

KERVERUS IT (CY) LTD

INTERIM UNAUDITED FINANCIAL
STATEMENTS

Period from 1 January 2014 to 30 June 2014

KERVERUS IT (CY) LTD

INTERIM UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2014 to 30 June 2014

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KERVERUS IT (CY) LTD

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

M.Flett Financial Consultants Ltd
Maria Christodoulou
Christos Kaliptsidis

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

Registration number:

HE220984

KERVERUS IT (CY) LTD

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and unaudited financial statements of the Company for the period from 1 January 2014 to 30 June 2014.

Principal activity

The principal activity of the Company, which is unchanged from last year, is the development of application software and the sale of this software through internet.

Change of Company name

On 09 April 2012, the Company changed its name from ABILYSS TRADING LTD to KERVERUS IT (CY) LTD.

Review of current position, future developments and significant risks

The Company's development to date, financial results and position as presented in the financial statements are not considered satisfactory and the Board of Directors is making an effort to reduce the Company losses.

Results

The Company's results for the period are set out on page 3.

Share capital

There were no changes in the share capital of the Company during the period under review.

Board of Directors

The members of the Company's Board of Directors as at 30 June 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 period from 1 January 2014 to 30 June 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, 29 August 2014

KERVERUS IT (CY) LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Period from 1 January 2014 to 30 June 2014

	Note	30 June 2014 €	30 June 2013 €
Revenue	4	-	121.660
Cost of sales		<u>(12.717)</u>	<u>(2.233)</u>
Gross (loss)/profit		(12.717)	119.427
Selling and distribution expenses		(2.789)	(4.328)
Administration expenses		<u>(6.826)</u>	<u>(104.892)</u>
Operating (loss)/profit		(22.332)	10.207
Finance costs	6	<u>(48)</u>	<u>(147)</u>
(Loss)/profit before tax		(22.380)	10.060
Tax	7	<u>-</u>	<u>-</u>
Net (loss)/profit for the period/year		(22.380)	10.060
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period/year		<u>(22.380)</u>	<u>10.060</u>

The notes on pages 7 to 11 form an integral part of these financial statements.

KERVERUS IT (CY) LTD

STATEMENT OF FINANCIAL POSITION

30 June 2014

	Note	Unaudited 31 December 2014 €	Audited 31 December 2013 €
ASSETS			
Non-current assets			
Current assets			
Trade and other receivables	8	183.355	187.040
Refundable taxes	11	1.697	280
Cash at bank and in hand		34.783	64.866
		219.835	252.186
Total assets		219.835	252.186
EQUITY AND LIABILITIES			
Equity			
Share capital	9	40.000	40.000
Accumulated (losses) /retained earnings		(16.042)	6.338
Total equity		23.958	46.338
Current liabilities			
Trade and other payables	10	424	1.650
Directors' current accounts - credit balances	14	780	-
Payables to parent	14	194.673	204.198
		195.877	205.848
Total equity and liabilities		219.835	252.186

On 29 August 2014 the Board of Directors of KERVERUS IT (CY) LTD authorised these financial statements for issue.

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

.....
Maria Christodoulou
Director

The notes on pages 7 to 11 form an integral part of these financial statements.

KERVERUS IT (CY) LTD

STATEMENT OF CHANGES IN EQUITY

Period from 1 January 2014 to 30 June 2014

Note	Share capital €	Accumulated (losses)/retained earnings €	Total €
Balance at 1 January 2013	1.000	25.293	26.293
Comprehensive income			
Net profit for the year	-	91.045	91.045
Transactions with owners			
Dividends	-	(110.000)	(110.000)
Balance at 31 December 2013	1.000	6.338	7.338
Balance at 1 January 2014 as previously reported	40.000	-	40.000
Change in accounting policy for ...	-	6.338	6.338
Balance at 1 January 2014	40.000	6.338	46.338
Comprehensive income			
Net loss for the period	-	(22.380)	(22.380)
Balance at 30 June 2014	40.000	(16.042)	23.958

The notes on pages 7 to 11 form an integral part of these financial statements.

KERVERUS IT (CY) LTD

CASH FLOW STATEMENT

Period from 1 January 2014 to 30 June 2014

	30 June 2014	30 June 2013
	€	€
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(22.380)	10.060
Cash flows (used in)/from operations before working capital changes	(22.380)	10.060
Decrease/(increase) in trade and other receivables	3.685	(33.685)
Increase in receivables from fellow subsidiaries	-	(35.500)
Increase in directors' current accounts	780	18.606
Decrease in deferred expenses	-	700
Decrease in trade and other payables	(1.226)	(15.444)
(Decrease)/increase in payables to parent	(9.525)	80.737
Cash flows (used in)/from operations	(28.666)	25.474
Tax paid	(1.417)	(3.698)
Net cash flows (used in)/from operating activities	(30.083)	21.776
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net (decrease) /increase in cash and cash equivalents	(30.083)	21.776
Cash and cash equivalents:		
At beginning of the period/year	64.866	43.090
At end of the period/year	34.783	64.866

The notes on pages 7 to 11 form an integral part of these financial statements.

KERVERUS IT (CY) LTD

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2014 to 30 June 2014

1. Incorporation and principal activities

Country of incorporation

The Company KERVERUS IT (CY) LTD (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 Anexartiasias & Athinon, Nora Court 2nd floor, Limassol, 3040, Cyprus.

Change of Company name

On 09 April 2012, the Company changed its name from ABILYSS TRADING LTD to KERVERUS IT (CY) LTD.

2. Unaudited financial statements

The condensed interim financial statements for the six months ended on 30 June 2013 and 2014 respectively, have not been audited by the external auditors of the Company.

3. Accounting policies

The condensed interim financial statements, which are presented in Euro, have been prepared in accordance with international Financial Reporting Standards, including IAS 34 "Interim Financial Reporting"

The accounting policies used in the preparation of the interim financial statements are in accordance with those used in the annual financial statements for the year ended 31 December 2013.

Costs that are incurred during the financial year are anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.

Corporation tax is calculated based on the expected tax rates for the whole financial year.

These interim financial statements must be read in conjunction with the annual financial statements for the year ended 31 December 2013.

4. Revenue

	30 June 2014	30 June 2013
	€	€
Rendering of services	-	121.660
	<u>-</u>	<u>121.660</u>

5. Expenses by nature

	30 June 2014	30 June 2013
	€	€
Changes in inventories of finished goods and work in progress	12.717	2.233
Other expenses	9.615	(12.440)
Total expenses	<u>22.332</u>	<u>(10.207)</u>

6. Finance costs

	30 June 2014	30 June 2013
	€	€
Sundry finance expenses	48	147
	<u>48</u>	<u>147</u>

KERVERUS IT (CY) LTD

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2014 to 30 June 2014

7. Tax

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.

Due to tax losses sustained in the period, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years. As at 30 June 2014, the balance of tax losses which is available for offset against future taxable profits amounts to €100.056 for which no deferred asset is recognised in the statement of financial position.

8. Trade and other receivables

	Unaudited 31 December 2014	Audited 31 December 2013
	€	€
Trade receivables	181.012	184.877
Deposits and prepayments	1.000	1.315
Refundable VAT	1.343	848
	<u>183.355</u>	<u>187.040</u>

The Company does not hold any collateral over the trading balances.

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

9. Share capital

	2014 Number of shares	2014 €	2013 Number of shares	2013 €
Authorised				
Ordinary shares of €1 each	<u>40.000</u>	<u>40.000</u>	<u>10.000</u>	<u>-</u>
Issued and fully paid				
Balance at 1 January	<u>40.000</u>	<u>40.000</u>	<u>40.000</u>	<u>40.000</u>
Balance at 30 June/31 December	<u>40.000</u>	<u>40.000</u>	<u>40.000</u>	<u>40.000</u>

10. Trade and other payables

	Unaudited 31 December 2014	Audited 31 December 2013
	€	€
Trade payables	(329)	-
Accruals	753	1.650
	<u>424</u>	<u>1.650</u>

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

KERVERUS IT (CY) LTD

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2014 to 30 June 2014

11. Refundable taxes

	Unaudited 31 December 2014	Audited 31 December 2013
	€	€
Corporation tax	<u>(1.697)</u>	(280)
	<u>(1.697)</u>	<u>(280)</u>

12. Operating Environment of the Company

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), for financial support, which resulted into an agreement and the Eurogroup decision of 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through "bail in". During 2013 the Cyprus economy contracted further with a decrease in the Gross Domestic Product.

Following the positive outcome of the first and second quarterly reviews of Cyprus's economic programme by the European Commission, the European Central Bank and the International Monetary Fund during 2013, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

The uncertain economic conditions in Cyprus, the unavailability of financing, the restructuring of the banking sector through "bail in" for Laiki Bank and Bank of Cyprus, and the imposition of capital controls together with the current situation of the banking system and the continuing overall economic recession, could affect:

- The ability of the Company to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions
- The ability of the Company's trade and other debtors to repay the amounts due to the Company
- The ability of the Company to enter into contracts for the development of new property units
- The cash flow forecasts of the Company's management in relation to the impairment assessment for financial and non-financial assets

The economic conditions disclosed above together with the impact of the results of the Eurogroup decision of 25 March 2013 for Cyprus may have an adverse impact on the Company's debtors (inability to meet their obligations towards the Company), suppliers (inability to continue trading), valuation of real estate, bankers (inability to provide adequate finance), revenue (decreased demand for the Company's products or services due to decreased purchasing power by consumers).

The Company's management has assessed:

- (1) Whether any impairment provisions are deemed necessary for the Company's financial assets carried at amortised cost by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the incurred loss model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The Company's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the evaluation performed, the Company's management has concluded that no provisions or impairment charges are necessary.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

KERVERUS IT (CY) LTD

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2014 to 30 June 2014

13. General events

The negotiations of the Cyprus Government with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), in order to obtain financial support, resulted in an agreement and decision of the Eurogroup on 25 March 2013 on the key elements necessary for a future macroeconomic adjustment programme which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion. The programme aims to address the exceptional economic challenges that Cyprus is facing, and to restore the viability of the financial sector, with a view to restoring sustainable economic growth and sound public finances in the coming years.

The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below €100.000 in accordance with European Union legislation. In addition, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatizations.

On 12 April 2013 the Eurogroup welcomed the agreement that was reached between Cyprus and the Troika institutions regarding the macroeconomic adjustment programme for Cyprus. Subsequently all the necessary procedures for the formal approval of the Board of Directors of the European Stability Mechanism were completed, as well as the ratification by Eurozone member states. Following the completion of the above procedures, the first tranche of the financing of the Republic of Cyprus was released in line with the provisions of the Memorandum.

On 22 March 2013 legislation was enacted by the House of Representatives concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The temporary restrictive measures, with respect to banking and cash transactions include restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad. They also provide for the compulsory partial renewal of certain maturing deposits.

On 29 March 2013 the Central Bank of Cyprus issued decrees relating to Laiki Bank and Bank of Cyprus, implementing measures for these two banks under the Resolution of Credit and Other Institutions Law of 2013.

On the basis of the relevant decrees, Laiki Bank was placed into resolution. What remained in Laiki Bank were mainly the uninsured deposits and assets outside Cyprus. The assets of Laiki Bank in Cyprus, the insured deposits and the Eurosystem financing have been transferred to Bank of Cyprus, with compensation for the value of the net assets transferred, the issue of shares by Bank of Cyprus to Laiki Bank.

The recapitalization process for the Bank of Cyprus was completed in accordance with the relevant decrees of the Resolution Authority through "bail-in", that is through the partial conversion of uninsured deposits into shares. In addition, the holders of shares and debt instruments in Bank of Cyprus on 29 March 2013 have contributed to the recapitalization of Bank of Cyprus through the absorption of losses.

Following the positive outcome of the first and second quarterly reviews of Cyprus's economic programme by the European Commission, the European Central Bank and the International Monetary Fund during 2013, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

14. Related party transactions

The Company is controlled by KERVERUS HOLDING IT (CY) PLC, incorporated in Cyprus, which owns 100% of the Company's shares.

KERVERUS IT (CY) LTD

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2014 to 30 June 2014

14. Related party transactions (continued)

The following transactions were carried out with related parties:

14.1 Payables to related parties

<u>Name</u>	Unaudited 31 December 2014	Audited 31 December 2013
KERVERUS HOLDING IT (CY) PLC	€ 194.673	€ 204.198
	194.673	204.198

14.2 Directors' current accounts - credit balances

	Unaudited 31 December 2014	Audited 31 December 2013
Christos Kaliptsidis	€ 780	€ -
	780	-

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

15. Contingent liabilities

The Company had no contingent liabilities as at 30 June 2014.

16. Commitments

The Company had no capital or other commitments as at 30 June 2014.

17. 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.

KERVERUS IT (CY) LTD

DETAILED INCOME STATEMENT

Period from 1 January 2014 to 30 June 2014

	Page	30 June 2014 €	30 June 2013 €
Revenue			
Rendering of services		-	121.660
Cost of sales	13	<u>(12.717)</u>	<u>(2.233)</u>
Gross (loss)/profit		(12.717)	119.427
Operating expenses			
Administration expenses	14	(6.826)	(104.892)
Selling and distribution expenses	14	<u>(2.789)</u>	<u>(4.328)</u>
Operating (loss)/profit		(22.332)	10.207
Finance costs	15	<u>(48)</u>	<u>(147)</u>
Net (loss)/profit for the period/year before tax		<u>(22.380)</u>	<u>10.060</u>

KERVERUS IT (CY) LTD

COST OF SALES

Period from 1 January 2014 to 30 June 2014

	30 June 2014	30 June 2013
	€	€
Cost of sales		
Purchases	<u>12.717</u>	<u>2.233</u>
	<u>12.717</u>	<u>2.233</u>

KERVERUS IT (CY) LTD

OPERATING EXPENSES

Period from 1 January 2014 to 30 June 2014

	30 June 2014	30 June 2013
	€	€
Administration expenses		
Licenses and taxes	3.142	291
Sundry expenses	-	120
Telephone and postage	325	498
Courier expenses	1.788	-
Subscriptions and contributions	113	-
Computer supplies and maintenance	-	115
Computer software	44	2.471
Other professional fees	1.414	101.040
Fair expenses	-	357
	<u>6.826</u>	<u>104.892</u>

	30 June 2014	30 June 2013
	€	€
Selling and distribution expenses		
Overseas travelling	1.629	1.372
Advertising	1.080	2.551
Inland travelling	80	405
	<u>2.789</u>	<u>4.328</u>

KERVERUS IT (CY) LTD

FINANCE COSTS

Period from 1 January 2014 to 30 June 2014

	30 June 2014	30 June 2013
	€	€
Finance costs		
Sundry finance expenses		
Bank charges	<u>48</u>	<u>147</u>
	<u>48</u>	<u>147</u>