

PEOPLECERT INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL
STATEMENTS

Year ended 31 December 2021

PEOPLECERT INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2021

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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:	KPMG Limited Chartered Accountants 14 Esperidon Street P.O. Box 21121 1502, 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 of PeopleCert International Limited (the "Company") presents its report and audited financial statements of the Company for the year ended 31 December 2021.

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 €19,579,994 (2020: €3,814,745). On 31 December 2021 the total assets of the Company were €220,956,861 (2020: €35,721,194) and the net assets of the Company were €195,327,430 (2020: €23,055,987). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in note 30 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 26 March 2021 the Company in General Meeting declared the payment of a final dividend of €11.045.497 (2020: €1.500.000).

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 Board of Directors as at 31 December 2021 and at the date of this report are presented on page 1. There is no requirement in the Company's Article of Association for the retirement of Directors by rotation, thus all Directors presently members of the Board continue in office.

There were no significant changes in the assignments 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 31 to the financial statements.

Independent Auditors

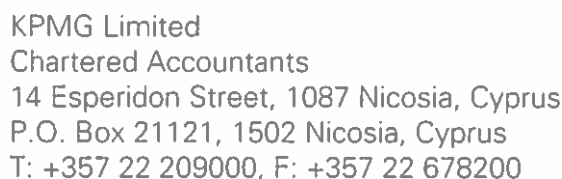
The Independent Auditors KPMG Limited (Cyprus), have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,


Georgios Giannetsos
Director



Nicosia, 6 September 2022



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
PEOPLECERT INTERNATIONAL LIMITED**

Opinion

We have audited the accompanying financial statements of Peoplecert International Limited (the "Company"), which are presented on pages 7 to 47 and comprise the statement of financial position as at 31 December 2021, 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 the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Code of Ethics (Including International Independence Standards) for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the financial statements, 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 management report, but does not include the financial statements and our auditors' 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, except as required by the Companies Law, Cap. 113.

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.

With regards to the management report, our report in this regard is presented in the "*Report on other legal requirements*" section.

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 IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the 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.

Auditors' responsibilities for the audit of the financial statements (continued)

- 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 auditors' 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 auditors' 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 2017, L.53(I)/2017, as amended from time to time ("Law L.53(I)/2017"), and based on the work undertaken in the course of our audit, we report the following:

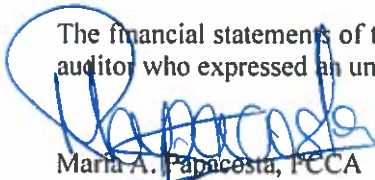
- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In the light of the knowledge and understanding of the business and the Company's environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L.53(I)/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.

Comparative figures

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 9 April 2021.



Maria A. Papanicolaou, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

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

6 September 2022

PEOPLECERT INTERNATIONAL LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2021

	Note	2021 €	2020 €
ASSETS			
Non-current assets			
Property, plant and equipment	6	16.842	25.973
Intangible assets	7	5.914.538	6.470.459
Investments in subsidiaries	8	7.081.243	7.081.243
Financial assets at fair value through other comprehensive income		-	8.953
		<u>13.012.623</u>	<u>13.586.628</u>
Current assets			
Trade and other receivables	9	194.698.555	7.203.028
Cash at bank and in hand	10	13.245.683	14.931.538
		<u>207.944.238</u>	<u>22.134.566</u>
Total assets		<u>220.956.861</u>	<u>35.721.194</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	10.001	10.000
Share premium		164.231.947	495.002
Retained earnings		31.085.482	22.550.985
Total equity		<u>195.327.430</u>	<u>23.055.987</u>
Non-current liabilities			
Borrowings	12	-	1.250.000
Obligations under finance leases	13	-	3.970
Deferred tax liabilities	14	110.282	110.420
		<u>110.282</u>	<u>1.364.390</u>
Current liabilities			
Trade and other payables	15	16.704.983	7.991.760
Deferred income	16	2.522.415	2.032.393
Borrowings	12	5.003.328	1.250.000
Obligations under finance leases	13	12.248	19.995
Current tax liabilities	17	1.276.175	6.669
		<u>25.519.149</u>	<u>11.300.817</u>
Total liabilities		<u>25.629.431</u>	<u>12.665.207</u>
Total equity and liabilities		<u>220.956.861</u>	<u>35.721.194</u>

On 6 September 2022 the Board of Directors of Peoplecert International Limited authorised these financial statements for issue.



Nicolaas Petrus Wilhelmus Maria Horvers
Director



Georgios Giannetsos
Director

The notes on pages 11 to 49 form an integral part of these financial statements.

PEOPLECERT INTERNATIONAL LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	2021 €	2020 €
Revenue	18	82.279.388	66.952.288
Cost of sales	19	<u>(38.887.108)</u>	<u>(47.064.874)</u>
Gross profit		43.392.280	19.887.414
Other operating income	20	13.558.078	137.005
Selling and distribution expenses	21	(4.345.298)	(2.258.984)
Administration expenses	22	(14.574.048)	(12.635.030)
Other expenses		<u>(13.492.482)</u>	<u>(333.370)</u>
Operating profit		24.538.530	4.797.035
Finance income	24	2.626.435	-
Finance costs	24	<u>(5.821.443)</u>	<u>(917.022)</u>
Net finance costs		(3.195.008)	(917.022)
Profit before tax		<u>21.343.522</u>	<u>3.880.013</u>
Tax	25	<u>(1.763.528)</u>	<u>(65.268)</u>
Net profit for the year		19.579.994	3.814.745
Other comprehensive income		-	-
Total comprehensive income for the year		<u>19.579.994</u>	<u>3.814.745</u>

The notes on pages 11 to 49 form an integral part of these financial statements.

PEOPLECERT INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Note	Share capital €	Share premium €	Retained earnings €	Total €
Balance at 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	26	-	-	(1.500.000)	(1.500.000)
Total transactions with owners		-	-	(1.500.000)	(1.500.000)
Balance at 31 December 2020/ 1 January 2021		10.000	495.002	22.550.985	23.055.987
Comprehensive income					
Issue of share capital		1	163.736.945	-	163.736.946
Net profit for the year		-	-	19.579.994	19.579.994
Total comprehensive income for the year		-	-	19.579.994	19.579.994
Transactions with owners					
Dividends	26	-	-	(11.045.497)	(11.045.497)
Total transactions with owners		-	-	(11.045.497)	(11.045.497)
Balance at 31 December 2021		10.001	164.231.947	31.085.482	195.327.430

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31st of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits refer. The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, from 2019 (deemed dividend distribution of year 2017 profits), the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2,65% (31.12.2019 1,70%), when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile.

PEOPLECERT INTERNATIONAL LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2021

	Note	2021 €	2020 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		21.343.522	3.880.013
Adjustments for:			
Depreciation of property, plant and equipment	6	23.950	24.973
Amortization of intangible assets	7	2.511.277	2.345.808
Interest expense	24	5.053.094	101.199
Exchange differences of proceed of sale of subsidiary		(4.893.954)	-
Exchange differences of intracompany loan		2.824.004	-
		26.861.893	6.351.993
Changes in working capital:			
Decrease in trade and other receivables		(31.883.265)	4.142.961
Decrease in cash equivalents		-	9.047
Increase in derivative financial instruments		-	(39.201)
(Decrease) / increase in trade and other payables		10.634.812	(2.295.280)
Increase / (Decrease) in deferred income		490.022	34.936
Cash generated from operations		6.103.462	8.204.456
Tax paid		(494.160)	(59.999)
Net cash generated from operating activities		5.609.302	8.144.457
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	7	(1.955.355)	(1.851.213)
Payment for purchase of property, plant and equipment	6	(3.058)	-
Payment for purchase of investments in subsidiaries	8	(357.595.119)	(1.697.073)
Repayment for sale of investments in subsidiaries		206.273.525	-
Loans repayments received		-	33.260
Net cash used in investing activities		(153.280.007)	(3.515.026)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share premium		163.803.997	-
Proceeds from borrowings		203.449.522	-
Repayments of borrowings		(208.773.526)	(1.250.000)
Repayments of obligations under finance leases		(24.000)	(25.200)
Interest paid		(49.766)	(101.199)
Dividends paid		(12.545.497)	(550.000)
Net cash used in financing activities		145.860.730	(1.926.399)
Net increase in cash and cash equivalents		(1.809.975)	2.703.032
Cash and cash equivalents at beginning of the year		14.905.083	12.202.725
Effect of exchange rate fluctuations on cash held		150.575	-
Cash and cash equivalents at end of the year	10	13.245.683	14.905.083

The notes on pages 11 to 49 form an integral part of these financial statements.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

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

Implications of COVID-19

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 resulted in minor 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 details of all the arrangements that might be available to the Company and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty. The Company is continuing to assess the implications for its business when these arrangements are no longer available and has reflected their impact in its stress-scenarios for going concern purposes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

1. Incorporation and principal activities (cont.)

Operating Environment of the Company (cont.)

Implications of COVID-19 (cont.)

The event is reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021. The Company's management has assessed:

- 1) whether any impairment allowances are deemed necessary for the Company's financial assets, non-financial assets (e.g., property, plant & equipment, goodwill, intangible assets), lease receivables, contract assets, loan commitments or financial guarantee contracts, investments in subsidiaries, associates and joint ventures by considering the economic situation and outlook at the end of the reporting period.

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. Management's current expectations and estimates could differ from actual results.

Management 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 management 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.

Russia-Ukraine conflict

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate. The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel, which will affect household incomes and business operating costs.

Employees

The Group policy is to respect international human rights principles and especially among others the principles of:

- equal treatment and equal opportunities for all employees
- diversity, and
- the avoidance of child and forced labour.

Ensuring human rights is a key issue for the Company with a view to ensuring parity, equal treatment of every customer, partner and employee, prevention of any kind of racist behaviour, and proper working conditions and compliance with hygiene and safety rules with the aim of creating and ensuring a safe working environment.

Engagement with suppliers, customers, and others in a business relationship with the Group

The ultimate mission of the Group is to develop and deliver globally, best-in-class exam and certification programs that enhance the lives and careers of the candidates. To achieve this, we have set as priority to engage with all stakeholders to better inform them of our activities and to create equal opportunities and supportive outcomes for them. Our customers are of focal interest, thereby, we constantly try to deliver operational and business excellence by building relationships based on trust, reliability, and quality.

Our employees are valued asset and shape how we run the business. We have processes in place to ensure that their initiatives and talents are valued, that any inequalities or injustice are avoided while we invest on their continuous professional development through various trainings and educational opportunities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

1. Incorporation and principal activities (cont.)

Our investors encompass both our shareholders and bondholders and any other party interested in the Group's sustainability and success. The Board has the opportunity through scheduled meetings on a timely manner to engage with the investors on the business progress and evolution and receive feedback on the results.

Our suppliers share our values and our view to retain solid lasting partnerships that will contribute to the Group's long-term success. The Group focuses on the quality, service provision, availability, and costs of its suppliers with regular reviews.

Statement of corporate governance arrangements

A talented team of professionals with proven expertise and outstanding performance in their respective fields move the company towards its vision through insightful leadership and commitment to its core values.

The board has adopted a system of rules, practices, and processes that constitute the framework for attaining the Group's objectives and managing corporate behaviour. For the Group, it is crucial to demonstrate good corporate citizenship through sound corporate governance practices with a view to promote transparency, independence, fairness, accountability, responsibility, discipline, and social responsibility.

Greenhouse gas emissions and energy consumption

The Group carries out its activities in a way that ensures the protection of the environment and the health and safety of its employees. It has integrated appropriate procedures in its activities, operating with a sense of responsibility towards the environment. There is no existing or potential impact on the environment from the Group's activities. The Group does not produce and consequently does not pollute the atmosphere

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 and are for the year ended 31 December 2021.

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 comparatives have been restated for consistency purposes to reflect the new expense taxonomy that was adopted by the Group within 2021 and change of accounting policy regarding the provision for employee benefits (Note 5 and 23).

3. Adoption of new and revised IFRS and interpretations by the European Union (EU)

As from 1 January 2021, the Company adopted all changes to International Financial Reporting Standards (IFRSs) as adopted by the EU, which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Company.

The following Standards, Amendments to Standards and Interpretations have been issued by the International Accounting Standards Board (IASB) but are not yet effective for annual periods beginning on 1 January 2021. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these Standards early.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

3. Adoption of new and revised IFRS and interpretations by the European Union (EU) (cont.)

(i) Standards and Interpretations adopted by the EU

- IFRS 16 Leases (Amendments): COVID-19-Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021)
- IFRS 3 Business Combinations (Amendments) (effective for annual periods beginning on or after 1 January 2022)
- IAS 16 Property, Plant and Equipment (Amendments) (effective for annual periods beginning on or after 1 January 2022)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) (effective for annual periods beginning on or after 1 January 2022)
- Annual Improvements of IFRSs 2018-2020 (effective for annual periods beginning on or after 1 January 2022)
- IFRS 17 Insurance Contracts (including Amendments) (effective for annual periods beginning on or after 1 January 2023)
- IAS 1 Presentation of Financial Statements (Amendments) and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments): Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023)

(ii) Standards and Interpretations adopted by the EU

- IAS 1 Presentation of Financial Statements (Amendments): Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)
- IAS 12 Income Taxes (Amendments): Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023)
- IFRS 17 Insurance Contracts (Amendments): Initial Application of IFRS 17 and IFRS 9 - Comparative information (effective for annual periods beginning on or after 1 January 2023)
- IFRS 10 Consolidated Financial Statements (Amendments) and IAS 28 Investments in Associates and Joint Ventures (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely; early adoption continues to be permitted)

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company.

4. Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively - that is, in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

4.1 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 8 - Impairment test of non-financial assets: key assumptions underlying recoverable amounts and value in use.
- Note 9 "Provision for bad and doubtful debts" - the Company reviews its trade and other receivables for evidence of their recoverability.
- Note 25 "Income taxes" - to determine any provision for income taxes.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

4. Use of estimates and judgements (cont.)

4.2 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

Depreciation methods, useful lives and residual values 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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets".

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

Internally-generated intangible assets - research and development expenditure

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.
- Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.
- An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

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 three years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

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 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 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.

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.

The lease liabilities are presented separately in the statement of the financial position.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

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 and subsequent measurement

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

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 - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

Impairment

- Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:

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

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

- Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

- Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
 - a breach of contract such as a default or being more than 90 days past due;
 - the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
 - it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
 - the disappearance of an active market for a security because of financial difficulties.
- Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

- Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Derecognition

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

The Company also derecognises a financial liability when it is replaced by another from the same lender on substantially different terms, or when the terms of the liability are substantially modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

Financial assets – modification

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

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

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

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand. Cash and cash equivalents are carried at 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 30, Credit risk section.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

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.

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

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 2021

5. Significant accounting policies (cont.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

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.

The transaction price

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value added taxes).

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

In the defined contribution schemes of the Company, the amounts paid to personnel as retirement benefits and which represent the actual cost for the year, are debited to profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company's net obligation in respect of defined benefit scheme is calculated separately by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return of plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit scheme are recognised on profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

When the benefits of a scheme are changed or when a scheme is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit scheme when the settlement occurs.

Finance income

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

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

The effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

5. Significant accounting policies (cont.)

(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.

Non-current Liabilities

Non-current financial liabilities represent amounts that are due more than twelve months from the reporting date.

Dividends

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

Comparatives

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

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

6. Property, plant and equipment

	Plant and machinery €	Furniture, fixtures and office equipment €	Leased Building €	Total €
Cost				
Balance at 1 January 2020	2.136	3.569	56.458	62.163
Extension of Lease term	-	-	16.489	16.489
Balance at 31 December 2020/ 1 January 2021	2.136	3.569	72.947	78.652
Extension of Lease term	-	-	11.761	11.761
Additions		3.058		3.058
Balance at 31 December 2021	2.136	6.627	84.708	93.471
Depreciation				
Balance at 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 January 2021	1.614	1.642	49.423	52.679
Charge for the year	170	529	23.251	23.950
Transfer	(229)	229	-	-
Balance at 31 December 2021	1.555	2.400	72.674	76.629
Net book amount				
Balance at 31 December 2021	581	4.227	12.034	16.842
Balance at 31 December 2020	522	1.927	23.524	25.973

Right-of-use assets

Included in Leased Building, are right-of-use assets amounting to €84.708 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 2021

7. Intangible assets

	Customer base acquisition €	Computer software €	Computer Software under development €	Patents and trademarks €	Certification rights €	Total €
Cost						
Balance at 1 January 2020	680.455	8.647.334	293.012	30.000	3.374.527	13.025.327
Additions	-	1.443.355	407.858	-	-	1.851.213
Reclassification to Computer	-	293.012	(293.012)	-	-	-
Balance at 31 December 2020/ 1 January 2021	680.455	10.383.701	407.858	30.000	3.374.527	14.876.540
Additions	-	1.955.355	-	-	-	1.955.355
Write-Off	-	-	-	(15.000)	-	(15.000)
Reclassification to Trademark	-	(10.790)	-	10.790	-	-
Reclassification to Computer	-	407.858	(407.858)	-	-	-
Balance at 31 December 2021	680.455	12.736.124	-	25.790	3.374.527	16.816.896
Amortisation						
Balance at 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/ 1 January 2021	680.455	5.670.910	-	30.000	2.024.716	8.406.081
Amortisation of the year	-	1.834.913	-	1.458	674.906	2.511.277
Reclassification to Trademark	-	(8.773)	-	8.773	-	-
Write-Off	-	-	-	(15.000)	-	(15.000)
Balance at 31 December 2021	680.455	7.497.050	-	25.231	2.699.622	10.902.358
Net book amount						
Balance at 31 December 2021	-	5.239.074	-	559	674.905	5.914.538
Balance at 31 December 2020	-	4.712.790	407.858	-	1.349.811	6.470.459

Amortisation expense for the year has been recognised in profit:

	2021 €	2020 €
Cost of sales	2.511.277	2.345.808
	<u>2.511.277</u>	<u>2.345.808</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 2021

8. Investments in subsidiaries

	2021 €	2020 €
Balance at 1 January	7.081.243	4.958.902
Additions	357.173.534	2.122.341
Decrease in share capital of subsidiaries	(362.067.488)	-
Exchange Rate differences	4.893.954	
Balance at 31 December	7.081.243	7.081.243

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 paid the total amount of \$2.000.000 in 2020 and the remaining of \$500.000 in 2021.

On 29 July 2021, PeopleCert International Limited acquired all of the ordinary shares in Axelos Limited for GB£303.883.243 on a cash-free, debt-free basis, satisfied in cash and paid to the former shareholders GB£76.874.630 on behalf of Axelos to repay outstanding liabilities. On 31 December 2021, PeopleCert Wisdom Ltd acquired the entire beneficial interest in Axelos Limited at a consideration equal to GB£303.883.243. The company was a joint venture company created in 2013 by the Cabinet Office on behalf of Her Majesty's Government (HMG) in the United Kingdom and Capita plc (CPI.L), to manage, develop and grow the portfolio of global best practice methodologies in project, programme and portfolio management, and IT and digitally enabled services, including PRINCE2® and ITIL®. The methodologies are widely adopted by private, public and voluntary sectors in more than 200 countries to improve professionals' skills, aiming to make both individuals and organisations work more effectively.

PeopleCert has been a trusted partner of AXELOS since its formation in 2014 and it has been the exclusive Examination Institute for the delivery of AXELOS' programs worldwide since 2018. This acquisition further cements PeopleCert' s wider relationship with the UK Government and is fully aligned with its strategy to accelerate growth and further establish its leadership position in the professional skills and languages certification markets. It will further enable PeopleCert to address increased demand for reskilling and upskilling the workforce of the future.

	Recognised values on acquisition GB£
Acquiree's net assets at the acquisition date:	
Intangible assets	85.922.549
Contract fulfilment assets	141.864
Trade and other receivables	649.128
Cash and cash equivalents	8.158.336
Interest-bearing loans and borrowings	(76.892.055)
Trade and other payables	(6.513.358)
Deferred tax liabilities	(3.702.030)
Deferred income	(1.048.459)
Income tax payable	(200.500)
Net identifiable assets and liabilities	6.515.475
Consideration paid	303.883.243
Shareholder financing payables	76.874.630
The Shareholder Financing Payables	380.757.873

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

8. Investments in subsidiaries (cont.)

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 S.A.	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 S.A.	Greece	Design, development, management, control and support of Personnel Certification Programs and design, development and support of Automated Examination Systems	99,99	-
PeopleCert Personnel Belgenendirme A.S	Turkey	Personnel Certification	-	100,00
PeopleCert UK Limited	United Kingdom	Personnel Certification	100,00	-
PeopleCert Qualifications Limited	United Kingdom	Personnel Certification	100,00	-
PeopleCert Educational S.A.	Greece		99,98	-
IASSC International Association for Six Sigma Certification	United States	Personnel Certification	100,00	-
Pei Si Te Assessment Technology (Beijing) Co Limited	China		100,00	

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.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

9. Trade and other receivables

	2021	2020
	€	€
Trade receivables	3.918.113	3.520.250
Less: credit loss on trade receivables	(241.929)	(248.773)
Trade receivables - net	<u>3.676.184</u>	<u>3.271.477</u>
Receivables from own subsidiaries (Note 27.3)	3.346.596	1.089.399
Receivables from fellow subsidiaries (Note 27.3)	4.011.122	-
Receivables from associates (Note 27.3)	-	53.007
Shareholders' current accounts - debit balances (Note 27.5)	416.099	299.552
Receivables from parent (Note 27.3)	168.936.550	-
Receivables from related parties (Note 27.3)	858.734	-
Other receivables and prepayments	1.053.948	2.389.703
Other receivables and prepayments to fellow subsidiaries (Note 27.3)	919.073	-
Accrued Income from fellow subsidiaries (Note 27.3)	11.279.305	-
Refundable VAT	200.944	99.890
	<u>194.698.555</u>	<u>7.203.028</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:

	2021	2020
	€	€
Balance at 1 January	248.773	242.417
Impairment losses recognised on receivables	(6.844)	6.356
Balance at 31 December	<u>241.929</u>	<u>248.773</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 30 of the financial statements.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

10. Cash at bank and in hand

	2021	2020
	€	€
Cash at bank and in hand	13.190.508	14.905.083
Cash equivalents	55.175	26.455
	<u>13.245.683</u>	<u>14.931.538</u>

Cash equivalents of €55.175 (2020: €26.455) represent cash held in merchant accounts.

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

	2021	2020
	€	€
Cash at bank and in hand	13.190.508	14.905.083
	<u>13.190.508</u>	<u>14.905.083</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalent is reported in note 30 of the financial statements.

11. Share capital

	2021 Number of shares	2021 €	2020 Number of shares	2020 €
Authorised				
Ordinary shares of €1 each	<u>10.001</u>	<u>10.001</u>	<u>10.000</u>	<u>10.000</u>
Issued and fully paid				
Balance at 1 January	<u>10.001</u>	<u>10.001</u>	<u>10.000</u>	<u>10.000</u>
Balance at 31 December	<u>10.001</u>	<u>10.001</u>	<u>10.000</u>	<u>10.000</u>

On 04 August 2021 the Company issued one ordinary share of €1 each.

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

As of 29 July 2021, Peoplecert Holdings UK Ltd transferred 100% of its shares in Peoplecert International Limited to PeopleCert Wisdom Limited, which was incorporated as a subsidiary holding company in connection with the Axelos acquisition's transactions and has no independent business operations. PeopleCert Holdings UK Ltd indirectly controls PeopleCert Wisdom Limited through its 100% ownership of the share capital of PeopleCert Wisdom Holdings Limited, which, in turn, owns 100% of the share capital of PeopleCert Wisdom Limited. PeopleCert Wisdom Limited is also the direct 100% shareholder of PeopleCert Wisdom Issuer Plc, a special purpose finance company, which was incorporated on 12 July 2021 for the purposes of a bond offering (described below) and has no independent business operations.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

12. Borrowings

	2021 €	2020 €
Balance at 1 January	2.500.000	3.750.000
Proceeds from new loans	203.449.522	-
Repayments	(208.773.526)	(1.250.000)
Interest charged for the year	5.053.094	100.392
Exchange Rate differences	2.824.004	-
Repayments of interest	(49.766)	(100.392)
Balance at 31 December	5.003.328	2.500.000

	2021 €	2020 €
Current borrowings		
Bank loans	-	1.250.000
Intercompany Interest Payable (Note 27.4)	5.003.328	-
	<u>5.003.328</u>	<u>1.250.000</u>
Non-current borrowings		
Bank loans	-	1.250.000
	<u>-</u>	<u>1.250.000</u>
Total	5.003.328	2.500.000

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.

On 29 July 2021, the Company entered into an intra-group loan agreement and received a financing of an aggregate principal amount of £173.125.370 to fund, together with the equity contribution from PeopleCert Wisdom Limited (Note 15), the consideration payable for the Axelos acquisition. Part of this loan was used to repay the existing EBTD debt of €2.5 million.

Maturity of non-current borrowings:

	2021 €	2020 €
Within one year	5.003.328	1.250.000
Between one and five years	-	1.250.000
	<u>5.003.328</u>	<u>2.500.000</u>

Maturity of borrowings:

	2021 %	2020 %
The weighted average effective interest rates at the reporting date were as follows:		
Bank loans	3.21	3.21
Intra-group loan	5.85	-

The Company borrowings are denominated in euro.

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

13. Obligations under finance leases

	Minimum lease payments		The present value of minimum lease payments	
	2021	2020	2021	2020
	€	€	€	€
Not later than 1 year	12.400	20.400	12.248	19.995
Later than 1 year and not later than 5 years	-	4.000	-	3.970
	<u>12.400</u>	<u>24.400</u>	<u>12.248</u>	<u>23.965</u>
Future finance charges	(152)	(435)	-	-
Present value of finance lease liabilities	<u>12.248</u>	<u>23.965</u>	<u>12.248</u>	<u>23.965</u>

All lease obligations are denominated in Euro.

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

14. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 25). 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
	€
1 January 2020	110.422
Charged/(credited) to:	
Statement of profit or loss and other comprehensive income (Note 25)	(2)
Balance at 31 December 2020/ 1 January 2021	110.420
Charged/(credited) to:	
Statement of profit or loss and other comprehensive income (Note 25)	(138)
Balance at 31 December 2021	<u>110.282</u>

15. Trade and other payables

	2021	2020
	€	€
Trade payables	526.272	4.964.377
Prepayments from clients	950.220	632.729
Social insurance and other taxes	8.152	4.457
Payables to other related companies (Note 27.4)	-	1.500.000
Accruals	804.638	465.756
Other creditors	-	424.318
Payables to own subsidiaries (Note 27.4)	599.956	-
Payables to fellow subsidiaries (Note 27.4)	13.815.745	-
Payables to associates (Note 27.4)	-	123
	<u>16.704.983</u>	<u>7.991.760</u>

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

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

16. Deferred income

	2021	2020
	€	€
Accreditation fees	2.522.415	2.032.393
	<u>2.522.415</u>	<u>2.032.393</u>

17. Current tax liabilities

	2021	2020
	€	€
Corporation tax	1.276.175	6.669
	<u>1.276.175</u>	<u>6.669</u>

18. Revenue

	2021	2020
	€	€
Rendering of services:		
Business and IT	73.471.471	64.935.810
Languages	6.697.005	1.182.496
Other	<u>2.110.912</u>	<u>833.982</u>
	<u>82.279.388</u>	<u>66.952.288</u>

18.1 Revenue Analysis per primary geographical market:

	2021				2020			
Region	Business & IT	Languages	Other	Total 2021	Business & IT	Languages	Other	Total 2020
	€	€	€	€	€	€	€	€
UK	23.342.773	2.017.739	2.110.912	27.471.424	20.752.052	252.293	833.982	21.838.327
Europe	26.738.801	3.944.937	-	30.683.738	22.556.978	694.275	-	23.251.253
America	12.319.549	4.309	-	12.323.858	12.617.479	9.786	-	12.627.265
Asia	6.227.070	661.106	-	6.888.176	5.168.601	122.296	-	5.290.897
Africa	1.750.501	37.195	-	1.787.696	1.408.148	78.261	-	1.486.409
Oceania	3.092.777	31.719	-	3.124.496	2.432.552	25.585	-	2.458.137
	73.471.471	6.697.005	2.110.912	82.279.388	64.935.810	1.182.496	833.982	66.952.288

18.2 Revenue analysis per sales channel

	2021	2020
	€	€
Direct Sales to B2C customers	5.535.614	5.159.439
Sales through Intermediaries	76.743.774	61.792.849
Intercompany	9.799.701	6.719.952
B2B Customers	<u>66.944.073</u>	<u>55.072.897</u>
	<u>82.279.388</u>	<u>66.952.288</u>

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

19. Cost of sales

	2021	2020
	€	€
Venue Cost	9.645	27.714
Intellectual Properties Right fees and costs	691.603	713.228
Sales Commissions	518.068	89.627
Audit & Material Cost	181.053	179.635
Invigilation and Markers Costs	6.479	4.266
Passport related direct costs	36.750	-
Other direct costs	21.690	4.408
Content Development	94.444	72.735
Royalties and Revenue Share	33.357.363	43.298.066
Test Delivery Fees	1.458.736	329.387
Amortisation	2.511.277	2.345.808
	<u>38.887.108</u>	<u>47.064.874</u>

20. Other operating income

	2021	2020
	€	€
Other income	233.912	137.005
Other income – recharge of acquisition cost	13.324.166	-
	<u>13.558.078</u>	<u>137.005</u>

Other income amounting to €233.912 (2020: €137.005), relates to expenses that were recharged to business partners during the year.

The other income amounting of €13.324.166 (2020: €-) relates to recharge of Axelos acquisition cost to PeopleCert Wisdom Limited.

21. Selling and distribution expenses

	2021	2020
	€	€
Sales consultants fees	1.600.350	1.242.478
Overseas travelling	784.308	56.414
Advertising	327.697	159.605
Customer Acquisition Cost	933.165	463.977
Consultancy fees	226.050	154.008
Bad debts written off	128.824	54.792
General provision for bad debts	(6.844)	6.355
Conference Participation Cost	310.145	121.081
Subscription and contribution	15.559	-
Vehicle Cost	18.478	-
Other Marketing Cost	7.566	274
	<u>4.345.298</u>	<u>2.258.984</u>

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

22. Administration expenses

	2021	2020
	€	€
Directors' remuneration (note 27.1)	78.878	46.652
Staff salaries	138.529	111.696
Building Expenses	31.789	25.152
Licenses and taxes	7.304	1.408
Corporate Insurances	139.048	115.995
Insurance	204	65.621
Repairs and maintenance	423	940
Telephone and posting	78.187	52.142
Subscriptions and contributions	22.501	21.534
Computer supplies and maintenance	66.782	161.159
Auditors' remuneration for the statutory audit of annual accounts	25.000	70.000
Auditors' remuneration for the Q1-2021 review of the financial statements	25.000	-
Auditors' remuneration for the statutory audit of annual accounts previous year	1.000	-
Auditors' remuneration for other non-audit services	-	10.032
Legal fees	496.534	240.975
Other professional fees	710.747	407.153
Overseas travelling	164.989	121.399
Inland travelling and accommodation	6.272	5.767
Entertaining	101.257	118.847
Management fees	11.403.504	10.351.329
Other Cost	62.917	95.390
IT services	859.071	583.375
Depreciation	23.950	24.974
Stationery and printing cost	2.279	-
Third Party Payments	125.832	1.800
Vehicle Cost	380	381
Irrecoverable VAT	-	12
Electricity	1.671	1.297
	14.574.048	12.635.030

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.

23. Staff costs

	2021	2020
	€	€
Salaries	191.517	138.230
Social security costs	25.890	20.118
	217.407	158.348
Average number of employees	12	9

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

24. Finance income/(costs)

	2021	2020
	€	€
Net foreign exchange gains	<u>2.626.435</u>	<u>-</u>
	<u>2.626.435</u>	<u>-</u>
Net foreign exchange losses		(142.505)
Interest expense	(5.053.616)	(101.199)
Sundry finance expenses	<u>(767.827)</u>	<u>(673.318)</u>
Finance costs	<u>(5.821.443)</u>	<u>(917.022)</u>
Net finance costs	<u>(3.195.008)</u>	<u>(917.022)</u>

25. Tax

	2021	2020
	€	€
Corporation tax	1.763.666	65.270
Defense contribution	-	-
Deferred tax - (credit)/charge (Note 14)	<u>(138)</u>	<u>(2)</u>
Charge for the year	<u>1.763.528</u>	<u>65.268</u>

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:

	2021	2020
	€	€
Profit before tax	<u>21.343.522</u>	<u>3.880.013</u>
Tax calculated at the applicable tax rates	2.667.940	485.002
Tax effect of expenses not deductible for tax purposes	417.799	291.051
Tax effect of allowances and income not subject to tax	(1.393.770)	(710.783)
10% additional tax charge	71.697	-
Defense contribution current year	-	-
Deferred tax	<u>(138)</u>	<u>(2)</u>
Tax charge	<u>1.763.528</u>	<u>65.268</u>

26. Dividends

	2021	2020
	€	€
Declared final dividend	<u>11.045.497</u>	<u>1.500.000</u>
	<u>11.045.497</u>	<u>1.500.000</u>

On 26 March 2021 the Company in General Meeting declared the payment of a final dividend of €11.045.497 (2020: €1.500.000).

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

27. Related party transactions

The Company is directly controlled by PeopleCert Wisdom Limited, 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, which owns 79,26% of the shares of PeopleCert Holdings UK while effective 29 July 2021, the remaining 20,74% is owned by FTV – PC LLC.

The Company's ultimate controlling party is Byron Nicolaides.

The following transactions were carried out with related parties:

27.1 Directors' remuneration

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

	2021	2020
	€	€
Directors' fees	63.800	40.470
Director's social insurance and other contributions	7.423	6.182
	71.223	46.652

27.2 Transactions with related parties

Name	Nature of transactions	2021	2020
		€	€
Revenues & Other Income			
Subsidiaries			
PeopleCert UK Limited	Revenues – Test Fees	6.547.776	5.537.629
PeopleCert UK Limited	Revenues - Management Fees	1.159.496	822.094
PeopleCert Qualifications Limited	Revenues – Test Fees	1.320.730	-
PeopleCert Qualifications Limited	Revenues – Test Delivery Fees	805.185	360.229
PeopleCert Wisdom Limited	Other Income	13.324.166	-
Axelos Limited (as per 1 st of August 2021)	Revenues & Other Income	122.060	-
		23.279.413	6.719.952

Expenses

Subsidiaries

PeopleCert Hellas S.A	Interest on Loan	-	483
PeopleCert Qualifications Limited	Expenses - Royalties	1.038.839	145.083
PeopleCert Global Services S.A.	Expenses - Management fees	11.403.504	10.305.539
PeopleCert Global Services S.A.	Intangible Assets	1.247.955	1.373.375
PeopleCert Wisdom Limited	Interest on Loan	5.003.328	-
Axelos Limited (as per 1 st of August 2021)	Expenses – Test Delivery Fees	6.767.258	-
		25.460.884	11.824.480

Associate

Lean IT Association (Until November 2021)	Royalties	7.327	18.058
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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 2021

27.3 Receivables from related parties (Note 9)

<u>Name</u>	<u>Nature of transactions</u>	2021 €	2020 €
Controlling parties			
PeopleCert Wisdom Limited	Selling of Shares	155.612.263	-
PeopleCert Wisdom Limited	Financing	120	-
PeopleCert Wisdom Limited	Trade – Accrued Income	13.324.167	-
		<u>168.936.550</u>	<u>-</u>
Own Subsidiaries			
PeopleCert UK Limited	Trade	2.140.219	438.047
PeopleCert Global Services S.A.	Trade	1.189.706	416.728
PeopleCert Hellas S.A.	Financing	16.671	-
PeopleCert Qualifications Limited	Trade	-	234.626
		<u>3.346.596</u>	<u>1.089.401</u>
Fellow Subsidiaries			
PeopleCert Wisdom Issuer Plc	Financing	4.011.122	-
Axelos Limited	Prepayment	919.073	-
Axelos Limited	Accrued Income	11.279.305	-
		<u>16.209.500</u>	<u>-</u>
Other related parties			
PeopleCert Holdings UK Limited	Finance	833.057	-
ECDL Hellas (under Common Control)	Trade	-	27.925
Hepis (under common control)	Finance	25.677	25.080
		<u>858.734</u>	<u>53.005</u>
		<u>189.351.380</u>	<u>1.142.406</u>

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

27.4 Payables to related parties (Note 15)

<u>Name</u>	<u>Nature of transactions</u>	2021 €	2020 €
Other Related Parties			
Peoplecert Holdings UK Limited		-	1.500.000
		<u>-</u>	<u>1.500.000</u>
Own Subsidiaries			
PeopleCert Qualifications	Trade	599.956	-
		<u>599.956</u>	<u>-</u>
Fellow Subsidiaries			
Axelos Limited	Trade	13.815.745	-
		<u>13.815.745</u>	<u>-</u>
Associates			
Lean IT Association	Trade	-	123
		<u>-</u>	<u>123</u>
Controlling parties			
PeopleCert Wisdom Limited	Borrowings	5.003.328	-
		<u>5.003.328</u>	<u>-</u>
		<u>19.419.029</u>	<u>1.500.123</u>

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

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

27.5 Shareholders' current accounts - debit balances (Note 9)

	2021	2020
	€	€
Shareholder's current account	416.099	299.552
	416.099	299.552

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

28. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2021.

29. Commitments

The Company had no capital or other commitments as at 31 December 2021.

30. 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 management policies employed by the Company to manage these risks are discussed below:

30.1 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.

30.2 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

30. Financial risk management (cont.)

Financial risk factors

(ii) Risk management

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.

(iii) 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*

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

30. Financial risk management (cont.)

Financial risk factors

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.

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:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

30. Financial risk management (cont.)

Financial risk factors

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 2021 or 1 January 2021 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 2021 and 31 December 2020.

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.

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

PEOPLECERT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

30. Financial risk management (cont.)

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.

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 2021 and 31 December 2020:

Company internal credit rating	2021 €	2020 €
Performing	189.325.703	1.089.401
Underperforming	25.677	53.005
Total	189.351.380	1.142.406

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 2021 and 31 December 2020:

Company internal credit rating	External credit rating	Expected credit loss rate	2021 €	2020 €
Performing	AAA - A	- %	5.626.674	10.365.181
Underperforming	BBB - B	- %	7.563.586	-
Not performing	CCC - C	2.02%	55.177	4.566.357
Total			13.245.437	14.931.538

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

30. Financial risk management (cont.)

(iv) 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.

30.3 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 minimizing 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 2021

	Carrying amounts €	Contractual cash flows €	Within 12 months €	1-2 years €
Obligations under finance leases	12.248	12.400	12.400	-
Trade and other payables	1.484.646	1.484.646	1.484.646	-
Payables to related parties	19.419.029	19.419.029	19.419.029	-
	20.915.923	20.916.075	20.916.075	-

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

30. Financial risk management (cont.)

30.4 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:

	Liabilities		Assets	
	2021	2020	2021	2020
	€	€	€	€
United States Dollars	565.305	2.795.638	6.583.471	1.996.943
Japanese Yen	11.665	12.107	821.044	276.149
British Pounds	14.784.235	4.992.963	161.898.906	4.760.515
Australian Dollar	57.883	33.559	795.449	202.319
	<u>15.419.088</u>	<u>7.834.267</u>	<u>170.098.870</u>	<u>7.235.926</u>

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2021 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	
	2021	2020
	€	€
United States Dollars	601.817	72.681
Australian Dollar	73.757	(15.455)
British Pounds	14.711.467	23.032
Japanese Yen	80.938	(33.760)
	<u>15.467.979</u>	<u>46.498</u>

30.5 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

30. Financial risk management (cont.)

The Company's capital is analysed as follows:

	2021	2020
	€	€
Total borrowings (Note 12)	5.003.328	2.500.000
Less: Cash and cash equivalents (Note 10)	<u>(13.245.683)</u>	<u>(14.931.538)</u>
Net debt	(8.242.355)	(12.431.538)
Total equity	<u>195.327.430</u>	<u>23.055.987</u>
Total capital	<u>187.085.075</u>	<u>10.624.449</u>
Gearing ratio	<u>(4,41)%</u>	<u>(117,01)%</u>

31. Events after the reporting period

As explained in Note 1 the geopolitical situation in Eastern Europe intensified on 24 February 2022, with the commencement of the conflict between Russia and Ukraine.

As at the date of authorizing these financial statements for issue, the conflict continues to evolve as military activity proceeds and additional sanctions are imposed.

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

On 6 September 2022 the Board of Directors of Peoplecert International Limited approved and authorized these financial statements for issue.