NETINFO PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

NETINFO PLC

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NETINFO PLC

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	
	Executive Directors Vassos Aristodemou Polykarpos Hadjikyriakos Orlando Castellanos
	Non-Executive Directors Kevin Ashby Pavlos Iosifides Iacovos Koumi Michael Kammas (appointed 30 May 2018) Ioannis Ninios (appointed 24 October 2018)
Secretary	Polykarpos Hadjikyriakos
Independent Auditors	KPMG Limited
Legal Advisors	D.Hadjinestoros & Co LLC Kyriakou Matsi 16, Eagle House, 8th Floor Agioi Omologites 1082, Nicosia,Cyprus
Bankers	Bank of Cyprus Public Company Ltd Hellenic Bank Public Company Ltd Alpha Bank Cyprus Ltd National Bank of Greece (Cyprus) Ltd Eurobank Cyprus Ltd Cynergy Bank Limited
Registered Office	23 Aglantzias Avenue Netinfo Building 2108, Nicosia Cyprus
Registration number	HE110368

NETINFO PLC

DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 (N 190 (I)/2007) ("the Law") we, the members of the Board of Directors and the Company official responsible for the consolidated financial statements of NETinfo Plc (the "Company") for the year ended 31 December 2018, on the basis of our knowledge, declare that:

(a) The annual consolidated financial statements of the Group which are presented on pages 13 to 72:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of Article 9, section (4) of the law, and

(ii) provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Group and the entities included in the consolidated financial statements as a whole and

(b) The management report provides a fair view of the developments and the performance as well as the financial position of the Group as a whole, together with a description of the main risks and uncertainties which it faces.

Members of the Board of Directors:

Vassos Aristodemou

Polykarpos Hadjikyriakos

Orlando Castellanos

Kevin Ashby

Pavlos Iosifides

Michael Kammas

Iacovos Koumi

Ioannis Ninios

Responsible for drafting the financial statements

Zwi Zafeiropoulou
Chief Financial Officer

Nicosia, 8 May 2019

NETINFO PLC

MANAGEMENT REPORT

The Board of Directors of NETinfo Plc (the "Company") presents to the members its Annual Report together with the audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS OF THE GROUP

The principal activity of the Group, which is unchanged from last year, is the design of banking and mobile banking software programs and web applications.

FINANCIAL RESULTS

The Group's financial results for the year ended 31 December 2018 are set out on page 13 to the consolidated financial statements. The net loss for the year attributable to the owners of the Group amounted to €180.100 (2017: €34.614).

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The results of this year show a loss which is mainly attributed to the pre-operational costs needed to set-up NETinfoPay Limited and the deployment of their mobile payment system in Cyprus, and the Board of Directors is making an effort to reduce the Group's losses. Despite the loss this year the Group's development to date and the financial position as reflected in the financial statements are satisfactory.

Financial technology groups tend to invest heavily in developing a strong asset and service offering either through acquisitions or in house development. The Group is one of the leading financial technology companies in Cyprus with a strong in house development team which was further enhanced in 2018. During the year the Company invested heavily in the upgrade of its software platform product offerings compatible with current and next generation systems. What's important to highlight, is the significant innovation of the Group during 2018 with the development of cutting edge electronic payment and real time electronic wallet technology and license activation of NETinfoPay e-money license by the Central Bank of Cyprus, a significant milestone for the medium to long term development plans of the Group.

The operating result of the Group before finance expenses shows a decrease compared to 2017 from €343.180 to €221.457. This was attributed to the increase in Administration costs mainly due to the increase in staff costs and other professional fees. In addition the introduction of new financial reporting standard IFRS 9 resulted in impairment loss on trade rec.eivables and contract assets of €284.676 for the year ended 2018. The Group showed an operating loss after finance expenses of €35.589 mainly due to loan interest. Losses after tax increased to €180.100 compared to a loss in 2017 of €34.614.

The management is actively monitoring the financial performance of the Group and looking to improve its capital base and liquidity position. To this end during 2018 the company succesfully issued a convertible bond of the amount €600.000. In addition, the Group is listed in the Emerging Capital Market of the Cyprus Stock Exchange and there was an increase of share capital of the Group during the year of the amount €1.000.090. Therefore the Group has the option to obtain additional funds to cover its outflows by issuing additional shares either to its existing members or through private placement and the manement considering various options to further improve its capital base.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in note 38 to the consolidated financial statements.

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 Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group 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 arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

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

LIQUIDITY RISK

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group 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.

FUTURE DEVELOPMENTS

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

The most significant risks faced by the Group and the steps taken to manage these risks, are described in note 37 to the consolidated financial statements.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Group continuously invests in developing and upgrading its main software library. This has been achieved by investing in an in-house R&D department of more than 20 people who continuously develop its existing products according to business requirements. During the year, an amount of €556.389 (2017: €900.254) was capitalised.

SHARE CAPITAL

Authorised capital
There were no changes in the authorised share capital of the Group during the year.

Issued capital
On 21 September 2018, NETinfo Plc made an issue of 1.099.000 shares of €0,22 of each, at a premium of €0,69 per share.

IMPLEMENTATION AND COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE

The Group recognises the importance of implementing sound corporate governance policies, practices and procedures including the appointment of an audit comittee.

NETinfo Plc is listed on the Emerging Capital Market of the Cyprus Stock Exchange ("CSE"), which is not regarded as a regulated market with the meaning used in Companies Law, therefore it is not required to adopt the Corporate Governance Statement as per Section 151 of the Companies Law, Cap.113.

BRANCHES

During the year ended 31 December 2018 the Group did not operate any branches.

BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2018, except for Mr. Michael Kammas who was appointed on 30 May 2018 and Mr. Ioannis Ninios who was appointed on 24 October 2018.

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

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

EVENTS AFTER THE REPORTING PERIOD

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

NETINFO PLC

MANAGEMENT REPORT *(continued)*

INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Vassos Aristodemou
Director

Nicosia, 8 May 2019

KPMG

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

NETINFO PLC

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of NETINFO PLC (the "Company") and its subsidiaries (the "Group"), which are presented on pages 12 to 72 and comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated 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 Qualified Opinion

As described in Note 24 to the consolidated financial statements, the Group's investment in ALLPAY LLP ("ALLPAY"), a foreign associate accounted for using the equity method, is carried at €92.462 on the statement of financial position as at 31 December 2018, and the Group's share of ALLPAY's net loss of €51.477 is included in the Group's loss for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's investment in ALLPAY as at 31 December 2018 and the Group's share of ALLPAY's net loss for the year due to delays in the transmittal of the relevant unaudited financial information and insufficient access to supporting evidence of this financial information to the Board of Directors of the Company. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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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 consolidated financial statements" section of our report. We remained independent of the Company throughout the period of our appointment in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the consolidated 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to note 9 to the consolidated financial statements.

The key audit matter

Revenue of the Group is generated through contracts signed between the Group and various local and international clients. Implementation contracts contain various performance obligations which are distinct, hence a specific point in time can be established. Revenue on maintenance services offered after the product goes live is recognized over time.

The Group has recognized contact assets in respect of software implementation projects for which the performance obligations were achieved whereas invoicing and repayment will take place in stages over the next three years.

We have identified revenue recognition as a key audit matter since it involves significant judgement in determining the various performance obligations, establishing the timing of revenue recognition and allocating the transaction price to the performance obligations. Furthermore, in cases where there are contract assets with a significant financing component, estimate is involved when concluding on the appropriate discount factor to discount the amount of the consideration to its present value.

How the matter was addressed in our audit

- With regards to the implementation of IFRS 15, we verified management's conclusion by assessing different types of contracts and the accuracy of the Group's revised accounting policies in light of the industry specific circumstances and our understanding of the business.
- We evaluated significant judgments and estimates made by management in applying the accounting policy to all valid implementation contracts and separable performance obligations by inspecting details of the contractual agreements, evidence of customer acceptance and cash receipts. For the contracts tested, we have recalculated revenue.
- For contracts in which maintenance was embedded in the contract during the implementation phase, we have assessed the allocation of the transaction price to the performance obligations (implementation vs maintenance) based on the client's pricing policy and standalone maintenance contracts.
- We have estimated the impact of the time value of money on the revenue recognized using a discount factor that reflects the individual credit characteristics of the customers.
- For a sample of change requests (statistically selected), we have traced revenue to supporting invoices, evidence of communication with the client and signed client acceptance of work

performed.

- For a sample of maintenance contracts (statistically selected), we have performed contract revenue recalculation for services rendered over time by tracing revenue to the annual contract fee.
- We reviewed transactions post year end and traced revenue recognized to contract terms, to examine completeness of revenue.

Capitalisation and impairment of software development costs

Refer to note 20 to the consolidated financial statements.

The key audit matter

Internally generated intangible assets (software development costs) are recognised only when the conditions of IAS 38 are met. This involves significant management judgment, such as with respect to the technical feasibility, intention and ability to complete the intangible asset, generation of future economic benefits and the ability to measure the costs reliably.

Capitalisation of software development costs was identified as a key audit matter.

How the matter was addressed in our audit

- We have assessed the recognition criteria of internally generated intangible assets, challenged the key assumptions and estimates applied by management in capitalized software development costs and assessed their reasonableness.
- We have obtained an analysis of the software tools database developments made to the software library during 2018 and assessed the reasonableness against those developments.
- We reviewed expense accounts to identify costs eligible for capitalization, to assess completeness of the development costs capitalised.
- We considered whether any indicators of impairment were present by understanding the business rationale and management plans for the future and relevant markets addressed.

Other information

The Board of Directors is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

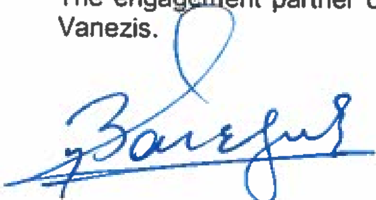
Pursuant to the additional requirements of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("L.53(I)/2017"), and based on the work undertaken in the course of our audit, we report the following:

- 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 consolidated financial statements.
- In the light of the knowledge and understanding of the business and the Group'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 Article 10(1) of the EU Regulation 537/2014 and 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.

The engagement partner on the audit resulting in this independent auditors' report is Pangratios P. Vanezis.



Pangratios P. Vanezis, FCA
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

8 May 2019

NETINFO PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 €	2017 €
Assets			
Property, plant and equipment	20	3.373.339	3.487.940
Intangible assets	21	3.268.416	2.954.636
Investment properties	22	304.000	482.000
Investments in associates	24	92.462	156.830
Contract assets	9	339.459	-
Total non-current assets		7.377.676	7.081.406
Inventories	25	79.670	-
Contract assets	9	265.023	60.421
Trade and other receivables	26	646.238	993.725
Cash and cash equivalents	27	834.573	454.670
Total current assets		1.825.504	1.508.816
Total assets		9.203.180	8.590.222
Equity			
Share capital	28	2.820.547	2.578.767
Share premium	28	1.282.911	524.601
Other reserves	29	327.264	393.692
Retained earnings		(896.577)	(626.685)
Total equity		3.534.145	2.870.375
Liabilities			
Loans and borrowings	30	3.630.358	3.637.231
Deferred tax liabilities	31	77.792	77.975
Deferred income	33	70.964	70.964
Total non-current liabilities		3.779.114	3.786.170
Bank overdrafts	27	875.807	963.449
Short term portion of long-term loans	30	449.388	339.493
Trade and other payables	32	539.426	605.714
Deferred income	33	4.731	4.731
Tax liability	34	20.569	20.290
Total current liabilities		1.889.921	1.933.677
Total liabilities		5.669.035	5.719.847
Total equity and liabilities		9.203.180	8.590.222

On 8 May 2019 the Board of Directors of NETinfo Plc approved and authorised these consolidated financial statements for issue.

....
Vassos Aristodemou
Director

....
Orlando Castellanos
Director

The notes on pages 18 to 72 are an integral part of these consolidated financial statements.

NETINFO PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 €	2017 €
Revenue	9	3.725.761	3.625.964
Cost of sales	10	(1.193.139)	(1.565.877)
Gross profit		2.532.622	2.060.087
Other operating income	11	144.654	184.675
Selling and distribution expenses	12	(230.779)	(272.087)
Administrative expenses	13	(1.939.233)	(1.582.674)
Impairment loss on trade receivables and contract assets	9, 26	(284.676)	(46.821)
Other operating expenses	14	(4.316)	-
Operating profit	15	218.272	343.180
Finance income	17	19.687	196
Finance expenses	17	(273.548)	(344.715)
Net finance expenses		(253.861)	(344.519)
Operating loss after net finance expenses		(35.589)	(1.339)
Share of loss from associates	24	(51.477)	(14.427)
Loss before tax		(87.066)	(15.766)
Tax	18	(93.034)	(18.848)
Loss for the year		(180.100)	(34.614)
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Tax on other comprehensive income-fair value change of properties	18	182	6.016
Items that are or may be reclassified to profit or loss:			
Share of exchange difference arising on the translation and consolidation of foreign associates		(66.610)	11.071
Other comprehensive (expense)/income for the year		(66.428)	17.087
Total comprehensive expense for the year		(246.528)	(17.527)
Basic and fully diluted losses per share (cent)	19	(1,40)	(0,30)

The notes on pages 18 to 72 are an integral part of these consolidated financial statements.

NETINFO PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Share capital €	Share premium €	Fair value reserve-land and buildings €	Translation reserve €	Accumulated losses €	Total equity €
Balance at 1 January 2017		2.578.767	524.601	813.499	(436.894)	(569.235)	2.910.738
Comprehensive income							
Loss for the year		-	-	-	-	(34.613)	(34.613)
Other comprehensive income for the year		-	-	6.016	11.071	-	17.087
Total comprehensive income for the year		-	-	6.016	11.071	(34.613)	(17.526)
Transactions with owners of the Company							
Special contribution to the defence fund on deemed distribution		-	-	-	-	(25.289)	(25.289)
Loss of control of subsidiary		-	-	-	-	2.452	2.452
Total transactions with owners		-	-	-	-	(22.837)	(22.837)
Balance at 31 December 2017		2.578.767	524.601	819.515	(425.823)	(626.685)	2.870.375

The notes on pages 18 to 72 are an integral part of these consolidated financial statements.

NETINFO PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 31 December 2018

	Note	Share capital €	Share premium €	Fair value reserve-land and buildings €	Translation reserve €	Accumulated losses €	Total equity €
Balance at - 1 January 2018 as previously reported		2.578.767	524.601	819.515	(425.823)	(626.685)	2.870.375
Adjustment on initial application of IFRS 9, net of tax	6	-	-	-	-	(89.792)	(89.792)
Balance at 1 January 2018 as restated		2.578.767	524.601	819.515	(425.823)	(716.477)	2.780.583
Comprehensive income							
Loss for the year		-	-	-	-	(180.100)	(180.100)
Other comprehensive income for the year		-	-	182	(66.610)	-	(66.428)
Total comprehensive income for the year		-	-	182	(66.610)	(180.100)	(246.528)
Transactions with owners of the Company							
Issue of share capital	28	241.780	758.310	-	-	-	1.000.090
Exchange difference arising on the translation of foreign operations		-	-	-	-	-	-
Total transactions with owners		241.780	758.310	-	-	-	1.000.090
Balance at 31 December 2018		2.820.547	1.282.911	819.697	(492.433)	(896.577)	3.534.145

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate owners at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the owners.

The notes on pages 18 to 72 are an integral part of these consolidated financial statements.

NETINFO PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 €	2017 €
Cash flows from operating activities			
Loss for the year		(180.100)	(34.614)
Adjustments for:			
Depreciation of property, plant and equipment	20	174.441	166.296
Exchange difference arising on the translation and consolidation of foreign companies' financial statements		68.757	(11.071)
Unrealised exchange profit		(5.654)	-
Amortisation of intangible assets	21	242.609	212.624
Share of results of associates	24	51.477	14.427
Loss from the sale of investments in associated undertakings		-	66.095
Profit from the sale of investment properties	21	(2.000)	-
Interest income	17	(3.569)	(196)
Interest expense	17	219.874	222.448
Income tax expense		93.034	18.848
Cash generated from operations before working capital changes		658.869	654.857
Increase in inventories		(79.670)	-
Decrease in trade and other receivables		199.404	294.494
(Increase)/decrease in contract assets		(581.455)	46.780
Increase in restricted bank deposits		(37.511)	(19)
(Decrease)/increase in trade and other payables		(157.043)	159.773
Decrease in deferred income		-	(9.462)
Cash generated from operations		2.594	1.146.423
Tax paid		(92.755)	(21.065)
Net cash (used in)/generated from operating activities		(90.161)	1.125.358
Cash flows from investing activities			
Payment for acquisition of intangible assets	21	(556.389)	(900.254)
Payment for acquisition of property, plant and equipment	20	(80.267)	(120.875)
Proceeds from sale of investment properties	22	180.000	-
Proceeds from sale of investments in investments in associated undertakings		-	(66.095)
Interest received		3.569	196
Net cash used in investing activities		(453.087)	(1.087.028)

The notes on pages 18 to 72 are an integral part of these consolidated financial statements.

NETINFO PLC

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2018

	Note	2018 €	2017 €
Cash flows from financing activities			
Proceeds from issue of share capital		1.000.090	-
Repayment of borrowings		(668.806)	(266.552)
Proceeds from borrowings		600.000	500.000
Interest paid		22.647	(181.231)
Special contribution to the defence fund on deemed distribution paid		-	(25.289)
Net cash generated from financing activities		953.931	26.928
Impairment charge - cash and cash equivalents		19.351	-
Net increase in cash and cash equivalents		430.034	65.258
Cash and cash equivalents at beginning of the year		(510.564)	(575.822)
Cash and cash equivalents at end of the year	27	(80.530)	(510.564)

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated.

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Reporting entity

NETinfo Plc (the "Company") was incorporated in Cyprus on 3 April 2000 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 23 Aglantzias Avenue, Netinfo Building, 2108, Nicosia, Cyprus.

The principal activity of the Group, which is unchanged from last year, is the design of banking and mobile banking software programs and web applications.

The company is listed in the Emerging Capital Market of the Cyprus Stock Exchange.

2. Basis of accounting

The consolidated financial statements for the year ended 31 December 2018 consist of the financial statements of the Company and its subsidiaries (which together referred to as "the Group").

2.1 Statement of compliance

These consolidated 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.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except in the case of land and buildings and investments property, which are measured at fair value.

2.3 Going concern basis

The Group incurred a net loss of €180.100 during the year ended 31 December 2018 and, as of that date the Group's current liabilities exceeded its current assets by €64.417. This is mainly attributed to the pre-operational costs of NETinfo Pay Limited.

During 2018 the Group has heavily invested in software development, as evidenced by the software development costs capitalized, mainly in the upgrade of its software platform product offerings compatible with current and next generation system and more importantly in the significant innovation of the Group with the development of cutting edge electronic payment and real time electronic wallet technology and the activation of its e-money license application by the Central Bank of Cyprus a significant milestone for the medium to long term development plans of the Group.

The management is actively monitoring the financial performance of the Group and looking to improve its capital base and liquidity position. To this end during 2018 the company succesfully issued a convertible bond of the amount €600.000. In addition, the Group is listed in the Emerging Capital Market of the Cyprus Stock Exchange and there was an increase of share capital of the Group during the year of the amount €1.000.090. Therefore the Group has the option to obtain additional funds to cover its outflows by issuing additional shares either to its existing members or through private placement and the manement considering various options to further improve its capital base.

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. Basis of accounting *(continued)*

2.3 Going concern basis *(continued)*

The Board of Directors, following consideration and evaluation of the above conditions and relevant factors, has concluded that the Group has a strong product offering and a significant innovative new technology that would produce strong results not only in the short term but longer term as well. in addition, there are currently available resources to implement the business plans of the Group achieving long term viability and maximizing shareholders returns. The financial statements of the Group have been prepared on a going concern basis.

3. Functional and presentation currency

The consolidated financial statements are presented in Euro (€) which is the functional currency of the Company.

4. Adoption of new and revised IFRSs and interpretations by the European Union (EU)

As from 1 January 2018, 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 Group, except for the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (see Note 6).

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 2018. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

(i) Standards and Interpretations adopted by the EU

- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019).
- IFRS 9 (Amendments) “Prepayment Features with Negative Compensation” (effective for annual periods beginning on or after 1 January 2019)
- IAS 28 (Amendments): Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019).
- IAS 19 (Amendments) “Plan Amendment, Curtailment or Settlement” (effective for annual periods beginning on or after 1 January 2019).
- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).

4. Adoption of new and revised IFRSs and interpretations by the European Union (EU) (continued)

(ii) Standards and Interpretations not adopted by the EU

- "Amendments to References to the Conceptual Framework in IFRS Standards" (effective for annual periods beginning on or after 1 January 2020)
- IAS 1 and IAS 8 (Amendments): Definition of Material (effective for annual periods beginning on or after 1 January 2020).
- IFRS 3 (Amendments) "Business combinations" (effective for annual periods beginning on or after 1 January 2020).

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

5. Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group'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.

5.1 Judgments

Information about judgments in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 7 "Revenue recognition" - accounting for revenue from sale of the developed software programs and web applications and revenue from services rendered.
- Note 7 "Capitalisation of software development costs" - determination whether the recognition criteria are met.

5.2 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 21 - impairment test of non-financial assets: key assumptions underlying recoverable amounts and value in use.
- Note 26 "Provision for bad and doubtful debts" - the Group reviews its trade and other receivables for evidence of their recoverability.
- Notes 23, 24 and 7 "Impairment of investments in subsidiaries/associates" - determine the recoverability of investments in subsidiaries/associates whenever indicators of impairment are present.
- Notes 26 and 38 "measurement of ECL allowance for trade receivables and contract assets": key assumptions in determining the weighted-average loss rate.

5. Use of estimates and judgments (continued)

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

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

Fair values are categorized 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in notes:

- Note 22 - Investment property
- Note 20 - Property, plant and equipment
- Note 38 - Financial instruments

6. Changes in significant accounting policies

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. The nature and effects of the changes are explained below. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

6. Changes in significant accounting policies *(continued)*

6.1 IFRS 15 Revenue from Contracts with Customers:

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018).

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has been restated to reflect the requirements of the new standards, except for and separately presenting impairment loss on trade receivables and contract assets.

Accordingly, the information presented for 2017 has not been restated and it is presented as previously reported under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The adoption of IFRS 15 in the Financial Statements of the Group has not resulted in significant changes in the opening retained earnings and in the revenue recognition. Furthermore, the consolidated statement of financial position and the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2018 has not been affected by the application of IFRS 15 as there were no material adjustments. As a result the Group needs to disclose IFRS 15 in its financial statements, without affecting the consolidated statements of profit and loss and other comprehensive income and the consolidated statement of financial position.

6.2 IFRS 9 Financial Instruments:

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in selling and distribution expenses. Consequently, the Group reclassified impairment losses amounting to €46.821, recognised under IAS 39, from 'selling and distribution expenses' to 'impairment loss on trade receivables and contract assets' in the statement of profit or loss and OCI for the year ended 31 December 2017. Impairment losses on other financial assets are presented under 'other operating expenses', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. Changes in significant accounting policies *(continued)*

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings and NCI.

	Note	Impact of adopting IFRS 9 on opening balance €
Retained Earnings		
Recognition of expected credit losses under IFRS 9		89.792
Impact at 1 January 2018		89.792

6.2.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 7.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. Changes in significant accounting policies *(continued)*

6.2 IFRS 9 Financial Instruments:*(continued)*

The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 €	New carrying amount under IFRS 9 €
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	1.381.876	1.307.119
Cash and cash equivalents	Loans and receivables	Amortised cost	437.870	422.835
Total financial assets			1.819.746	1.729.954

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 €	New carrying amount under IFRS 9 €
Financial liabilities				
Bank overdrafts	Other financial liabilities	Other financial liabilities	936.449	963.449
Secured bank loans	Other financial liabilities	Other financial liabilities	3.976.724	3.976.724
Trade and other payables	Other financial liabilities	Other financial liabilities	637.014	637.014
Total financial liabilities			5.550.187	5.577.187

6. Changes in significant accounting policies *(continued)*

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	IAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount at 1 January 2018
	€	€	€	€
Financial assets				
Amortised cost				
Cash and cash equivalents:				
Brought forward: Loans and receivables	437.870			
Remeasurement		-	(15.035)	
Carried forward: Amortised cost				422.835
Trade and other receivables:				
Brought forward: Loans and receivables	1.381.876			
Remeasurement		-	(74.757)	
Carried forward: Amortised cost				1.307.119
Contract assets:				
Brought forward: Loans and receivables	-			
Remeasurement		-	-	
Carried forward: Amortised cost				-
Total amortised cost	1.819.746	-	(89.792)	1.729.954

6.2.2 Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to:

- financial assets measured at amortised cost;
- debt investments at FVOCI;
- contract assets;
- lease receivables;
- loan commitments and financial guarantee contracts issued.

The new impairment model does not apply to investments in equity instruments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39.

6. Changes in significant accounting policies *(continued)*

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9 impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

	€
Loss allowance at 31 December 2017 under IAS 39	
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables	74.757
Cash and cash equivalents	15.035
Loss allowance at 1 January 2018 under IFRS 9	89.792

Additional information about how the Group measures the allowance for impairment is described in note 7.

7. Significant accounting policies

The following accounting policies have been applied consistently for all the years presented in these consolidated financial statements, except if mentioned otherwise (see also note 6). The accounting policies have been consistently applied by all companies of the Group.

Certain comparative amounts in the statement of profit or loss and OCI have been restated, reclassified or re-presented, as a result of:

- a change in accounting policy (see note 6).

7.1 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists where the Group 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.

The financial statements of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date that control commences until the date control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring them in line with the accounting policies of the Group.

7. Significant accounting policies *(continued)*

7.2 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity as transactions with owners acting in their capacity as owners. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

When the Group loses control of a subsidiary, the resulting profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The resulting profit or loss is recognised in profit or loss.

Any interest retained in the former subsidiary is measured at fair value when control is lost.

7.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

7. Significant accounting policies *(continued)*

7.3 Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

7.4 Investments in associates

Associates are those entities in which the Group has significant influence but no control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee. Investments in associates are initially recognised at cost, which includes transactions costs, and are accounted for using the equity method.

7. Significant accounting policies *(continued)*

7.4 Investments in associates (continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The guidance in IAS 28 is applied to determine whether it is necessary to perform an impairment test for the Group's investments in equity-accounted investees. If there is an indication of impairment, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

7.5 Joint arrangements

Joint arrangements are arrangements of which the Group has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint ventures
The Group's share in a joint venture is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture (equity method).

7. Significant accounting policies *(continued)*

7.5 Joint arrangements (continued)

The Group reports its interests in jointly controlled entities using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the Joint Venture. The post-acquisition movements are adjusted in the carrying amount of the investment. Any of the Group's share of post-acquisition losses of the joint venture is recognised to the extent of the carrying amount of the investment (prior to recognition of losses). In such cases, in subsequent periods the Group recognises income from the joint ventures only after its share of the profits are in excess of the losses not yet recognised.

Any distributable income received in excess of the Group's investment in Joint venture and the Group (a) is not liable for the obligations of the joint venture or otherwise committed to provide financial support to the Joint Venture and (b) the distribution are not refundable by agreement or Law, then such excess distribution is recognised as income in profit or loss. In subsequent years, if the Joint Venture reports a profit, the Group resumes applying the equity method in accordance to IAS 28 once the Joint Venture has made sufficient profits to cover the aggregate of any Joint Venture losses not recognised by the Group and any income previously recognised for excess distributions.

Any excess of the cost of acquisition over the Group's share of the fair value of the net identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the interest in joint venture and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Joint operation
The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Any goodwill arising on the acquisition of the Group's interest in a jointly operation is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the Group transacts with its joint operation, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

7. Significant accounting policies *(continued)*

7.5 Joint arrangements (continued)

Transactions eliminated on consolidation
Intra group balances, and any unrealised income and expenses arising from intra group transactions are eliminated in preparing consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Acquisition for entities under common control
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

7.6 Segmental reporting

The Group is organised by business segments and this is the primary format for segmental reporting. Each business segment provides products or services which are subject to risks and returns that are different from those of other business segments. The Group operates only in Cyprus and for this reason operations are not analysed by geographical segment.

7.7 Revenue recognition

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

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The details of new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out in note 6.1.

7.8 Employee benefits

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

In addition the Group operates a defined contribution scheme the assets of which are held in a separate trustee-administered fund.

7. Significant accounting policies *(continued)*

7.9 Finance income and finance costs

The Group's finance income and finance costs include:
- interest income;
- interest expense;
- Net foreign exchange transaction losses

7.9.1 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.

7.9.2 Finance costs

Finance expenses include interest expense on loans and bank overdrafts as well as bank charges and foreign exchange losses. Finance expenses, excluding bank charges, are recognised to profit or loss using the effective interest method. Bank charges are recognised in profit or loss in the period which incurred.

7.10 Foreign currency translation

(i) Functional currencies

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which each entity operates ('the functional currency').

(ii) The financial statements are presented in Euro (€), which is also the functional currency of NETinfo Plc. The functional currencies of the subsidiaries are as follows:
- NETinfo Services Limited: Euro (€)
- NETteller Solutions S.A.: Euro (€)
- NETinfo Ltd: UK pound sterling (£)
- NETinfoPay Limited: Euro (€)
- NETinfo CIS LLC: Russian Ruble

Foreign currency transactions are translated into respective functional currencies of the Group companies 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 the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined.

7. Significant accounting policies *(continued)*

7.10 Foreign currency translation (continued)

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (2017: available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss));
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and
- qualifying cash flow hedges to the extent that the hedges are effective.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Euro using exchange rates prevailing on the reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

7.11 Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

7. Significant accounting policies *(continued)*

7.11 Tax (continued)

Current tax
Tax liabilities and assets for the current and prior periods 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. Current tax includes any adjustments to tax payable in respect of previous periods.

Deferred tax
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 consolidated 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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

7.12 Dividends

Dividends distributions to the Company's shareholders are recognised in the Company's financial statements in the year in which they are approved.

7.13 Property, plant and equipment

Land and buildings are carried at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Revaluations are carried out with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from fair value reserves to retained earnings.

7. Significant accounting policies *(continued)*

7.13 Property, plant and equipment (continued)

Depreciation is calculated on the straight-line method so as to write off the cost or revalued amount of each asset to its residual value, over its estimated useful life. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Buildings	3
Computer hardware	20
Motor vehicles	20
Furniture, fixtures and equipment	10
Telephone Center	10

No depreciation is provided on land.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

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 Group. 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. When revalued assets are sold, the amounts included in the fair value reserves are transferred to retained earnings.

7.14 Deferred income from government grants

Government grants on non-current assets acquisitions are recorded as deferred income and recognised as income on a systematic and rational basis over the useful life of the asset. Grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that relate to expenses are recognised in profit or loss as revenue.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. Significant accounting policies *(continued)*

7.15 Investment properties

Investment property is held for long-term rental yields and/or for capital appreciation and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by the Directors based on valuations prepared by external independent valuers. Changes in fair values are recorded in profit or loss and are included in other operating income.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

7.16 Intangible assets

(i) Internally-generated intangible assets - research and development
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Computer software
Costs that are directly associated with identifiable and unique computer software products controlled by the Group 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. Amortisation commences when the computer software is available for use and is included within cost of sales.

The annual amortisation rate used for the current and comparative periods is 5%.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted accordingly.

7. Significant accounting policies *(continued)*

7.16 Intangible assets (continued)

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

7.17 Leases

At inception of an arrangement, the Group determines whether an arrangement is or contains a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases - The Group as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Operating leases - The Group as lessee
Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

7.18 Financial instruments

7.18.1 Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

7.18.2 Classification and subsequent measurement

7.18.2.1 Financial assets - policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: Amortised cost; Fair Value through Other Comprehensive income (FVOCI) debt investment; Fair Value through Other Comprehensive income (FVOCI) equity investment; or FVTPL.

7. Significant accounting policies *(continued)*

7.18 Financial instruments (continued)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the consolidated statement of cash flows.

Financial assets - Business model assessment: Policy applicable from 1 January 2018.

The Group 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 Group'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 Group's continuing recognition of the assets.

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For the year ended 31 December 2018

7. Significant accounting policies *(continued)*

7.18 Financial instruments (continued)

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: Policy applicable from 1 January 2018

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 Group 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 Group 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 Group'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.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

7. Significant accounting policies *(continued)*

7.18 Financial instruments (continued)

7.18.2.2 Financial assets - Classification: Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:
- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
- held for trading;
- derivative hedging instruments; or
- designated as at FVTPL.

7.18.2.3 Financial assets - Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Before 1 January 2018, the Group subsequently measured its financial instruments as follows:

(i) Trade and other receivables
Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are stated after deducting the appropriate allowances for any impairment.

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

(iii) Loans granted
Loans originated by the Group by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

(iv) Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, cash at bank and bank overdrafts.

7. Significant accounting policies *(continued)*

7.18 Financial instruments (continued)

7.18.2.4 Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The financial liabilities of the Group are measured as follows:

(i) Borrowings
Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated 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.

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

7.18.3 Impairment:

Policy applicable from 1 January 2018

- Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:
- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group 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.

7. Significant accounting policies *(continued)*

7.18 Financial instruments (continued)

7.18.3 Impairment: *(continued)*
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

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

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's rating agency or BBB- or higher per Moody's Rating Agency.

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 Group 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 Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

- Credit-impaired financial assets

At each reporting date, the Group 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.

7. Significant accounting policies *(continued)*

7.18 Financial instruments (continued)

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 Group on terms that the Group 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group 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 Group 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 Group 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 Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

- Non- derivative financial assets

  The Company assesses at each reporting date whether there is objective evidence that a financial asset, other than financial assets at fair value through profit or loss, or a group of financial assets, other than financial assets at fair value through profit or loss is impaired. Objective evidence that financial assets are impaired includes:
  - default or delinquency by a debtor;
  - restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
  - indications that a debtor or issuer will enter bankruptcy;
  - adverse changes in the payment status of borrowers or issuers;
  - the disappearance of an active market for a security; or
  - observable data indicating that there is measurable decrease in the expected cash flows from a group of financial assets.

  In the case of available-for-sale equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

Financial assets measured at amortised cost

For financial assets measured at amortised cost, the Group considers evidence of impairment for these assets at both an individual and a collective level.

7. Significant accounting policies *(continued)*

7.18 Financial instruments (continued)

All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

7.19 Derecognition of financial assets and liabilities

7.19.1 Financial assets

The Group derecognises a financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) when:

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

Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability

7.19.2 Financial liabilities

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

The Group 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.

7. Significant accounting policies *(continued)*

7.20 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when, and only when, the Group has a currently enforceable legal right to offset the recognised amounts and it intends to settle them 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 consolidated statement of financial position.

7.21 Impairment of non-financial assets

Assets (other than biological assets, investment property, inventories and deferred tax assets) that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to be benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

7.22 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

7. Significant accounting policies *(continued)*

7.23 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.

7.24 Non-current liabilities

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

7.25 Comparatives

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

8. Segmental Analysis

The Directors currently identify one business line as the Group's single operating segment.

The Group's most significant customers in respect of revenues recognised during the year were CRDB Bank Plc, RCB Bank Ltd and Euro Pacific Intl. Bank Inc.

Entity-wide geographical disclosures

2018	Cyprus	Other	Total
	€	€	€
Revenue	1.453.897	2.271.864	3.725.761
Non-current assets	8.750.367	452.813	9.203.180

2017	Cyprus	Other	Total
	€	€	€
Revenue	1.151.304	2.474.660	3.625.964
Non-current assets	8.090.222	500.000	8.590.222

Non-current assets (other than financial assets, investments accounted for using the equity method and deferred tax assets) are allocated based on their physical location.

The Group's revenues from external customers have been allocated on the basis of the customer's geographical location.

9. Revenue

The effect of initially applying IFRS 15 on the Group's revenue from the contracts with customers is described in note 6.1 Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

Revenue streams: The Group generates revenue primarily from the development and implementation of customised software to its customers. Other sources of revenue include the rendering of services such as maintenance, outsourcing and web design services.

	2018	2017
	€	€
Software development and implementation	1.989.789	1.754.260
Maintenance services	1.160.454	1.245.668
Outsourcing services	393.809	442.240
Web design services	174.609	171.520
Sales of computer accesories	7.100	12.276
	3.725.761	3.625.964

9.1 Contract balances: The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2018	2017
	€	€
Receivables, which are included in "trade and other receivables"	506.528	973.959
Contract assets	604.482	60.421

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The amount of contract assets during the period ended 31 December 2018 was impacted by an impairment charge of €31.173. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. Revenue *(continued)*

9.2 Performance obligations:

Type of product/ service	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition under IFRS 15 (applicable from 1 January 2018)*	*Revenue recognition under IAS 18 (applicable before 1 January 2018)*
Software development and implementation	The customer obtains control of the product once implementation is completed. Invoices are generated based on pre-agreed milestones set in the contracts. Invoices are usually payable within 30 days. The customer consumes the benefits of the maintenance service as the service is provided.	The transaction price of software and implementation contracts is allocated to the imlementation activities and maintenane service based on the Group's pricing list. Revenue arising from implementation activities is recognised at a point in time, following completion of the pre-agreed milestones set in the contracts with customers. Contract assets are recognised for unbilled revenue where performnce obligations have been completed. Revenue arising from maintenance services is recognised over the period during which the service is provided.	Revenue arising from the implementation activities was recognised following completion of each of the distinct milestones set in the contracts with customers. Contract asset were recognised for unbilled revenue, based on the stage of completion of each contract. Revenue from maintenance services was recognised over the period for which the service was being provided.
Maintenance services	The customer consumes the benefits of the maintenance service as the service is provided. Invoicing usually takes place monthly and in some cases annually, bsaed on the pre-agreed annual fee. Invoices are usually payable within 30 days.	Revenue from maintenance services is recognised over the period during which the service is provided.	Revenue from maintenance services was recognised over the period during which the service is provided.
Outsourcing services	The customer consumes the benefit of the outsourcing services as the service is provided. Invoicing takes place on a monthly basis based on the pre-agreed annual fee.	Revenue from outsourcing services is recognised over the period during which the service is provided.	Revenue from maintenance services was recognised over the period during which the service was provided.
Web and design sercices	Web and design services relate to design services offerred to customers for which there are pre-agreed milestones and maintenance and hosting services provided on an annual basis to customers. In respect of design services, the customer obtains control of the product once delivered and invoicing takes place once the performnce obligation is completed. In respect of maintenance and histing services provided, invoicing takes place annually, based on the pre-agreed annual fee. Invoices are usually payable within 30 days.	Revenue arising from design services are recognised at a point in time, following completion of the set milestones and delivery of the product to the customer. Revenue arising from maintenance and hosting activities is recognised over the period for which the service is provided.	Revenue arising from design services was recognised upon delivery of the product to the customer. Revenue arising from maintenance and hosting activities was recognised over the period for which the service is provided.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. Cost of sales

	2018	2017
	€	€
Staff costs (Note 16)	763.425	949.094
Subcontracted work	250	-
Software and domain registration	173.183	347.010
Amortisation of software	242.609	212.624
Consulting services for research and development	-	45.400
Depreciation on computer hardware	13.672	11.749
	1.193.139	1.565.877

11. Other operating income

	2018	2017
	€	€
Reimbursements	19.418	-
Profit from sale of investments in associates	-	137.945
Profit from sale of investment property	2.000	-
Government grants	47.933	32.074
Bad debts recovered	74.325	-
Rental income	-	12.395
Sundry operating income	978	2.261
	144.654	184.675

12. Selling and distribution expenses

	2018	2017
	€	€
Overseas travelling	37.986	74.773
Advertising	39.319	59.447
Decoration	13.440	12.182
Commissions to agents	55.037	19.875
Entertaining	5.982	-
Inland travelling	3.317	-
Bad debts written off	3.325	16.781
Discounts allowed	1.076	14
Other selling and distribution expenses	71.297	89.015
	230.779	272.087

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. Administrative expenses

	2018 €	2017 €
Staff costs (Note 16)	959.706	664.970
Rent	33.320	36.528
Common expenses	6.699	-
Licenses and taxes	5.399	12.544
Electricity	30.060	31.380
Water supply and cleaning	11.609	15.396
Insurance	15.860	17.392
Repairs and maintenance	16.943	30.524
Sundry expenses	2.596	4.355
Telephone and postage	20.879	21.107
Stationery and printing	9.241	5.299
Subscriptions and contributions	9.047	2.017
Non charitable donations	14.009	-
Staff training	26.188	16.660
Computer supplies and maintenance	9.130	-
Independent auditors' remuneration for the statutory audit of annual accounts	17.000	14.000
Independent auditors' remuneration for other non-audit services	-	5.000
Independent auditors' remuneration - prior years	-	3.300
Accounting fees	10.537	9.358
Legal fees	42.815	31.941
Other professional fees	250.635	137.429
Custody fees	1.000	3.050
Fines	142	185
Overseas travelling	219.839	279.554
Inland travelling and accommodation	996	-
Entertaining	26.118	17.300
Motor vehicle running costs	36.576	37.830
Depreciation of property,plant and equipment	160.769	154.547
Other administration expenses	2.120	31.008
	1.939.233	1.582.674

14.Other operating expenses

	2018 €	2017 €
Impairment charge on cash and cash equivalents	4.316	-
	4.316	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. Operating profit

	Note	2018 €	2017 €
Operating profit is stated after charging the following items:			
Amortisation of computer software	21	242.609	212.264
Depreciation of property, plant and equipment	20	174.441	166.296
Staff costs including Directors in their executive capacity	16	1.723.131	1.614.064
Independent auditors' remuneration for the statutory audit of annual accounts		17.000	14.000
Independent auditors' remuneration for other non-audit services		-	5.000
Independent auditors' remuneration - prior years		-	3.300
Trade receivables and contract assets - impairment charge for bad and doubtful debts		284.676	46.821

16. Staff costs

	Note	2018 €	2017 €
Salaries (including Directors in their executive capacity)		1.431.469	1.369.800
Social insurance costs and other funds		206.436	174.026
Social cohesion fund contributions		37.625	31.941
Pensions cost		47.601	38.297
Total staff costs	15	1.723.131	1.614.064
Average number of employees (including Directors in their executive capacity)		68	64

Staff costs amounting to €519.118 were capitalised in computer software as it is directly attributable to the development of the of the main software database.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. Net finance income and costs

	2018 €	2017 €
Finance income		
Bank interest	3.516	26
Other interest income	53	170
Unrealised foreign exchange profit	16.118	-
	19.687	196
Finance costs		
Interest expense		
Loan interest	207.028	222.448
Bank overdraft interest	5	-
Interest on bond	12.654	-
Interest on taxes	187	-
Other finance expenses		
Bank charges	22.595	27.195
Foreign exchange losses		
Realised foreign exchange loss	20.615	95.072
Unrealised foreign exchange loss	10.464	-
	273.548	344.715

18. Taxation

	Note	2018 €	2017 €
Corporation tax		-	1.132
Overseas tax		71.839	19.447
Special contribution to the defence fund year		1.071	759
Capital gains tax		20.124	-
Deferred tax - (credit)	31	-	(2.490)
Charge for the year		93.034	18.848

The Cyprus corporation tax rate is 12,5%. In addition, 75% of the gross rents receivable are subject to defence contribution at the rate of 3%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. Earnings per share

	2018	2017
Basic and fully diluted losses attributable to owners (€)	(180.100)	(34.614)
Weighted average number of ordinary shares in issue during the year	12.820.670	11.721.670
Basic and fully diluted losses per share (cent)	(1,40)	(0,30)

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares in issue during the year.

20. Property, plant and equipment

	Land and buildings	Computer Hardware	Motor vehicles	Furniture, fixtures and office equipment	Telephone center	Total
	€	€	€	€	€	€
Cost or valuation						
Balance at 1 January 2017	3.410.000	502.971	322.679	450.807	49.744	4.736.201
Additions	54.885	21.469	14.507	28.079	1.935	120.875
Balance at 31 December 2017	3.464.885	524.440	337.186	478.886	51.679	4.857.076
Balance at 1 January 2018	3.464.885	524.440	337.186	478.886	51.679	4.857.076
Additions	19.600	14.776	-	28.938	16.953	80.267
Balance at 31 December 2018	3.484.485	539.216	337.186	507.824	68.632	4.937.343
Depreciation						
Balance at 1 January 2017	173.334	470.113	220.273	306.536	32.584	1.202.840
Depreciation for the year	86.805	11.851	37.439	30.201	-	166.296
Balance at 31 December 2017	260.139	481.964	257.712	336.737	32.584	1.369.136
Balance at 1 January 2018	260.139	481.964	257.712	336.737	32.584	1.369.136
Depreciation for the year	86.805	15.543	37.440	36.973	18.107	194.868
Balance at 31 December 2018	346.944	497.507	295.152	373.710	50.691	1.564.004
Carrying amounts						
Balance at 31 December 2018	3.137.541	41.709	42.034	134.114	17.941	3.373.339
Balance at 31 December 2017	3.204.746	42.476	79.474	142.149	19.095	3.487.940

20.Property, plant and equipment *(continued)*

Fair value hierarchy

The fair value of property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The significant inputs and assumptions are developed in close consultation with the Directors. The valuation process and fair value changes are reviewed by the Board of Directors at each reporting date.

The fair value measurement for the properties has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The fair value of land and buildings was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category ofthe property being valued. The significant inputs and assumptions are developed in close consultation with the Directors. The valuation process and fair value changes are reviewed by the Board of Directors at each reporting date.

The significant unobservable inputs are the adjustments for factors specific to the property in question. The extent and direction of these adjustments depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although those inputs include subjective judgment, the Directors consider that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

Land and buildings have been revalued by the management in 2017 following a valuation by the independent valuer. The Board of Directors does not believe that there is a significant change to the fair value of land and buildings as at the reporting date.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2018	2017
	€	€
Cost	2.623.750	2.955.003
Accumulated depreciation	(346.993)	(268.327)
Net book amount	2.276.757	2.686.676

The carrying amount of €3.137.541 (2017: €3.204.746) is pledged to secure bank loans of the Group.

Depreciation of €31.481 was capitalised within internally generated computer software since it was identified as directly attibutable to the development of the intangible asset. The remainder was charged to profit and loss for the year (notes 10 and 13).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. Intangible assets

	Computer software €
Cost	
Balance at 1 January 2017	4.052.225
Additions	900.254
Balance at 31 December 2017	4.952.479
Balance at 1 January 2018	4.952.479
Additions	556.389
Balance at 31 December 2018	5.508.868
Amortisation	
Balance at 1 January 2017	1.785.219
Amortisation for the year	212.624
Balance at 31 December 2017	1.997.843
Balance at 1 January 2018	1.997.843
Amortisation for the year	242.609
Balance at 31 December 2018	2.240.452
Carrying amounts	
Balance at 31 December 2018	3.268.416
Balance at 31 December 2017	2.954.636

Computer software relates to a development library made up of reusable objects which are used by the Company to develop application software for its customers.

Additions made to computer software in 2018 mainly comprise the software development costs capitalised in relation to the main software library and the software to be used by NETinfoPay Limited. Costs capitalised comprise payroll cost incurred on staff working on the development of software, the cost of outsourced services attributable to the software development, cost of directly attibutable overheads and borrowing costs incurred on the bond issued attributable to the development of the software.

No amortisation was recognised on acquired software held by NETInfo Pay Limited during the year ended 31 December 2018 as the platform is not ready for its intended use.

At the end of the reporting period, there was no indication for an impairment on the Group's computer software.

22. Investment property

	2018 €	2017 €
Balance at 1 January and 31 December	482.000	482.000
Disposals	(178.000)	-
Balance at 31 December	304.000	482.000

Investment property comprise of two apartments used as office spaces. The properties are located in a central location in Nicosia. During 2018 the Group disposed of one apartment with a carrying value of €178.000 at a gain of €2.000.

Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation process and fair value changes are reviewed by the Board of Directors at each reporting date.

The fair value measurement for all of the investment properties has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The fair value is estimated using a market approach that reflects observed prices for recent market transactions for similar properties per m2 and incorporates adjustments for specific factors, including plot and building size, location planning zone and permits, encumbrances and current use and condition.

The significant unobservable inputs are the adjustments for factors specific to the property in question. The extent and direction of these adjustments depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although those inputs include subjective judgment, the Directors consider that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

A valuation of investment properties was last carried out by the independent valuer in January 2017. The Board of Directors does not believe that there was a significant change to the fair value of the investment properties as at the reporting date.

Carrying amount of €304.000 (2017: €482.000) is pledged to secure the bank loans of the Group.

23. Investments in subsidiaries

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2018 Holding %	2017 Holding %
NETinfo Services Limited	Cyprus	Development of software	100	100
NETinfo CIS LLC	Russia	Development of software	100	100
NETteller Solutions S.A.	Costa Rica	Development of software	100	100
NETinfo Limited	United Kingdom	Development of software	100	100
NETinfoPay Limited	Cyprus	Electronic money institution	100	100

The Group 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.

24. Investments in associates

	2018 €	2017 €
Balance at 1 January	156.830	456.076
Exchange differences	(12.891)	11.071
Share of loss from associate	(51.477)	(14.427)
Disposal of PlusPay LLC	-	(295.890)
Balance at 31 December	92.462	156.830

The activities of the associate are regarded as being strategic to the Company's own activities.

24. Investments in associates *(continued)*

Significant aggregate amounts in respect of associated undertakings:

	2018 €	2017 €
Percentage ownership interest	33,3%	33,3%
Non-current assets	450.733	494.639
Current assets	91.877	34.559
Non-current liabilities	(2.125)	(2.299)
Current liabilities	(248.451)	(56.361)
Net assets	292.034	470.538
Group's share of net assets	92.462	156.830
Carrying amount of interest in joint venture	92.462	156.830
Revenue	30.709	200
Loss from continuing operations	(51.477)	(43.717)
Profit and total comprehensive income	(51.477)	(43.717)
Group's share of profit and total comprehensive income	(51.477)	(43.717)

The equity method of accounting was applied to investment in associate using the year end financial information.

With effect from 1 January 2017, the Group disposed of its entire interest in Plus Pay LLC. In exchange NETinfo Plc acquired back software contributed €500.000.

25. Inventories

	2018 €	2017 €
Finished products	67.364	-
Spare parts and other consumables	12.306	-
	79.670	-

The cost of inventories recognised during the year 2018 relates to software components for the development of NETinfo Pay Ltd platform.

26. Trade and other receivables

The effect of initially applying IFRS 9 in the Group's financial instruments is described in note 6.2. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirements.

	2018 €	2017 €
Trade receivables	839.788	1.233.430
Less: Provision for impairment of trade receivables	(333.260)	(259.471)
Trade receivables - net	506.528	973.959
Directors' current accounts - debit balances (Note 35 (iii))	33.028	7.131
Owners' current accounts - debit balances (Note 35 (ii))	5.721	-
Deposits and prepayments	19.298	6.635
Amounts due from Cyprus government	67.623	-
Other receivables	14.040	6.000
	646.238	993.725

Ageing analysis of trade receivables:

	Gross amount 2018 €	Impairment 2018 €	Gross amount 2017 €	Impairment 2017 €
Not past due	343.783	-	506.471	-
Past due 1-30 days	54.646	(410)	164.683	-
Past due 31-120 days	124.434	(58.907)	86.099	-
More than 120 days	316.925	(273.943)	476.177	(259.471)
	839.788	(333.260)	1.233.430	(259.471)

The Group has recognised a loss of €253.503 (2017: €46.821) for the impairment of its trade receivables during the year ended 31 December 2018. The loss has been included in the Consolidated statement of profit or loss and other comprehensive income (2017: selling and distribution costs in profit or loss). See note 6.2 for an explanation of the effect of initially applying IFRS 9.

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

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 38 to the consolidated financial statements.

27. Cash and cash equivalents

The effect of initially applying IFRS 9 in the Group's financial instruments is described in note 6.2. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirements.

	2018 €	2017 €
Cash in hand	4.342	19.598
Bank demand deposits	810.286	433.287
Restricted bank deposits	39.296	1.785
Accumulated impairment losses on cash and cash equivalents	(19.351)	-
	834.573	454.670

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

	2018 €	2017 €
Cash and cash equivalents	795.277	452.885
Bank overdrafts	(875.807)	(963.449)
	(80.530)	(510.564)

The weighted average effective interest rate on bank overdrafts at the reporting date was 4,29% (2017: 4,46%).

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 38 to the consolidated financial statements.

28. Share capital and share premium

	2018 Number of shares	2018 €	2017 Number of shares	2017 €
Authorised				
Ordinary shares of €1,71 each	38.461.538	8.461.538	38.461.538	8.461.538
Issued and fully paid				
Balance at 1 January and 31 December	11.721.670	2.578.767	11.721.670	2.578.767
Issue of shares	1.099.000	241.780	-	-
	12.820.670	2.820.547	11.721.670	2.578.767

On 21 September 2018, NETinfo Plc made an issue of 1.099.000 shares of €0,22 each, at a premium of €0,69 per share.

29. Reserves

The Reserves comprise of the fair value reserve and foreign currency translation reserve.

Fair value reserve

The fair value reserve for land and buildings arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Euro) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

30. Loans and borrowings

Changes in loans and borrowings:

	2018 €	2017 €
Balance at 1 January	3.976.724	3.744.276
Additions	608.456	500.000
Repayments	(668.808)	(447.783)
Interest charged for the year	163.374	180.231
Balance at 31 December	4.079.746	3.976.724

	2018 €	2017 €
Non-current liabilities		
Bank loans	3.021.904	3.637.231
Convertible bond	608.454	-
	3.630.358	3.637.231
Current liabilities		
Bank loans	449.388	339.493
Total	4.079.746	3.976.724

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30.Loans and borrowings *(continued)*

Maturity of borrowings:

	2018	2017
	€	€
Within one year	449.388	339.493
Between one and five years	2.093.510	1.412.642
After five years	1.536.848	2.224.589
	3.630.358	3.637.231
	4.079.746	3.976.724

The bank loans are secured as follows:

- By personal guarantees of €6.795.000 from Mr. Vassos Aristodemou, shareholder of the Company.
- By mortgage against freehold property and investment properties of NETinfo Plc.
- By assignment of life assurance of Mr. Vassos Aristodemou with Eurolife (no.195716) for €150.000.
- By floating charge on the assets of the NETInfo Plc for an unlimited amount.
- By fixed charge on the Computer Hardware of the Group to the amount of €200.000.

The weighted average effecive interest rate on bank loans at the reporting date was 3,92% (2017: 4,46%).

Convertible bond

	2018	2017
	€	€
Proceeds from issue of convertible bond (600.000 bonds at €1 par value)	600.000	-
Transaction costs	(6.000)	-
Net proceeds	594.000	-
Interest expense	33.954	-
Repayment	(19.500)	-
Amount classified as equity (net of transaction costs)	-	-
Carrying amount of liability at 31 December 2018	608.454	-

The effective interest rate on the convertible bond at the reporting date was 6,90%

On 1 February 2018 NETinfo Plc issued a convertible bond of nominal value of €600.000. The bond bears interest at the rate of 6,50% per annum calculated by reference to the principal amount thereof and payable on a semi-annually basis on 1 August and 1 February. The bond is convertible to ordinary shares at a price discounted price equal to the 80% of the average market price of the Company's share price in January 2022.

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31. Deferred tax

Deferred tax liability

	2018 €	2017 €
Balance at 1 January and 31 December	77.975	86.480
Revaluation of land and buildings	(183)	(6.015)
Credit in profit or loss	-	(2.490)
	77.792	77.975

Deferred taxation liability arises as follows:

	2018 €	2017 €
Revaluation of land and buildings	77.792	77.975
	77.792	77.975

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 18). The applicable corporation tax rate in the case of tax losses is 12,5%.

32. Trade and other payables

	2018 €	2017 €
Trade payables	202.025	291.064
Other creditors	154.812	131.957
Directors' current accounts - credit balances (Note 35 (iii))	21.361	47.870
Prepayments from clients	172	172
Social insurance and other taxes	68.532	55.140
VAT	20.610	41.879
Accruals	66.870	31.888
Special contribution to the defence fund on payable dividends	5.044	5.744
	539.426	605.714

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

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33. Deferred income

	2018 €	2017 €
Government grants	75.695	75.695
Deferred income more than one year	70.964	70.964
Deferred income within one year	4.731	4.731
	75.695	75.695

Government grants relate to funds received by the Human Resource Development Authority and European Bank of Reasearch & Development in relation to innovative businesses.

34. Tax liability

	2018 €	2017 €
Corporation tax	19.720	19.720
Special contribution to the defence fund	849	570
	20.569	20.290

35. Related party transactions

The Company's share capital is widely disbursed to individuals and companies with different shareholdings with no one single party controlling the entity.

The transactions and balances with related parties are as follows:

(i) Key management compensation

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

	2018 €	2017 €
Executive directors' and their related parties' remuneration	188.500	178.787
Non-executive directors' remuneration	56.874	33.376
Other key management members' remuneration	48.945	45.500
Directors' insurance expense	9.510	9.592
	303.829	267.255

35.Related party transactions *(continued)*

(ii) Owners' current accounts - debit balances (Note 26)

	2018 €	2017 €
Polys Hadjikyriakos	4.698	-
Orlando Castellanos	1.023	-
	5.721	-

The owners' current accounts are interest free, and have no specified repayment date.

(iii) Directors' current accounts - debit/(credit) balances

	2018 €	2017 €
Vassos Aristodemou	(21.361)	(47.870)
Polys Hadjikyriakos	9.840	2.908
Orlando Castellanos	23.188	4.223
	11.667	(40.739)

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

36. Participation of directors in the company's share capital

The percentage of share capital of the Company held directly or indirectly by each member of the Board of Directors (in accordance with Article (4) (b) of the Directive DI 190-2007-04), as at 31 December 2018 and 7 May 2019 (5 days before the date of approval of the financial statements by the Board of Directors) were as follows:

	31 December 2018 %	7 May 2019 %
Orlando Castellanos	2	2
Polys Hadjikyriacos	13	13
Vassos Aristodemou	30	30

37. Shareholders holding more than 5% of share capital

The persons holding more than 5% of the share capital as at 31 December 2018 and 7 May 2019 (5 days before the date of approval of the financial statements by the Board of Directors) were as follows:

	31 December 2018 %	7 May 2019 %
Christiana Stylianou	5	5
GMM AIFLNP LTD-REAL INVESTMENT FUND	6	6
Demetra Investment Public Ltd	6	6
Polys Hadjikyriacos	13	13
Vassos Aristodemou	30	30

38. Financial instruments - risk management

The effect of initially applying IFRS 9 in the Group's financial instruments is described in note 6.2. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirements.

Financial risk factors
The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

A. Financial risk management

The Group has exposure to the following risks arising from financial instruments:
- credit risk (see note A(i));
- liquidity risk (see note A(ii)); and
- market risk (see note A(iii)).

(i) Credit risk
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has significant concentration of credit risk arising from the small number of clients. The Group has policies in place to ensure that all of its transactions giving rise to credit risk are made to parties with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

38.Financial instruments - risk management *(continued)*

(i) Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date, without taking account of any collateral obtained, was:

	2018 €	2017 €
Trade and other receivables	588.191	979.959
Bank demand deposits	810.286	433.287
Restricted bank deposits	39.296	1.785
Directors' current accounts	38.740	7.131
Contract assets	598.260	60.421
	2.074.773	1.482.583

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	2018 €	2017 €
Impairment charge - contract assets	(31.173)	-
Impairment charge on cash and cash equivalents	(4.316)	-
Impairment charge - trade receivables	(253.503)	(46.821)
	(288.992)	(46.821)

Trade receivables and contract assets

Expected credit loss assessment for corporate customers as at 1 January and 31 December 2018

The Group uses an allowance matrix to estimate lifetime ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

The Group uses its historical credit loss experience for trade receivables, adjusted to reflect forecasts of future economic conditions, to estimate fixed loss rates depending on the number of days that a trade receivable is past due. The loss rate is estimated by comparing the amount not ultimately collected (written off) as a percentage of the receivables yet to be collected in each of the age categories.

Loss rates are calculated separately for exposures in different segments. Segmentation of trade receivables is based on the following common credit risk characteristics - geographic region, age of customer relationship and industry the customer operates in.

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38.Financial instruments - risk management *(continued)*

(i) Credit risk (continued)

Movements in the allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade and other receivables and contract assets during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

	2018	2017 Individual impairments
	€	€
Balance at 1 January under IAS 39	259.471	212.650
Adjustment on initial application of IFRS 9	74.756	-
Balance at 1 January under IFRS 9	334.227	212.650
Impairment losses recognised on receivables and contract assets	284.676	46.821
Amount written off as uncollectible	(180.146)	-
Bad debts recovered	(74.324)	-
	364.433	259.471

Cash and cash equivalents

The table below shows an analysis of the Group's bank deposit by the credit rating of the bank in which they are held:

Bank group based on credit ratings by Moody's	No of banks	2018 €	2017 €
B3	1	20.470	2.833
Caa2	5	814.103	451.837
	6	834.573	454.670

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have medium to high credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

(ii) 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 Group 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.

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38.Financial instruments - risk management *(continued)*

(ii) Liquidity risk (continued)

The following tables detail the Group'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 Group can be required to pay. The table includes both interest and principal cash flows.

31 December 2018	Carrying amounts €	Contractual cash flows €	3 months or less €	Between 3-12 months €	Between 2-5 years €	Over than 5 years €
Bank loans	3.471.292	4.905.247	119.557	358.671	1.912.913	2.514.106
Convertible bond	608.454	736.500	-	39.000	697.500	-
Bank overdrafts	875.807	875.807	875.807	-	-	-
Trade and other payables	271.043	271.043	-	271.043	-	-
Directors' current accounts	21.361	21.361	21.361	-	-	-
	5.247.957	6.809.958	1.016.725	668.714	2.610.413	2.514.106

31 December 2017	Carrying amounts €	Contractual cash flows €	1 year or less €	Between 1-2 years €	Between 2-5 years €	More than 5 years €
Bank loans	3.976.724	5.097.270	511.725	511.724	1.497.542	2.576.279
Bank overdrafts	963.217	963.217	963.217	-	-	-
Trade and other payables	746.653	746.653	746.653	-	-	-
Directors' current accounts	47.870	47.870	47.870	-	-	-
	5.734.464	6.855.010	2.269.465	511.724	1.497.542	2.576.279

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

38.Financial instruments - risk management *(continued)*

(iii) Market risk (continued)

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

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2018 €	2017 €
Variable rate instruments		
Financial assets	474.735	435.072
Financial liabilities	(4.955.553)	(4.939.941)
	(4.480.818)	(4.504.869)

Sensitivity analysis

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Profit or loss 100 bp increase €
31 December 2018	
Variable rate instruments	44.808
	44.808
31 December 2017	
Variable rate instruments	45.049
	45.049

Capital management
The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the strive to improve the debt to equity ratio. The Group's overall strategy remains unchanged from last year.

38.Financial instruments - risk management *(continued)*

The Group manages the capital structure and takes reasonable steps in the light of changes in the economic conditions and the risk characteristics of its underlying business and assets. In order to improve its capital structure the Group may issue new shares, and or holding hybrid instruments such as convertible bonds , re-finance existing borrowings, and adjust the amount of any distribution of dividends.

39. Fair values

The following analysis presents financial and non-financial assets that are either measured at fair value in theconsolidated statement of financial position, or their fair value is disclosed in the notes, in accordance with the fair value hierarchy. Based on the significance of inputs used in measuring the fair value, thishierarchy groups non-financial assets into three levels as follows:

Non-financial assets

The following analysis presents non-financial assets that are either measured at fair value in the consolidated statement of financial position, or their fair value is disclosed in the notes, in accordance with the fair value hierarchy. Based on the significance of inputs used in measuring the fair value, this hierarchy groups non-financial assets into three levels 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).

31/12/2018	Level 1	Level 2	Level 3	Total
	€	€	€	€
Non-financial assets				
Property, plant and equipment	-	-	3.181.413	3.181.413
Investment property	-	-	304.000	304.000
Total	-	-	3.485.413	3.485.413
Financial liabilities				
Convertible bond	-	-	608.454	608.454
Loans and borrowings	-	-	3.471.292	3.471.292
Total	-	-	4.079.746	4.079.746

39.Fair values *(continued)*

31/12/2017	Level 1 €	Level 2 €	Level 3 €	Total €
Non-financial assets				
Property, plant and equipment	-	-	3.181.413	3.181.413
Investment property	-	-	482.000	482.000
Total	-	-	3.663.413	3.663.413
Financial liabilities				
Financial liabilities	-	-	4.145.413	4.145.413
Total	-	-	4.145.413	4.145.413

40. Commitments

Operating lease commitments

Operating leases - The Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018 €	2017 €
Within one year	-	31.592
	-	31.592

On 8 May 2019 the Board of Directors of NETinfo Plc approved and authorised these consolidated financial statements for issue.