

**PEOPLECERT INTERNATIONAL
LIMITED**

ANNUAL REPORT AND FINANCIAL
STATEMENTS

Year ended 31 December 2020

PEOPLECERT INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2020

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PEOPLECERT INTERNATIONAL LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Georgios Giannetsos (appointed on 15 January 2021) Charalambos Meivatzis (appointed on 15 January 2021) Ionas Nicolaou (appointed on 15 January 2021) Christos P. Kinanis Nicolaas Petrus Wilhelmus Maria Horvers Eleni P. Kinani (resigned on 15 January 2021) Panagiotis I. Kinanis (resigned on 15 January 2021)
Company Secretary:	Zoulia 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:	Bank of Cyprus Public Company Ltd Barclays Bank Plc - IBU Societe Generale Bank 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 2020.

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 of the organization and the 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 €3,814,745 (2019: €3,894,024). On 31 December 2020 the total assets of the Company were €35,721,194 (2019: €35,584,359) and the net assets of the Company were €23,055,987 (2019: €20,741,242). 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 notes 6 and 32 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 one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. 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 as well as lease receivables. Further, credit risk arises from financial guarantees and credit related commitments.

Credit risk is managed on a group basis. For banks and financial institutions, the Company has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of ['C'].

If wholesale 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. Sales to retail customers are settled in cash or using major credit cards.

The Company's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

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.

PEOPLECERT INTERNATIONAL LIMITED

MANAGEMENT REPORT

Results and Dividends

The Company's results for the year are set out on page 8.

Dividends

On 31 December 2020 the Company in General Meeting declared the payment of a final dividend of €1,500,000 (2019: €550,000).

Share capital

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

Board of Directors

The members of the Company's Board of Directors as at 31 December 2020 and at the date of this report are presented on page 1. There were some changes in the members of the Board of Directors throughout the year ended 31 December 2020. Panagiotis I. Kinanis and Eleni P. Kinani who were appointed directors at the date of incorporation resigned on 15 January 2021 and on the same date Georgios Giannetsos, Charalambos Meivatzis and Ionas Nicolaou were appointed in their place.

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.

Operating Environment of the Company

Any significant events that relate to the operating environment of the Company are described in note 1 to the financial statements.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 33 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,


Zoullian Limited
Secretary

Nicosia, 9 April 2021



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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company Peoplecert International Limited (the "Company"), which are presented in pages 7 to 47 and comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Independent Auditor's Report (continued)

Responsibilities of the Board of Directors for the Financial Statements (continued)

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

Report on Other Legal Requirements

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

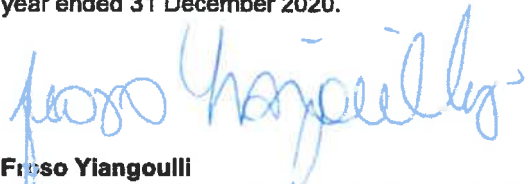
- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment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

Independent Auditor's Report (continued)

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020.



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

Nicosia, 9 April 2021

PEOPLECERT INTERNATIONAL LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2020

	Note	2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	7	26,973	34,457
Intangible assets	8	6,470,459	6,985,054
Investments in subsidiaries	9	7,081,243	4,958,902
Financial assets at fair value through other comprehensive income		8,953	8,953
		<u>13,586,628</u>	<u>11,987,366</u>
Current assets			
Trade and other receivables	11	7,203,028	11,345,989
Loans receivable	10	-	32,777
Cash at bank and in hand	12	14,931,538	12,238,227
		<u>22,134,566</u>	<u>23,616,993</u>
Total assets		<u>35,721,194</u>	<u>35,584,359</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	10,000	10,000
Share premium		496,002	496,002
Retained earnings		<u>22,550,985</u>	<u>20,238,240</u>
Total equity		<u>23,056,987</u>	<u>20,744,242</u>
Non-current liabilities			
Borrowings	14	1,250,000	2,500,000
Obligations under finance leases	15	3,970	13,068
Deferred tax liabilities	16	<u>110,420</u>	<u>110,421</u>
		<u>1,364,390</u>	<u>2,623,489</u>
Current liabilities			
Trade and other payables	17	7,991,760	8,912,772
Deferred income	18	2,032,393	1,997,457
Borrowings	14	1,250,000	1,250,000
Obligations under finance leases	15	19,995	18,800
Financial liabilities at fair value through profit or loss		-	39,201
Current tax liabilities	19	<u>6,669</u>	<u>1,398</u>
		<u>11,300,817</u>	<u>12,219,828</u>
Total liabilities		<u>12,665,207</u>	<u>14,843,117</u>
Total equity and liabilities		<u>35,721,194</u>	<u>35,584,359</u>

On 9 April 2021 the Board of Directors of Peoplecert International Limited authorised these financial statements for issue.

Nicolas Petrus Wilhelmus Maria Horvers
Director

Christos P. Kiriakis
Director

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

PEOPLECERT INTERNATIONAL LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	2020 €	2019 €
Revenue	20	66.952.288	74.639.097
Cost of sales	21	<u>(46.829.580)</u>	<u>(55.080.790)</u>
Gross profit		20.122.708	19.558.307
Other operating income	22	137.005	689.323
Selling and distribution expenses	23	(2.213.339)	(2.511.401)
Administration expenses	24	(13.244.303)	(11.325.914)
Net impairment profit/(loss) on financial and contract assets		-	(1.206.052)
Other expenses		<u>(5.036)</u>	-
Operating profit		4.797.035	5.204.263
Finance income	26	-	18.154
Finance costs	26	<u>(917.022)</u>	<u>(1.145.128)</u>
Profit before tax		3.880.013	4.077.289
Tax	27	<u>(65.268)</u>	<u>(183.265)</u>
Net profit for the year		3.814.745	3.894.024
Other comprehensive income		-	-
Total comprehensive income for the year		<u>3.814.745</u>	<u>3.894.024</u>

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 2020

	Note	Share capital €	Share premium €	Retained earnings €	Total €
Balance at 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	28	-	-	(550.000)	(550.000)
Total transactions with owners		-	-	(550.000)	(550.000)
Balance at 31 December 2019/ 1 January 2020		10.000	495.002	20.236.240	20.741.242
Comprehensive income					
Net profit for the year		-	-	3.814.745	3.814.745
Total comprehensive income for the year		-	-	3.814.745	3.814.745
Transactions with owners					
Dividends	28	-	-	(1.500.000)	(1.500.000)
Total transactions with owners		-	-	(1.500.000)	(1.500.000)
Balance at 31 December 2020		10.000	495.002	22.550.985	23.055.987

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 the rate of 17% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents and domiciled. From 1 March 2019, the deemed dividend distribution is subject to a 1,70% contribution to the General Healthcare System, increased to 2,65% from 1 March 2020, with the exception of April 2020 until June 2020 when the 1,70% rate was applicable. 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.

PEOPLECERT INTERNATIONAL LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2020

	Note	2020 €	2019 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3.880.013	4.077.289
Adjustments for:			
Depreciation of property, plant and equipment	7	24.973	25.535
Unrealised exchange profit		-	(4.877)
Amortisation of intangible assets	8	2.345.808	2.153.484
Decrease in share capital of subsidiary	9	-	1.206.052
Dividend income	22	-	(131.000)
Interest income	26	-	(18.154)
Interest expense	26	101.199	152.628
Bad debts recovered		-	(6.943)
		6.351.993	7.454.014
Changes in working capital:			
Decrease in trade and other receivables		4.142.961	606.717
Decrease in cash equivalents		9.047	-
Increase in derivative financial instruments		(39.201)	-
(Decrease)/increase in trade and other payables		(2.295.280)	1.348.993
Increase/(Decrease) in deferred income		34.936	(304.163)
Increase in provisions		-	39.201
		8.204.456	9.144.762
Cash generated from operations		(59.999)	(71.446)
Tax paid			
		8.144.457	9.073.316
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	8	(1.851.213)	(2.112.797)
Payment for purchase of property, plant and equipment	7	-	(989)
Payment for purchase of investments in subsidiaries	9	(1.697.073)	(1.577.159)
Loans repayments received		33.260	-
Dividends received		-	131.000
		(3.515.026)	(3.559.945)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(1.250.000)	(1.259.223)
Repayments of obligations under finance leases		(25.200)	-
Interest paid		(101.199)	(137.620)
Dividends paid		(550.000)	(111.791)
		(1.926.399)	(1.508.634)
Net cash used in financing activities			
Net increase in cash and cash equivalents		2.703.032	4.004.737
Cash and cash equivalents at beginning of the year		12.202.725	8.197.988
Effect of exchange rate fluctuations on cash held		(674)	-
Cash and cash equivalents at end of the year	12	14.905.083	12.202.725

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

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 of the organization and the execution of examinations on behalf of other companies.

Operating Environment of the Company

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has 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 have implemented restrictions on travelling as well as strict quarantine measures throughout the year.

Industries such as tourism, hospitality and entertainment have been directly disrupted significantly by these measures. Other industries such as manufacturing and financial services have also been indirectly affected.

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 by the Republic of Cyprus since then 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 applied with regards to protecting the population from a further spread of the disease which tightened the entry of individuals to the Republic of Cyprus within the year. Additionally, a considerable number of private businesses operating in various sectors of the economy had closed for a period of time while a number of lockdown measures, such as the prohibition of unnecessary movements and the suspension of operations of retail companies (subject to certain exemptions), were applied throughout the year. The measures had been continuously revised (lifted or tightened) by the Republic of Cyprus during the year taking into consideration the epidemic status in the country.

The objective of these public policy measures was to contain the spread of COVID-19 outbreak and have not resulted in any operational disruption for the Company.

In parallel, governments, including the Republic of Cyprus, introduced various financial support schemes in response to the economic impacts of the COVID-19 coronavirus pandemic. The Company has not applied for such government assistance.

The event is reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2020. The Company's Board of Directors has assessed:

- (1) whether any impairment allowances are deemed necessary for the Company's financial assets, non-financial assets (e.g., property, plant & equipment, intangible assets), by considering the economic situation and outlook at the end of the reporting period.
- (2) the ability of the Company's trade and other debtors to repay the amounts due to the Company

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. The Board of Directors' current expectations and estimates could differ from actual results.

The Board of Directors has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event did not have an immediate material impact on the business operations.

The Company's Board of Directors believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment. The Board of Directors will continue to monitor the situation closely.

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 2020 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

As from 1 January 2020, the Company adopted all the following IFRSs and International Accounting Standards (IAS), which are relevant to its operations. The adoption of these Standards did not have a material effect on the financial statements.

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., PeopleCert Middle East Africa FZ LLC, IASSC International Association for Six Sigma Certification, PeopleCert Pei Si Te Assessment Technology Co Ltd 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

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.

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 cost of sales 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

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

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

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

Patents and trademarks

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

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

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 five years. Amortisation commences when the computer software is available for use and it is included in cost of sales.

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 included 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 initially recognised at acquisition cost and then depreciated over its estimated useful life, on straight line basis. Their amortisation expense is included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Leases (continued)

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, commencing on 1 January 2018. The amortisation expense is included in cost of sales.

The annual amortisation rates used are as follows:

	%
Customer Software in use	20
Patents and Trademarks	20
Customer base acquisition	20
Certification rights	20

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.

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. The estimated useful lives of the 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Leases (continued)

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.

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.

The Company presents its right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' in the statement of financial position.

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

Financial assets - Classification

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 or 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, the 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - Classification (continued)

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.

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

The Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and 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 profit or loss and other comprehensive income within "net impairment losses on financial and contract assets. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Financial assets (continued)

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

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

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

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

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

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

Financial assets -Reclassification

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

Financial assets - write-off

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

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - modification (continued)

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

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

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand. Cash and cash equivalents are carried at amortised cost 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.

Classification as financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. They 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.

Classification as 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 32, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Financial assets (continued)

Credit related commitments

The Company issues commitments to provide loans. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Company will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. 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, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Company cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

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.

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

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. Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Trade payables

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

Financial liabilities - Modifications

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. (In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Financial assets (continued)

Financial liabilities - Modifications (continued)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Deferred income

Deferred income represents income receipts which relate to future periods.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

Revenue

Recognition and measurement

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

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

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

Identification of performance obligations

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

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

- **Dividend income**

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.

- **Financing component**

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

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

4. Significant accounting policies (continued)

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

(1) Functional and presentation currency

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

(2) Transactions and balances

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

Tax

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.

5. New accounting pronouncements

Standards issued but not yet effective

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

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

- *Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform - Phase 2 (issued on 27 August 2020) (effective for annual periods beginning on or after 1 January 2021).*

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

5. New accounting pronouncements (continued)

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

- *Amendments to IFRS 4 Insurance Contracts - deferral of effective date of IFRS 9 (issued on 25 June 2020) (effective for annual periods beginning on or after 1 January 2021). The application of the standard is not expected to have an impact on the financial statements of the Company.*
- *Amendments to IFRS 16 Leases - Covid 19-Related Rent Concessions (issued on 28 May 2020) (effective for annual periods beginning on or after 1 June 2020).*

(ii) Issued by the IASB but not yet adopted by the European Union

New standards

- *IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2023). The application of the standard is not expected to have an impact on the financial statements of the Company.*

Amendments

- *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 2022).*
- *Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020 (All issued 14 May 2020) (effective for annual periods beginning on or after 1 January 2022).*

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.

Judgments

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:

- **Calculation of loss allowance**

When measuring expected credit losses the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

6. Critical accounting estimates and judgments (continued)

- **Revenue recognition**

The Company uses the percentage-of-completion method in accounting for its fixed price contract to deliver services since the customer receives and uses the benefits from the services simultaneously. Use of the percentage-of-completion method requires the Company to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed differs from Board of Directors' estimates, the amount of revenue recognised in the year would be different. In regards to revenue from vouchers, the Company has a policy that allows to the customers to cancel their order within 14 days. After the 14th day, the order is placed and cannot be cancelled and the entity is eligible to the payment and therefore to recognise it as revenue.

- **Deferred revenue**

The amount allocated to the points, is related to the accreditation fees which they would be provided the next year from the date the invoice is issued. The fair value is directly observable as the exams are provided within the next year therefore no discounting of the value is needed.

- **Provision for bad and doubtful debts**

The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- **Income taxes**

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

Critical judgements in applying the Company's accounting policies

- **Impairment of investments in subsidiaries**

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

- **Impairment of financial assets**

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

6. Critical accounting estimates and judgments (continued)

- **Impairment of intangible assets**

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

- **Useful live of depreciable assets**

The Board of Directors assesses 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.

- **Internally generated intangible assets**

The Board of Directors assesses based on the relevant accounting standards, the expenditure to be capitalized on the internally generated assets at each reporting date.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

7. Property, plant and equipment

	Plant and machinery	Furniture, fixtures and office equipment	Leased Building - cost	Total
	€	€	€	€
Cost				
Balance at 1 January 2019	2.136	2.580	-	4.716
Recognition of right-of-use asset	-	-	56.458	56.458
Additions	-	989	-	989
Balance at 31 December 2019/ 1 January 2020	2.136	3.569	56.458	62.163
Extension of Lease term	-	-	16.489	16.489
Balance at 31 December 2020	2.136	3.569	72.947	78.652
Depreciation				
Balance at 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 January 2020	1.265	1.396	25.045	27.706
Charge for the year	349	246	24.378	24.973
Balance at 31 December 2020	1.614	1.642	49.423	52.679
Net book amount				
Balance at 31 December 2020	522	1.927	23.524	25.973
Balance at 31 December 2019	871	2.173	31.413	34.457

Right-of-use assets

Included in Leased Building - Cost, are right of use assets amounting to €72.947 related to the leasing of assets and rent of Head offices.

The table below describes the nature of the Company's leasing activities by type of ROU asset, recognised on Property, Plant and Equipment note above:

ROU Asset	No of ROU Assets Leased	Average remaining lease term	No of leases with extention options	No of leases with option to purchase	No of leases with termination options
Office	2	2	1	-	-

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

8. Intangible assets

	Customer base acquisition €	Computer software €	Computer Software under development €	Patents and trademarks €	Certification rights €	Total €
Cost						
Balance at 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/ 1 January 2020	680.455	8.647.333	293.012	30.000	3.374.527	13.025.327
Additions	-	1.443.355	407.858	-	-	1.851.213
Reclassification to Computer Software	-	293.012	(293.012)	-	-	-
Balance at 31 December 2020	680.455	10.383.700	407.858	30.000	3.374.527	14.876.540
Amortisation						
Balance at 1 January 2019	507.070	2.694.814	-	30.000	674.905	3.906.789
Amortisation of the year	136.091	1.342.487	-	-	674.906	2.153.484
Balance at 31 December 2019/ 1 January 2020	643.161	4.037.301	-	30.000	1.349.811	6.060.273
Amortisation of the year	37.294	1.633.609	-	-	674.905	2.345.808
Balance at 31 December 2020	680.455	5.670.910	-	30.000	2.024.716	8.406.081
Net book amount						
Balance at 31 December 2020	-	4.712.790	407.858	-	1.349.811	6.470.459
Balance at 31 December 2019	37.294	4.610.032	293.012	-	2.024.716	6.965.054

Amortisation expense for the year has been recognised in profit and loss as follows:

	2020 €	2019 €
Cost of sales	2.345.808	2.153.484
	<u>2.345.808</u>	<u>2.153.484</u>

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.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

9. Investments in subsidiaries

	2020 €	2019 €
Balance at 1 January	4.958.902	4.064.954
Additions	2.122.341	2.100.000
Decrease in share capital of subsidiaries	-	(1.206.052)
Balance at 31 December	7.081.243	4.958.902

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.

On 10 January 2020, the Board of Directors of PeopleCert Global Services S.A. decided to increase its share capital by €1.002, equivalent to 3.340 shares of €0,30 each.

On 8 September 2020, the Board of Directors of Peoplecert International Ltd decided to buy 100% of ownership of the IASSC LLC, which is based in US, with the total cost of \$2.500.000. The entity has already paid the total amount of \$2.000.000 and the remaining of \$500.000 will be paid by 31 July 2021.

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	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		99,98	-
IASSC International Association for Six Sigma Certification	United States	Personnel Certification	100	-

The holdings of each of the subsidiaries held in prior year, have not changed during the year.

During the year the entity has acquired 100% of shares of new subsidiary IASSC.

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 2020 was calculated at €11.700.000 compared to the carrying amount of €4.723.893.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

9. Investments in subsidiaries (continued)

The recoverable amount for PeopleCert Hellas A.E. has been determined based on the fair value less costs to sell, using discounted cash flow techniques.

These calculations use cash flow projections based on financial budgets approved by 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	4
Average annual increase in operating cash outflows	4
Growth rate for cash flows after the five year period	1,8
Discount rate	12,67

Sensitivity analysis

Impairment losses will start occurring if the assumption of discount rate is individually changed to the following value:

	%
Discount rate	66

10. Loans receivable

	2020	2019
	€	€
Balance at 1 January	32.777	914.623
New loans granted	-	18.154
Repayments	(33.260)	(900.000)
Interest charged	483	-
Balance at 31 December	-	32.777

	2020	2019
	€	€
Loans to related parties (Note 29.4)	-	32.777
	-	32.777
Less current portion	-	(32.777)
Non-current portion	-	-

The loans are repayable as follows:

	2020	2019
	€	€
Within one year	-	32.777

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

	2020	2019
Loans receivable	-	4.15%

No interest received during the repayment year.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

11. Trade and other receivables

	2020 €	2019 €
Trade receivables	3.520.250	7.344.021
Less: credit loss on trade receivables	(248.773)	(242.417)
Trade receivables - net	3.271.477	7.101.604
Receivables from own subsidiaries (Note 29.3)	1.089.399	1.861.195
Receivables from associates (Note 29.3)	53.007	131.440
Shareholders' current accounts - debit balances (Note 29.6)	299.552	255.688
Receivables from parent (Note 29.3)	-	12.185
Other receivables and prepayments	2.389.703	1.894.288
Refundable VAT	99.890	89.589
	<u>7.203.028</u>	<u>11.345.989</u>

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:

	2020 €	2019 €
Balance at 1 January	242.417	264.007
Impairment losses recognised on receivables	6.356	-
Bad debts recovered	-	(21.590)
Balance at 31 December	<u>248.773</u>	<u>242.417</u>

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

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 32 of the financial statements.

12. Cash at bank and in hand

	2020 €	2019 €
Cash at bank and in hand	14.905.083	12.202.725
Cash equivalents	26.455	35.502
	<u>14.931.538</u>	<u>12.238.227</u>

Cash equivalents of €26.455 (2019: €35.502) represent cash held in merchant accounts.

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

	2020 €	2019 €
Cash at bank and in hand	<u>14.905.083</u>	<u>12.202.725</u>
	<u>14.905.083</u>	<u>12.202.725</u>

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

12. Cash at bank and in hand (continued)

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

13. Share capital

	2020 Number of shares	2020 €	2019 Number of shares	2019 €
Authorised				
Ordinary shares of €1 each	<u>10.000</u>	<u>10.000</u>	<u>10.000</u>	<u>10.000</u>
Issued and fully paid				
Balance at 1 January	<u>10.000</u>	<u>10.000</u>	<u>10.000</u>	<u>10.000</u>
Balance at 31 December	<u>10.000</u>	<u>10.000</u>	<u>10.000</u>	<u>10.000</u>

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

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.

14. Borrowings

	2020 €	2019 €
Balance at 1 January	3.750.000	5.009.223
Repayments	(1.250.000)	(1.259.223)
Interest charged for the year	100.392	137.620
Repayments of interest	<u>(100.392)</u>	<u>(137.620)</u>
Balance at 31 December	<u>2.500.000</u>	<u>3.750.000</u>
	2020 €	2019 €
Current borrowings		
Bank loans	1.250.000	1.250.000
Non-current borrowings		
Bank loans	<u>1.250.000</u>	<u>2.500.000</u>
Total	<u>2.500.000</u>	<u>3.750.000</u>

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%.

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

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

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

14. Borrowings (continued)

Maturity of non-current borrowings:

	2020	2019
	€	€
Within one year	1.250.000	1.250.000
Between one and five years	1.250.000	2.500.000
	2.500.000	3.750.000

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:

	2020	2019
	%	%
Bank loans	3.21	3.04

The Company borrowings are denominated in euro.

Covenants

Bank loans

The bank loans include the following covenants:

	Met as at 31 December 2020
• 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%	No
• The aggregate revenue of the Company's and Peoplecert UK Ltd's is greater than 80% of the consolidated Company's revenues	Yes

15. Obligations under finance leases

	Minimum lease payments		The present value of minimum lease payments	
	2020	2019	2020	2019
	€	€	€	€
Not later than 1 year	20.400	19.200	19.995	18.800
Later than 1 year and not later than 5 years	4.000	13.600	3.970	13.068
	24.400	32.800	23.965	31.868
Future finance charges	(435)	(932)	-	-
Present value of finance lease liabilities	23.965	31.868	23.965	31.868

All lease obligations are denominated in Euro.

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

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

16. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 27). The applicable corporation tax rate in the case of tax losses is 12,5%.

The movement on the deferred taxation account is as follows:

Deferred tax liability

	Accelerated tax depreciation €
Charged/(credited) to:	
Statement of profit or loss and other comprehensive income (Note 27)	110.421
Balance at 31 December 2019/ 1 January 2020	110.421
Charged/(credited) to:	
Statement of profit or loss and other comprehensive income (Note 27)	(1)
Balance at 31 December 2020	110.420

17. Trade and other payables

	2020 €	2019 €
Trade payables	4.964.377	6.205.457
Prepayments from clients	632.729	314.089
Social insurance and other taxes	4.457	3.100
Payables to parent (Note 29.5)	1.500.000	550.000
Accruals	465.756	1.235.443
Other creditors	424.318	-
Payables to fellow subsidiaries (Note 29.5)	-	600.885
Payables to associates (Note 29.5)	123	3.798
	7.991.760	8.912.772

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

18. Deferred income

	2020 €	2019 €
Accreditation fees	2.032.393	1.997.457
	2.032.393	1.997.457

19. Current tax liabilities

	2020 €	2019 €
Corporation tax	6.669	1.398
	6.669	1.398

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

20. Revenue

	2020 €	2019 €
Rendering of services:		
Business and IT Qualifications	64.935.811	65.977.775
Language Qualifications	1.182.495	448.654
Other Revenue	833.982	8.212.668
	<u>66.952.288</u>	<u>74.639.097</u>

21. Cost of sales

	2020 €	2019 €
Rent	27.714	717
Intellectual Properties Right fees	713.228	630.573
Commissions payable	99.837	242.868
Accreditation fees	165.093	185.097
Learning service purchase cost	52	88.619
Consulting fees	24.652	25.137
Other direct costs	4.737	13.734
Royalty fees	43.091.536	51.488.296
Exams supervision and testing program expenses	356.923	252.265
Amortisation	2.345.808	2.153.484
	<u>46.829.580</u>	<u>55.080.790</u>

22. Other operating income

	2020 €	2019 €
Dividend income	-	131.000
Other income	137.005	529.791
Bad debts recovered	-	28.532
	<u>137.005</u>	<u>689.323</u>

Other income amounting to €137.005, relates to expenses that were recharged to business partners during the year.

23. Selling and distribution expenses

	2020 €	2019 €
Overseas travelling	54.515	343.469
Advertising	603.804	335.471
Sales consultants fees	1.211.508	1.188.699
Consultancy fees	161.697	83.783
Bad debts written off	54.792	126.722
General provision for bad debts	6.355	-
Sponsorships and conference participation	120.668	433.257
	<u>2.213.339</u>	<u>2.511.401</u>

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

24. Administration expenses

	2020	2019
	€	€
Directors' remuneration (note 29.1)	46.652	51.775
Staff costs	111.696	97.394
Rent	(3.201)	(17)
Professional licence fee	1.420	2.570
Insurance	193.773	130.296
Repairs and maintenance	3.440	405
Telephone and postage	52.142	46.136
Subscriptions and contributions	50.090	79.677
Non charitable donations	1.896	-
Staff training	17.392	174
Sundry staff costs	9.393	10.390
Computer supplies and maintenance	219.510	125.434
Auditors' remuneration for the statutory audit of annual accounts	70.000	54.000
Auditors' remuneration for other non-audit services	58.813	1.000
Accounting fees	24.355	60.779
Legal fees	304.296	219.124
Other professional fees	600.235	332.018
Fines	168	367
Overseas travelling	123.077	296.599
Inland travelling and accommodation	3.804	2.077
Entertaining	96.147	191.533
Consultancy fees	45.791	6.564
Management fees	10.512.143	8.965.102
Other expenses	5.118	4.738
Expenses Dubai branch	863	1.704
IT services	520.666	572.544
Depreciation	24.974	25.534
Sundry expenses	149.650	47.997
	13.244.303	11.325.914

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

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

25. Staff costs

	2020	2019
	€	€
Salaries	138.230	131.285
Social security costs	20.118	17.884
	158.348	149.169
Average number of employees	9	8

PEOPLECERT INTERNATIONAL LIMITED

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Year ended 31 December 2020

26. Finance income/(costs)

	2020 €	2019 €
Interest income	-	18.154
Finance income	-	18.154
Net foreign exchange losses	(142.505)	(261.100)
Interest expense	(101.199)	(152.628)
Sundry finance expenses	(673.318)	(731.400)
Finance costs	(917.022)	(1.145.128)
Net finance costs	(917.022)	(1.126.974)

27. Tax

	2020 €	2019 €
Corporation tax	65.270	67.398
Defence contribution	-	5.446
Deferred tax - (credit)/charge (Note 16)	(2)	110.421
Charge for the year	65.268	183.265

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:

	2020 €	2019 €
Profit before tax	3.880.013	4.077.289
Tax calculated at the applicable tax rates	485.002	509.661
Tax effect of expenses not deductible for tax purposes	291.051	722.291
Tax effect of allowances and income not subject to tax	(710.783)	(1.164.554)
Defence contribution current year	-	5.446
Deferred tax	(2)	110.421
Tax charge	65.268	183.265

28. Dividends

	2020 €	2019 €
Declared final dividend	1.500.000	550.000
	1.500.000	550.000

On 31 December 2020 the Company in General Meeting declared the payment of a final dividend of €1.500.000 (2019: €550.000).

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

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

PEOPLECERT INTERNATIONAL LIMITED

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Year ended 31 December 2020

29. 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:

29.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2020 €	2019 €
Directors' fees	40.470	45.600
Director's social insurance and other contributions	6.182	6.175
	<u>46.652</u>	<u>51.775</u>

29.2 Transactions with related parties

Name	Nature of transactions	2020 €	2019 €
Subsidiaries			
PeopleCert UK Limited	Trade - Royalties	5.537.629	7.925.021
PeopleCert UK Limited	Management Fees	822.094	429.638
PeopleCert Global S.A.	Dividends	-	131.000
PeopleCert Hellas S.A	Interest on Loan	483	18.154
PeopleCert Qualifications Limited	Trade - Royalties	145.083	452.115
PeopleCert Qualifications Limited	Management Fees	-	234.720
PeopleCert Global Services A.E.	Management fees	10.305.539	8.730.382
PeopleCert Global Services A.E.	Intangible Assets	1.373.375	1.538.522
Associate			
Lean IT Association	Royalties	18.058	-
		<u>18.202.261</u>	<u>19.459.552</u>

Sales to the associated undertakings and to Parent Holdings UK Limited were not made at market prices and terms.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

29. Related party transactions (continued)

29.3 Receivables from related parties (Note 11)

<u>Name</u>	<u>Nature of transactions</u>	2020 €	2019 €
Controlling parties			
PeopleCert Holdings UK Ltd	Finance	-	12.185
Subsidiaries			
PeopleCert UK Limited	Trade	438.047	1.078.676
PeopleCert Global Services S.A.	Trade	416.728	782.519
PeopleCert Qualifications Limited	Trade	234.626	-
Other related parties			
ECDL Hellas S.A. (under common control)	Trade	27.925	27.925
Angelstorm Ltd (under common control)	Finance	-	78.435
Hepis (under common control)	Finance	25.080	25.080
		<u>1.142.406</u>	<u>2.004.820</u>

The receivables from related parties were provided interest free, and there was no specified repayment date.

29.4 Loans to related parties (Note 10)

	<u>Terms</u>	2020 €	2019 €
Subsidiaries			
PeopleCert Hellas S.A.	Finance	-	32.777
		<u>-</u>	<u>32.777</u>

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. The balance has been fully repaid.

29.5 Payables to related parties (Note 17)

<u>Name</u>	<u>Nature of transactions</u>	2020 €	2019 €
Controlling parties			
PeopleCert Holdings UK Ltd	Dividends	1.500.000	550.000
Subsidiaries			
PeopleCert Qualifications Ltd	Trade	-	78.527
PeopleCert Hellas S.A.	Finance	-	522.358
Associates			
Lean IT Association	Trade	123	3.798
		<u>1.500.123</u>	<u>1.154.683</u>

The payables to related parties were provided interest free, and there was no specified repayment date.

29.6 Shareholders' current accounts - debit balances (Note 11)

	2020 €	2019 €
Shareholder's current account	299.552	255.688
	<u>299.552</u>	<u>255.688</u>

The directors'/shareholders' current accounts are interest free, and have no specified repayment date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

30. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2020.

31. Commitments

The Company had no capital or other commitments as at 31 December 2020.

32. Financial risk management

Financial risk factors

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

32.1 Interest rate risk

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

32.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. 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 as well as lease receivables. Further, credit risk arises from financial guarantees and credit related commitments.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, the Company has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of ['C'].

If wholesale 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. Sales to retail customers are settled in cash or using major credit cards.]

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Company's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

These policies enable the Company to reduce its credit risk significantly.

(ii) Impairment of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

32. Financial risk management (continued)

32.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the financial assets.
- For all other financial assets 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 asset 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"). 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.

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

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of the 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 financial 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/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the borrower/counterparty.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. 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. No significant changes to estimation techniques or assumptions were made during the reporting period.

Low credit risk

The Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Board of Directors consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Default

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

32. Financial risk management (continued)

32.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Write-off

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 debt financial asset for write off when a debtor fails to make contractual payments greater than 180 days past due. Where debt financial assets 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's exposure to credit risk for each class of (asset/instrument) subject to the expected credit loss model is set out below:

Trade receivables and contract assets

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, and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The 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 2020 or 1 January 2020 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 expected credit loss on trade receivables is not significant as at 31 December 2020 and 31 December 2019.

Financial assets at amortised cost, debt investments carried at FVOCI

All of the entity's debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. Refer to section above for a description of how the Company determines low credit risk financial assets.

There were no significant financial assets at amortised costs and debt investments carried at FVOCI written off during the year that are subject to enforcement activity.

The Company does not hold any collateral as security for any financial assets at amortised cost and debt investments carried at FVOCI balances.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

32. Financial risk management (continued)**32.2 Credit risk (continued)***(ii) Impairment of financial assets (continued)***Financial assets at amortised cost, debt investments carried at FVOCI (continued)**

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

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

Loans to related parties

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2020 and 31 December 2019:

Company internal credit rating	2020 €	2019 €
Performing	-	32.777
Total	-	32.777

The Company does not hold any collateral as security for any loans to related parties.

There were no significant loans to related parties written off during the year that are subject to enforcement activity.

Receivables from related parties

For receivables from related parties lifetime ECL was provided for them upon initial application of IFRS 9 until these financial assets are derecognised as it was determined on initial application of IFRS 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

32. Financial risk management (continued)

32.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Receivables from related parties (continued)

For any new loans to related parties, which are not purchased or originated credit-impaired financial assets, the impairment loss is recognised as 12-month ECL on initial recognition of such instruments and subsequently the Company assesses whether there was a significant increase in credit risk.

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2020 and 31 December 2019:

Company internal credit rating	2020	2019
	€	€
Performing	1.089.399	2.004.820
Underperforming	53.007	-
Total	1.142.406	2.004.820

The Company does not hold any collateral as security for any receivables from related parties.

There were no significant receivables from related parties written off during the year that are subject to enforcement activity.

Cash and cash equivalents

The Company assesses, on a group basis, its exposure to credit risk arising from cash at bank. This assessment takes into account, ratings from external credit rating institutions and internal ratings, if external are not available.

Bank deposits held with banks with investment grade rating are considered as low credit risk.

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2020 and 31 December 2019:

Company internal credit rating	External credit rating	Expected credit loss rate	2020	2019
			€	€
Performing	AAA - A	- %	10.365.181	1.175.413
Underperforming	BBB - B	- %	-	473.203
Not performing	CCC - C	2.02%	4.566.357	10.589.611
Total			14.931.538	12.238.227

The ECL on current accounts is considered to be approximate to 0, unless the bank is subject to capital controls. The ECL on deposits accounts is calculated by considering published PDs for the rating as per Moody's and an LGD of 40-60% as published by ECB.

The Company does not hold any collateral as security for any cash at bank balances.

There were no significant cash at bank balances written off during the year that are subject to enforcement activity.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

32. Financial risk management (continued)

32.2 Credit risk (continued)

(iii) Credit related commitments

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

32.3 Liquidity risk

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

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

31 December 2020	Carrying amounts €	Contractual cash flows €	Within 12 months €	1-2 years €
Bank loans	2.500.000	2.552.823	1.309.433	1.243.390
Obligations under finance leases	23.965	24.400	20.400	4.000
Trade and other payables	5.393.152	5.393.152	5.393.152	-
Payables to related parties	1.500.123	1.500.123	1.500.123	-
	9.417.240	9.470.498	8.223.108	1.247.390

31 December 2019	Carrying amounts €	Contractual cash flows €	Within 12 months €	1-2 years €
Bank loans	3.750.000	3.897.439	1.347.879	2.549.560
Obligations under finance leases	31.868	32.800	19.200	13.600
Trade and other payables	6.208.557	6.208.557	6.208.557	-
Payables to related parties	1.154.683	1.154.683	1.154.683	-
	11.145.108	11.293.479	8.730.319	2.563.160

32.4 Currency risk

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

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

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

32. Financial risk management (continued)

	Liabilities		Assets	
	2020	2019	2020	2019
	€	€	€	€
United States Dollars	2.795.638	7.560	1.996.943	3.076.675
Japanese Yen	12.107	9.827	276.149	318.389
British Pounds	4.992.963	5.673.963	4.760.515	4.619.746
Australian Dollar	33.559	10.941	202.319	339.319
	7.834.267	5.702.291	7.235.926	8.354.129

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2020 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	
	2020	2019
	€	€
United States Dollars	72.681	(341.013)
Australian Dollar	(15.455)	(36.486)
British Pounds	23.032	117.135
Other	(33.760)	(34.285)
	46.498	(294.649)

32.5 Capital risk management

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

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

The Company's capital is analysed as follows:

	2020	2019
	€	€
Total borrowings (Note 14)	2.500.000	3.750.000
Less: Cash and cash equivalents (Note 12)	(14.931.538)	(12.238.227)
Net debt	(12.431.538)	(8.488.227)
Total equity	23.055.987	20.741.242
Total capital	10.624.449	12.253.015
Gearing ratio	(117.01)%	(69.27)%

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

33. 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 directly disrupted significantly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be 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 pace at 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.

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 further disclosures if required

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.

On 23 March 2021, the Board of Directors reached a unanimous decision to the payment of dividend based on the financial statements of the Company (PeopleCert International Ltd) for the year ended 31 December 2016 the total amount of €11.045.497.

Independent auditor's report on pages 4 to 6