

KERVERUS HOLDING IT (CY) PLC

REPORT AND FINANCIAL STATEMENTS

31 December 2014

KERVERUS HOLDING IT (CY) PLC

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31 December 2014

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KERVERUS HOLDING IT (CY) PLC

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

M.Flett Financial Consultants Ltd
Christos Kaliptsidis
Maria Christodoulou

Company Secretary:

M.Flett Financial Consultants Ltd

Independent Auditors:

L.Gnaftis & Co. Ltd
Certified Public Accountants
Anexartiasias & Athinon
Nora Court, 2nd floor
3040 Limassol
Cyprus

Registered office:

Anexartiasias & Athinon, Nora Court, 2nd floor
Limassol
3040
Cyprus

Banker:

USB Bank Plc

Registration number:

HE220870

KERVERUS HOLDING IT (CY) PLC

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2014.

Principal activity

The principal activity of the Company, which is unchanged from last year, is the investments in shares of other companies.

The Company expands its operations in the United States of America (USA) and in the light of this, the Company incorporated an associate company (Miipharos Inc.) in California, USA. The associate company was dormant throughout the year 2014.

Review of current position, future developments and significant risks

The Company's results and financial position as shown in the audited financial statements on pages 7 to 20, could be considered satisfactory in light of the Group's growth prospects in the i-Beacon industry. Specifically:

- a) The Company has not shown any income for the year under review as its 100% owned subsidiary (Kerverus IT (CY) Ltd) decided not to proceed with any dividend distribution. Even though the subsidiary was profitable, profits were retained to be used towards the subsidiary's operating plan.
- b) The Company has managed to reduce its operating costs, before the authorised share capital increase expenses, mentioned in e) below, by 13.8%.
- c) Losses of 32.793 Euros were recorded for the period under review. These came as a result of the Group's decision to deploy all resources on the development of 'Miipharos', benefits from which are expected in future periods.
- d) As a short to medium term measure to increase "share liquidity" the Company has proceeded to a 1 to 10 ordinary share split during the year under review.
- e) The Company has increased its Authorised Share Capital by 11,000,000 ordinary shares of 0.10 Euros each. These will be issued in due course in order to finance the Group's strategic objectives.

Additional details that relate to the operating environment of the Company as well as other risks and uncertainties are described in notes 3 and 16 of the financial statements.

Results

The Company's results for the year are set out on page 7.

Dividends

On 23rd of April 2014 the Company in the Annual General Meeting declared the payment of a final dividend of €18.100 (2013: €NIL).

Share capital

Authorised capital

On 20th of June 2014 the authorised share capital of the Company was increased to 2.910.000 ordinary shares of €1 each at par, thereby the authorised share capital was increased by 1.100.000 new ordinary shares of €1 each.

Issued capital

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

Implementation and compliance to the Code of Corporate Governance

As a company listed on the New Market of the Cyprus Stock Exchange (CSE), KERVERUS HOLDING IT (CY) PLC has not yet adopted CSE's Corporate Governance Code because it is not required by the New Market of the Cyprus Stock Exchange (CSE).

KERVERUS HOLDING IT (CY) PLC

REPORT OF THE BOARD OF DIRECTORS

Board of Directors

The members of the Company's Board of Directors as at 31 December 2014 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2014.

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.

Independent Auditors

The Independent Auditors, L.Gnaftis & Co. 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,

M.Flett Financial Consultants Ltd
Secretary

Limassol, 13 March 2015

KERVERUS HOLDING IT (CY) PLC

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

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 ("the Law") we, the members of the Board of Directors and the Company official responsible for the drafting of the financial statements of KERVERUS HOLDING IT (CY) PLC (the "Company") for the year ended 31 December 2014, on the basis of our knowledge, declare that:

(a) The annual financial statements of the Company which are presented on pages 7 to 20:

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

(ii) provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of KERVERUS HOLDING IT (CY) PLC and the subsidiary companies included in the financial statements as a whole ("the Group") and

b) The Board of Directors' report provides a fair view of the developments and the performance as well as the financial position of the Company as a whole, together with a description of the main risks and uncertainties which they face.

Members of the Board of Directors:

M.Flett Financial Consultants Ltd

Christos Kalipsidis

Maria Christodoulou

Responsible for drafting the financial statements

M.Flett Financial Consultants Ltd (Financial Manager)

Limassol, 13 March 2015

Independent auditor's report

To the Members of KERVERUS HOLDING IT (CY) PLC

Report on the financial statements

We have audited the financial statements of the parent company KERVERUS HOLDING IT (CY) PLC (the "Company") on pages 7 to 20 which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company KERVERUS HOLDING IT (CY) PLC as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113 and the requirements of the Stocks and Cyprus Stock Exchange laws and regulations.

Independent auditor's report (continued)

To the Members of KERVERUS HOLDING IT (CY) PLC

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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 Company's 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 financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

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 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

Lambros Gnaftis, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of
L.Gnaftis & Co. Ltd
Certified Public Accountants

Limassol, 13 March 2015

KERVERUS HOLDING IT (CY) PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 €	2013 €
Dividend income		-	110.000
Other income	5	27	122
Other expenses		(32.651)	(29.452)
Operating (loss)/profit	7	(32.624)	80.670
Finance costs	8	(161)	(272)
(Loss)/profit before tax		(32.785)	80.398
Tax	9	(8)	(37)
Net (loss)/profit for the year		(32.793)	80.361
Other comprehensive income		-	-
Total comprehensive income for the year		(32.793)	80.361

The notes on pages 11 to 20 form an integral part of these financial statements.

KERVERUS HOLDING IT (CY) PLC

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Note	2014 €	2013 €
ASSETS			
Non-current assets			
Investments in subsidiaries	11	1.700.000	1.700.000
Investments in associated undertakings	12	140	-
		<u>1.700.140</u>	<u>1.700.000</u>
Current assets			
Receivables	13	3.142	4.127
Receivables from own subsidiaries	17	183.804	204.198
Cash at bank and in hand		819	29.109
		<u>187.765</u>	<u>237.434</u>
Total assets		<u>1.887.905</u>	<u>1.937.434</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1.810.000	1.810.000
Retained earnings		68.764	119.657
Total equity		<u>1.878.764</u>	<u>1.929.657</u>
Current liabilities			
Trade and other payables	15	1.807	2.150
Directors' current accounts - credit balances	17	7.334	5.627
		<u>9.141</u>	<u>7.777</u>
Total equity and liabilities		<u>1.887.905</u>	<u>1.937.434</u>

On 13 March 2015 the Board of Directors of KERVERUS HOLDING IT (CY) PLC authorised these financial statements for issue.

.....
M.Flett Financial Consultants Ltd
Director

.....
Christos Kaliptsidis
Director

The notes on pages 11 to 20 form an integral part of these financial statements.

KERVERUS HOLDING IT (CY) PLC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Note	Share capital €	Retained earnings €	Total €
Balance at 1 January 2013		1.810.000	39.296	1.849.296
Comprehensive income				
Net profit for the year		-	80.361	80.361
Balance at 31 December 2013/ 1 January 2014		1.810.000	119.657	1.929.657
Comprehensive income				
Net loss for the year		-	(32.793)	(32.793)
Transactions with owners				
Dividends	10	-	(18.100)	(18.100)
Balance at 31 December 2014		1.810.000	68.764	1.878.764

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 11 to 20 form an integral part of these financial statements.

KERVERUS HOLDING IT (CY) PLC

CASH FLOW STATEMENT

Year ended 31 December 2014

	2014	2013
Note	€	€
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(32.785)	80.398
Adjustments for:		
Dividend income	-	(110.000)
Interest income	5 <u>(27)</u>	<u>(122)</u>
Cash flows used in operations before working capital changes	(32.812)	(29.724)
Decrease/(increase) in receivables	985	(921)
Decrease/(increase) in receivables from own subsidiaries	20.394	(80.737)
Increase in directors' current accounts	1.707	(30.642)
(Decrease)/increase in trade and other payables	<u>(343)</u>	<u>650</u>
Cash flows used in operations	(10.069)	(141.374)
Dividends received	-	110.000
Tax paid	<u>(8)</u>	<u>(37)</u>
Net cash flows used in operating activities	(10.077)	(31.411)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of investments in associated undertakings	12 (140)	-
Interest received	<u>27</u>	<u>122</u>
Net cash flows (used in)/from investing activities	(113)	122
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	<u>(18.100)</u>	-
Net cash flows used in financing activities	(18.100)	-
Net decrease in cash and cash equivalents	(28.290)	(31.289)
Cash and cash equivalents:		
At beginning of the year	<u>29.109</u>	<u>60.398</u>
At end of the year	819	29.109

The notes on pages 11 to 20 form an integral part of these financial statements.

KERVERUS HOLDING IT (CY) PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

1. Incorporation and principal activities

Country of incorporation

The Company KERVERUS HOLDING IT (CY) PLC (the "Company") was incorporated in Cyprus on 29 January 2008 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at Anexartisias & Athinon, Nora Court, 2nd floor, Limassol, 3040, Cyprus.

Principal activity

The principal activity of the Company, which is unchanged from last year, is the investments in shares of other companies.

2. Accounting policies

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

Basis of preparation

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from Anexartisias & Athinon, Nora Court, 2nd floor, 3040 Limassol, Cyprus.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2014 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2014. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

KERVERUS HOLDING IT (CY) PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

2. Accounting policies (continued)

Basis of consolidation

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company KERVERUS HOLDING IT (CY) PLC and the financial statements of the following subsidiary, KERVERUS IT (CY) LTD.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

Subsidiary companies

Subsidiaries are entities controlled by the Group. Control exists where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

KERVERUS HOLDING IT (CY) PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

2. Accounting policies (continued)

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- **Income from investments in securities**

Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss. Interest from investments in securities is recognised on an accruals basis.

Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to profit or loss.

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2014 and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in which it arises. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss as fair value gains or losses on investments, taking into account any amounts charged or credited to profit or loss in previous periods.

- **Interest income**

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

- **Dividend income**

Dividend income is recognised when the right to receive payment is established.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Dividends

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

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

KERVERUS HOLDING IT (CY) PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

2. Accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company 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.

Financial liabilities

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity.

3. Financial risk management

Financial risk factors

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

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3.2 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 no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

KERVERUS HOLDING IT (CY) PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

3. Financial risk management (continued)

3.3 Liquidity risk

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

3.4 Capital risk management

The Company 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 debt and equity balance. The Company's overall strategy remains unchanged from last year.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

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

- **Impairment of investments in subsidiaries/associates**

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

5. Other income

	2014	2013
	€	€
Interest income	<u>27</u>	<u>122</u>
	<u>27</u>	<u>122</u>

Interest revenue is analysed as follows:

	2014	2013
	€	€
Bank deposits	<u>27</u>	<u>122</u>
	<u>27</u>	<u>122</u>

KERVERUS HOLDING IT (CY) PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

6. Administration and other expenses

	2014 €	2013 €
Capital issue costs	7.260	-
Annual levy	350	350
Subscriptions and contributions	627	-
Computer software	-	46
Auditors' remuneration	1.100	2.150
Legal fees	364	-
Other professional fees	14.553	24.340
Overseas travelling	2.750	-
Cyprus Stock Exchange expenses	5.647	2.521
Sundry expenses	-	45
	32.651	29.452

7. Operating (loss)/profit

	2014 €	2013 €
Operating (loss)/profit is stated after charging the following items:		
Auditors' remuneration	1.100	2.150

8. Finance costs

	2014 €	2013 €
Sundry finance expenses	161	272
	161	272

9. Tax

	2014 €	2013 €
Defence contribution - current year	8	37
Charge for the year	8	37

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

	2014 €	2013 €
(Loss)/profit before tax	(32.785)	80.398
Tax calculated at the applicable tax rates	(4.098)	10.050
Tax effect of expenses not deductible for tax purposes	4.101	43
Tax effect of allowances and income not subject to tax	(3)	(13.765)
Tax effect of tax loss for the year	-	3.672
Defence contribution current year	8	37
Tax charge	8	37

KERVERUS HOLDING IT (CY) PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

9. Tax (continued)

The corporation tax rate is 12,5% (2012:10%).

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (2012:15%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter.

10. Dividends

	2014	2013
	€	€
Final dividend paid	18.100	-
	18.100	-

On 23rd of April 2014 the Company in the Annual General Meeting declared the payment of a final dividend of €18.100 (2013: €NIL).

Dividends are subject to a deduction of special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter for individual shareholders that are residents of Cyprus.

11. Investments in subsidiaries

	2014	2013
	€	€
Balance at 1 January	1.700.000	1.700.000
Balance at 31 December	1.700.000	1.700.000

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2014	2013	2014	2013
			Holding	Holding	€	€
			%	%		
KERVERUS IT (CY) LTD	Cyprus	Development of application software and the sale of use of this software through internet	100	100	1.700.000	1.700.000
					1.700.000	1.700.000

12. Investments in associated undertakings

	2014	2013
	€	€
Balance at 1 January	-	-
Additions	140	-
Balance at 31 December	140	-

KERVERUS HOLDING IT (CY) PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

12. Investments in associated undertakings (continued)

The details of the investments are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	Holding %	2014 €
Miipharos Inc.	California, United States of America	Representation and promotion of software applications, specifically of the new, innovative application product 'Miipharos'	34	140
				140

The Company was dormant throughout the year 2014.

13. Receivables

	2014 €	2013 €
Deposits and prepayments	-	2.000
Refundable VAT	3.142	2.127
	3.142	4.127

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

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the financial statements.

14. Share capital

	2014 Number of shares	2014 €	2013 Number of shares	2013 €
Authorised				
Ordinary shares of €1 each	1.810.000	-	1.810.000	-
	1.100.000	-	-	-
	2.910.000	-	1.810.000	-
Issued and fully paid				
Balance at 1 January	1.810.000	1.810.000	1.810.000	1.810.000
Balance at 31 December	1.810.000	1.810.000	1.810.000	1.810.000

Authorised capital

On 20th of June 2014 the authorised share capital of the Company was increased to 2.910.000 ordinary shares of €1 each at par, thereby the authorised share capital was increased by 1.100.000 new ordinary shares of €1 each.

Issued capital

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

KERVERUS HOLDING IT (CY) PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

15. Trade and other payables

	2014	2013
	€	€
Accruals	<u>1.807</u>	<u>2.150</u>
	<u>1.807</u>	<u>2.150</u>

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

16. Recent volatility in global financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 and is still continuing, resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Such circumstances could affect the ability of the Company to obtain borrowings. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

The debtors or borrowers of the Company may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Deteriorating operating conditions for debtors or borrowers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

To the extent that information is available, Management has reflected revised estimates of expected future cash flows in its impairment assessments. Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

17. Related party transactions

The following transactions were carried out with related parties:

17.1 Receivables from related parties

<u>Name</u>	<u>Nature of transactions</u>	2014	2013
		€	€
KERVERUS IT(CY) LTD	Finance	<u>183.804</u>	<u>204.198</u>
		<u>183.804</u>	<u>204.198</u>

17.2 Directors' current accounts - credit balances

	2014	2013
	€	€
Christos Kaliptsidis	<u>7.194</u>	<u>5.627</u>
	<u>7.194</u>	<u>5.627</u>

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

KERVERUS HOLDING IT (CY) PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

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

The percentage of share capital of the Company held directly or indirectly by each member of the Board of Directors (in accordance with Article (4) (b) of the Directive DI 190-2007-04), as at 31 December 2014 and 8 March 2015 (5 days before the date of approval of the financial statements by the Board of Directors) were as follows:

	31 December	
	2014	8 March 2015
	%	%
Christos Kalipsidis	65	65

19. Shareholders holding more than 5% of share capital

The persons holding more than 5% of the share capital as at 31 December 2014 and 8 March 2015 (5 days before the date of approval of the financial statements by the Board of Directors) were as follows:

	31 December	
	2014	8 March 2015
	%	%
Polytimi Roidi	13	13
VIDAVO HEALTH TELEMATICS A.E.	6	6

20. Significant agreements with management

At the end of the year, no significant agreements existed between the Company and its management.

21. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2014.

22. Commitments

The Company had no capital or other commitments as at 31 December 2014.

23. Events after the reporting period

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

Independent auditor's report on pages 5 and 6

KERVERUS HOLDING IT (CY) PLC

DETAILED INCOME STATEMENT

Year ended 31 December 2014

	Page	2014 €	2013 €
Revenue			
Dividend income		-	110.000
Bank interest		<u>27</u>	<u>122</u>
		27	110.122
Other operating expenses	22	(25.391)	(29.452)
Capital issue costs		<u>(7.260)</u>	-
Operating (loss)/profit		(32.624)	80.670
Finance costs	23	<u>(161)</u>	(272)
Net (loss)/profit for the year before tax		<u>(32.785)</u>	<u>80.398</u>

KERVERUS HOLDING IT (CY) PLC

OPERATING EXPENSES

Year ended 31 December 2014

	2014	2013
	€	€
Other operating expenses		
Annual levy	350	350
Sundry expenses	-	45
Subscriptions and contributions	627	-
Computer software	-	46
Auditors' remuneration	1.100	2.150
Legal fees	364	-
Other professional fees	14.553	24.340
Overseas travelling	2.750	-
Cyprus Stock Exchange expenses	5.647	2.521
	<u>25.391</u>	<u>29.452</u>

KERVERUS HOLDING IT (CY) PLC

FINANCE COSTS

Year ended 31 December 2014

	2014 €	2013 €
Finance costs		
Sundry finance expenses		
Bank charges	<u>161</u>	<u>272</u>
	<u>161</u>	<u>272</u>

KERVERUS HOLDING IT (CY) PLC

COMPUTATION OF DEFENCE CONTRIBUTION Year ended 31 December 2014

	Income €	Rate	Defence € c
INTEREST			
Interest that was subject to deduction at source	<u>27</u>		
	<u>27</u>	30%	8,10
Less: deductions at source			<u>(8,10)</u>
DEFENCE CONTRIBUTION DUE TO IRD			<u><u>-</u></u>

KERVERUS HOLDING IT (CY) PLC

COMPUTATION OF CORPORATION TAX Year ended 31 December 2014

Net loss per income statement	Page 21	€	€ (32.785)
<u>Add:</u>			
Annual levy		350	
Capital issue costs		7.260	
Other non-allowable expenses		<u>25.202</u>	
			<u>32.812</u>
			27
<u>Less:</u>			
Interest income		<u>27</u>	
			<u>(27)</u>
Chargeable income for the year			<u>-</u>
<u>Calculation of corporation tax</u>			
	Income €	Rate %	Total € c
Tax at normal rates:			
Chargeable income as above	<u>-</u>	12,50	-
TAX PAYABLE			<u>-</u>