

NETinfo Plc
Annual Report and Consolidated
Financial Statements
31 December 2016

Company information

Board of Directors:	Vassos Aristodemou Iacovos Koumi (appointed on 2 February 2016) Pavlos Iosifides Polys Hadjikyriacos Orlando Castellanos Akis Michaelides (resigned on 20 May 2016) Christiana Stylianou (resigned on 20 May 2016)
Company Secretary:	Polys Hadjikyriacos
Independent Auditor:	Grant Thornton (Cyprus) Ltd Certified Public Accountants and Registered Auditors 41-49 Agiou Nicolaou Street Nimeli Court, Block C P.O. Box 23907 1687 Nicosia, Cyprus
Registered Office:	NetInfo Building 23, Aglantzias 2108, Nicosia Cyprus
Registration number:	HE 110368

Management report

The Board of Directors presents its report and audited consolidated financial statements of NETinfo Plc (the Company) and its subsidiaries (together the Group) for the year ended 31 December 2016.

Incorporation

The Company NETinfo Plc was incorporated in Cyprus on 3 April 2000 as a private company with limited liability under the Companies Law, Cap. 113.

Principal activity

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.

No operations of the Group are carried out through any branch.

Implementation and compliance to the Code of Corporate Governance

The Group recognises the importance of implementing sound corporate governance policies, practices and procedures.

The Company is admitted to the E.C.M Market of the Cyprus Stock Exchange (C.S.E), which is not regarded as a regulated market with the meaning used in the Company's Law, therefore it is not required to adopt the Corporate Governance Statement as per Section 151, of the Companies Law Cap.113.

Review of financial performance and position

The Group's results for the year are set out on pages 13 and 14. The Group's financial results as presented in the consolidated financial statements are considered satisfactory.

Financial key performance indicators

	2016	2015
<i>Net margin</i>		
Profit before tax to Revenue	581.717 / 4.057.824 = 14,34%	403.568 / 3.276.248 = 12,32%
<i>Return on capital</i>		
Profit before tax to Capital (note 36)	581.717 / 2.910.738 = 19,99%	403.568 / 2.580.443 = 15,64%

Net margin:

Net profit margin ratio was significantly increased compared to last year, as a result of the improved performance of the Group.

Return on Capital:

Return on Capital ratio, is significantly increased compared to prior year, as a result of the improved

Management report

performance of the Group.

The Group's financial position as presented in the consolidated financial statements is considered satisfactory.

Future developments and significant risks

The Board of Directors of the Group does not anticipate any significant changes or developments in relation to the activities of the Group in the foreseeable future.

The Company has been admitted to the E.C.M Market of the Cyprus Stock Exchange (C.S.E) on 22 April 2016 and the trading in its shares has begun on the same date.

The most significant risks faced by the Group and the steps taken to manage these risks, are described in note 35 to the consolidated financial statements.

Also, any risks and uncertainties regarding going concern are described in note 2.1 to the consolidated financial statements.

Dividends

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

Research and development

The Company continuously invests in developing and upgrading its IP codes. This has been achieved by investing in an in-house R&D department of 16 people who continuously develop its existing products according to business requirements. During the year, an amount of € 416.636 (2015: € 230.125) has been capitalised (Note 8).

Share capital

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

Board of Directors

The members of the Board of Directors of the Company as at 31 December 2016 and as at the date of this report are shown on page 1. Mr. Akis Michaelides and Mrs. Christiana Stylianou who were appointed Directors on 20 May 2004 and 20 October 2014 respectively resigned on 20 May 2016. On 2 February 2016 Mr. Iacovos Koumi was appointed.

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.

Management report

Events after the end of the reporting year

Any significant events that occurred after the end of the year are described in note 37 to the consolidated financial statements.

Independent Auditors

The independent auditors, Grant Thornton (Cyprus) Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Vassos Aristodemou
Director

Nicosia, Cyprus, 27 April 2017



Independent Auditor's 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 (together with the Company the "Group"), which are presented in pages 12 to 57 and comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and the 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 of NETinfo Plc as at 31 December 2016 and of their consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report to the Members of NETinfo Plc (continued)

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.

Key audit matter

How the matter was addressed

Revenue recognition - percentage of completion:

Revenue of the Group is generated through contracts signed between the Group and various local and other international clients. Based on contracts, each product to be delivered consists of the implementation phase, maintenance after the product goes live and any other change requests, each client might need, as per its customized product.

This is considered as a Key audit matter, due to the judgement associated with determining the percentage of contract completion at the reporting date and risk associated with completing the contract.

Please refer to Notes 3.13, 4.1 and 21.

We obtained understanding and assessed the reasonableness of management's assumptions by referring to signed contract terms (including agreed milestones) and discussing contract progress with the project manager.

We also assessed the reliability of management's estimates through consideration of the historical accuracy of prior period management estimates. We have performed substantive analytical procedures on current year's revenue and contract revenue recalculation for the new clients by tracing revenue recognized to the contract terms.

We agreed a sample of transactions to invoices issued (upon completing agreed milestones) and subsequent cash receipts.

Independent Auditor's Report to the Members of NETinfo Plc (continued)

Accounting for capitalized development costs:

Internally generated intangible assets arising from development are recognised only if all the conditions of IAS 38 can be demonstrated. This involves management judgment, such as with respect to technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future economic benefits and the ability to measure the costs reliably.

In addition, determining whether there is any indication of impairment of the carrying value of assets, requires management judgment and assumptions which are affected by future market or economic developments.

Both of the above have been identified as Key audit matters.

Please refer to Notes 1.2, 3.6, 4.1 and 8.

Recoverability of trade receivables:

The Group has long outstanding trade receivables of €269.687, representing 27% of the total trade receivables.

Management monitors and assesses the Group's credit risk, and where required, adjusts the level of impairment allowance, which requires management to make significant judgements regarding the expected future financial condition and ability of future receipts from debtors.

Inappropriate judgements and estimates made in the impairment assessment would result in a significant impact on the carrying amount of the trade receivables.

Please refer to Notes 3.9, 4.1, 4.2 and 12 to the financial statements.

We have performed audit procedures over the accuracy and valuation of amounts recognized. Our audit procedures included, among other things, assessing the recognition criteria for intangible assets, challenging the key assumptions used or estimates made in capitalizing development costs and assessing their reasonableness, and the accuracy of costs included and assessing the useful economic life attributed to the asset.

In addition, we considered whether any indicators of impairment were present by understanding the business rationale for projects and performing reviews for indicators of impairment.

We also assessed the adequacy of the Group's disclosure in Notes 1.2, 3.6, 4.1 and 8.

We evaluated management's assessment on the recoverability of the Group's aged trade receivables which are past due but not impaired.

This included inquiring with management on the reasons for the delay in payments of certain aged trade receivables and review of appropriateness of any allowance for impairment losses to be made by considering among others factors such as subsequent cash receipts, past payment practices, the ongoing business relationship with the debtors and the repayment plans agreed with the debtors.

We also assessed the adequacy and appropriateness of the disclosure made in Notes 3.9, 4.1, 4.2 and 12.

Independent Auditor's Report to the Members of NETinfo Plc (continued)

Recoverable amount of investment in associates:

The recoverable amount of the investment in associate has been determined to be a key audit matter, due to the fact that indications of impairment were identified at the reporting date.

Please refer to Notes 4.1 and 10.

We assessed the reasonableness of the valuation basis for the recoverable amount.

We discussed with Management, the associate's performance and its outlook.

We also assessed the adequacy and appropriateness of the disclosures made in Notes 4.1 and 10.

Other Information

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

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. We have nothing to report in this regard.

Responsibilities of the Board of Directors 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 International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report to the Members of NETinfo Plc (continued)

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

Independent Auditor's Report to the Members of NETinfo Plc (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within 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 the Board of Directors 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 the Board of Directors, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

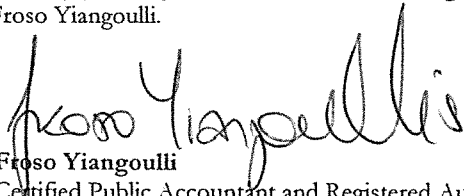
- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the Management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit of the consolidated financial statements, we have not identified material misstatements in the Management report.

Independent Auditor's Report to the Members of NETinfo Plc (continued)

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 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 auditor's report is Mrs Froso Yiangoulli.



Froso Yiangoulli
Certified Public Accountant and Registered Auditor
for and on behalf of

Grant Thornton (Cyprus) Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 27 April 2017


Consolidated statement of financial position

31 December 2016

	Note	2016 €	2015 €
ASSETS			
Non-current assets			
Property, plant and equipment	5	3.533.361	3.690.691
Investment property	6	482.000	482.000
Intangible assets	8	2.267.006	2.050.643
Investments in associates	10	456.076	500.062
		<u>6.738.443</u>	<u>6.723.396</u>
Current assets			
Unbilled revenue	11	107.201	270.870
Trade and other receivables	12	1.021.022	875.728
Bank deposits and cash in hand	13	144.100	113.700
		<u>1.272.323</u>	<u>1.260.298</u>
Total assets		<u>8.010.766</u>	<u>7.983.694</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	14	2.578.767	2.578.767
Other reserves		901.206	1.150.401
Accumulated losses		(569.235)	(1.148.725)
Total equity		<u>2.910.738</u>	<u>2.580.443</u>
Non-current liabilities			
Borrowings	15	3.550.257	3.775.021
Deferred tax liabilities	16	86.480	87.635
Deferred income	18	80.426	85.157
		<u>3.717.163</u>	<u>3.947.813</u>
Current liabilities			
Trade and other payables	17	397.502	428.721
Deferred income	18	4.731	4.731
Borrowings	15	912.176	942.860
Current tax liabilities	19	20.017	30.687
Dividends		48.439	48.439
		<u>1.382.865</u>	<u>1.455.438</u>
Total liabilities		<u>5.100.028</u>	<u>5.403.251</u>
Total equity and liabilities		<u>8.010.766</u>	<u>7.983.694</u>

On 27 April 2017 the Board of Directors of NETinfo Plc authorised these consolidated financial statements for issue.


Vassos Aristodemou
Director


Orlando Castellanos
Director

The notes on pages 17 to 57 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss

Year ended 31 December 2016

	Note	2016 €	2015 €
Revenue	21	4,057,824	3,276,248
Cost of sales	22	<u>(1,265,565)</u>	<u>(868,406)</u>
Gross profit		2,792,259	2,407,842
Other income	23	77,904	33,975
Administration expenses	24	<u>(1,231,145)</u>	<u>(1,333,659)</u>
Selling and distribution expenses	25	<u>(299,403)</u>	<u>(306,239)</u>
Operating profit		1,339,615	801,919
Finance income	27	1,248	59
Finance costs	27	<u>(240,397)</u>	<u>(219,887)</u>
Loss from investing activities	28	<u>(343,957)</u>	<u>(162,890)</u>
Share of results of associates	10	<u>(174,792)</u>	<u>(15,633)</u>
Profit before tax		581,717	403,568
Taxation (expense) / income	29	<u>(2,227)</u>	<u>25,677</u>
Profit for the year		<u>579,490</u>	<u>429,245</u>
Attributable to:			
Owners of the parent		<u>579,490</u>	<u>429,245</u>
Earnings per share (cent)	30		
Basic earnings per share		<u>4.94</u>	<u>3.66</u>
Diluted earnings per share		<u>4.94</u>	<u>3.66</u>

Consolidated statement of comprehensive income

Year ended 31 December 2016

	Note	2016 €	2015 €
Profit for the year		<u>579.490</u>	<u>429.245</u>
Other comprehensive income			
<u>Items that will not be reclassified to profit or loss</u>			
Revaluation of land and buildings	5	(70.000)	(587.950)
Income taxes of items that will not be reclassified to profit or loss		<u>2.177</u>	<u>(52.606)</u>
		<u>(67.823)</u>	<u>(640.556)</u>
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange difference on the translation of foreign operations		<u>(181.372)</u>	<u>(251.168)</u>
		<u>(181.372)</u>	<u>(251.168)</u>
Other comprehensive income after tax		<u>(249.195)</u>	<u>(891.724)</u>
Total comprehensive income / (losses) for the year		<u>330.295</u>	<u>(462.479)</u>
Attributable to:			
Owners of the parent		<u>330.295</u>	<u>(462.479)</u>

Consolidated statement of changes in equity

Year ended 31 December 2016

	Share capital €	Share premium €	Revaluation reserve €	Translation reserve €	Accumulated losses €	Total €
At 1 January 2015	<u>2.578.767</u>	<u>524.601</u>	<u>1.521.878</u>	<u>(4.354)</u>	<u>(1.577.970)</u>	<u>3.042.922</u>
Comprehensive income						
Profit for the year	-	-	-	-	429.245	429.245
Revaluation of land and buildings	-	-	(587.950)	-	-	(587.950)
Exchange difference on the translation of foreign operations	-	-	-	(251.168)	-	(251.168)
Income taxes of other comprehensive income	-	-	(52.606)	-	-	(52.606)
Total comprehensive losses	-	-	<u>(640.556)</u>	<u>(251.168)</u>	<u>429.245</u>	<u>(462.479)</u>
At 31 December 2015 / 1 January 2016	<u>2.578.767</u>	<u>524.601</u>	<u>881.322</u>	<u>(255.522)</u>	<u>(1.148.725)</u>	<u>2.580.443</u>
Comprehensive income						
Profit for the year	-	-	-	-	579.490	579.490
Revaluation of land and buildings	-	-	(70.000)	-	-	(70.000)
Exchange difference on the translation of foreign operations	-	-	-	(181.372)	-	(181.372)
Income taxes of items that will not be reclassified to profit or loss	-	-	2.177	-	-	2.177
Total comprehensive income	-	-	<u>(67.823)</u>	<u>(181.372)</u>	<u>579.490</u>	<u>330.295</u>
At 31 December 2016	<u>2.578.767</u>	<u>524.601</u>	<u>813.499</u>	<u>(436.894)</u>	<u>(569.235)</u>	<u>2.910.738</u>

Companies in Cyprus which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are both tax resident and also domiciled in Cyprus. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable for the account of the shareholders.

The notes on pages 17 to 57 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Year ended 31 December 2016

	Note	2016 €	2015 €
Operating activities			
Profit before tax		581.717	403.568
Adjustments:			
Depreciation of property, plant and equipment	5	174.146	163.049
Amortisation of intangible assets	8	200.273	181.779
Share of results of associates	10	174.792	15.633
Profit from the sale of property, plant and equipment	5	(1.300)	-
Fair value losses on investment property		-	25.000
Loss on reduction of shareholding		-	137.890
Impairment loss on associates	10	343.957	-
Amortization of government grants for the year		(4.731)	(4.731)
Interest income	27	(1.248)	(59)
Interest expense	27	218.310	189.784
		<u>1.685.916</u>	<u>1.111.913</u>
Changes in working capital other than translation differences:			
Trade and other receivables		(496.339)	(195.494)
Trade and other payables		<u>(31.219)</u>	<u>(119.792)</u>
Cash flows from operations			
Cash flows from operations		1.158.358	796.627
Tax paid		<u>(11.875)</u>	<u>(23.462)</u>
Net cash from operating activities		<u>1.146.483</u>	<u>773.165</u>
Investing activities			
Payment for purchase of intangible assets	8	(416.636)	(230.125)
Payment for purchase of property, plant and equipment	5	(96.417)	(137.271)
Proceeds from disposal of property, plant and equipment	5	10.900	-
Interest received		1.248	59
Deferred income from government grant		-	89.888
Net cash used in investing activities		<u>(500.905)</u>	<u>(277.449)</u>
Financing activities			
Repayments of loans	15	(415.330)	(396.590)
Proceeds from new loans	15	-	12.480
Interest paid		<u>(181.436)</u>	<u>(9.718)</u>
Net cash used in financing activities		<u>(596.766)</u>	<u>(393.828)</u>
Net increase in cash and cash equivalents		48.812	101.888
Cash and cash equivalents:			
At beginning of the year		(627.759)	(730.741)
Effect of exchange rate fluctuations on cash held		3.124	1.094
At end of the year	13	<u>(575.823)</u>	<u>(627.759)</u>

The notes on pages 17 to 57 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Year ended 31 December 2016

1. Incorporation and principal activities

1.1 Incorporation

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

1.2 Principal activity

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.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

The consolidated financial statements have been prepared on an accrual basis (other than for cash flow information) using the significant accounting policies and measurement bases summarised in note 3, and also on a going concern assumption as explained below.

2.1 Going concern basis

The main conditions and matters considered by the Board of Directors to determine the existence of any uncertainty over the Group's ability to continue as a going concern, are as follows:

Financial position

As at 31 December 2016, the Group's current liabilities exceeded its current assets by € 110.542.

Relevant factors considered:

- The Company commercially has the option to obtain additional funds to cover its outflows, either to reduce its debt or for expansion, by issuing additional shares, either to its existing members or through private placement as it has been admitted in E.C.M Market of the Cyprus Stock Exchange (C.S.E).

Notes to the consolidated financial statements

Year ended 31 December 2016

Cash flows

As at 31 December 2016, the Group's cash and cash equivalents were negative with their deficit amounting to € 575.823.

Relevant factors considered:

- The Company commercially has the option to obtain additional funds to cover its outflows, either to reduce its debt or for expansion, by issuing additional shares, either to its existing members or through private placement as it has been admitted in E.C.M Market of the Cyprus Stock Exchange (C.S.E).

Net debt to capital

As shown in note 36 of the consolidated financial statements, the Group despite its capital management policy has a high net debt to capital ratio.

Relevant factors considered:

- The Company commercially has the option to obtain additional funds to cover its outflows, either to reduce its debt or for expansion, by issuing additional shares, either to its existing members or through private placement as it has been admitted in E.C.M Market of the Cyprus Stock Exchange (C.S.E).

Conclusion

The Board of Directors considering and evaluating all the above conditions and relevant factors has concluded that the Group has currently the available resources to enable it to continue its activities, and, despite the conditions described above there is no material uncertainty over the Group's ability to continue as a going concern.

In accordance with IAS 1 "Presentation of Financial Statements" and the conclusion reached, these consolidated financial statements have been appropriately prepared on a going concern basis.

3. Accounting policies

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

3.1 Adoption of new and revised IFRS

As from 1 January 2016, the Group adopted all the new or revised IFRS and relevant amendments which became effective and also were endorsed by the European Union, and are relevant to its operations.

The adoption of the above did not have a material effect on the consolidated financial statements other than as described below:

Notes to the consolidated financial statements

Year ended 31 December 2016

The following Standards, Amendments to Standards and Interpretations had been issued by the date of authorisation of these consolidated financial statements but are not yet effective, or have not yet been endorsed by the EU, for the year ended 31 December 2016:

	<i>Endorsed by the EU</i>	<i>Effective for annual periods beginning on or after</i>
• IFRS 9: “Financial Instruments”	Yes	1 January 2018
• IFRS 14: “Regulatory Deferral Accounts”	No	1 January 2016
• IFRS 15: “Revenue from Contracts with Customers”	Yes	1 January 2018
• IFRS 16: “Leases”	No	1 January 2019
• IFRIC 22: “Foreign Currency Transactions and Advance Consideration”	No	1 January 2018
• Annual Improvements to IFRS 2014–2016 Cycle	No	1 January 2017 / 2018
• Amendment to IFRS 2: “Classification and Measurement of Share-based Payment Transactions”	No	1 January 2018
• Amendments to IFRS 4: “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	No	1 January 2018
• Amendment to IFRS 10, and IAS 28: “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	No	to be determined
• Clarifications to IFRS 15: “Revenue from Contracts with Customers”	No	1 January 2018
• Amendment to IAS 7: “Disclosure Initiative”	No	1 January 2017
• Amendment to IAS 12: “Recognition of Deferred Tax Assets for Unrealised Losses”	No	1 January 2017
• Amendment to IAS 40: “Transfers of Investment Property”	No	1 January 2018

The Board of Directors expects that when the above Standards or Interpretations become effective in future periods, they will not have a material effect on the consolidated financial statements of the Group, except as described below.

IFRS 9 “Financial Instruments” replaces IAS 39 “Financial Instruments: Recognition and Measurement”. The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new ‘expected credit loss’ model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management is not yet in a position to provide quantified information regarding the impact of IFRS 9. At this stage the main area of expected impact is that an expected credit loss-based impairment will need to be recognised on the Group’s financial assets at amortised cost and any investments in debt-type assets, unless classified as at fair value through profit or loss in accordance with the new criteria.

IFRS 15 “Revenue from Contracts with Customers” presents new requirements for the recognition of revenue, replacing IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier

Notes to the consolidated financial statements

Year ended 31 December 2016

repurchase options, and other common complexities.

Management is not yet in a position to provide quantified information regarding the impact of IFRS 15.

IFRS 16 requires lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability and changes the definition of a lease. It also sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods, sale and leaseback arrangements, and introduces new disclosure requirements. IFRS 16 provides exemptions for short-term leases and leases of low value assets.”

3.2 Basis of consolidation

The financial statements of all the Group are prepared using uniform accounting policies for all Group entities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3.3 Investments in associates

An associate is an entity over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, usually when the Group has a shareholding of between 20% and 50% of the voting rights.

The investments in associates are initially recognised at cost and are accounted for by the equity method of accounting.

Under the equity method, the investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of an associate, less any impairment in the value of individual investments. Also the Group's share of post-acquisition profits or losses of an associate is recognised in profit or loss and its share of post-acquisition movement in reserves is recognised in reserves. Unrealised gains on transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment 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 is recognised immediately in profit or loss.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

The accounting policies of an associate are adapted where necessary to ensure consistency with the accounting policies adopted by the Group.

Notes to the consolidated financial statements

Year ended 31 December 2016

3.4 Property, plant and equipment

Land and buildings are carried at fair value, based on valuations by external independent valuers. 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 classes are stated at historical cost less depreciation.

Revaluation surpluses are recognised through other comprehensive income in the revaluation reserve. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the profit or loss.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the profit or loss. When revalued assets are sold, the related amounts included in the revaluation reserve are transferred to retained earnings.

Depreciation

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 are as follows:

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

No depreciation is provided on land.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Repairs, maintenance, and renovations

Expenditure for routine repairs and maintenance of property, plant and equipment is charged to the profit or loss in the year in which it is incurred. The cost of major improvements and renovations and other subsequent expenditure are included in the carrying amount of the asset when the recognition criteria of IAS 16 are met. Major improvements and renovations capitalised are depreciated over the remaining useful life of the related asset.

3.5 Investment property

Investment property which is property held to earn rentals 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.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Notes to the consolidated financial statements

Year ended 31 December 2016

3.6 Intangible assets

• 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 programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software, when the recognition criteria of IAS 38 are also met. Costs associated with maintenance of computer software programmes are recognised as an expense when incurred.

Software development costs are capitalised in accordance with the Research and development accounting policy below.

Computer software costs are amortised using the straight-line method over their useful live, which commences when the computer software is available for use. Their amortisation expense is included in cost of sales.

• Research and development

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

An internally-generated intangible asset arising from development is recognised only if all of the following conditions can be demonstrated:

1. it is technically feasible to complete the intangible asset so that it will be available for use or sale;
2. there is intention to complete the intangible asset and use or sell it;
3. there is ability to use or sell the intangible asset;
4. it is probable that the asset created will generate future economic benefits;
5. there are available adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
6. the development costs of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Their amortisation expense is included in cost of sales.

The useful life of each class is estimated as follows:

	Years
Computer software	20

Notes to the consolidated financial statements

Year ended 31 December 2016

3.7 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its depreciable tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

An impairment loss is recognised for the amount by which the asset's (or CGU's) carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use (present value of estimated future cash flows) of the asset (or CGU). An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

- **Operating leases**

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease as well as prepayments and any other premiums paid are spread on a straight-line basis over the lease term.

3.9 Financial instruments

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

- **Financial assets**

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Notes to the consolidated financial statements

Year ended 31 December 2016

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

1. the rights to receive cash flows from the asset have expired;
2. 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
3. the Group has transferred its rights to receive 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.

Loans and receivables

Loans and receivables are initially recognised at their fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

(i) Loans receivable

Loans granted by the Group are initially recognised at the fair value of cash consideration given as this is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

(ii) Trade receivables and unbilled revenue

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade receivables are written off, where it is considered appropriate.

(iii) Other receivables

Where these receivables are of a short-term nature the fair value is determined as equal to the nominal amount without any discounting. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated recoverable amount.

Notes to the consolidated financial statements

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(iv) Bank deposits

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that a bank deposit is impaired. The allowance recognised is measured as the difference between the deposit's carrying amount and the present value of estimated future cash flows expected to be recovered. The discount rate used for fixed-rate deposits is the effective interest rate computed at initial recognition, and for floating-rate deposits is the latest effective interest rate which was applicable prior to impairment.

• **Financial liabilities**

Financial liabilities are obligations to pay cash or other financial assets. The financial liabilities are recorded initially at fair value, net of direct transaction costs, and are subsequently measured at amortised cost using the effective interest method.

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

Borrowings

Borrowings are recorded initially at fair value which usually is the amount of proceeds received, less transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any differences between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Where the liabilities are of a short-term nature the fair value is determined as equal to the nominal amount without any discounting.

• **Equity instruments**

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Ordinary shares

Ordinary shares are classified as equity and measured at their nominal value. Any premiums received on issue of share capital above its nominal value, are recognised as share premium within equity. Associated issue costs are deducted from share premium.

Notes to the consolidated financial statements

Year ended 31 December 2016

3.10 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and demand deposits less bank overdrafts. In the consolidated statement of financial position, bank overdrafts are included in borrowings in current liabilities.

3.11 Government grants

Government grants on non-current assets acquisitions are recorded as deferred income and recognised as income on a systematic basis over the useful life of the asset.

Government grants that relate to expenses occurred are recognised in the profit or loss when they are received. If the relevant expense has not yet occurred the grant received is carried as deferred income in the consolidated statement of financial position until the expense occurs.

3.12 Operating segments

In identifying its operating segments, the Directors follow the Group's business lines, which represent the main products and services provided by the Group. Each of these operating segments is managed separately as each of these business lines requires different technical methods, resources and marketing approaches. All inter-segment transfers are carried out at arm's length prices. The measurement policies the Group uses for segment reporting are the same as those used in its financial statements. Any corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss or in the method of allocation between segments.

3.13 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and revenue indirect taxes.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group, the costs incurred or to be incurred can be measured reliably, and when also the criteria for each of the Group's different activities have been met. These activity-specific recognition criteria are described below.

- **Software development**

Fees from the development of customized software are recognized as revenue by reference to the stage of completion of the development, including completion of services provided for post-delivery service support.

- **Rendering of services**

Revenue from services is recognised in the accounting period in which the services are rendered by reference to the stage of completion of the specific service transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Notes to the consolidated financial statements

Year ended 31 December 2016

- **Rental income**

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

3.14 Retirement benefit costs

- **Defined contribution scheme**

The Group operates a defined contribution scheme the assets of which are held in a separate trustee-administered fund. The scheme is funded by payments from the Group and from the employees. 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.

- **State-managed retirement benefit scheme**

Payments made to state-managed retirement benefit schemes (e.g. Government Social Insurance Fund) are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan. 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 government scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

3.15 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense on loans, finance leases and bank overdrafts on an effective rate basis as well as other bank charges.

Notes to the consolidated financial statements

Year ended 31 December 2016

3.16 Functional and presentation currency and foreign currency translation

• Functional and presentation currency

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

The financial statements are presented in Euro (€), which is also the functional currency of the parent Company NETinfo Plc. The functional currencies of the subsidiaries are as follows:

- NETinfo Services Limited: Euro (€)
- The P.R. People Limited: Euro (€)
- NETteller Solutions S.A.: Costa Rican Colon
- NETinfo Ltd: UK pound sterling
- Allpay Limited: Euro (€)
- Syn-Hi-Tek Internet Services Ltd: Euro (€)
- Perapal Inc: Panamanian Balboa
- NETinfo CIS LLC: Russian Ruble

The functional currency of the associate Allpay LLP is the Kazakhstani Tenge and the functional currency of the associate PlusPay LLC is the Russian Ruble.

• Transactions and balances

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

• Translation to presentation currency

The assets and liabilities of the Group (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 are recognised in other comprehensive income and transferred to the translation reserve.

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 are classified as equity and transferred to the Group's translation reserve. Such translation differences are reclassified to profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the consolidated financial statements

Year ended 31 December 2016

3.17 Tax

Income tax expense represents the sum of current and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the financial statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. No deferred tax is recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax on revaluation surpluses is recognised through other comprehensive income in the revaluation reserve. Subsequent adjustments to the relevant deferred tax amount are also recognised in the same reserve, through other comprehensive income.

Current and deferred tax assets and corresponding 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 tax assets and liabilities on a net basis.

4. Critical accounting estimates and judgement

The preparation of these consolidated financial statements in conformity with IFRS requires the use of accounting estimates and assumptions, and also requires Management to exercise its judgement, in the process of applying the Group's accounting policies.

Estimates, assumptions and judgement applied are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates, assumptions and judgement are based on Management's best knowledge of current events and actions, actual results may ultimately differ.

Notes to the consolidated financial statements

Year ended 31 December 2016

4.1 Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements:

Going concern basis

The Directors have exercised significant judgement in assessing that the preparation of these consolidated financial statements on a going concern basis is appropriate. In making this assessment, the important factors considered, among others, include the current financial position and the profitability of the Group as well their expectations in relation to future business prospects, and future profitability and cash flows of the Group. Another important factor for determining that the going concern basis remains appropriate is the ability of raising necessary funding as and when needed. Further details are disclosed in note 2.1 of the consolidated financial statements.

Current economic conditions

The Board of Directors assessed whether any impairment allowances are deemed necessary for any of the assets, whether financial or non-financial in nature, by considering the economic situation and outlook at the reporting date. Based on the evaluation performed, no further provisions or impairment charges are deemed necessary as at the reporting date.

Revenue recognition

The Group applies the provisions of IAS 18 for accounting for revenue from its sales, under which income and cost of sales are recognized upon delivery and when substantially all risks have been transferred to the buyer for each separately identifiable performance obligation.

Determining also when to recognise revenue from after-sales services requires an understanding of both the nature and timing of the services provided and the customers' pattern of consumption of those services, based on historical experience and knowledge of the market.

Internally generated intangibles

Significant judgement is required in distinguishing research from the development phase. A detailed forecast of sales or cost savings expected to be generated by the intangible asset is incorporated into the Group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets is based on the same data. The Group's Management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

Impairment assessment of receivable amounts

The Group follows the guidance of IAS 39 in determining when a receivable balance is impaired. This determination requires significant judgement regarding the current and potential economic circumstances specific to each debtor, and its current and potential repayment ability.

Notes to the consolidated financial statements

Year ended 31 December 2016

Impairment assessment of investments in associates

The Group follows the guidance of IAS 39 in determining whether an investment in associate is impaired. In the exercise of this judgment, the Group assesses factors such as the prolongation and significance of a fall of the fair value below cost, the financial viability and the short term business future of the investment, the results of the relevant business sector, and the cash flows of the business. When impairment indications exist, the recoverable amount is determined in accordance with IAS 36.

4.2 Estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Unbilled revenue

Unbilled revenue is stated at cost plus any attributable profit less any foreseeable losses and less amounts received or receivable as progress payments. The cost of unbilled revenue includes labour and direct expenses plus attributable overheads based on a normal level of activity. The Group uses estimates and make assumptions that are mainly based on market conditions existing at each reporting date.

Income taxes

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

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, and revises them if necessary so that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to technological obsolescence, mis-usage and other factors that are not easily predictable.

Impairment assessment of intangibles with indefinite useful lives and intangibles under development

Determining whether impairment exists for intangibles with indefinite useful lives and intangibles under development requires an estimation of the value in use of the cash generating units of the Group to which this intangible has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units for a period of five years and then apply a sustainable growth rate thereafter, and then using a suitable discount rate to calculate present value. Further details are shown in note 8 of the consolidated financial statements.

Notes to the consolidated financial statements

Year ended 31 December 2016

Impairment assessment of investments in associates

As at the reporting date and since impairment indications were identified, impairment testing was carried out by the Group. The recoverable amount has been determined to be the fair value less costs to sell, in accordance with IAS 36. The measurement of the fair value requires significant knowledge and expertise and it was based on commonly acceptable valuation techniques, without using market observable data. As a result, impairment losses occurred and have been recognised in profit or loss. The Management of the Group has taken into consideration the fact that the associates consist of start-up companies and therefore their current loss-making position is anticipated..

Further details are shown in note 10 of the consolidated financial statements.

Fair value of property

The fair value of the Group's investment property and property for own use (land and buildings) is determined by using valuation techniques.

Further details are shown in note 7 of the consolidated financial statements.

Allowance for doubtful debts

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

Notes to the consolidated financial statements

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5. Property, plant and equipment

	Land and buildings	Computer hardware	Motor vehicles	Furniture, fixtures and equipment	Telephone center	Total
	€	€	€	€	€	€
Cost or valuation						
At 1 January 2015	4.201.581	460.675	207.589	357.344	48.274	5.275.463
Additions	-	18.656	95.528	21.940	1.147	137.271
Adjustment on revaluation	(686.950)	-	-	-	-	(686.950)
Transfers	(34.631)	-	-	34.631	-	-
At 31 December 2015 / 1 January 2016	3.480.000	479.331	303.117	413.915	49.421	4.725.784
Additions	-	23.640	35.562	36.892	323	96.417
Disposals	-	-	(16.000)	-	-	(16.000)
Adjustment on revaluation of land	(70.000)	-	-	-	-	(70.000)
At 31 December 2016	3.410.000	502.971	322.679	450.807	49.744	4.736.201
Depreciation						
At 1 January 2015	100.733	439.773	161.510	246.412	22.616	971.044
Charge for the year	86.667	13.175	30.625	27.582	5.000	163.049
Adjustment on revaluation	(99.000)	-	-	-	-	(99.000)
Transfers	(1.733)	-	-	1.733	-	-
At 31 December 2015 / 1 January 2016	86.667	452.948	192.135	275.727	27.616	1.035.093
Charge for the year On disposals	86.667	17.165	34.538	30.809	4.967	174.146
	-	-	(6.400)	-	-	(6.400)
At 31 December 2016	173.334	470.113	220.273	306.536	32.584	1.202.840
Net book amount						
At 31 December 2016	3.236.666	32.858	102.406	144.271	17.160	3.533.361
At 31 December 2015	3.393.333	26.383	110.982	138.188	21.805	3.690.691

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

	2016	2015
	€	€
Cost of sales	17.165	13.175
Administration expenses	156.981	149.874
Total	174.146	163.049

Notes to the consolidated financial statements

Year ended 31 December 2016

5.1 Revaluations

Land and buildings of the Group have been revalued on 30 January 2017 by the Directors based on valuations from independent valuers. Further details are shown in note 7 of the consolidated financial statements.

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

	2016	2015
	€	€
Cost	2.929.944	2.929.944
Accumulated depreciation	<u>(304.246)</u>	<u>(246.356)</u>
Net book amount	<u><u>2.625.698</u></u>	<u><u>2.683.588</u></u>

5.2 Proceeds from disposal of property, plant and equipment

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2016	2015
	€	€
Net book amount	9.600	-
Profit from the sale of property, plant and equipment (Note 23)	<u>1.300</u>	<u>-</u>
	<u><u>10.900</u></u>	<u><u>-</u></u>

6. Investment property

	2016	2015
	€	€
On 1 January	482.000	507.000
Fair value adjustment	<u>-</u>	<u>(25.000)</u>
At 31 December	<u><u>482.000</u></u>	<u><u>482.000</u></u>

The investment properties relate to three offices in Stasikratous street which are valued annually at fair value comprising open market value by an independent professionally qualified valuer with relevant experience. The last valuation made on 30 January 2017. Further details are shown in note 7 of the consolidated financial statements.

7. Fair value of non-financial assets

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; and

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Year ended 31 December 2016

- Level 3: unobservable inputs for the asset

31 December 2016	Level 1	Level 2	Level 3	Fair values
	€	€	€	€
Property, plant and equipment	-	-	3.236.666	3.236.666
Investment property	-	-	482.000	482.000
	-	-	<u>3.718.666</u>	<u>3.718.666</u>

31 December 2015	Level 1	Level 2	Level 3	Fair values
	€	€	€	€
Property, plant and equipment	-	-	3.393.333	3.393.333
Investment property	-	-	482.000	482.000
	-	-	<u>3.875.333</u>	<u>3.875.333</u>

The movements in the non-financial assets within Level 3 are shown below:

	Property, plant and equipment	Investment property	Level 3 fair value
	€	€	€
At 1 January 2015	4.100.848	507.000	4.607.848
Fair value gains or losses recognised in:			
profit or loss	-	(25.000)	(25.000)
other comprehensive income	(587.950)	-	(587.950)
Transfers	(32.898)	-	(32.898)
Depreciation	<u>(86.667)</u>	-	<u>(86.667)</u>
At 31 December 2015 / 1 January 2016	3.393.333	482.000	3.875.333
Gains or losses recognised in:			
other comprehensive income	(70.000)	-	(70.000)
Depreciation	<u>(86.667)</u>	-	<u>(86.667)</u>
At 31 December 2016	<u>3.236.666</u>	<u>482.000</u>	<u>3.718.666</u>

Fair value of the Group's property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with the Directors. The valuation processes and fair value changes are reviewed by the Board of Directors at each reporting date. Further information is set out below.

7.1. Property, plant and equipment

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 and current use and condition.

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

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Year ended 31 December 2016

7.2. Investment property

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 and current use and condition.

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

8. Intangible assets

Computer software	2016	2015
	€	€
Cost		
On 1 January	3.635.589	3.405.464
Additions	<u>416.636</u>	<u>230.125</u>
At 31 December	<u>4.052.225</u>	<u>3.635.589</u>
Depreciation		
On 1 January	1.584.946	1.403.167
Charge for the year	<u>200.273</u>	<u>181.779</u>
At 31 December 2016	<u>1.785.219</u>	<u>1.584.946</u>
Net book amount		
At 31 December	<u><u>2.267.006</u></u>	<u><u>2.050.643</u></u>

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

The additions for both 2016 and 2015 relate to capitalised software development costs.

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

	2016	2015
	€	€
Cost of sales	<u>200.273</u>	<u>181.779</u>
Total	<u><u>200.273</u></u>	<u><u>181.779</u></u>

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9. Subsidiary companies**9.1 Details of the subsidiaries**

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	Direct holding %
NETinfo Services Limited	Cyprus	Development of software	100
The P.R. People Limited	Cyprus	Dormant	100
NETteller Solutions S.A.	Costa Rica	Development of software	100
NETinfo Ltd	United Kingdom	Development of software	100
Allpay Limited	Cyprus	Dormant	100
Syn-Hi-Tek Internet Services Ltd	Cyprus	Dormant	100
Perapal Inc	Panama	Dormant	100
NETinfo CIS LLC	Russia	Development of software	100

The holdings for each of the above subsidiaries have not changed during the year.

On 17 June 2016, NETinfo PLC acquired 100% shareholding in NETinfo CIS LLC, a company incorporated in Russia on 29 December 2015.

The acquisition of this subsidiary, does not constitute business combination.

10. Investments in associates

	2016 €	2015 €
On 1 January	500.062	-
Acquisition of new associate/Transfer from investments in joint venture	40.160	772.688
Additions-capital contribution	500.000	-
Impairment charge	(343.957)	-
Share of results of associates	(174.792)	(15.633)
Unrealised profit (Note 31.2)	(50.100)	-
Exchange difference on translation of associate	(15.297)	(256.993)
At 31 December	456.076	500.062

10.1 Details of the investments

<u>Name of associate</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	Ownership interest %
Allpay LLP	Kazakhstan	Mobile Financial Services	33,33
PlusPay LLC	Russia	Mobile Financial Services	50,1

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

NETinfo CIS LLC (100% subsidiary of the Company) holds 50,1% of the share capital in PlusPay LLC, however, it does not control it since it can only appoint four out of nine members of the Board of Directors.

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The acquisition of these associates, does not constitute business combination.

As per Pluspay LLC's shareholders agreement, the shareholders holding the remaining 49,9% are committed to introduce an additional €370.000 (approx.) worth of capital.

10.2 Summarised financial information for the material associates

	Allpay LLP		PlusPay LLC	
	2016	2015	2016	2015
	€	€	€	€
<u>Assets</u>				
Non-current assets	56.450	48.793	493.519	-
Current assets	453.151	880.535	174.482	-
	<u>509.601</u>	<u>929.328</u>	<u>668.001</u>	<u>-</u>
<u>Liabilities</u>				
Non-current liabilities	-	-	75.007	-
Current liabilities	28.996	28.163	2.396	-
	<u>28.996</u>	<u>28.163</u>	<u>77.403</u>	<u>-</u>
Net assets	<u>480.605</u>	<u>901.165</u>	<u>590.598</u>	<u>-</u>
Revenue	492.244	279.675	-	-
Other income	177	-	627	-
Expenses	(922.195)	(326.579)	(69.691)	-
Net profit	<u>(429.774)</u>	<u>(46.904)</u>	<u>(69.064)</u>	<u>-</u>
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(429.774)</u>	<u>(46.904)</u>	<u>(69.064)</u>	<u>-</u>

10.3 Reconciliation of summarised information to carrying amount

	€	%	2016	2015
	€		€	€
<u>Share of net assets</u>				
Allpay LLP	480.605	33,33	160.186	300.358
PlusPay LLC	590.598	50,10	295.890	-
Goodwill	-	-	-	199.704
Carrying amount			<u>456.076</u>	<u>500.062</u>

10.4 Impairment assessment

The Group carried out tests for impairment as at the reporting date, given that impairment indications were identified, for both of the associates.

The recoverable amount for the associate has been determined based on the fair value less costs to sell, based on an adjusted Net asset value.

The impairment tests resulted in the recognition of impairment losses of € 343.957 (2015: NIL).

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Year ended 31 December 2016

11. Unbilled revenue

	2016	2015
	€	€
Unbilled revenue	<u>107.201</u>	<u>270.870</u>
	<u>107.201</u>	<u>270.870</u>

Unbilled revenue ("WIP") represents work executed for the development and implementation of online banking systems (as per contract with customers) as at 31 December but not yet invoiced by the Group. Most of the amount relates to banks outside the Republic of Cyprus and is considered by the management recoverable.

12. Trade and other receivables

	2016	2015
	€	€
<u>Financial items</u>		
Trade receivables	1.205.334	1.037.968
Less: Allowance for impairment losses	<u>(212.650)</u>	<u>(178.607)</u>
Trade receivables - net	992.684	859.361
Receivables from related parties (Note 31)	-	228
Loans receivable	980	3.896
Other receivables	<u>25.160</u>	<u>10.045</u>
	1.018.824	873.530
<u>Non-financial items</u>		
Deposits and prepayments	<u>2.198</u>	<u>2.198</u>
	<u>1.021.022</u>	<u>875.728</u>

12.1 Neither past due nor impaired balancesTrade balances

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates, since no external ratings exist. The Group for this purpose allocates its neither past due nor impaired trade receivables as follows:

	2016	2015
	€	€
New customers (less than 6 months)	324.564	438.882
Existing customers with no defaults in past	<u>332.110</u>	<u>84.850</u>
	<u>656.674</u>	<u>523.732</u>

The Group under certain conditions allows its customers a credit period for settling their amounts due. The Group applies a system of continuous assessment of the credit terms allowed for each of its customers.

Non-trade balances

The credit quality of non-trade financial receivables that are neither past due nor impaired is assessed by

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Year ended 31 December 2016

reference to historical information about counterparty default rates, since no external ratings exist. The Group for this purpose allocates its neither past due nor impaired trade receivables as follows:

	2016	2015
	€	€
Existing debtors with no defaults in past	<u>26.140</u>	<u>14.169</u>
	<u>26.140</u>	<u>14.169</u>

12.2 Past due but not impaired balances

Included in the Group's trade receivables are debtors with a carrying amount of € 336.010 (2015: € 335.629) which are past due at the reporting date for which the Group has not provided for impairment losses as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired:

	2016	2015
	€	€
Up to 30 days	53.988	61.375
30-120 days	12.335	-
More than 120 days	<u>269.687</u>	<u>274.254</u>
	<u>336.010</u>	<u>335.629</u>

12.3 Impaired balances

The Group has recognized a loss of € 61.708 (2015: € 98.876) for the impairment of its trade receivables during the year ended 31 December 2016.

Allowance for impairment losses

	2016	2015
	€	€
On 1 January	178.607	104.011
Charge for year	34.043	77.665
Recoveries	-	(3.069)
At 31 December	<u>212.650</u>	<u>178.607</u>

The Group has not recognized any loss for the impairment of its non-trade financial receivables during the year ended 31 December 2016 and 2015.

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Year ended 31 December 2016

13. Cash and cash equivalents

	2016	2015
	€	€
Cash in hand	21.660	31.776
Bank demand deposits	120.674	80.176
Restricted bank deposits	<u>1.766</u>	<u>1.748</u>
	<u>144.100</u>	<u>113.700</u>

13.1 Credit quality of bank deposits

The credit quality of the banks in which the Group keeps its deposits is assessed by reference to the credit rating of these banks. The bank balances of the Group are allocated based on the credit ratings of the corresponding banks as follows:

	2016	2015
	€	€
Lower than B- / B3	<u>122.440</u>	<u>81.924</u>
	<u>122.440</u>	<u>81.924</u>

13.2 Cash and cash equivalents in the statement of cash flows

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

	2016	2015
	€	€
Bank deposits and cash in hand	144.100	113.700
Less: Restricted bank deposits	<u>(1.766)</u>	<u>(1.748)</u>
	142.334	111.952
Bank overdrafts (Note 15)	<u>(718.157)</u>	<u>(739.711)</u>
	<u>(575.823)</u>	<u>(627.759)</u>

14. Share capital

	2016	2016	2015	2015
	Number of	€	Number of	€
	shares		shares	
Authorised				
Ordinary shares of €0,22 each	<u>38.461.538</u>	<u>8.461.538</u>	<u>38.461.538</u>	<u>8.461.538</u>
	Number of		Number of	
	shares	€	shares	€
Issued and fully paid				
On 1 January	<u>11.721.670</u>	<u>2.578.767</u>	<u>11.721.670</u>	<u>2.578.767</u>
At 31 December	<u>11.721.670</u>	<u>2.578.767</u>	<u>11.721.670</u>	<u>2.578.767</u>

Notes to the consolidated financial statements

Year ended 31 December 2016

15. Borrowings

	2016	2015
	€	€
Current borrowings		
Bank overdrafts (Note 13)	718.157	739.711
Bank loans	<u>194.019</u>	<u>203.149</u>
	<u>912.176</u>	<u>942.860</u>
Non-current borrowings		
Bank loans	<u>3.550.257</u>	<u>3.775.021</u>
	<u>3.550.257</u>	<u>3.775.021</u>
Total	<u>4.462.433</u>	<u>4.717.881</u>

15.1 Changes in loans:

	2016	2015
	€	€
On 1 January	3.978.170	4.182.214
Proceeds from new loans	-	12.480
Repayments of the year	(415.330)	(396.590)
Interest charged for the year	<u>181.436</u>	<u>180.066</u>
At 31 December	<u>3.744.276</u>	<u>3.978.170</u>

15.2 Maturity of non-current borrowings

Between one to two years	227.944	198.596
Between two and five years	749.476	722.402
After five years	<u>2.572.837</u>	<u>2.854.023</u>
	<u>3.550.257</u>	<u>3.775.021</u>

15.3 Securities pledgedBank loans and bank overdrafts

The bank loans and overdrafts are secured as follows:

- By personal guarantees of €6.795.000 from Mr. Vassos Aristodemou, shareholder of the Company.
- By mortgage against freehold property of the Company.
- By assignment of life insurance of Mr. Vassos Aristodemou with Eurolife (no. 195716) for €150.000.
- By floating charge on the assets of the Company with unlimited amount.
- By fixed charge on the Computer Hardware of the Company to the amount of €200.000.
- By corporate guarantee of €4.850.000 from Petrou&Petrou Estate Ltd.

Notes to the consolidated financial statements

Year ended 31 December 2016

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

	2016	2015
Bank overdrafts	4,69%	4,84%
Bank loans	4,65%	4,75%

16. Deferred tax

The deferred taxation movement is as follows:

16.1 Deferred tax liability

	Accounting and tax depreciation differences €	Revaluation of land and buildings €	Fair value gains on investment property €	Total €
At 1 January 2015	13.044	34.559	21.031	68.634
Increase / (decrease) for the year through:				
profit or loss (Note 29)	(12.574)	-	(21.031)	(33.605)
other comprehensive income	-	52.606	-	52.606
At 31 December 2015 / 1 January 2016	470	87.165	-	87.635
Increase / (decrease) for the year through:				
profit or loss (Note 29)	2.020	(3.175)	-	(1.155)
At 31 December 2016	2.490	83.990	-	86.480

17. Trade and other payables

	2016 €	2015 €
<u>Financial items</u>		
Trade payables	237.663	248.585
Directors' current accounts - credit balances (Note 31)	7.225	35.374
Accrued expenses	18.470	12.560
Other creditors	22.420	42.156
	<u>285.778</u>	<u>338.675</u>
<u>Non-financial items</u>		
Social insurance and other taxes	45.617	68.908
VAT	60.363	15.394
Defence tax on payable dividends	5.744	5.744
	<u>397.502</u>	<u>428.721</u>

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18. Deferred income

	2016	2015
	€	€
Government grants	<u>85.157</u>	<u>89.888</u>
	<u>85.157</u>	<u>89.888</u>
To be recognised in profit or loss:		
Within one year	4.731	4.731
After more than one year	<u>80.426</u>	<u>85.157</u>
	<u>85.157</u>	<u>89.888</u>

During 2013 NETinfo Plc was approved for a government grant of €105.278 under the business innovation scheme, for the development of an intangible asset (software). The government grant has been recognised as deferred income and it is transferred to profit or loss on a straight line basis over the useful life of the corresponding intangible asset which has been estimated to be 20 years.

19. Current tax liabilities

	2016	2015
	€	€
Corporation tax	19.447	30.503
Special contribution for defence	<u>570</u>	<u>184</u>
	<u>20.017</u>	<u>30.687</u>

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20. Operating segments

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

The Group has no significant dependencies in respect of its revenues to any single customer.

Entity-wide geographical disclosures

	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
	€	€	€	€
Cyprus	1.255.505	6.282.367	551.190	6.223.334
Greece		-	51.766	-
Chile	40.580	-	46.728	-
Peru		-	46.400	-
United Kingdom	193.990	-	292.325	-
Kenya	234.876	-	210.987	-
Azerbaijan		-	226.543	-
Ghana	78.065	-	129.728	-
Bermuda	169.400	-	171.707	-
Jamaica	99.064	-	687.553	-
Haiti	235.335	-	393.100	-
Oman	413.624	-	273.850	-
Georgia		-	108.362	-
South Africa	53.050	-	50.000	-
Sudan	361.523	-	-	-
Albania	78.000	-	-	-
Costa Rica	89.091	-	-	-
Tanzania	35.889	-	-	-
Tajikistan	174.278	-	-	-
Russia	449.900	-	-	-
Mexico	50.000	-	-	-
Other	45.654	-	36.009	-
	<u>4.057.824</u>	<u>6.282.367</u>	<u>3.276.248</u>	<u>6.223.334</u>

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.

21. Revenue

	2016	2015
	€	€
Software development and implementation	3.424.090	3.077.299
Software development and implementation to associates	449.900	-
Website design services	183.834	198.949
	<u>4.057.824</u>	<u>3.276.248</u>

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22. Cost of sales

	2016	2015
	€	€
Direct costs		
Staff costs (Note 26)	776.521	561.673
Subcontracted work	113.666	-
Software and domain registration	44.940	111.780
Amortisation of software	200.273	181.779
Consulting services for research and development	113.000	-
Depreciation of computer hardware	17.165	13.175
	<u>1.265.565</u>	<u>868.406</u>

23. Other income

	2016	2015
	€	€
Sundry operating income	51.117	-
Gain from sale of property, plant and equipment	1.300	-
Government grants	10.187	25.956
Bad debts recovered	-	3.069
Rental income	15.300	4.950
	<u>77.904</u>	<u>33.975</u>

Rental income

The rental income of the Company relates to investment properties.

The future aggregate minimum rental income under non-cancellable operating leases are as follows:

	2016	2015
	€	€
Within one year	6.900	13.200
Between one and five years	3.200	9.750
	<u>10.100</u>	<u>22.950</u>

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24. Administration expenses

	2016	2015
	€	€
Staff costs (Note 26)	448.144	530.119
Rent	36.259	11.080
Licenses and taxes	2.624	42.742
Electricity	24.275	24.509
Water supply and cleaning	11.676	13.960
Insurance	17.818	14.645
Repairs and maintenance	13.225	18.025
Sundry expenses	8.381	8.914
Telephone and postage	22.751	25.388
Stationery and printing	24.070	21.082
Staff training	20.290	5.869
Audit fees for statutory audit - current year	14.110	9.050
Auditors' fees for tax services	950	950
Audit fees for statutory audit - prior years	7.050	-
Accounting fees	11.380	2.083
Legal fees	28.268	24.359
Other professional fees	54.300	36.656
Fines	5.560	34.024
Overseas travelling	262.987	237.176
Entertaining	9.717	11.164
Motor vehicle running costs	27.545	30.517
Provident Fund	-	43.056
Depreciation property, plant and equipment	156.981	149.874
Other administration expenses	22.784	38.417
	<u>1.231.145</u>	<u>1.333.659</u>

25. Selling and distribution expenses

	2016	2015
	€	€
Overseas travelling	76.502	55.048
Advertising	30.208	17.959
Decoration	16.460	5.977
Commissions to agents	53.794	101.038
Bad debts written off	27.666	21.211
Allowance for bad debts	34.043	77.665
Other selling and distribution expenses	60.730	27.341
	<u>299.403</u>	<u>306.239</u>

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26. Staff costs

	2016	2015
	€	€
Salaries	994.039	941.976
Social insurance costs and other funds	130.982	88.393
Social cohesion fund	22.647	16.423
Provident fund contributions	20.251	-
Director's remuneration	56.746	45.000
	<u>1.224.665</u>	<u>1.091.792</u>
Cost of sales	776.521	561.673
Administration expenses	448.144	530.119
	<u>1.224.665</u>	<u>1.091.792</u>
Average number of employees	<u>54</u>	<u>42</u>

27. Finance income and costs

	2016	2015
	€	€
Finance income		
Interest income	1.248	59
	<u>1.248</u>	<u>59</u>
Finance costs		
Foreign currency exchange losses	2.072	5.597
Interest expense	218.310	189.784
Other finance expenses	20.015	24.506
	<u>240.397</u>	<u>219.887</u>
Net finance costs	<u>(239.149)</u>	<u>(219.828)</u>

28. Loss from investing activities

	2016	2015
	€	€
Fair value losses on investment properties	-	(25.000)
Impairment loss on associates	(343.957)	-
Loss on reduction of shareholding in joint venture	-	(137.890)
	<u>(343.957)</u>	<u>(162.890)</u>

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29. Taxation expense / (income)

	2016	2015
	€	€
Corporation tax - current year	18.871	-
Corporation tax - prior years	(18.384)	-
Defence contribution - current year	718	78
Defence contribution - prior years	-	7.850
Deferred tax (Note 16)	<u>1.022</u>	<u>(33.605)</u>
	<u><u>2.227</u></u>	<u><u>(25.677)</u></u>

The Group entities operate in different countries and therefore are subject to different income tax rates as follows:

Cyprus	12,5%
United Kingdom	20%
Costa Rica	30%
Russia	20%

The amount of taxation income for 2016 and taxation expense for 2015 relate to taxes in Cyprus. No tax has occurred in other jurisdictions.

The Company has obtained a ruling from the Tax Department, confirming that the 80% of the income earned, in relation to the Intellectual Property (IP), will be treated as an exempt income for Corporation Tax purposes. The estimation of the income generated from the exploitation of an Intellectual Property (IP), is governed by the provisions of Article 9 (1) of the Income Tax Law.

Taxation - Cyprus

Cyprus entities are subject to corporation tax on their taxable profits at the rate of 12,5%. Any capital gains are taxed at the rate of 20%. In addition, 75% of the gross rents receivable are subject to defence contribution at the rate of 3%.

Under certain conditions interest is subject either to corporation tax or to defence contribution. The relevant corporation tax rate for the year is 12,5% and the defence contribution rate is 30%.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2016	2015
	€	€
Profit before tax	<u>581.717</u>	<u>403.568</u>
Tax calculated at the applicable tax rates	72.715	50.446
Tax effect of allowances and income not subject to tax	(53.844)	(50.446)
Defence contribution current year	718	78
Deferred tax	1.022	(33.605)
Prior year tax	<u>(18.384)</u>	<u>7.850</u>
Taxation expense / (income)	<u><u>2.227</u></u>	<u><u>(25.677)</u></u>

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30. Earnings per share**30.1 Basic earnings per share**

	2016	2015
Earnings attributable to shareholders (€)	<u>579.490</u>	<u>429.245</u>
Weighted average number of ordinary shares in issue during the year	<u>11.721.670</u>	<u>11.721.670</u>
Basic earnings per share (cent)	<u>4,94</u>	<u>3,66</u>

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.

30.2 Diluted earnings per share

No potentially dilutive shares existed during the current and previous year and therefore for both years the diluted earnings per share equals the basic earnings per share.

31. Related parties

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

The following transactions were carried out with related parties:

31.1 Key management compensation

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

	2016	2015
	€	€
Directors' fees	126.585	45.000
Other key management members' remuneration	43.650	104.000
Directors' insurance expense	<u>7.092</u>	<u>7.092</u>
	<u>177.327</u>	<u>156.092</u>

31.2 Revenue and other income

	2016	2015
	€	€
• Associates		
Pluspay LLC	Trade	
	<u>500.000</u>	-
	<u>500.000</u>	-

Unrealised profit of €50.100 has been recognised against the cost of the associate in applying the equity method (Note 10).

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31.3 Receivables from related parties (Note 12)

		2016	2015
	<u>Nature of balance</u>	€	€
• Other related parties			
NETinfo LATAM S.A.S	Trading	-	228
		<u>-</u>	<u>228</u>

The receivables from related parties are interest free, unsecured and have no specified repayment date.

31.4 Payables to related parties (Note 17)

		2016	2015
	<u>Nature of balance</u>	€	€
• Key management			
Vassos Aristodemou (also a shareholder)	Current account	7.225	35.374
		<u>7.225</u>	<u>35.374</u>

The payables to related parties are interest free, unsecured and have no specified repayment date.

31.5 Guarantees received from related parties (Note 15)

The guarantees pledged as security by related parties in relation to the Group's borrowings are described in note 15.

31.6 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, as at 31 December 2016 and 21 April 2017 (5 days before the date of approval of the consolidated financial statements by the Board of Directors) were as follows:

	31 December	21 April
	2016	2017
	%	%
Orlando Castellanos	2	2
Polys Hadjikyriacos	14	14
Vassos Aristodemou	35	35

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31.7 Shareholders holding more than 5% of the Company's share capital

The persons holding more than 5% of the share capital of the Group as at 31 December 2016 and 21 April 2017 (5 days before the date of approval of the consolidated financial statements by the Board of Directors) were as follows:

	31 December 2016 %	21 April 2017 %
Christiana Stylianou	5	5
Dimitris Stylianou	9	9
Demetra Investment Public Ltd	6	6
Polys Hadjikyriacos	14	14
Vassos Aristodemou	35	35

31.8 Significant agreements with management

At the end of the year, no significant agreements existed between the Group and its Management.

32. Legal cases and contingent liabilities

32.1 Legal cases

Choreos Development Limited against the Company

The Company was engaged into a litigation since 2009, where the plaintiff (a third party) is asking the defendant (the Company) for a compensation amounting to €146.312, plus interest of 8%, plus disbursements and VAT in relation to a liability arising from the purchase of a property by the Company in 2000. The said case was settled on 19 September 2016 at no cost to the Company.

32.2 Contingent liabilities

The Group had no contingent liabilities as at 31 December 2016.

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33. Commitments**33.1 Operating lease commitments**

The non-cancellable operating lease agreements entered by the Group relate to rent expense.

The total operating lease expenses for the year amounted to € 36.259 (2015: € 11.080).

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

	2016	2015
	€	€
Within one year	22.295	20.302
Between one and five years	<u>16.038</u>	<u>33.103</u>
	<u><u>38.333</u></u>	<u><u>53.405</u></u>

34. Financial assets and liabilities**34.1. Carrying amount**

The carrying amount of each class of financial assets and liabilities included in the consolidated statement of financial position is as follows:

		2016	2015
	Note	€	€
Financial assets			
Loans and receivables	11,12, 13	<u>1.270.125</u>	<u>1.258.100</u>
		<u><u>1.270.125</u></u>	<u><u>1.258.100</u></u>
Financial liabilities			
At amortised cost	15, 17	<u>4.748.211</u>	<u>5.056.556</u>
		<u><u>4.748.211</u></u>	<u><u>5.056.556</u></u>

34.2. Fair values

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

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

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35. Financial risk management

The Group is exposed to interest rate risk, credit risk and liquidity risk arising from the financial instruments held.

35.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The 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 Group'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:

	2016	2015
	€	€
<i>Variable rate instruments</i>		
Financial assets	122.440	81.924
Financial liabilities	<u>(4.462.433)</u>	<u>(4.717.881)</u>
	<u>(4.339.993)</u>	<u>(4.635.957)</u>

Sensitivity analysis

An increase of 100 basis points (1,00%) in interest rates at 31 December 2016 would have increased / (decreased) profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For an equivalent decrease there would be an equal and opposite impact on the profit or loss and other comprehensive income.

	Profit or loss		Other comprehensive income	
	2016	2015	2016	2015
	€	€	€	€
Variable rate instruments	<u>43.400</u>	<u>46.360</u>	<u>-</u>	<u>-</u>
	<u>43.400</u>	<u>46.360</u>	<u>-</u>	<u>-</u>

35.2 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 Company has significant concentration of credit risk arising from the small number of clients. The Group has policies in place to ensure that all of its transactions giving rise to credit risk are made with parties having an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific loss provision that relates to

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individually significant exposures. Credit quality information in relation to trade and other receivables is provided in note 12.

Also, the Group has policies to limit the amount of credit exposure to any banking institution, considering among other factors the credit ratings of the banks with which deposits are held. Credit quality information in relation to those banks is provided in note 13.

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

	2016	2015
	€	€
Loans receivable	980	3.896
Trade receivables	992.684	859.361
Other receivables	25.160	10.273
Bank balances	122.440	81.924
Unbilled revenue	107.201	270.870
	<u>1.248.465</u>	<u>1.226.324</u>

35.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially can 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.

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 2016	Carrying amounts	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€
Bank loans	3.744.276	5.082.901	368.297	393.159	1.179.477	3.141.968
Bank overdrafts	718.157	718.157	718.157	-	-	-
Trade and other payables	285.778	285.778	285.778	-	-	-
	<u>4.748.211</u>	<u>6.086.836</u>	<u>1.372.232</u>	<u>393.159</u>	<u>1.179.477</u>	<u>3.141.968</u>
31 December 2015	Carrying amounts	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€
Bank loans	3.978.170	5.550.361	392.247	378.533	1.198.343	3.581.238
Bank overdrafts	739.711	739.711	739.711	-	-	-
Trade and other payables	338.675	338.675	338.675	-	-	-
	<u>5.056.556</u>	<u>6.628.747</u>	<u>1.470.633</u>	<u>378.533</u>	<u>1.198.343</u>	<u>3.581.238</u>

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36. Capital management

The Group for management purposes determines as capital its equity, including all reserves.

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

The Group manages the capital structure and takes reasonable steps in the light of changes in the economic conditions and the risk characteristics of its underlying business and assets. In order to improve its capital structure the Group may issue new shares, sell assets to reduce debt, re-finance existing borrowings, and adjust the amount of any distribution of dividends.

The net debt and capital at the end of the year are calculated using the following amounts, as shown in the consolidated statement of financial position:

	2016	2015
	€	€
Borrowings	4.462.433	4.717.881
Bank deposits and cash in hand	<u>(144.100)</u>	<u>(113.700)</u>
Net debt	<u>4.318.333</u>	<u>4.604.181</u>
Total equity	<u>2.910.738</u>	2.580.443
Capital	<u>2.910.738</u>	<u>2.580.443</u>

Based on the above calculation the ratio of Net Debt to Capital at the end of 2016 was 148,36% (2015: 178,43%). The decrease in the ratio is mainly due to the substantial profit made in the period. The Group regards that the ratio is at a high level.

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37. Events after the end of the reporting year

The following events occurred after the end of the reporting year:

- On 11 April 2017 the Bank of Cyprus Public Company Ltd confirmed the release of the mortgage charge over the Group's land plot with registration number 2/2766, located in Aglatzia (number Y9350/2008) in order for the ownership to be transferred to the Group from Petrou & Petrou Estates Ltd providing that the Group will settle any taxes or other liabilities arising as a result of this transfer and also providing that will withdraw the legal action against Petrou & Petrou Estates Ltd with number 4463/2012.

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