed method during the lease. As of 1 January 2019, leases are recognised as a right of use asset and a corresponding lease liability on the date that the leased property is available for use by the Company. Each rental payment is divided between the obligation and the cost of financing. The asset is depreciated during the shortest useful life of the asset and the duration of the lease on a fixed basis.

The Company does not have short-term leases (leases with an expected duration of 12 months or less) or leases of low value assets.

This adoption did not have a material effect on the accounting policies of the Company. The following is an agreement on the capital commitment shown last year on 31 December 2018 (as presented in the financial statements up to 31 December 2018) in the liabilities from financial leases that were recognized on 1 January 2019:

	€
Rent expense as at 31 December 2018	24.125
Present value of future payments	30.071
Interest expense	2.262
Right of use Asset/Lease liability 01.01.2019	56.458

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

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., PeopleCert Education 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 net assets of that subsidiary, are 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.

Property, plant and equipment

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

4. Significant accounting policies (continued)

Property, plant and equipment (continued)

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.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

4. Significant accounting policies (continued)

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.

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.

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. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

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.

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

4. Significant accounting policies (continued)

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 recoverable amount 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:

- 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 recognised 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.

4. Significant accounting policies (continued)

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.

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".

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 recognised 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 34, 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 34, Credit risk section.

4. Significant accounting policies (continued)

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

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 34, 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 (e.g. 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.

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 and in hand. 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.

4. Significant accounting policies (continued)

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.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

4. Significant accounting policies (continued)

Leases (continued)

The Company as lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.3 The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Trade payables

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

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.

4. Significant accounting policies (continued)

Derivatives and hedge accounting

Derivatives are initially recognised at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and any changes therein are generally recognised in profit or loss. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative.

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

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 34, 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.

Revenue

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.

4. Significant accounting policies (continued)

Revenue recognition (continued)

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.

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).

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.

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

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.

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.

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.

Foreign currency translation

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.

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.

4. Significant accounting policies (continued)

Tax

Income tax expense represents the sum of the tax currently payable and deferred 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.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

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.

Deferred income

Deferred income represents income receipts which relate to future periods.

Credit related commitments

The Company issues commitments to provide loans. Commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. Loan commitments provided by the Company are measured as the amount of the loss allowance calculated under IFRS 9.

At the end of each reporting period, the commitments are measured at:
(i) the remaining unamortised balance of the amount at initial recognition, plus
(ii) the amount of the loss allowance determined based on the expected credit loss model.

If the loan commitments are provided at a below-market interest rate, they are measured at the higher of:
(i) the amount of the loss allowance determined based on the expected loss model and
(ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

For loan commitments (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the statement of financial position. However, for contracts that include both a loan and an undrawn commitment and the Company cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

4. Significant accounting policies (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

5. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:
IFRS Interpretations Committee

- *Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).*
- *Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)*
- *IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).*

- *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020) (effective for annual periods beginning on or after 1 January 2020).*
- *Amendments to IFRS16 Leases (issued on 28 May 2020) (effective for annual periods begining on after 1 June 2020).*

The above are expected to have no significant impact on the Company's financial statements when they become effective.

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 Management 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 Management'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.

6. Critical accounting estimates and judgments (continued)

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

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.

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.

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.

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.

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.

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.

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 34, Credit risk section.

6. Critical accounting estimates and judgments (continued)

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.

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.

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.

7. Property, plant and equipment

	Plant and machinery	**Furniture, fixtures and office equipment**	**Right of Use Asset of Office Space**	**Total**
	€	**€**	**€**	**€**
Cost				
Balance at 1 January 2018	2.136	2.580	-	4.716
Balance at 31 December 2018/ 1 January 2019	**2.136**	**2.580**	**-**	**4.716**
Additions	-	989	-	989
Initial recognition of IFRS 16	-	-	56.458	56.458
Balance at 31 December 2019	**2.136**	**3.569**	**56.458**	**62.163**
Depreciation				
Balance at 1 January 2018	871	868	-	1.739
Charge for the year	174	258	-	432
Balance at 31 December 2018/ 1 January 2019	**1.045**	**1.126**	**-**	**2.171**
Charge for the year	220	270	25.045	25.535
Balance at 31 December 2019	**1.265**	**1.396**	**25.045**	**27.706**
Net book amount				
Balance at 31 December 2019	**871**	**2.173**	**31.413**	**34.457**
Balance at 31 December 2018	**1.091**	**1.454**	**-**	**2.545**

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

	2019	2018
	€	€
Administration expenses	25.534	432
	25.534	432

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 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/ 1 January 2019	**680.455**	**6.827.548**	**-**	**30.000**	**3.374.527**	**10.912.530**
Additions	-	1.819.785	293.012	-	-	2.112.797
Balance at 31 December 2019	**680.455**	**8.647.333**	**293.012**	**30.000**	**3.374.527**	**13.025.327**
Amortisation						
Balance at 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/ 1 January 2019	**507.070**	**2.694.814**	**-**	**30.000**	**674.905**	**3.906.789**
Amortisation for the year	136.091	1.342.487	-	-	674.906	2.153.484
Balance at 31 December 2019	**643.161**	**4.037.301**	**-**	**30.000**	**1.349.811**	**6.060.273**
Net book amount						
Balance at 31 December 2019	**37.294**	**4.610.032**	**293.012**	**-**	**2.024.716**	**6.965.054**
Balance at 31 December 2018	**173.385**	**4.132.734**	**-**	**-**	**2.699.622**	**7.005.741**

8. Intangible assets (continued)

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

	2019	2018
	€	€
Cost of sales	2.153.484	1.813.222
	2.153.484	1.813.222

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, the Company's website and other software.

9. Investments in subsidiaries

	2019	2018
	€	€
Balance at 1 January	**4.064.954**	3.954.179
Additions	**2.100.000**	110.775
Decrease in share capital of subsidiaries	**(1.206.052)**	-
Balance at 31 December	**4.958.902**	4.064.954

On 24 June 2019, the Board of Directors of PeopleCert Hellas S.A. decided to increase its share capital by €2.100.000 .

On the same day, the Board of Directors of PeopleCert Hellas S.A. decided to decrease its share capital by €2.684.860. The accumulated impairment amounting to €1.478.808 was set-off against the decrease in share capital with the remaining amount of €1.206.052 being written-off as an expense in profit and loss for the year.

On 24 October 2019, the Board of Directors of PeopleCert Hellas S.A. decided to amend the increase of its share capital to €2.100.483.

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.

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 2019 was calculated at €8.600.000.

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.

9. Investments in subsidiaries (continued)

These calculations use cash flow projections based on financial budgets approved by the Board of Directors covering a five-year period. The Board of Directors 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 calculation are as follows:

	%
Average annual increase in operating cash flows	7
Average annual increase in operating cash outflows	7
Growth rate for cash flows after the five year period	1,8
Discount rate	9,77

The impairment tests resulted in the recognition of impairment losses of €- (2018: €-).

Sensitivity analysis

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

	%
Average annual decrease in operating cash flows	15
Average annual increase in operating cash outflows	25
Growth rate for cash flows after the five year period	-14
Discount rate	17

10. Financial assets at fair value through other comprehensive income

	2019	2018
	€	€
Balance at 1 January	**8.953**	-
Additions	-	8.953
	8.953	8.953

11. Loans receivable

	2019	2018
	€	€
Balance at 1 January	**914.623**	163.807
New loans granted	-	910.000
Interest charged	18.154	5.145
Repayment	(900.000)	(164.005)
/foreign exchnage difference	-	(324)
Balance at 31 December	**32.777**	914.623

	2019	2018
	€	€
Loans to related parties	**32.777**	914.623
	32.777	914.623

11. Loans receivable (continued)

Less current portion	**(32.777)**	(614.623)
Non-current portion	**-**	300.000

The loans are repayable as follows:

	2019	2018
	€	€
Within one year	**32.777**	614.623
Between one and five years	**-**	300.000
	32.777	914.623

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

	2019	2018
Loan receivable	**4,15%**	3%

12. Trade and other receivables

	2019	2018
	€	€
Trade receivables	**7.344.021**	8.154.365
Less: credit loss on trade receivables	**(242.417)**	(264.007)
Trade receivables - net	**7.101.604**	7.890.358
Receivables from own subsidiaries	**1.861.195**	2.016.789
Receivables from related parties	**131.440**	43.161
Shareholders' current accounts - debit balances	**255.688**	240.247
Receivables from parent	**12.185**	15.355
Other receivables and prepayments	**1.894.287**	1.720.687
Refundable VAT	**89.589**	26.108
	11.345.988	11.952.70

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 believe 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:

	2019	2018
	€	€
Balance at 1 January	**264.007**	63.819
Impairment losses recognised on receivables	**-**	200.188
Bad debts recovered	**(21.590)**	-
Balance at 31 December	**242.417**	264.007

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

13. Cash at bank and in hand

	2019	**2018**
	€	€
Cash at bank and in hand	**12.202.725**	8.042.759
Cash equivalents	**35.502**	155.229
	12.238.227	8.197.988

Cash equivalents of €35.502 (2018: €155.229) represent cash held in merchant accounts.

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

	2019	2018
	€	€
Cash at bank and in hand	**12.202.725**	8.197.988
	12.202.725	8.197.988

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 34 of the financial statements.

14. Share capital

	2019 Number of shares	**2019 €**	2018 Number of shares	2018 €
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**	10.000	10.000
Balance at 31 December	**10.000**	**10.000**	10.000	10.000

There were no changes to the authorised share capital of the Company during the year.

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.

15. Borrowings

	2019	2018
	€	€
Balance at 1 January	**5.009.223**	731.651
Additions	**-**	5.000.000
Repayments	**(1.259.223)**	(736.831)
Interest charged for the year	**137.620**	120.223
Repayments of interest	**(137.620)**	(111.000)
Exchange differences	-	5.180
Balance at 31 December	**3.750.000**	5.009.223

15. Borrowings (continued)

	2019	2018
	€	€
Current borrowings		
Bank loans	**1.250.000**	1.254.521
Loans from shareholders	**-**	4.702
	1.250.000	1.259.223
Non-current borrowings		
Bank loans	**2.500.000**	3.750.000
Total	**3.750.000**	5.009.223

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%.

The undrawn facility as at 31 December 2018 was €1.000.000.

As per agreement, after 31 December 2018 the entity is not eligible to undrawn facility, thus there is no further commitment fee.

Maturity of non-current borrowings:

	2019	2018
	€	€
Within one year	**1.250.000**	1.259.223
Between one and five years	**2.500.000**	3.750.000
	3.750.000	5.009.223

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

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

	2019	2018
Bank loans	**3.04%**	3,53%
Loans from subsidiaries	**-%**	3,63%

The Company borrowings are denominated in the following currencies:

	2019	2018
	€	€
Euro	**3.750.000**	5.004.521
British Pounds	**-**	4.702
	3.750.000	5.009.223

Covenants

<u>Bank loans</u>

The bank loans include the following covenants

	Met as at 31 December 2019
• Debt services 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%	Yes
• The aggregate revenue of the Company's and Peoplecert UK Ltd's is greater than 80% of the consolidated Company's revenues	Yes

16. Obligations under finance leases

	Minimum lease payments		The present value of minimum lease payments	
	2019	2018	**2019**	2018
	€	€	**€**	€
Not later than 1 year	**19.200**	-	**18.800**	-
Later than 1 year and not later than 5 years	**13.600**	-	**13.068**	-
	32.800	-	**31.868**	-
Future finance charges	**(932)**	-	**-**	-
Present value of finance lease liabilities	**31.868**	-	**31.868**	-

All lease obligations are denominated in Euro.

The fair values of lease obligations approximate to their carrying amounts as presented above.

17. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 29). The applicable corporation tax rate in the case of tax losses is 12,5%.

The movement on the deferred taxation account is as follows:

	Temporary tax differences
	€
Balance at 1 January 2019	**-**
Charged/(credited) to:	
Statement of comprehensive income (Note 29)	110.421
Balance at 31 December 2019	**110.421**

18. Financial Liability measured at Fair Value Through profit or loss

	Forward Contracts €
Balance at 1 January 2018	-
Balance at 31 December 2018/ 1 January 2019	**-**
Fair Value change at year end through profit or loss	39.201
Balance at 31 December 2019	**39.201**

The financial liability at fair value through profit or loss are unquoted exchange rate forward contracts. All derivatives under the scope of IFRS9 are measured at fair value. Financial liabilities at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date.

In the cash flow statement, financial liabilities at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of comprehensive income, changes in fair value of the financial liabilities at fair value through profit or loss are recorded in operating income.

During the year, a fair value loss of €39.201 was recognised in profit or loss.

19. Trade and other payables

	2019	2018
	€	€
Trade payables	**6.205.457**	5.968.441
Prepayments from clients	**314.089**	130.183
Social insurance and other taxes	**3.100**	2.296
Payables to parent	**550.000**	111.791
Staff cost payable	**-**	18.507
Accruals	**1.235.442**	1.185.504
Defence tax on rent payable	**-**	17
Payables to related parties	**600.885**	9.539
Payables to associates	**3.798**	3.841
	8.912.771	7.430.119

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.

20. Deferred income

	2019	2018
	€	€
Accreditation fees	**1.997.457**	2.301.620
	1.997.457	2.301.620

21. Current tax liabilities

	2019	2018
	€	€
Corporation tax	**1.398**	8.002
Special contribution for defence	**-**	1.327
	1.398	9.329

22. Revenue

	2019	2018
	€	€
Business and IT Qualifications	**65.977.775**	62.208.910
Language Qualifications	**448.654**	255.000
Other Revenue	**8.212.668**	8.130.110
	74.639.097	70.594.020

23. Cost of sales

	2019	2018
	€	€
Intellectual Properties Rights fees	**630.573**	258.373
Commissions payable	**242.868**	257.610
Accreditation fees	**185.097**	210.558
Learning service purchase cost	**88.619**	127.927
Consulting Fees	**25.137**	-
Other direct costs	**13.734**	16.372
Royalty fees	**51.488.296**	49.832.328
Exams supervision and testing program expenses	**252.265**	465.544
Amortisation	**2.153.484**	1.813.222
	55.080.073	52.981.934

24. Other operating income

	2019	2018
	€	€
Dividend income	**131.000**	200.336
Other income	**529.791**	43.241
Bad debts recovered	**28.532**	-
	689.323	243.577

Other income amounting to €529.791 relates to expenses that were recharged to partners during the year.

25. Selling and distribution expenses

	2019	2018
	€	€
Overseas travelling	**343.469**	166.668
Advertising	**335.471**	102.562
Sales consultants fees	**1.188.699**	1.139.335
Consultancy fees	**83.783**	217.654
Bad debts written off	**126.722**	8.524
General provision for bad debts	**-**	200.188
Sponsorships and conference participation	**433.257**	198.732
	2.511.401	2.033.663

26. Administration expenses

	2019	2018
	€	€
Staff costs	**149.169**	156.597
Rent	**700**	9.120
Professional licence fee	**2.570**	9.168
Repairs and maintenance	**405**	311
Telephone and postage	**46.136**	47.609
Subscriptions and contributions	**79.677**	67.060
Non charitable donations	**-**	3.268
Staff training	**174**	-
Sundry staff costs	**10.390**	1.447
Computer supplies and maintenance	**125.434**	122.255
Auditors' remuneration for the statutory audit of annual accounts	**54.000**	35.000
Tax fees	**1.000**	-
Accounting fees	**60.779**	33.043
Legal fees	**219.124**	213.029
Other professional fees	**332.018**	346.385
Fines	**367**	-
Overseas travelling	**296.599**	326.546
Inland travelling and accommodation	**2.077**	2.181
Entertaining	**191.533**	131.798
Consultancy fees	**6.564**	138.681
Management fees	**8.965.102**	7.617.801
Office expenses	**4.738**	4.061
Expenses of Dubai branch	**1.704**	24.816
IT services	**572.544**	516.480
Depreciation	**25.534**	432
Sundry expenses	**178.293**	203.599
	11.326.631	10.010.687

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.

27. Staff costs

	2019	2018
	€	€
Salaries	**131.285**	141.146
Social security costs	**17.884**	15.451
	149.169	156.597
Average number of employees	**8**	7

28. Finance income/(costs)

	2019	2018
	€	€
Interest income	**18.154**	5.145
Finance income	**18.154**	5.145
Net foreign exchange losses	**(261.100)**	(359.445)
Interest expense	**(152.628)**	(87.521)
Sundry finance expenses	**(731.400)**	(550.453)
Finance costs	**(1.145.128)**	(997.419)
	(1.126.974)	(992.274)

29. Tax

	2019	2018
	€	€
Corporation tax	**67.398**	66.002
Defence contribution	**5.446**	1.327
Deferred tax - charge/(credit) (Note 17)	**110.421**	(38.606)
Charge for the year	**183.265**	28.72

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:

	2019	2018
	€	€
Profit before tax	**4.077.289**	4.819.039
Tax calculated at the applicable tax rates	**509.661**	602.380
Tax effect of expenses not deductible for tax purposes	**722.291**	621.909
Tax effect of allowances and income not subject to tax	**(1.164.554)**	(1.158.287)
Defence contribution current year	**5.446**	1.327
Deferred tax	**110.421**	(38.606)
Tax charge	**183.265**	28.723

30. Dividends

	2019	2018
	€	€
Declared final dividend	**550.000**	111.791
	550.000	111.79

On 31 December 2019 the Company in General Meeting declared the payment of a final dividend of €550.000 (2018: €111.791).

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.

31. Related party 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 following transactions were carried out with related parties:

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

	2019	2018
	€	€
Directors' fees	**45.600**	52.750
Director's social insurance and other contributions	**6.175**	6.089
	51.775	58.839

Name	Nature of transactions	2019 €	2018 €
Subsidiaries			
PeopleCert UK Ltd	Trade	**7.925.021**	7.576.332
PeopleCert UK Ltd	Management fees	**429.638**	473.381
PeopleCert Hellas S.A.	Interest on loan	**18.154**	4.423
PeopleCert Educational S.A.	Trade	**-**	4.263
PeopleCert Global S.A.	Dividends	**131.000**	200.336
Other related parties		**-**	-
Angelstorm Ltd (under common control)	Interest on loan	**-**	564
Lean IT Association	Interest on loan	**-**	722
		8.503.813	8.260.021

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

Name	Nature of transactions	2019 €	2018 €
Controlling parties			
Byron Nicolaides	Interest on loan	**-**	4.702
Subsidiaries			
PeopleCert Global Services A.E.	Management fees	**8.730.382**	7.505.235
PeopleCert Global Services A.E.	Intangible Assets	**1.538.522**	1.578.638
PeopleCert Qualification Ltd	Trade	**452.115**	601.253
PeopleCert Qualification Ltd	Management fees	**234.720**	112.566
		10.955.739	9.802.394

31. Related party transactions (continued)

Name	Nature of transactions	2019 €	2018 €
Controlling parties			
Byron Nicolaides	Current account	**255.688**	240.247
PeopleCert Holdings UK Ltd	Financing	**12.185**	15.355
PeopleCert Holdings Europe Ltd	Financing	**-**	4.747
Dimitirs Nicolaides	Financing	**-**	10.488
Subsidiaries			
PeopleCert UK Limited	Trading	**1.078.676**	1.144.011
PeopleCert Qualifications Ltd	Trading	**-**	56.304
PeopleCert Global Services S.A.	Trading	**782.519**	812.21
PeopleCert Educational S.A.	Trading	**-**	4.26
Other related parties			
ECDL Hellas S.A. (under common control)	Trading	**27.925**	27.92
Angelstorm Ltd (under common control)	Financing	**78.435**	**-**
Hepis (under common control)	Finance	**25.080**	-
		2.260.508	2.315.551

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

	Terms	2019 €	2018 €
PeopleCert Hellas S.A.	Finance	**32.777**	914.623
		32.777	914.623

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

During the year, the Company acquired additional shares in PeopleCert Hellas S.A. amounting to €2.100.483 in exchange for the contribution of the loan receivable total amoount of €900.000 as part of the consideration fee required and a partial payment amounting to €695.796.

Name	Nature of transactions	2019 €	2018 €
Controlling parties		**-**	-
PeopleCert Holdings UK Ltd	Dividends	**550.000**	111.791
Subsidiaries		**-**	-
PeopleCert Qualifications Ltd	Trade	**78.527**	-
PeopleCert Hellas S.A.	Finance	**522.358**	-
Other related parties		**-**	-
ECDL Foundation (under common control)	Trade	**-**	804
Angelstorm Ltd (under common control)	Finance	**-**	8.735
Associates		**-**	-
Lean IT Association	Trade	**3.798**	3.841
		1.154.683	125.171

	2019 €	2018 €
Byron Nicolaides	**-**	4.702
	-	4.702

The outstanding interest payable to Byron Nicolaides was paid during the year.

32. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2019.

33. Commitments

The Company had no capital or other commitments as at 31 December 2019.

34. Financial risk management

Financial risk factors
The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk, compliance risk, reputational risk, compliance risk, share ownership 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:
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 Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.
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.

(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
- derivatives
- financial assets at amortised cost
- financial assets carried at FVOCI
- cash and cash equivalents
- other receivables
- receivables from related parties

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.

34. Financial risk management (continued)

(ii) Impairment of financial assets (continued)

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 2019 or 1 January 2019 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.

The expected credit loss on trade receivables is not significant as at 31 December 2019 and 31 December 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.

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.

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

34. Financial risk management (continued)

(ii) Impairment of financial assets (continued)

- 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.

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.

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.

34. Financial risk management (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 2019.

Company internal credit rating	Gross carrying amount €	(Loss allowance) €	Carrying amount (net of impairment provision) €
Performing	3.230.174	-	3.230.174
Total receivables from related parties	3.230.174	-	3.230.174

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	-%	1.175.413	-	1.175.413
Underperforming	BBB - B	-%	473.203	-	473.203
Not performing	CCC - C	2,0%	10.589.611	-	10.589.611
Total cash and cash equivalents			**12.238.227**	-	12.238.227

(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.

The table below shows an analysis of the Company's cash at bank and bank deposits by the credit rating of the bank in which they are held:

Bank group based on credit ratings by Moody's	**2019** €	2018 €
AAA/Aaa	**211.012**	230.482
AA- /Aa3	**964.401**	848.460
BB/Ba2	**473.203**	324.572
Lower than B-/B3	**10.589.611**	6.869.728
	12.238.227	8.273.242

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.

34. Financial risk management (continued)

31 December 2019	Carrying amounts	Contractual cash flows	12 months	1-2 years	2-5 years
	€	€	€	€	€
Bank loans	3.750.000	3.897.439	1.347.879	2.549.560	-
Trade and other payables	6.389.777	6.389.777	6.389.777	-	-
Payables to related parties	1.154.683	1.154.683	1.154.683	-	-
	11.294.460	**11.441.899**	**8.892.339**	**2.549.560**	**-**

31 December 2018	Carrying amounts	Contractual cash flows	3-12 months	1-2 years	2-5 years
	€	€	€	€	€
Bank loans	5.004.521	5.640.000	1.410.000	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	7.858.956	1.410.000	2.820.000

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. The Company's Management 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**
	2019	2018	**2019**	2018
	€	€	**€**	€
United States Dollars	**7.560**	-	**3.076.675**	2.934.637
Japanese Yen	**9.827**	-	**318.389**	549.113
British Pounds	**5.673.963**	1.464.505	**4.619.746**	-
Australian Dollar	**10.941**	-	**339.319**	395.540
	5.702.291	1.464.505	**8.354.129**	3.879.290

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2019 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
	2019	2018
	€	€
United States Dollars	**(341.013)**	(266.785)
Australian Dollar	**(36.486)**	(35.958)
British Pounds	**117.135**	188.467
Other	**(34.285)**	(49.919)
	(294.649)	(164.195)

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.

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.

34. Financial risk management (continued)
Capital includes equity shares and share premium, convertible preference shares and loan from parent company.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

35. Events after the reporting period

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be directlydisrupted significantly by these measures. Other industries such as manufacturingand financial services are expected to be indirectly affected and their results to alsobe negatively affected

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the paceat which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

The Board of Directors has considered the unique circumstances and the risk exposures of the Company and has concluded the event is not expected to have an immediate material impact on the business operations. The Board of Directors will continue to monitor the situation closely and will assess the need for further measures to be taken in case the period of disruption becomes prolonged.

In Cyprus, on 15 March 2020, the Council of Ministers in an extraordinary meeting, announced that it considers that Cyprus is entering a state of emergency considering the uncertain situation as it unfolds daily, the growing spread of COVID-19 outbreak and the World Health Organization's data on the situation.

To this end, certain measures have been taken with a view to safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large.

New entry regulations have been announced with regard to protecting the population from a further spread of the disease which tightens the entry of individuals to the Republic of Cyprus. Additionally, it was decided that a considerable number of private businesses operating in various sectors of the economy would remain closed from Monday, 16th of March 2020 and for a period of four weeks. Hotels were instructed to suspend their operations until the 30 of April 2020. Furthermore, on 23 of March 2020 lockdown measures were announced effective from 06:00 p.m. of the 24 of March and up to 06:00 a.m. of the 13 of April 2020. These measures include:

- prohibition of all unnecessary movements (subject to certain exceptions such as those connected with work, the purchase of essential supplies, doctor and pharmacy visits),
- prohibition of access to parks, children's play areas, open sport facilities, squares, dams, excursion sites, marinas and beaches,
- suspension of the operations of all retail companies (subject to certain exceptions),
- suspension of the operations of open-air markets,
- suspension of works in all construction sites with the exception of those related to public works for which a relevant license will be issued
- prohibition of citizens' visits to places of worship such as churches and mosques.

35. Events after the reporting period (continued)

The objective of these public policy measures is to contain the spread of COVID-19 outbreak and are expected to result in minor operational disruption for the Company.

The Board of Directors has proactively assessed and measured the risks stemming from Covid-19, informed all employee and disclosed available information. There is no indication that any other supplementary piece of disclosure is required at present. The Company maintains a strong position and is ready to provide futher disclosures if required. The education market had suffered a temporary hit by Covid-19, relating to the second and third quarter of 2020 performace. However, long-lasting implications do not exist in daily operations, such as in other seriously affected markets (transport, logistics), so as to proceed with further disclosures.

The Board of Directors considers that a great portion of the lost sales for the second and third quarter, will be compensated during the last quarter of 2020. On top of that, the shift to "remote" exam taking would be permanent and sustainable. The gross profit of such operations is higher compared to traditional exams in classrooms. Any re-appearance of Covid-19 would find Peoplecert ready to adapt and accomodate larger amount of exams without a need to restructure its operations.

The Board of Directors is reassessing the trading and relevant cash flows of the Company using revised assumptions and incorporating downside scenarios in assessing actual and potential financing needs, taking into consideration the main impacts identified above.

The Board of Directors will continue to monitor the situation closely and assess/seek additional measures/committed facilities as a fall back plan in case the period of disruption becomes prolonged.

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