NETINFO PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

NETINFO PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

CONTENTS

NETINFO PLC

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	Executive Directors Vassos Aristodemou Polykarpos Hadjikyriakos Orlando Castellanos Andreas Petrides (appointed 31 May 2019) Zoe Zafeiropoulou (appointed 31 May 2019) Non-Executive Directors Pavlos Iosifides Michael Kammas Ioannis Ninios Constantinos Constantinou (appointed 31 May 2019) Epaminondas Metaxas (appointed 31 May 2019 Kevin Ashby (resigned 31 May 2019) Iacovos Koumi (resigned 31 May 2019)
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 2019, on the basis of our knowledge, declare that:

(a) The annual consolidated financial statements of the Group which are presented on pages 14 to 73:

(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:

Executive Directors

Vassos Aristodemou

Polykarpos Hadjikyriakos

Orlando Castellanos

Zoe Zafeiropoulou

Andreas Petrides

Non Executive Directors

Epaminondas Metaxas (appointed 31 May 2019)

Pavlos Iosifides

Michael Kammas

Constantinos Constantinou(appointed 31 May 2019)

Iakovos Koumi(resigned 31 May 2019)

Kevin Ashby (resigned 31 May 2019)

Responsible for drafting the financial statements

Zwi Zafeiropoulou
Chief Financial Officer

Nicosia, 5 June 2020

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 2019.

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 2019 are set out on page 14 to the consolidated financial statements. The net loss for the year attributable to the owners of the Group amounted to €334.990 (2018: €180.100).

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

The results of this year are not considered satisfactory and the Board of Directors is taking active steps to reduce the Group losses. Despite the loss this year the Group's development to date and the financial position as reflected in the consolidated financial statements can be considered satisfactory that it creates a stong basis to achieve a better performance in the years to come.

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 2019. 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 2019 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 group is taking the necessary steps to be listed in the main market of Cyprus Stock Exchange.

The operating result of the Group before finance expenses shows a decrease compared to 2018 from profit of €218,272 to an operating loss of €34,837. This was attributed mainly due to the increase in staff costs within Cost of sales of €579.715.

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 39 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 that continuously develops its existing products according to business requirements. During the year, an amount of €449.672 (2018: €556.389) was capitalised.

SHARE CAPITAL

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

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 Companies 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 2019 the Group did not operate any branches.

BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2019 and at the date of this report are presented on page 1. Mr. Kevin Ashby and Mr. Iakovos Koumi, both resigned on 31 May 2019 and on the same date Mr.Epaminondas Metaxas and Mr.Constantinos Constantinou were appointed in their place, as well as Mr. Andreas Petrides and Mrs. Zoe Zafeiropoulou who were both appointed as Directors of the Company.

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

Significant events that occurred after the end of the reporting period are described in note 41 to 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, 5 June 2020

KPMG

KPMG Limited
Εγκεκριμένοι Λογιστές
Εσπερίδων 14, 1087 Λευκωσία, Κύπρος
Τ.Θ. 21121, 1502 Λευκωσία, Κύπρος
Τ: +357 22 209000, Φ: +357 22 678200

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 13 to 73 and comprise the consolidated statement of financial position as at 31 December 2019, 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, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements"' section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards) ("IESBA Code") together with the ethical requirements 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.

Λεμεσός
Τ.Θ. 50161, 3601
Τ: +357 25 869000
Φ: +357 25 363842

Λάρνακα
Τ.Θ. 40075, 6300
Τ: +357 24 200000
Φ:+357 24 200200

Πάφος
Τ.Θ. 60288, 8101
Τ: +357 26 943050
Φ: +357 26 943062

Παραλίμνι / Αγία Νάπα
Τ.Θ. 33200, 5311
Τ: +357 23 820080
Φ: +357 23 820084

Πόλις Χρυσοχούς
Τ.Θ. 66014, 8330
Τ: +357 26 322098
Φ: +357 26 322722

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	*How the matter was addressed in our audit*
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. 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. 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.	Our audit procedures on this area included among others: - Assessing management's accounting policies with regards to IFRS 15 by assessing different types of contracts and the appropriateness of the Company's accounting policies according to the industry specific circumstances and our understanding of the business. -Estimating 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 - Tracing revenue to supporting invoices, evidence of communication with the client and signed client acceptance of work performed for a sample of change requests (statistically selected). -Performing on a sample of statistically selected maintenance contracts recalculation of the services rendered over time by tracing the revenue to the annual contract fee. -Reviewing 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 21 to the consolidated financial statements.

The key audit matter	*How the matter was addressed in our audit*
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. It is for this reason that we considered the capitalization and impairment of software development cost as a key audit matter.	Our audit procedures on this area included among others:- -Assessing 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. -Reviewing expense accounts to identify costs eligible for capitalization, to assess completeness of the development costs capitalized. -Assessing the Group's financials in order to identify any indicators of impairment for intangible assets

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

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.

Report on other legal requirements

Pursuant to the additional requirements of law L.53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the 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 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, FCA.

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

5 June 2020

NETINFO PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 €	2018 €
Assets			
Property, plant and equipment	20	3.279.027	3.373.341
Intangible assets	21	3.451.496	3.268.416
Investment properties	22	304.000	304.000
Investments in associates	24	97.002	92.462
Contract assets	9	65.780	339.459
Total non-current assets		7.197.305	7.377.678
Inventories	25	78.278	79.670
Contract assets	9	251.511	265.023
Trade and other receivables	26	937.935	646.238
Cash and cash equivalents	27	444.051	834.573
Total current assets		1.711.775	1.825.504
Total assets		8.909.080	9.203.182
Equity			
Share capital	28	2.820.547	2.820.547
Share premium		1.282.911	1.282.911
Reserves	29	(803.243)	(569.313)
Total equity		3.300.215	3.534.145
Liabilities			
Loans and borrowings	30	3.313.584	3.630.358
Deferred tax liabilities	31	74.694	77.792
Deferred income	33	66.233	70.964
Total non-current liabilities		3.454.511	3.779.114
Bank overdrafts	27	943.504	875.807
Short term portion of long-term loans	30	448.844	449.388
Trade and other payables	32	755.577	539.428
Deferred income	33	4.731	4.731
Tax liability	34	1.698	20.569
Total current liabilities		2.154.354	1.889.923
Total liabilities		5.608.865	5.669.037
Total equity and liabilities		8.909.080	9.203.182

On 5 June 2020 the Board of Directors of NETinfo PLC approved and authorised these consolidated financial statements for issue.

....
Vassos Aristodemou
Director

....
Zoe Zafeiropoulou
Director

The notes on pages 18 to 73 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 2019

	Note	2019 €	2018 €
Revenue	9	4.164.384	3.725.761
Cost of sales	10	(1.947.967)	(1.193.139)
Gross profit		2.216.417	2.532.622
Other operating income	11	64.786	144.654
Selling and distribution expenses	12	(261.404)	(230.779)
Administrative expenses	13	(1.899.950)	(1.939.233)
Impairment loss on trade receivables and contract assets	9, 26	(154.686)	(284.676)
Other operating expenses		-	(4.316)
Operating (loss)/profit	14	(34.837)	218.272
Finance income	16	15.799	19.687
Finance costs	16	(226.556)	(273.548)
Net finance expenses		(210.757)	(253.861)
Operating loss after net finance expenses		(245.594)	(35.589)
Share of profit/(loss) from associate	24	1.540	(51.477)
Loss before tax		(244.054)	(87.066)
Tax	17	(90.936)	(93.034)
Loss for the year		(334.990)	(180.100)
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Tax on other comprehensive income-fair value change of properties	17	3.099	182
Items that are or may be reclassified to profit or loss:			
Share of exchange difference arising on the translation and consolidation of foreign associates		120.314	(66.610)
Other comprehensive income/(expense) for the year		123.413	(66.428)
Total comprehensive expense for the year		(211.577)	(246.528)
Basic losses per share (cent)	18	(2.61)	(1.40)
Diluted losses per share (cent)	18	(2.50)	(1.34)

The notes on pages 18 to 73 are an integral part of these consolidated financial statements.

NETINFO PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Share capital €	Share premium €	Fair value reserve-land and buildings (note29) €	Translation reserve (note 29) €	Accumulated losses €	Total €
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		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)	-	(66.610)
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
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

The notes on pages 18 to 73 are an integral part of these consolidated financial statements.

NETINFO PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2019

	Note	Share capital €	Share premium €	Fair value reserve-land and buildings (note29) €	Translation reserve (note 29) €	Accumulated losses €	Total €
Balance at 1 January 2019		2.820.547	1.282.911	819.697	(492.433)	(896.577)	3.534.145
Comprehensive income							
Loss for the year		-	-	-	-	(334.990)	(334.990)
Other comprehensive income for the year		-	-	3.099	120.314	-	123.413
Total comprehensive income for the year		-	-	3.099	120.314	(334.990)	(211.577)
Special contribution to the defence fund on deemed distribution	19	-	-	-	-	(22.353)	(22.353)
Balance at 31 December 2019		2.820.547	1.282.911	822.796	(372.119)	(1.253.920)	3.300.215

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 73 are an integral part of these consolidated financial statements.

NETINFO PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 €	2018 €
Cash flows from operating activities			
Loss for the year		(334.990)	(180.100)
Adjustments for:			
Depreciation of property, plant and equipment	20	185.543	174.441
Unrealised exchange (profit)/loss		(37.553)	63.103
Amortisation of intangible assets	21	266.592	242.609
Share of results of associates	24	1.540	51.477
Profit from the sale of investment properties		-	(2.000)
Interest income	16	(2.873)	(3.569)
Interest expense	16	194.359	219.874
Income tax expense		90.936	93.034
Cash generated from operations before working capital changes		363.554	658.869
Decrease/(increase) in inventories		1.392	(79.670)
(Increase)/decrease in trade and other receivables		(291.697)	199.404
Decrease/(increase) in contract assets		287.191	(581.455)
Decrease/(increase) in bank deposits		5.200	(37.511)
Increase/(decrease) in trade and other payables		216.149	(157.043)
Increase in contract liabilities		209.010	-
Decrease in deferred income		(4.731)	-
Cash generated from operations		786.068	2.594
Tax paid		-	(92.755)
Net cash generated from/(used in) operating activities		786.068	(90.161)
Cash flows from investing activities			
Payment for investment in R&D	21	(321.867)	(487.834)
Payment for acquisition of property, plant and equipment	20	(91.229)	(80.267)
Payment for acquisition of intangible asses	22	(127.805)	(68.555)
Proceeds from sale of investment properties	22	-	180.000
Interest received		2.873	3.569
Net cash used in investing activities		(538.028)	(453.087)
Cash flows from financing activities			
Proceeds from issue of share capital		-	1.000.090
Repayment of borrowings		(625.262)	(668.806)
Proceeds from borrowings		118.562	600.000
Interest paid		(194.359)	(219.874)
Net cash (used in)/generated from financing activities		(701.059)	711.410
Impairment charge - cash and cash equivalents	11	(2.600)	19.351
Net (decrease)/increase in cash and cash equivalents		(455.619)	187.513
Cash and cash equivalents at beginning of the year		(60.585)	(248.098)
Cash and cash equivalents at end of the year	27	(516.204)	(60.585)

The notes on pages 18 to 73 are an integral part of these consolidated financial statements.

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. Reporting entity

NETinfo PLC (the "Company") was incorporated and is domiciled 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 Companies Market of the Cyprus Stock Exchange.

2. Basis of accounting

The consolidated financial statements for the year ended 31 December 2019 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, buildings and investment property, which are measured at their fair value.

2.3 Going concern basis

The Group incurred a loss of €334.990 during the year ended 31 December 2019 and, as of that date the Group's current liabilities exceeded its current assets by €442.579. In addition, the events and impact of Covid 19 as discussed in note 35 may increase the operational and financial pressures on the Group.

Nothwistanding the level of net current liabilities and operating losses, as at the reporting date, and the events after the reporting date in relation to the global pandemic of Covid 19, the Group's financial statements have been prepared on a going concern basis as the Board of Directors consider that the Group has the financial ability to meet it's short and medium term objectives and overcome any negative impact from the economic effects of the global pandemic.

In particular, during 2019 the Group has continued investing in software development, as evidenced by the software development costs capitalised, mainly in the upgrade of its software platform product offerings compatible with current and next generation systems and more importantly in the significant innovation of the Group with the development of cutting edge electronic payment and real time electronic wallet technology. This is expected to result in future economic benefits for the Group through new business, as evidenced from the new contracts signed up to the date of the signing of these financial statements and a healthy sales pipeline development.

The management is actively monitoring the financial performance of the Group and looking to improve its capital base and liquidity position. The Group is currently making all the relevant steps and filings for listing in the main market of the Cyprus stock exchange which would further improve it's access to capital.

2. Basis of accounting (continued)

2.3 Going concern basis

The Board of Directors, following consideration and evaluation of the above conditions and relevant factors, the budgetary and cash flow position outlook until December 2021, as well as the implications to the global and local economic conditions as a result of COVID 19 as further explained in note 35, 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 maximising shareholder returns. The major shareholder has also expressed it's commitment and readiness to support the Group if this is needed in order to meet it's objectives in becoming the leading financial technology house.

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 2019, the Group 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 consolidated financial statements of the Group.

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 2019. 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

- "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).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020) (effective for annual periods beginning on or after 1 January 2020).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).
- IFRS 3 "Business Combinations" (amendments): Definition of a Business (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020) (effective for annual periods beginning on or after 1 January 2020).
- IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective date postponed indefinitely).

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

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

5. Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, 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 Judgements

Information about judgements 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:

- Notes 9 "Revenue recognition" - accounting for revenue from sale of the developed software programs and web applications and revenue from services rendered.

- Notes 9 "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 capitalised research & development : key assumptions underlying recoverable amounts and value in use.

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.

5. Use of estimates and judgements (continued)

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

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

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 categorised 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 39 - Financial instruments

6. Changes in significant accounting policies

The Group has adopted the following new standards, amendments to a standard and new interpretations with a date of initial application of 1 January 2019. The nature and effects of the changes do not have a material effect on the Group's financial statements.

6.1 IFRS 16 Leases

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application (if any) is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations and the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

6.1.1 Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 "Determining whether an Arrangement contains a Lease". The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 7.

6. Changes in significant accounting policies (continued)

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered or changed on or after 1 January 2019.

6.1.2 As a lessee

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, if the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset.

6.1.2.1 Leases classified as operating leases under IAS 17

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

6. Changes in significant accounting policies (continued)

6.1.2.2 Leases classified as finance leases under IAS 17

The carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

6.1.3 As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in investment property and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset and concluded that they are operating leases under IFRS 16.

The Group has also entered a sub-lease during 2019, which has been classified as a finance lease.

The Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

6.1.4 Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met: the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output.

6.1.4.1 As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

6. Changes in significant accounting policies (continued)

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

6.1.4.2 As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

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.

7. Significant accounting policies (continued)

7.3 Business combinations (continued)

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.

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.

7. Significant accounting policies (continued)

7.3 Business combinations (continued)

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.

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.

7. Significant accounting policies (continued)

7.4 Investments in associates (continued)

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).

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.

7. Significant accounting policies (continued)

7.5 Joint arrangements (continued)

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 is 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.

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.

7. Significant accounting policies (continued)

7.5 Joint arrangements (continued)

Acquisition of 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

Contracts identification

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

The transaction price

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

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

7. Significant accounting policies (continued)

7.7 Revenue recognition (continued)

Identification of the performance obligations

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

Performance obligations and revenue recognition policies

Rendering of services - over time:

Revenue from rendering of services is recognised over time while the Group satisfies its performance obligation by transferring control over the promised service to the customer in the accounting period in which the services are rendered.

For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

The input method is used to measure progress toward completion of the performance obligation as it provides a faithful depiction of the transfer of the control of the services to the customer.

Rendering of services - at a point in time:

The Group concluded that it transfers control over its services at a point in time, upon receipt by the customer of the service, because this is when the customer benefits from the relevant service.

Sale of products:

Sales of products are recognised at the point in time when the Group satisfies its performance obligation by transferring control over the promised products to the customer, which is usually when the products are delivered to the customer and the customer has accepted the products.

Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

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.

7. Significant accounting policies (continued)

7.8 Employee benefits (continued)

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

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

7.10 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.

7.11 Finance costs

Finance expenses include interest expense on loans, finance leases and bank overdrafts as well as bank charges. 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. Significant accounting policies (continued)

7.12 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) Transactions and balances

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.

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 (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.

7. Significant accounting policies (continued)

7.12 Foreign currency translation (continued)

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.

7.13 Tax

Income tax expense comprises of 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.

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. **Significant accounting policies** (continued)

7.14 Dividends

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

7.15 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.

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
Plant and machinery	20
Computer hardware	20
Motor vehicles	20
Furniture, fixtures and office 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.

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

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

7. Significant accounting policies (continued)

7.15 Property, plant and equipment (continued)

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.

7.16 Deferred income from government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. They are amortised on a systematic basis using the straight-line method over the expected useful life of the respective assets. Government grants that relate to expenses are recognised in the profit or loss as revenue.

7.17 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, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. 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. **Significant accounting policies** (continued)

7.18 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%.

(iii) Other intangible assets

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

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.

7.19 Financial instruments

7.19.1 Recognition and initial measurement

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

7. Significant accounting policies (continued)

7.19 Financial instruments (continued)

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.

7.19.2 Classification and subsequent measurement

7.19.2.1 Financial assets

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.

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.

7. Significant accounting policies (continued)

7.19 Financial instruments (continued)

Financial assets - Business model assessment

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.

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the 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;

7. Significant accounting policies (continued)

7.19 Financial instruments (continued)

- 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:

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)

7.19 Financial instruments (continued)

7.19.3 Impairment

- *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.

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.

7. Significant accounting policies (continued)

7.19 Financial instruments (continued)

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.

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.

7. Significant accounting policies (continued)

7.19 Financial instruments (continued)

- *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.

7.20 Derecognition of financial assets and liabilities

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

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)

7.21 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.

7.22 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 amortization, if no impairment loss had been recognised.

7.23 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)

7.24 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.

7.25 Non-current liabilities

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

7.26 Comparatives

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

8. Operating segments

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, BBAC s.a.l and Profile Systems & Software S.A

Entity-wide geographical disclosures

2019	Cyprus €	Other €	Total €
Revenue	1.537.912	2.626.472	4.164.384
Non-current assets	8.861.009	48.071	8.909.080

2018	Cyprus €	Other €	Total €
Revenue	1.453.897	2.271.864	3.725.761
Non-current assets	8.750.367	452.815	9.203.182

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.

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. Revenue

9.1 Revenue streams: The Company generates revenue primarily from licensing its digital banking platform and from the provision of professional services for the design and implementation of digital banking systems to its customers. Other sources of revenue include the rendering of services such as support, maintenance, outsourcing and web design.

	2019 €	2018 €
Software development and implementation	2.380.568	1.989.789
Maintenance services	1.129.912	1.160.454
Outsourcing services	490.277	393.809
Web design services	159.004	174.609
Sales of computer accessories	4.623	7.100
	4.164.384	3.725.761

9.2 Disaggregation of revenue from contracts with customers streams: in the following table revenue from contracts with customers is disaggregated by primary geographical market.

	2019 €
Primary Geographical markets	
Europe	2.344.374
Africa	643.205
Asia	899.620
Other	277.185
	4.164.384

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

	2019 €	2018 €
Receivables, which are included in "trade and other receivables"	824.978	506.528
Contract assets	317.291	604.482

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. There was no impairment charge for the amount of contract assets during the period ended 31 December 2019 (2018: €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.

9. **Revenue** (continued)

9.4 Performance obligations and revenue recognition policies:

Type of product/ service	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition under IFRS 15*
Software development and implementation and licensing	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 implementation activities and maintenance 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 performance obligations have been completed.
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.
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.
Web and design sercices	The customer obtains control of the product once design is completed. Invoices are generated based on pre-agreed milestones set in the contracts. Invoices are usually payable within 30 days.	Revenue arising from web design services is recognised at a point in time, following completion of the pre-agreed milestones set in the contracts with customers.

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. Cost of sales

	2019 €	2018 €
Staff costs (Note15)	1.343.140	763.425
Subcontracted work	251.224	250
Software and domain registration	65.470	173.183
Amortisation of software	264.092	242.609
Depreciation	24.041	13.672
	1.947.967	1.193.139

Increase in cost of sales relates to increase in staff costs due to increase in employees during the year as well as increase in contributions as per government legislations.

11. Other operating income

	2019 €	2018 €
Discounts received	2.048	-
Reimbursements	-	19.418
Profit from sales of investment properties	-	2.000
Government grants	42.932	47.933
Bad debts recovered	3.748	74.325
Rental income	13.458	-
Reversal of impairment - cash and cash equivalents	2.600	-
Sundry operating income	-	978
	64.786	144.654

12. Selling and distribution expenses

	2019 €	2018 €
Staff costs (Note 15)	11.490	-
Overseas travelling	978	37.986
Advertising	154.194	39.319
Decoration	5.732	13.440
Commissions	4.427	55.037
Entertaining	-	5.982
Inland travelling	48	3.317
Bad debts written off	-	3.325
Discounts allowed	197	1.076
Other selling and distribution expenses	84.191	71.297
Depreciation	147	-
	261.404	230.779

13. Administrative expenses

	2019 €	2018 €
Staff costs (Note 15)	932.138	959.706
Rent	11.030	33.320
Common expenses	5.200	6.699
Licenses and taxes	6.287	5.399
Registrar annual fee	1.050	1.050
Electricity	36.196	30.060
Water supply and cleaning	15.984	11.609
Insurance	35.716	15.860
Repairs and maintenance	19.367	16.943
Other administration expenses	6.043	3.360
Telephone and postage	20.175	20.879
Courier expenses	36	306
Stationery and printing	17.436	9.241
Subscriptions and contributions	16.957	9.047
Non charitable donations	6.085	14.009
Staff training	30.867	26.188
Computer supplies and maintenance	9.787	9.130
Independent auditors' remuneration for the statutory audit of annual accounts	20.000	17.000
Independent auditors' remuneration - prior years	3.000	-
Accounting fees	9.429	10.537
Legal fees	26.867	42.815
Other professional fees	164.744	250.635
Custody fees	-	1.000
Fines	6.537	142
Overseas travelling	231.116	219.839
Travelling	955	-
Inland travelling and accommodation	-	996
Irrecoverable VAT	29.969	-
Entertaining	28.599	26.118
Motor vehicle running costs	47.025	36.576
Depreciation	161.355	160.769
	1.899.950	1.939.233

14. Operating (loss) /profit

	Note	2019 €	2018 €
Operating (loss)/profit is stated after charging the following items:			
Amortisation of computer software	21	264.092	242.609
Depreciation of property, plant and equipment	20	185.543	174.441
Staff costs	15	2.286.768	1.723.131
Independent auditors' remuneration for the statutory audit of annual accounts		20.000	17.000
Independent auditors' remuneration - prior years		3.000	-
Trade receivables and contract assets - impairment charge for bad and doubtful debts		154.684	284.676

15. Staff costs

	Note	2019 €	2018 €
Salaries (including Directors in their executive capacity)		1.858.581	1.431.469
Wages		104.376	-
Social insurance contributions		242.265	206.436
Social cohesion fund contributions		37.013	37.625
Pensions cost		44.533	47.601
Total staff costs	14	2.286.768	1.723.131

The average number of employees employed by the Group during the year 2019 and 2018 were 82 and 75 respectively.

The Group has a defined contribution scheme, the NETinfo PLC Employees' Provident Fund, which is funded separately and prepares its own financial statements whereby employees are entitled to payment of certain benefits upon retirement or prior termination of service.

16. Net finance income and costs

	2019 €	2018 €
Finance income		
Bank interest	2.820	3.516
Other interest income	53	53
Realised foreign exchange profit	8.257	-
Unrealised foreign exchange profit	4.669	16.118
	15.799	19.687
Finance costs		
Interest expense		
Loan interest	153.721	207.028
Bank overdraft interest	9	5
Interest on bonds	40.629	12.654
Interest on taxes	-	187
Other finance expenses		
Bank charges	28.313	22.595
Net foreign exchange transaction losses		
Realised foreign exchange loss	3.884	20.615
Unrealised foreign exchange loss	-	10.464
	226.556	273.548

17. Taxation

	2019 €	2018 €
Overseas tax	90.074	71.839
Special contribution to the defence fund year	862	1.071
Capital gains tax	-	20.124
Charge for the year	90.936	93.034

The 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%.

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. Earnings per share

	2019	2018
Basic losses attributable to owners (€)	(334.990)	(180.100)
Weighted average number of ordinary shares in issue during the year	12.820.670	12.820.670
Basic losses per share (cent)	(2,61)	(1,40)
Diluted weighted average number of shares	13.420.670	13.420.670
Diluted losses per share (cent)	(2,50)	(1,34)

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.

On 1 February 2018 NETinfo Plc issued €600.000 of nominal value of €1 each. The bonds are convertible at 20% discount on the average Market price of the company's share price in Janaury 2022.

19. Dividends

	2019	2018
	€	€
Special contribution to the defence fund on deemed distribution on 2017 profits	22.353	-
	22.353	-

The Board of Directors does not recommend the payment of a dividend and the net profit for the year isretained.

20. Property, plant and equipment

	Land and buildings	Plant and machinery	Computer hardware	Motor vehicles	Furniture, fixtures and office equipment	Telephone center	Total
	€	€	€	€	€	€	€
Cost or valuation							
Balance at 1 January 2018	3.464.885	-	524.440	337.186	478.886	51.679	4.857.076
Additions	19.600	-	22.344	-	19.684	18.639	80.267
Balance at 31 December 2018	3.484.485	-	546.784	337.186	498.570	70.318	4.937.343
Balance at 1 January 2019	3.484.485	-	546.784	337.186	498.570	70.318	4.937.343
Additions	-	734	45.489	9.185	33.012	2.809	91.229
Balance at 31 December 2019	3.484.485	734	592.273	346.371	531.582	73.127	5.028.572
Depreciation							
Balance at 1 January 2018	260.139	-	481.964	257.712	336.737	32.584	1.369.136
Depreciation for the year	86.805	-	17.055	37.440	35.122	18.444	194.866
Balance at 31 December 2018	346.944	-	499.019	295.152	371.859	51.028	1.564.002
Balance at 1 January 2019	346.944	-	499.019	295.152	371.859	51.028	1.564.002
Depreciation for the year	86.805	147	26.250	30.956	34.647	6.738	185.543
Balance at 31 December 2019	433.749	147	525.269	326.108	406.506	57.766	1.749.545
Carrying amounts							
Balance at 31 December 2019	3.050.736	587	67.004	20.263	125.076	15.361	3.279.027
Balance at 31 December 2018	3.137.541	-	47.765	42.034	126.711	19.290	3.373.341

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market comparison approach	Fair value per m2	€1.200 - €3.000 per m2

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

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 there is a significant change to the fair valueof land and buildings at the reporting date.

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.

Any increase/decrease of 5% in the value per m2 will result in an increase/decrease in the value of €174.224.

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

	2019 €	2018 €
Cost	3.004.629	2.623.750
Accumulated depreciation	(432.275)	(346.993)
Net book amount	2.572.354	2.276.757

The carrying amount of €3.050.736 (2018: €3.137.541) is pledged to secure bank loans of the Group.

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

21. Intangible assets

2019	Computer software €
Cost	
Balance at 1 January	5.508.868
Additions	449.672
Balance at 31 December	5.958.540
Amortisation	
Balance at 1 January	2.240.452
Amortisation for the year	266.592
Balance at 31 December	2.507.044
Carrying amounts	
Balance at 31 December	3.451.496

2018	Computer software €
Cost	
Additions	5.508.868
Balance at 31 December	5.508.868
Amortisation	
On disposals	2.240.452
Balance at 31 December	2.240.452
Carrying amounts	
Balance at 31 December	3.268.416

Computer software relates to the digital banking and the mobile financial services platforms made up of reusable modules and components which are used by the Group for the implementation of digital banking and mobile services systems for its customers.

22. Investment property

	2019	2018
	€	€
Balance at 1 January	304.000	482.000
Additions	-	(178.000)
Balance at 31 December	304.000	304.000

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 categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market comparison approach	Fair value per m2	€1.500 - €2.100 per m2

Details of investment properties are as follows:

	2019	2018
	€	€
Type		
Office 0/0737	157.000	157.000
Office 0/7435	157.000	157.000
	314.000	314.000

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.

22. Investment property (continued)

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.

Any increase/decrease of 5% in the value per m2 will result in an increase/decrease in the value of the investment property of €15.700.

23. Investments in subsidiaries

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2019 Holding %	2018 Holding %
NETinfo Services Limited	Cyprus	Development of software	100	100
NETinfoPay Limited	Cyprus	Electronic money institution	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

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

	2019 €	2018 €
Balance at 1 January	92.462	156.830
Exchange differences	6.080	(12.891)
Share of loss from associate	(1.540)	(51.477)
Balance at 31 December	97.002	92.462

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24. Investments in associates (continued)

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

Significant aggregate amounts in respect of Investments in equity-accounted investees:

	2019 €	2018 €
Percentage ownership interest	33,3%	33,3%
Non-current assets	785.871	450.733
Current assets	428.211	91.877
Non-current liabilities	(2.146)	(2.125)
Current liabilities	(925.282)	(248.451)
Net assets (100%)	286.654	292.034
Group's share of net assets	97.002	92.462
Carrying amount of interest in associate	97.002	92.462
Revenue	280.210	30.709
Cost of Sales	(279.936)	-
Other expenses	(4.917)	-
Profit and total comprehensive income (100%)	(4.643)	-
Profit and total comprehensive income (33%)	(1.540)	(51.477)
Group's share of profit and total comprehensive income	(1.540)	(51.477)

25. Inventories

	2019 €	2018 €
Finished products	65.646	67.364
Spare parts and other consumables	12.632	12.306
	78.278	79.670

The cost of inventories recognised during the year 2019 relates to merchant hardware devices (BLE) and software components for retail payments at merchantsusing the mobile financial services platform.

26. Trade and other receivables

	2019 €	2018 €
Trade receivables	1.248.183	839.788
Less: Provision for impairment of trade receivables	(423.935)	(333.260)
Trade receivables - net	824.248	506.528
Directors' current accounts - debit balances (Note 36 (ii))	-	33.028
Owners' current accounts - debit balances (Note 36 (ii))	-	5.721
Deposits and prepayments	29.063	19.298
Amounts due from Cyprus government	67.623	67.623
Other receivables	17.001	14.040
	937.935	646.238

Ageing analysis of trade and other receivables:

	Gross amount 2019 €	Impairment 2019 €	Gross amount 2018 €	Impairment 2018 €
Not past due	-	-	343.782	-
Past due 1-30 days	630.816	(58.873)	54.646	(410)
Past due 31-120 days	173.460	(30.319)	124.434	(58.907)
More than 120 days	443.907	(334.742)	316.925	(273.943)
	1.248.183	(423.934)	839.787	(333.260)

The Group has recognised a loss of €154.684 (2018: €253.503) for the impairment of its trade receivables during the year ended 31 December 2019. The loss has been included in the Consolidated statement of profit or loss and other comprehensive income

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 39 to the consolidated financial statements.

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27. Cash and cash equivalents

	2019 €	2018 €
Cash in hand	3.195	4.342
Cash at bank	103.438	497.786
Current accounts	2.370	-
Bank deposits	351.799	351.796
Accumulated impairment losses on cash and cash equivalents	(16.751)	(19.351)
	444.051	834.573

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

	2019 €	2018 €
Cash and cash equivalents	427.300	815.222
Bank overdrafts	(943.504)	(875.807)
	(516.204)	(60.585)

The weighted average effective interest rate on bank overdrafts at the reporting date was 3,93% (2018: 4,29%).

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 39 to the consolidated financial statements.

28. Share capital

	2019 Number of shares	2019 €	2018 Number of shares	2018 €
Authorised				
Ordinary shares of €0.22 each	38.461.538	8.461.538	38.461.538	8.461.538
Issued and fully paid				
Balance at 1 January	12.820.670	2.820.547	11.721.670	2.578.767
Issue of shares	-	-	1.099.000	241.780
Balance at 31 December	12.820.670	2.820.547	12.820.670	2.820.547

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.

NETINFO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

	2019 €	2018 €
Balance at 1 January	4.079.746	3.976.724
Additions	137.434	608.456
Repayments	(644.134)	(668.808)
Interest charged for the year	189.382	163.374
Balance at 31 December	3.762.428	4.079.746

	2019 €	2018 €
Non-current liabilities		
Bank loans	2.703.500	3.021.904
Convertible bond	610.084	608.454
	3.313.584	3.630.358
Current liabilities		
Bank loans	448.844	449.388
Total	3.762.428	4.079.746

30. Loans and borrowings (continued)

Maturity of borrowings:

	2019 €	2018 €
Within one year	448.844	449.388
Between one and five years	2.211.820	2.093.510
After five years	1.101.764	1.536.848
	3.313.584	3.630.358
	3.762.428	4.079.746

The bank loan in the original amount of €1.650.000 is repayable by monthly instalments of €15.023 each though to 2028.

The bank loan in the original amount of €600.000 is repayable by monthly installments of €5.766 each through to 2028.

The bank loan in the original amount of €350.000 is repayable by monthly installments of €3.326 each through to 2023.

The bank loan in the original amount of €1.015.000 is repayable by monthly installments of €8.120 each through to 2030.

The bank loan in the original amount of €500.000 is repayable by monthly installments of €5.000 each through to 2025

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 immovable property of NETinfo Plc.
- By fixed charge on Company computer software for €200.000 (2018: €200.000).
- By floating charge in the assets of NETinfo Plc for an unlimited amount.
- By assignment of life insurance of Mr. Vassos Aristodemou with Eurolife for €150.000.

The weighted average effecive interest rate on bank loans at the reporting date was 3,43% (2018: 3,92%).

30. Loans and borrowings (continued)

Convertible bond

	2019 €	2018 €
Proceeds from issue of convertible bond (600.000 bonds at €1 par value)	-	600.000
Transaction costs	-	(6.000)
Net proceeds	608.454	594.000
Interest expense	40.629	33.954
Repayment	(39.000)	(19.500)
Amount classified as equity(net of transaction costs)	-	-
Carrying amount of liability at 31 December	610.083	608.454

The effective interest rate on the convertible bond at the reporting date was 6,80% (2018: 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 80% of the average market price of the Company's share price in January 2022.

31. Deferred tax

Deferred tax liability

	2019 €	2018 €
Balance at 1 January	77.792	77.975
Revaluation of land and buildings	(3.098)	(183)
Balance at 31 December	74.694	77.792

Deferred taxation liability arises as follows:

	2019 €	2018 €
Revaluation of land and buildings	74.694	77.792
	74.694	77.792

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 17). The applicable corporation tax rate in the case of tax losses is 12,5%.

32. Trade and other payables

	2019 €	2018 €
Trade payables	263.702	202.025
Prepayments from clients	172	172
Social insurance and other taxes	100.772	68.532
VAT	68.871	20.610
Directors' current accounts - credit balances (Note 36 (iii))	502	21.361
Accruals	24.480	66.872
Other creditors	29.464	154.812
Contract liabilities	240.217	-
Special contribution to the defence fund on payable dividends	27.397	5.044
	755.577	539.428

Contract liabilities refers to advance payments the Company receives, mainly for maintenance services that are to be performed in the future. The contract aliabilities are transferred to payables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer and received the money.

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

33. Deferred income

	2019 €	2018 €
Government grants	70.964	75.695
	70.964	75.695
Deferred income more than one year	66.233	70.964
Deferred income within one year	4.731	4.731
	70.964	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

	2019	2018
	€	€
Corporation tax	849	19.720
Special contribution to the defence fund	849	849
	1.698	20.569

35. Operating environment of the Group

Implications of COVID-19

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries.

36. 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:

	2019	2018
	€	€
Executive directors' and their related parties' remuneration	285.207	188.500
Non-executive directors' remuneration	93.226	56.874
Other key management members' remuneration	-	48.945
Directors' insurance expense	10.329	9.510
	388.762	303.829

36. Related party transactions (continued)

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

	2019 €	2018 €
Polys Hadjikyriakos	-	4.698
Orlando Castellanos	-	1.023
	-	5.721

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

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

	2019 €	2018 €
Vassos Aristodemou	(82)	(21.361)
Polys Hadjikyriakos	(297)	9.840
Orlando Castellanos	(123)	23.187
	(502)	11.666

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

37. 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 2019 and 02 June 2020 (3 days before the date of approval of the financial statements by the Board of Directors) were as follows:

	31 December 2019 %	02 June 2020 %
Orlando Castellanos	2	2
Polys Hadjikyriacos	13	13
Vassos Aristodemou	30	30

38. Shareholders holding more than 5% of share capital

The persons holding more than 5% of the share capital as at 31 December 2019 and 02 June 2020 (3 days before the date of approval of the financial statements by the Board of Directors) were as follows:

	31 December 2019 %	02 June 2020 %
Christiana Stylianou	8	8
GMM AIFLNP LTD-REAL INVESTMENT FUND	6	6
Demetra Investment Public Ltd	6	6
Polys Hadjikyriacos	13	13
Vassos Aristodemou	30	30

39. Financial instruments - fair values and risk management

Financial risk factors

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

- Credit risk
- Liquidity risk
- Market 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 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.

39. Financial instruments - fair values and 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 was:

	2019 €	2018 €
Trade and other receivables	908.872	588.191
Cash at bank	10.101	497.786
Bank current accounts	2.370	-
Bank deposits	351.799	351.796
Directors' current accounts	-	38.749
Contract assets	317.291	598.260
	1.590.433	2.074.782

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

	2019 €	2018 €
Impairment charge - contract assets	(57.276)	(31.172)
Impairment charge on cash and cash equivalents	-	(4.316)
Impairment charge - trade receivables	(97.410)	(253.504)
Reversal of impairment - cash and cash equivalents	2.600	-
	(152.086)	(288.992)

Trade receivables and contract assets

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2019.

	Equivalent to external credit rating	Weighted-average loss rate	Gross carrying amount €	Loss allowance €
Current (not past due)	BBB- to AAA	0,42 %	535.812	2.238
1-30 days past due	BB- to BB+	0,96 %	246.624	2.369
31-60 days past due	B- to CCC-	2,93 %	81.106	2.379
61-90 days past due	C to CC	7,93 %	21.140	1.676
91-120 days past due	D	18,65 %	13.212	2.464
121-150 days past due	D	32,64%	9.703	3.167
More than 150 days past due	D	100%	1.379	1.379

The Group estimates loss rates based on historic information, such as actual credit loss experience, observed in economic cycles with macroeconomic conditions similar to forecasts of future macroecnomic conditions at the reporting date. In this way, loss rates incorporate forecasts of forward macreconomic conditions that have an effect on future contractual cash flows from trade receivables.

39. **Financial instruments - fair values and 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 receivables and contract assets during the year was as follows:

	2019	2018
	€	€
Balance at 1 January	333.260	334.227
Impairment losses recognised on receivables and contract assets	94.423	284.676
Amount written off as uncollectible	-	(180.146)
Bad debts recovered	(3.748)	(74.324)
Balance at 31 December	423.935	333.260

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	2019 €	2018 €
B3	2	18.807	20.470
Caa1	3	433.580	814.103
	5	452.387	834.573

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 low 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.

39. Financial instruments - fair values and 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 2019	Carrying amounts €	Contractual cash flows €	3 months or less €	Between 3-12 months €	Between 1-5 years €	More than 5 years €
Bank loans	3.152.344	3.645.199	112.211	336.632	2.097.071	1.099.285
Convertible bond	610.084	697.500	-	39.000	658.500	-
Bank overdrafts	943.504	856.917	856.917	-	-	-
Trade and other payables	533.555	256.187	-	256.187	-	-
	5.239.487	5.455.803	969.128	631.819	2.755.571	1.099.285

31 December 2018	Carrying amounts €	Contractual cash flows €	3 months or less €	Between 3-12 months €	Between 2-5 years €	More 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

(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.

39. Financial instruments - fair values and 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:

	2019 €	2018 €
Variable rate instruments		
Financial assets	5.030	474.735
Financial liabilities	(3.999.579)	(4.955.553)
	(3.994.549)	(4.480.818)

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 €	100 bp decrease €
31 December 2019		
Variable rate instruments	39.945	(39.945)
	39.945	(39.945)
31 December 2018		
Variable rate instruments	44.808	(44.808)
	44.808	(44.808)

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 soverall strategy remains unchanged from last year.

39. Financial instruments - fair values and risk management (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

The Group manages the capital structure and takes reasonable steps in the light of changes in theeconomic conditions and the risk characteristics of its underlying business and assets. In order to improveits capital structure the Group may issue new shares, and or holding hybrid instruments such asconvertible bonds, re-finance existing borrowings, and adjust the amount of any distribution ofdividends. In March 2018 the Group has successfully issed convertible bonds of €600.000.

40. Fair values

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined 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).

31/12/2019	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Property, plant and equipment	-	-	3.050.736	3.050.736
Investment property	-	-	304.000	304.000
Total	-	-	3.354.736	3.354.736
Financial liabilities				
Convertible bond	-	-	610.083	610.083
Loans and borrowings	-	-	3.143.063	3.143.063
Total	-	-	3.753.146	3.753.146

40. Fair values (continued)

31/12/2018

	Level 1 €	Level 2 €	Level 3 €	Total €
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

41. Events after the reporting period

There were no other events after the reporting period, other than the below, that could have an effect on the undersanding of the consolidated financial statements.

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries.

NETinfo has quickly adapted to the new conditions by activating all security and contingency plans required under the provisions of the Group's ISO 27001 Business Continuity procedures and with minimum disruption to business. The entire operation is run remotely and with very few exceptions all staff are working from home using the Group's secure infrastructure and other communication means. All foreign travel has been suspended and planned meetings and conferences where possible are being conducted using web applications.

In parallel to the measures taken on the ground and in view of the uncertainties lying ahead, every effort is been made to create enough liquidity to see the operation through the crisis. The focus has been the collection of outstanding receivables and the efficient cash flow mangement including managing exenses in a cost effective manner. In the meantime, the Government's COVID-19 measures are been assessed and how those may apply to the Group.

The COVID-19 situation continues to evolve and is likely to remain uncertain for some time. Given the adapted operational model and the recent measures, the impact on current annual revenue may not be that significant, but 2021 remains uncertain and a parameter of the duration of the conditions created by the prolongation of the COVID-19 pandemic.The Group's Board of Directors will continue the close monitoring of the situation and the cash flow and capital management of the Group abiding to a well structured plan up to 31 December 2021.

On 5 June 2020 the Board of Directors of NETinfo PLC approved and authorised these consolidated financial statements for issue.