INTERNET RESEARCH INSTITUTE LTD

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

INTERNET RESEARCH INSTITUTE LTD

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

	Page
CONSOLIDATED FINANCIAL STATEMENTS (in thousands USD):	
Consolidated Statements of Financial Position	3
Consolidated Statements of Income	4-5
Consolidated Statements of Changes in Equity	6-7
Consolidated Statements of Cash Flow	8-9
Notes to the financial statements	9-83

INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	USD (In thousands) 31 December 2018	2019
ASSET			
CURRENT ASSETS			
Cash and cash equivalents	19	11,282	7,251
Trade receivables		21	360
Contract assets	5	267	332
Related parties	28	50	17
Income tax receivables		511	32
Other current assets	18	567	844
TOTAL CURRENT ASSETS		12,698	8,836
NON-CURRENT ASSETS			
Right-of-use assets		-;-	5,997
Investments accounted for using the equity method	26	17,531	13,894
Other financial assets	15	1,087	1,228
Property, plant and equipment	17	724	597
Intangible assets		15	265
Deferred tax assets	25	147	92
Other non – current assets		-;-	9
TOTAL NON-CURRENT ASSETS		19,503	22,082
TOTAL ASSETS		32,202	30,918
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payable		147	487
Borrowings	23	-;-	230
Contract liabilities	5	2,947	2,784
Accruals and other payables	21	1,500	1,740
Current lease liabilities	26	12	1,221
Related parties	28	6	46
Current Provisions		-;-	119
TOTAL CURRENT LIABILITIES		4,612	6,627
NON-CURRENT LIABILITIES			
Non-current lease liabilities	26	65	5,055
Non-Current Provisions	24	209	412
TOTAL NON-CURRENT LIABILITIES		275	5,467
TOTAL LIABILITIES		4,886	12,094
EQUITY			
Share capital	20	-;-	-;-
Capital surplus		14,845	14,845
Accumulated other comprehensive income		352	1,707
Exchange differences on translation from functional currency to presentation currency		1,495	1,693
Retained earnings		10,624	1,039
Non- controlling interests		-	(460)
TOTAL EQUITY		27,316	18,824
TOTAL LIABILITIES AND EQUITY		32,202	30,918

Date of approval of the financial statements: April 23, 2020.

INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF INCOME

	Note	USD (In thousands) Year ended 31 December 2017	2018	2019
Revenue		9,121	10,455	12,120
Operating costs and expenses:				
Cost of sales	6	(3,100)	(3,455)	(4,538)
Selling, general and administrative	7	(8,942	(9,771)	(11,569)
Research and Development expenses		(130)	(33)	(1,743)
Other operational incomes (expenses), net	8.a	(23)	16	216
Total operating costs and expenses		(12,195)	(13,243)	(17,634)
Operating loss		(3,074)	(2,788)	(5,514)
Other expenses	8.b	-;-	(955)	(18)
Finance income	10	2	90	88
Finance expense	10	(1)	(8)	(108)
Finance income (expense), net		1	82	(20)
Share of profit of investments accounted for using the equity method	15	1,457	993	(2,791)
Gain on change in share of investments accounted for using equity method		123	112	1,849
Loss before income taxes		(1,493)	(2,556)	(6,494)
Income tax expense	11	(330)	(259)	(489)
Loss for the year		(1,823)	(2,815)	(6,983)
Loss for the period attributable to:				
Owners of the parent		(1,823)	(2,815)	(6,850)
Non-Controlling interest		-;-	-;-	(133)
Total Loss for the year		(1,823)	(2,815)	(6,983)
Loss for the year				
Other comprehensive income, net of tax:				
Items that may be reclassified to profit or loss				
Differences from translation of financial statements from functional currency to presentation currency		578	657	270
Share of other comprehensive income of investments accounted for using equity method, net of tax	15	133	34	1
Change in fair value of available-for-sale financial assets		(9)	-;-	-;-
Items that will not be classified to profit or loss				
Differences from translation of financial statements from		-;-	(13)	(72)

functional currency to presentation currency				
Change in fair value of equity securities at FVOCI		-;-	5	10
Share of other comprehensive income (loss) of investments accounted for using equity method, net of tax	15	-;-	394	44
Total other comprehensive income, net of tax		702	1,077	253
Comprehensive income (loss) for the year		(1,121)	(1,738)	(6,730)
Attribution of the total loss for the year:				
Owners of the parent		-;-	-;-	(6,597)
Non-Controlling interest		-;-	-;-	(133)
Total Loss for the year				(6,730)
Earnings per share attributable to owners of the parent				
Basic (USD)	12	(0.057)	(0.071)	(0.147)
Diluted (USD)	12	(0.057)	(0.071)	(0.147)

INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital	Capital surplus	Retained earnings	Accumulated other comprehensive income	Non-Controlling interest	Exchange differences on translation from functional currency to presentation currency	Total equity
Balance as of 31 December,2018		-;-	14,845	10,624	352	-;-	1,495	27,316
Adjustment on adoption of new accounting standard		-;-	-;-	(2,735)	-;-	-;-	-;-	(2,735)
Balance as of 1 January,2019 (restated)		-;-	14,845	7,889	352	-;-	1,495	24,581
Loss for the year		-;-	-;-	(6,850)	-;-	(133)	-;-	(6,982)
Other comprehensive income, net of tax		-;-		-;-	55	-;-	198	252
Change in interest in subsidiaries		-;-		-;-	1,300	(327)	-;-	973
Balance as of 31 December,2019		-;-	14,845	1,039	1,707	(460)	1,693	18,824

INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		USD (In thousands)						
		Equity attributable to owners of the parent						
	Note	Share capital	Capital surplus	Retained earnings	Accumulated other comprehensive income	Other reserve	Exchange differences on translation from functional currency to presentation currency	Total equity
Balance as of 1 January, 2018		-;-	9,604	14,313	(81)		851	24,687
Loss for the year		-;-	-;-	(2,815)	-;-	-;-	-;-	(2,815)
Other comprehensive income, net of tax		-;-	-;-	-;-	433	-;-	644	1,077
Total comprehensive income (loss) for the period		-;-	-;-	(2,815)	433	-;-	644	(1,738)
Transaction with owners and other								
Shares IPO, net of IPO expenses	20.a	-;-	4,367	-;-	-;-	-;-	-;-	4,367
Transfer to capital from retained earnings	20.a	-;-	874	(874)	-;-	-;-	-;-	-;-
Total transaction with owners and other		-;-	5,241	(874)	-;-	-;-	-;-	4,367
Balance as of 31 December,2018		-;-	14,845	10,624	352	-;-	1,495	27,316

	Note	USD (In thousands) Year Ended 31 December 2017	2018	2019
Cash flows from operating activities:				
Profit (loss) before income taxes		(1,493)	(2,556)	(6,494)
Depreciation and amortization		35	117	1,301
Impairment loss of right-of-use assets		-;-	-;-	345
Share of profit of investments accounted for using equity method	15	(1,457)	(993)	2,791
Gain on change in share of investments accounted for using equity method		(123)	(112)	(1,849)
Finance income and finance expense, net		(1)	1	22
Share-based compensation expenses	10	9	-;-	-;-
IPO related costs with regards to issuance cost	22	175	-;-	-;-
Change in assets and liabilities				
Trade receivables		-;-	412	(299)
Contract assets	5	-;-	(81)	(61)
Trade payable		109	(38)	319
Accruals and other payables	21	1,687	(283)	(267)
Contract liabilities	5	-;-	184	(199)
Provisions	24	-;-	-;-	297
Others		(406)	(372)	(343)
Dividends received	15	1,101	2,540	206
Interest received		7	-;-	4
Interest paid		(1)	(1)	(108)
Income taxes paid		(303)	(352)	270
Net cash provided by operating activities		(661)	(1,534)	(4,065)
Cash flows from investing activities:				
Acquisitions of property, plant and equipment		(51)	(486)	(12)
Acquisitions of intangible assets		(8)	(7)	(282)
Acquisition of IOT		-;-	-;-	142
Acquisition of Investment Securities		-;-	(282)	(7)
Proceeds from collection of loan to related parties		288	-;-	-;-
Payments for restricted deposits		(757)	-;-	-;-
Proceeds from collection of restricted deposits		-;-	96	-;-
Acquisition of other financial assets		(2)	(2)	(7)
Net cash used in investing activities		(530)	(681)	(166)
Cash flows from financing activities:				
Repayments of long-term financing liabilities		(62)	-;-	-;-
Proceeds from short-term loans	23	-;-	-;-	230
Proceeds from issuance of common shares	20	8,488	4,367	-;-
Payment for IPO related cost		(350)	-;-	-;-
Repayments of obligations under finance leases		(12)	(46)	(1,110)
Capital contribution from non-controlling interests		-;-	-;-	973
Net cash provided by financing activities		8,064	4,321	93

Net change in cash and cash equivalents	6,873	2,106	(4,138)
Cash and cash equivalents at beginning of year	2,095	8,949	11,282
Capital fund from translation differences	(19)	227	107
Cash and cash equivalents at end of year	8,949	11,282	7,251

Regarding the acquisition of NOM through the exchange of shares, see Note 2b (4).

NOTE 1 – GENERAL

1.1 General Information

Internet Research Institute Ltd (hereinafter - the Company) was incorporated and registered in Israel as a private company on August 8, 2017. The Company listed shares of its common stock on the Tel-Aviv Stock Exchange on August 9, 2018. The Company wholly holds in Internet Research Institute, Inc. (hereinafter – IRI Japan), a private company that was incorporated in Japan on December 9, 1996. IRI Japan registered address is in Tokyo, Japan.

The Company's operations, via IRI Japan and its subsidiaries (hereinafter – the Group), are focused on Internet technologies (and, in particular, IoT), cyber security and AI (see the definitions of these terms above), and include consultation, research, investments, and production of conferences and events in these fields.

Upon its incorporation in Israel, the Company was wholly owned by Dr. Hiroshi Fujiwara. After the Company's incorporation, Dr. Fujiwara set up a company that was wholly owned by him, which was incorporated under Japanese law (the "New IRI Japan") the entire issued capital of which was transferred by Dr. Fujiwara to the Company immediately following its incorporation. Just prior to the date of the incorporation, a merger transaction (under Japanese law, hereinafter: the "Merger") was effected, in which the following actions were performed at the same time: (i) Dr. Fujiwara transferred 34,786 shares of the Company (out of the 34,787 shares existing in the issued capital of the Company) to the New IRI Japan; (ii) the operations of (the original) IRI Japan were merged into the New IRI Japan; and (iii) the New IRI Japan transferred the shares of the Company to the shareholders of (the original) IRI Japan at a ratio of 1:2 (i.e., two shares of the Company for each share of the original IRI Japan). For the purpose of the merger, 756 ordinary A shares of (the original) IRI Japan were converted for ordinary shares of (the original) IRI Japan, at a ratio of 1:1.

As a result of the above, after the completion of the above mentioned merger, the shareholders of the Company were the persons who were the shareholders of (the original) IRI Japan.

Pursuant to the law that is applicable in Japan, on the date of the merger, the New IRI Japan, as the recipient corporation in the merger, accepted all of the assets and liabilities of the original IRI Japan as such had been on the date of the merger. Therefore, in this financial statements, the term "IRI Japan" shall refer to the original IRI Japan and to the New IRI Japan, without distinction.

After completing the foregoing merger, the Company allotted bonus shares to its shareholders, so that an additional 999 shares were allotted for each share of the Company.

1.2 Covid-19 implications:

The outbreak of the COVID-19 virus (hereafter, the "Corona virus") in the world in the first quarter of 2020 and its spread, as of the reporting date of this consolidated financial statements, causes great uncertainty in Israeli and Japanese markets, causing a significant upheaval in the global economy.
In dealing with the outbreak of the Corona virus and attempting to curb its spread, widespread regulatory measures that significantly restrict people's mobility and public gathering are being taken in wide areas of the world, as well as in Israel and Japan.
As of the date of issuance of the financial reporting, a number of conferences that were expected to take place in Japan as part of NOM's activities in planning, organizing, producing and conducting conferences,

exhibitions, seminars and other business events, including the Interop Conference which is NOM's main conference, were canceled due to the spread of Corona virus and the relevant authorities' guidelines in this regard.
As a result, based on the Company's management opinion and on the existing information, a material negative effect on NOM's revenue is expected in the first half of 2020, compared with the corresponding half in 2019. However, the impact on NOM's cash flow is smaller than the effect on its revenue, since advances paid for attending the conferences will not be refunded by NOM and clients will be credited with invitations to conferences next year, and because of the cost reduction due to the event cancelation.
In addition, given the uncertainty regarding the continued spread of the virus and the resulting regulatory restrictions, the Company's management estimates that there may be another significant impact on NOM's results in the current year, depending on the situation's duration, which the Company's management cannot estimate at this time.
According to the Company's management, BBT's operations were not significantly affected by the Corona virus.
In light of the above, the Board of Directors and the Company's management have approved a streamlining plan (hereinafter, the "Management Plan"), as follows:
1. Given the fact that IoT has operating losses (see Note 29), the Company will not continue financing IoT's activities from the Group's resources and will take actions to achieve external financing such as equity investment or loan to IoT. See also Note 32 (b).
2. Make efforts to reduce costs in the Group companies.
3. Partial realization of the Company's investment in BBT.
4. Apply for a special long-term loan, due to the impact of Corona virus, which is limited to US $ 2.78 million from Japanese banks. The loan funded by Japan's Finance Corporation is awarded to companies whose operations have been significantly damaged by the Corona virus impact. Company's management believes that the Company meets the loan criteria.
In the Company's management opinion, based on the management plan as stated above, the Company is able to meet its liabilities and the expected cash flow will enable the Company to finance its activities for the coming year.

1.3 Terms

In these financial statements:

The Company, IRI Israel –Internet Research Institute Ltd.

The Group – the Company and its subsidiaries and its affiliates.

IRI Japan – Internet Research Institute, Inc., a private company that is wholly owned by the Company, and that was incorporated in Japan.

NOM – Nano-Opt Media, Inc., a private company that is wholly owned by IRI Japan, which was incorporated in Japan.

IOT – IoT square, Inc., a private company in which IRI Japan holds 77% of the issued and paid up share capital, which was incorporated in Japan.

FAEV – Fintech A-Eye Ventures, Inc., a private company that is wholly owned by IRI Japan, which was incorporated in Japan.

BBT – BroadBand Tower, Inc., a public company incorporated in Japan, the shares of which are listed for trading on the Tokyo Stock Exchange, in which IRI Japan holds 19% of the issued and paid up share capital.

MIC – Mobile Internet Capital, Inc., a private company which was incorporated in Japan in which IRI Japan holds 30% of the issued and paid up share capital.

Stake holders and controlling interests – As defined in TASE ordinance

Related Parties – As defined in IAS 24

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied through the years ended 31 December 2018 and 2019, unless otherwise stated.

The consolidated financial statements are measured in thousands of Japanese YEN ("¥"), which is the Group's functional currency as it is the currency of the primary economic environment in which the Group operates. And the consolidated financial statements are presented in thousands of U.S. Dollars (USD or $ or dollar), unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group ("the financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board (the "IASB") for the purpose of preparation for the consolidated financial statements of IRI Israel. The financial statements were included in the consolidated financial statements of IRI Israel which were approved by Representative Director, President Hiroshi Fujiwara and Chief executive officer, Mirei Kuroda, and external Director, Elchanan Harel, on April 23, 2019.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

Also note that all comparative financial information for the year ended December 31 2018 were presented in this financial statements, which were prepared at IRI Israel's consolidated basis, whereas all current financial information for the year ended December 31 2019 were prepared at IRI Japan's sub consolidated basis.

2.1.1. New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases

The Group had to change its accounting policies as a result of adopting IFRS16. The group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on 1 Janualy 2019. This is disclosed in Note2.20.

2.1.2. New standards and amendments to existing standards not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the early in the current or future reporting periods and on foreseeable future transactions.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including a structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Associates

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity, unless it can be clearly demonstrated that it is not the case.
The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is adjusted to recognize the Group's share of the profit or loss and changes in equity of the associate after the date of acquisition, including its share in the associate's other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.
If an associate uses accounting policies different from those of the Group for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.
Changes in ownership interests in associates that do not change the significant influence status in such associate, are accounted for as follows: the difference between any consideration received for sale of the associate shares, and the change in the carrying amount of the investment, is carried to income; a proportionate share of the associate's other comprehensive income is reclassified to profit or loss.

(c)Transactions with non-controlling interests which does not results with loss of control

Transactions with non-controlling interests which does not results with loss of control accounted as transactions with owners. In these transactions, the difference between the fair value of any proceed paid or received and the amount where non-controlling interests disclosed in order to reflect the changes in its proportional rights in the subsidiaries, recognized in the owners equity.

(d) Business combinations under common control

1. On 18 October, 2017, Internet Research Institute, Inc. ("original IRI Japan") which was established as a limited company in Japan under the Japanese Companies Ordinance on 9 December 1996, entered into a merger agreement with IRI Japan.
   The merger is Absorption-Type Merger under the Japanese law and IRI Japan is a surviving company and original IRI Japan is a merging company, and IRI Japan succeeded to all rights and obligation of old IRI Japan and continue to exist while original IRI Japan dissolved on 20 November, 2017 in accordance with the agreement.
   In advance of the merger, 34,786 shares of IRI Israel was transferred from Hiroshi Fujiwara to IRI Japan on 11 October, 2017. Also, original IRI Japan acquired its 756 ordinary A shares from its shareholders and issued 756 ordinary shares to them as a compensation for the acquisition on 19 November, 2017, and then original IRI Japan retired 756 ordinary A shares on the same date.
   Through this merger, IRI Japan transferred 34,786 shares of IRI Israel to the shareholders of original IRI Japan at ratio of 1:2 (i.e., two shares of the Company for each share of original IRI Japan) as a compensation for the merger. Also, IRI Japan delivered to the holders of original IRI Japan's Series 1 Share Options, in exchange for their Series 1 Share Options at ratio of 1:1 on the merger date. After that, IRI Japan entered into the waiver letter with the holders of their Series 1 Share Options on 24 November, 2017 and it resulted that the Options were

cancelled.
As a result of these transactions, IRI Japan became a wholly subsidiary of IRI Israel and the prior shareholders of original IRI Japan became the shareholders of IRI Israel as well.
A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and in which control is not transitory. Accordingly, the triangle merger was accounted for as business combinations under common control. The Group has accounted for the acquisition of IRI, Inc. based on the carrying amounts recorded in the stand alone financial statements of IRI, Inc.

2. On 21 December 2018, Internet Research Institute, Inc. ("original IRI Japan") which was established as a limited company in Japan engaged with IOT in an agreement to purchase 100% of its common shares. According the agreement terms, the purchase accomplished on 4 January, 2019, accordingly, IOT is consolidated in the Company reports from this day onward. Over 2019, and until 31 December 2019, IOT issued new shares to a third party. Accordingly, IRI holding decreased to 77% from 100% initially.

(e) Business combinations by establishment of a new entity

On September 2018, Internet Research Institute, Inc. ("original IRI Japan") which was established as a limited company in Japan established Fintech A-Eye Ventures, Inc. (hereto "FAEV"). Accordingly, the company is a full owner of FAEV.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Operating Decision-Maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO of the Group that makes strategic decisions.

2.4 Property, plant and equipment

Property, plant and equipment are measured on a historical cost basis, less accumulated depreciation and accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement and site restoration.
Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Leasehold improvement	4 to 12 years
- Equipment	2 to 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognized within "Other (expenses)/incomes, net" in the profit or loss.

2.5 Intangible assets

Computer software

Computer software is stated at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives, which does not exceed five years.

Nano-opt Media Inc. ("NOM") has entered into a license agreement for use of a trademark, with United Business Media, LLC. ("UBM"), which holds the rights related to Interop events around the world, under which UBM granted an exclusive license to NOM to use three registered trade marks for Interop events in Japan. In consideration for the right of use of the trade marks as aforesaid, NOM shall provide UBM with royalties in the sum of 5% of the net revenues of more than JPY 500 million, which may be received from any event. If the net revenues from the event are less than JPY 500 million, no royalties will be paid for the event. The royalties paid to UBM are contingent payments which are not capitalized upfront but rather expensed as incurred.

2.6 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Government grants

IoT as a new subsidiary of the Company received USD 66 thousand of govement grants and it was recorded as "other incomes" in the consolidated statements of profit or loss for the period ended 31 December 2019. As of 31 december 2019, there are no unfulfilled conditions or other contengencies attaching to this grants. IoT did not benefit directly from any other forms of government assistance.

2.8 Financial assets

(a) Classification of financial assets

Based on the Group's business model for managing the financial assets and the characteristics of contractual cash flow of the financial assets, the Group classifies the financial assets by following categories. Gains and losses arising from assets measured at fair value are either recorded in profit or loss or other comprehensive income, depending on the Group's intention.

i. Financial assets as amortized cost

Financial assets measured at amortized cost are debt instruments held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest.

ii. Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are debt instruments whose contractual cash flows represent solely payments of principal and interest on the principal amount outstanding and which are held within a business model both to collect contractual cash flows and sell and equity instruments which the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

iii. Financial assets at fair value through profit or loss

Subsequent to initial recognition, financial assets are measured at fair value. A gain or loss on debt instruments which is not part of a hedging relationship is recognized in profit or loss.

(b) Measurement of financial assets

Initial measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset at fair value through other comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

Debt instruments:

i. Amortized cost

Financial assets at amortized cost are measured at amortized cost using the effective interest method, and related interest income is included in finance income. When the asset is derecognized or impaired, a gain or loss on a debt investment is recognized in profit or loss.

ii. Fair value through other comprehensive income (FVOCI)

Subsequent to initial recognition, financial assets are measured at fair value and gains or losses arising from changes in the fair value are recorded in other comprehensive income, except for the recognition of interest revenue, foreign exchange gains or losses and expected credit losses which are recognized in profit or loss.

iii. Fair value through profit or loss

Subsequent to initial recognition, financial assets are measured at fair value. A gain or loss on debt instruments which is not part of a hedging relationship is recognized in profit or loss.

Equity instruments:

Where the Group has irrevocably elected to designate equity instruments as financial assets measured at fair value through other comprehensive income, movements in the carrying amount by fair value measurement are recognized as other comprehensive income.
There is no subsequent reclassification of cumulative gains or losses previously recognized in other comprehensive income to profit or loss. Where the Group has not elected to designate equity instruments as financial assets at fair value through other comprehensive income, movements in the carrying amount by fair value measurement are recognized in profit or loss. Dividends from equity investments are recognized in profit or loss as “Finance income” when the Group’s right to receive payments is established.

(c) De-recognition of a financial asset

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(d) Financial Liabilities

The Group recognizes financial liabilities in the Consolidated Statements of Financial Position when the Group becomes a party to the contractual provisions of the financial liability. At the date of initial recognition, financial liabilities are measured at fair value, net of transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liabilities from the Consolidated Statements of Financial Position when it is extinguished (i.e. when the obligation specified in the contract is discharged, canceled or expires).

(e) Impairment of financial assets

The Group assesses the expected credit losses associated with its assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2.9 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months. In the consolidated statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.10 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Trade and other receivables are recognized initially at fair value less provision for impairment. At the end of each reporting period, the Group assesses the recognition of any impairment of financial assets on whether there is a significant increase in credit risk from the initial recognition.

2.11 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary shares of business from suppliers. Accounts payable are classified as current liabilities if payable is due within one year or less. Trade payable are recognized initially at fair value, and subsequently measured at amortized cost.

2.12 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statements of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred tax is recognized using the asset-liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes. A deferred tax liability is recognized for all temporary differences. A deferred tax asset is recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that a taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow, in a manner that the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied on the same taxable entity by the same tax authority.

2.13 Employee benefits

(a) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company’s shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year-end date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(c) Share-based payments

The Group has granted stock options to directors and employees. The fair values of the stock options are measured at the grant dates. Compensation expenses related to stock options are recognized over the vesting period. Refer to Note 21 Share-based Payments for more details on the valuation methodology of stock options and the assumptions used in such valuation

2.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Company is required to incur certain costs in respect of liability to dismantle and remove assets and to restore sites on which the assets were located. The dismantling costs are calculated according to best estimate of future expected payments discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as finance costs (unwinding of discount).

2.15 Borrowings

Borrowings recognized initially in their fair value, net of transaction costs. In subsequent periods the borrowings measured in an amortized cost. Any differences between the proceeds (net of transaction costs) to the redemption amount sorted to the profit and loss over the loan period according to the effective interest method.

Borrowings are classified as a current liability, unless the group possess an unconditional right to postpone the loans installments for at least 12 months after the reporting period, if applicable the loans will be classified as a non-current liabilities.

2.16 Revenue recognition

The accounting policies for the group's revenue from contracts with customers are explained in Note 5.

2.17 Research and development expenses

Research and development expenses are charged to the statement of income as incurred unless all of following conditions have been met:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sales.
(b) Its intention to complete the intangible asset and use or sell it.
(c) Its ability to use or sell the intangible asset.
(d) How the intangible asset will generate probable future economic benefits. Among other things, the entity demonstrates the existence or a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
(f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

As of 31 December 2018 and 2019, the above criteria for capitalization have not been met.

2.18 Leases

As explained in Note 2.1.1 above, the group has changed its accounting policy for leases where the group is the lessee. The new policy and its impact of the change in Note 2.20.
Until 31 December 2018, leases of property, plant and equipment where the group, as lessee,

had substantially all the risks and rewards of ownership were classified as finance leases.
Finance leases were capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainly that the group will obtain ownership at the end of the lease term.
Leases in which a significant portion of the rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

2.19 Share capital

Ordinary shares are classified as equity. Company's share acquired by the Company (treasury shares) are presented as a reduction of equity, at the consideration paid, including any incremental attributable costs, net of tax. Treasury shares do not have a right to receive dividends or to vote.

2.20 Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all dilutive potential ordinary shares. The instruments that are potential dilutive ordinary shares are equity instruments granted to employees. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

2.21 Changes in accounting policies

The Group has adopted IFRS 16 Leases from the fiscal year beginning 1 January 2019. The Group has applied the modified retrospective method permitted by IFRS 16 and recognized the cumulative amount of the impact as of 1 January 2019 upon adoption of the standard. As a result, the Group has not restated the amounts in the comparative reporting period prior to adoption of IFRS 16.

IFRS 16 sets out the principal for the recognition, measurement, presentation and disclosure of lease contracts for lessees and lessors. Under IFRS 16, lessees no longer make a distinction between finance and operating leases as required under IAS 17, and apply a single accounting model. At the commencement date of a lease, lessees recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use assets). Subsequently, lessees are required to recognize separately the interest expense on the lease liability and the depreciation expense on the right-of-use assets. The right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the assets or the lease term. Lessors accounting under IFRS 16 remains substantially unchanged from IAS 17.

Upon the adoption of IFRS 16, the Group recognized lease liabilities for its leases previously classified as operating lease under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate used for the lease liabilities as of 1 January 2019 was 1.64%.

The Group applied the following practical expedients permitted by IFRS 16 when applying IFRS 16:

- Accounted operating leases with both of less than 12 months of of lease term remaining as of 1 January, 2019 for short-term leases and low value leases.
- Used hindsight when determining the lease term where the contract containes options to extend or terminate the lease.
- By class of underlying asset, not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

The Group elected not to apply IFRS 16 to the agreements that were not identified as containing a lease component applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

USD(in thousands)

Commitments for operating lease as of 31 December 2018 as disclosed in the Group's consolidated financial statements	479
Discounted using the group's incremental borrowing rate of 1.64%	(7)
Add: finance lease liabilities recognized as at 31 December 2018	77
(Less): short term leases and low value leases recognized on straight-line basis as expense	(8)
Add: adjustments as a result of different treatment of extension and termination options	5,691
Lease liabilities recognized at 1 January 2019	6,232
Current lease liabilities	849
Non-current lease leabilities	5,383

As a result of above, the Group recognized 6,232 thousand USD for the right-of-use assets and 6,155 for the lease liabilities for former operating leases, in the annual condensed consolidated financial position as of 1 January 2019. As at 1 January and 31 December 2019, the Group's right-of-use assets consist almost entirely of Buildings. The Group's right-of-use assets and the lease liabilities comprise of two segments as Information technology segment and Information service business segment, respectively, and the ending balances of right-of-use assets and lease liabilities as of 31 December 2019 are 3,224 thousand USD and 3,518 thousand USD associated with Information technology segment, and 2,773 thousand USD and 2,758 thousand USD associated with Information service business segment, respectively.

In addition, BBT and Mobile Internet Capital, Inc. ("MIC") as affiliates of the Group have also adopted IFRS 16 from the fiscal year beginning 1 January 2019. As a result of adoption of IFRS 16 by each affiliate in accordance with the Group's accounting policies discussed above, the following impacts were identified.

1. BBT

Please refer to Note 29.

2. MIC

MIC recognized 709 thousand USD and 741 thousand USD for the right-of-use assets and lease liabilities, respectively at their financial statements as of 1 January 2019

As a result of the adjustments in each affiliate, related cumulative loss profit investments accounted for using equity method and its tax effects of 2,735 thousand USD was adjusted to retained earnings through applying the equity method by the Group.

Due to the adoption of IFRS 16, the rent expense which included operating lease expenses decreased by 1,177 thousand USD for the period ended 31 December 2019. The depreciation and amortization expenses which included the depreciation expenses of right-of-use assets, and finance costs which included interest expenses for lease liabilities increased by 1,122 thousand USD and 108 thousand USD , respectively for the period ended 31 December 2019.
In addition, cash out flow by operating activities decreased by 1,096 thousand USD and cash out flow by financing activities increased by 1,096 thousand USD compared to those under IAS 17, due to cash payments for the principal of the lease liabilities being classified to the cash flows from financial activities.

The accounting policies applied by the Group in accordance with the IFRS 16 as of 1 January 2019 are as follows:

The Group, as a lessee, mainly leases properties. Lease contracts are normally entered into the fixed term from 2 years to 8 years.

Leases are recognized as right-of-use assets and the corresponding liabilities when the lease assets become available for use by the Group. Each lease payment is apportioned between repayments of the lease liability and finance costs. The finance costs are accounted for as expenses over the lease term and calculated based on constant periodic rate of interest on the remaining balance of the lease liability. The right-of-use assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The assets and liabilities arising from leases are measured at the present value ofthe lease at the commencement date. The lease liability includes the net present value of the following lease payments:

- fixed payments less any lease incentives
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option. to terminate the lease

Lease payments are determined using the Group’s incremental borrowing rate, since the implicit rate in the lease cannot be readily determined.
The right-of-use assets are measured at cost shall comprise:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct cost
- cost of restoring the underlying asset to the original condition

The lease payments associated with short-term lease and leases of low-value assets are recognized as expenses on a straight-line basis.

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. A lease of low-value asset, for example, comprises low value assets such as office furniture and fixture.

The Group’s property leases include extension options and termination options.

Extension option shall be included in the lease term only if the lessee is reasonably certain to exercise that option.

NOTE 3 – FINANCIAL RISK MANAGEMENT:

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments for speculative purposes.

Risk management is carried out by management of the Group. Formal and informal management meetings are held to identify significant risks and to develop procedures to deal with any risks in relation to the Group's businesses.

(a) Market risk

The Group's interest rate risk arises from bank balances which are carried at variable rates, which expose the Group to cash flow interest rate risk.

The Group's fair value interest rate risk arises from bank balances which are carried at fixed rates, which expose the Group to fair value interest rate risk.

(b) Credit risk

Credit risk is the risk of financial losses to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments.
In regards of the bank deposits, the Group only deals with banks with high credit ratings, as assigned by external rating agencies, so as to minimize the credit risks.

Maximum amounts of possible financial loss to the Group due to credit risk as of 31 December, 2018 and 2019 are as follows;

	31 December, 2018 Book value (In thousands)	31 December, 2019 Book value (In thousands)
Cash at bank (1)	11,282	7,248
Trade receivable (1)(2)	21	360
Advance paid (1)	(*)-;-	0
Other receivables (1)(2)	40	8
Related parties (2)	50	21
Office security deposits (1)	783	889
Total	12,176	8,526

(*) less than thousand US dollars.

(1) None of these assets were past due or impaired at the end of the respective reporting period.
(2) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group regularly performs credit assessments on customers and counterparties considering their financial position and historical data in order to manage the credit risk.

Management makes periodic assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the Financial Information.

In case e of impairment of financial assets, the Group does not directly write off such assets by reducing the carrying amount, but instead records an allowance for doubtful accounts. However, in the event that there is no realistic prospect of future recovery, financial assets are directly written off.

Below is the movement in the allowance for doubtful accounts:

	Allowance for doubtful accounts USD (In thousands)
Balance at 31 December 2017	77
Provision for the year	(*)-;-
Translation differences	(*)-;-
Balance at 31 December 2018	77
Allowance for bad debt	-;-
Reversal	(3)
Utilized	(43)
Translation difference	4
Balance at 31 December 2019	35

(*) less than thousand US dollars.

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position.

The Group maintains liquidity by a number of sources including orderly realization of short-term financial assets and receivables; and long-term financing including long-term borrowings. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying amounts as the impact of discounting is not significant.

	Within 1 year	Between 1 and 2 years	Over 2 years	Total
	USD thousands	USD thousands	USD thousands	USD thousands

As at 31 December 2018				
Trade payables	147	-;-	-;-	147
Other payables (excluding accruals and provisions)	344	-;-	-;-	344
Obligation under finance lease	12	12	53	77
Amounts due to related parties	6	-;-	-;-	6
	509	12	53	574
As at 31 December 2019				
Trade payables	487	-;-	-;-	487
Other payables (excluding accruals and provisions)	728	-;-	-;-	728
Obligation under finance lease	1,221	1,152	3,904	6,277
Amounts due to related parties	230	-;-	-;-	230
	2,720	1,152	3,904	7,776

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

	Level 1 USD thousands	Level 2 USD thousands	Level 3 USD thousands	Total USD thousands
As at 31 December 2018				
Assets				
Financial assets at Fair value through profit and loss – equity securities			80	80
Financial assets available for sale for equity securities			224	224
As at 31 December 2019				
Assets				

Financial assets at Fair value through profit and loss – equity securities			87	87
Financial assets available for sale for equity securities			252	252

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statements of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 represent listed equity investments classified as fair value through other comprehensive income which were not held for trading purpose.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c)Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instruments is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The table below presents the changes in level 3 instruments for the relevant periods:

	Available for sale financial assets USD (In thousands)
Balance at 1 January 2018	15
Purchases	282
Fair value gain/(loss) on valuation	(9)
Translation differences	16
Balance at 31 December 2018	304
Balance at 1 January 2019	304
Purchases (*)	21

Fair value gain/(loss) on valuation	10
Translation differences	4
Balance at 31 December 2019	339

(*) less than thousand US dollars.

There were no transfers between levels 1, 2 and 3 during the relevant periods.

3.4 Offsetting financial assets and financial liabilities

As at 31 December, 2018 and 2019, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions are based on the best judgement of the management in light of historical experience and various factors deemed to be reasonable as of the fiscal year end date. Given their nature, uncertainty about these assumptions and estimates could result the outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.
The estimates and assumptions are continuously reviewed by the management. The effects of a change in estimates and assumptions are recognized in the period of the change or in the period of the change and future periods. Among estimates and assumptions made by the management, the following are ones that may have a material effect on the amounts recognized in the consolidated financial statements of the Group.

(a)Impairment

- Non-financial assets

Non-current assets, such as property and equipment, and investments in associates, are assessed for indications of impairment at the end of reporting period. The Group evaluates both internal and external sources of information to assess whether impairment indicators exist. Some of the impairment indicators are evidence of obsolescence or significant adverse changes in the technological, market, economic or legal environment of the market in which the Group operates, or the asset is dedicated. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Likewise, the determination of the assets' recoverable amounts involves the use of estimates by the management that can have a material impact on the respective values and ultimately the amount of any impairment.

- Financial assets measured at amortized cost

Regarding the financial assets measured at amortized cost, the Group assesses whether there is any objective evidence that financial assets are impaired on a quarterly basis. If there is any objective evidence, the Group recognizes the difference between carrying value of the asset and the present value of estimated future cash flows as an impairment loss. When the Group estimates the future cash flows, the management considers the probability of failure of credit, time of recovery and past trend of losses, and decides whether the actual loss, which reflects current economic and credit conditions, is more or less that past trend. The Group considers these estimates to be significant because any adjustments may significantly affect the amount of an impairment loss for the financial assets measured at amortized cost.

(b) Recoverability of deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses carryforward and unused tax credits carryforward to the extent that it is probable that taxable income will be available. The elimination of future taxable income is calculated based on financial budgets approved by management of the Group, and it is based on management's subjective judgements and assumptions. The Group considers these estimates to be significant because any adjustments in the assumed conditions and amendments of tax laws in the future may significantly affect the amounts of deferred tax assets and deferred tax liabilities.

(c) Method of determining fair value for financial instruments measured at fair value with unobservable inputs

Certain financial assets and financial liabilities held by the Group measured at fair value require using valuation techniques that incorporate unobservable inputs based on the judgement and assumptions of Group management, such as experience assumption, and the use of specific numerical calculation models.

(d) Provisions

The Group recognizes asset retirement obligations related to assets leased under operating leases in the consolidated statements of financial position. These provisions are recognized based on the best estimates of the costs expected to incur for the restoration of the operating lease properties to the state as specified in the rental agreements upon termination of the operating leases. The estimation takes risks and uncertainty related to the obligation into account as of the fiscal year end date.

NOTE 5 – REVENUES FROM CONTRACTS WITH CUSTOMERS

5.1 Disaggregation of revenue from contracts with customers

Details regarding disaggregated revenue included at segments reporting note (see Note 28).

5.2 Assets and liabilities related to contracts with customers

The Group has recognized the following revenue-related contract assets and liabilities.

	31 December, 2018	31 December, 2019
Contract assets (1)	267	332
Contract liabilities (2)	2,947	2,784

(1) Contract assets consist of "Costs to fulfil a contract" which is attributed to the host or the customer's event in information services business.
(2) Contract liabilities consist of "Unsatisfied performance obligations" which is related to information services business. The obligations will be satisfied within a year.

As shown in the above table, there was no significant changes in contract assets and liabilities during the year ended 31 December, 2019.

The balance of contract liabilities at 1 January, 2019 as shown in the above table, which were fully satisfied over the year ended 31 December, 2019, and accordingly, the Group recognized it as the revenues.

5.3 Accounting policies and significant judgements

The accounting policies and significant judgements for the group's revenues from contracts with customers are explained in Note 2.14 and 2.20.

NOTE 6 – COST OF SALES

	USD thousand	
	31 December	
	2018	2019
Labor costs	-;-	442
Outsourcing expenses	1,458	2,021
Rental expenses for exhibition space etc.	1,698	1,701
Other	300	374
Total	3,455	4,538

NOTE 7 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	USD thousand		
	Year Ended 31 December		
	2017	2018	2019
Advertising expenses	1,203	1,534	1,330
Salaries, bonuses and other employee expenses	3,152	3,167	4,381
Share-based compensation expenses	9	-;-	-;-
Traveling and transportation expenses	501	468	637
Rent expenses	252	940	-;-
Depreciation and amortization	35	117	1,301
Impairment loss of right-of-use assets	-;-	-;-	345
Professional fee	2,255	2,311	1,821
IPO related costs with regards to issuance cost	430	-;-	-;-
Donation	200	419	407
Entertainment	204	133	184
Bad debt expense	50	-;-	297
Other	651	682	864
Total	8,942	9,771	11,567

NOTE 8 – OTHER INCOME AND OTHER EXPENSES

8.1 Other incomes

	USD thousand		
	Year Ended 31 December		
	2017	2018	2019
Other incomes	7	18	216
Other expenses:			
Loss on retirement of property, plant and equipment	(24)	(2)	-
Miscellaneous (loss)/Income	(6)	-;-	-;-
	(23)	16	216

8.2 Other expenses

	USD thousand		
	Year Ended 31 December		
	2017	2018	2019
Impairment of financial assets	-	(945)	(19)
Loss of changes in fair value of financial assets	-	(10)	1
	-	(955)	(18)

NOTE 9 – EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	USD thousand		
	Year Ended 31 December		
	2017	2018	2019
Salaries, bonuses and allowances	2,865	2,830	4,601
Other employee benefits	287	337	564
Total	3,152	3,167	5,165

NOTE 10 – FINANCE INCOME (EXPENSE), NET

	USD thousand		
	Year Ended 31 December		
	2017	2018	2019
Finance income –			
Interest income and exchange rate differences	2	90	88
Finance expense			
Bad debt loss	-;-	-;-	-;-
Interest expense	(1)	(8)	(108)
Finance income (expense), net	1	82	(20)

NOTE 11 – INCOME TAX EXPENSES

11.1 The Company's tax rates

In January 2016, the Law for the Amendment of the Income Tax Ordinance (No. 216) was published, enacting a reduction of corporate tax rate in 2016 and thereafter, from 26.5% to 25%.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2017 and 2018 Budget Year), 2016 was published, introducing a gradual reduction in corporate tax rate from 25% to 23%. However, the law also included a temporary provision setting the corporate tax rate in 2017 at 24%. As a result, the corporate tax rate will be 24% in 2017 and 23% in 2018 and thereafter.

11.2 Income tax expenses in statements of income:

1) As follows:

	USD (In thousands)		
	Year Ended 31 December		
	2017	2018	2019
Current income tax			
- Japan corporate income tax for the year	189	164	454
Deferred income tax expenses (Note 24)	141	95	35
	330	259	489

Japan corporate income tax has been calculated on the estimated assessable profit for the relevant periods at the rates of taxation prevailing in Japan in which the Group operates.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the income tax rate of Israel as follows:

	USD (In thousand)		
	31-December		
	2017	2018	2019
Loss before income tax	(1,493)	(2,556)	(6,494)
Tax Calculated at applicable Israel and Japan corporate income tax	(358)	(588)	(1,494)
Increase (decrease) regarding tax rates differences of subsidiaries in Japan	(146)	(50)	(773)
Permanent non-deductible expenses	261	232	217
Permanent exempt income	(186)	(429)	(35)
Equity method investment gain	(379)	(373)	317
Gains over changes in equity		-;-	-;-
Assessment of the recoverability of deferred tax assets	1,144	1,456	2,032
Other	(6)	11	11
Tax expense	330	259	275

The Group is subject to national corporate income tax, inhabitants' tax, and enterprise tax in Japan, which, in aggregate, resulted in effective tax rates approximately 33.80% for the years ended 31 December 2018, respectively. Amendments to the Japanese tax regulations were enacted into law on 29 March, 2016 and it resulted that the effective tax rate are scheduled to be reduced to approximately 33.59% effective from the year ending 31 December, 2019.

Under Japanese tax law and regulations, every company is required to submit an annual tax return to tax authorities. The statute of limitations to request a correction of prior year tax liabilities is five years from when the original tax return was filed.
After filling of tax return, it may take a tax inspection by the tax authorities on an irregular base. Most recently, Nano-opt Media Inc. took the tax inspection in April, 2016. As a result of the tax inspection, Nano-opt Media Inc. did not amend its tax return.

The following table sets forth the applicable tax rate for the company during the period and the formula in calculating each type of tax.

	31-December		
	2017	2018	2019
1. Corporate tax rate:	23.4%	23.40%	23.20%
2. Local corporate tax rate:	4.4%	4.4%	4.4%
3. Inhabitants' tax rate (At Tokyo):	12.90%	12.90%	12.90%
4. Enterprise tax rate (At Tokyo):			
(a)Profit-based tax rate	6.70%	6.70%	6.70%
(b)Special local corporate tax rate	43.20%	43.20%	43.20%
Effective tax rate	33.80%	33.80%	33.59%

1. Corporate tax rate is imposed on a corporation's taxable income. Amendments to the

Japanese tax regulations were enacted into law on 29 March, 2016 and it resulted that the corporate tax rate has been reduced to 23.40% effective from the year ended 31 December, 2017 and 23.20% effective from the year ending 31 December, 2019.

2. Local corporate tax rate is imposed on total of a corporation's corporate tax and income tax credit. Amendments to the Japanese tax regulations were enacted into law on 28 November, 2016 and it resulted that the local corporate tax rate is scheduled to be increased to 10.30% effective from the year ending 31 December, 2020.

3. Inhabitants' tax rate is imposed on total of a corporation's corporate tax and income tax credit allocated to each prefecture in Japan. This allocation is generally made on the basis of the number of employees and number of offices in each location. The applied tax rate is different in each prefecture. Amendments to the Japanese tax regulations were enacted into law on 28 November, 2016 and it resulted that the inhabitants' tax rate is scheduled to be reduced to 7.00% effective from the year ending 31 December, 2020.

4. Enterprise tax rate is imposed on a corporation's taxable income allocated to each prefecture in Japan and it comprise of (a) Profit-based tax and (b) Special local corporate tax rate. This allocation is generally made on the basis of the number of employees and number of offices in each location. The applied tax rate is different in each prefecture. Amendments to the Japanese tax regulations were enacted into law on 28 November, 2016. As a result of this amendment, (a) Profit-based tax rate is scheduled to be increased to 9.60% effective from the year ending 31 December, 2020, while, (b) Special local corporate tax, which is rate multiplied by the income portion of enterprise tax, is scheduled to be abolished from the year ending 31 December, 2020 and replaced by enterprise tax.

The detailed formulas for calculating each tape of taxes are as follows. Corporate tax consists mostly of the effective tax rate, and the change in the rate of corporate tax would result in a similar change ratio of the effective tax rate.

1. Corporate tax = (Taxable income×Corporate tax rate) – Income tax credit
2. Local corporate tax = (Corporate tax + Income tax credit) × Local corporate tax rate
3. Inhabitants tax = (Corporate tax + Income tax credit) ×Inhabitant tax rate
4. Enterprise tax is calculated as the sum of the followings:
(a) Profit-based tax = Taxable income×Profit-based tax rate
(b) Special local corporate tax = Taxable income×Special local corporate tax rate
5. Effective tax rate is calculated as:

$$\frac{\text{Corporate tax rate}\times(1+\text{Local corporate tax rate + Inhabitant tax rate})+\text{Enterprise tax rate(a)}+\text{Enterprise tax rate(a)}\times\text{Enterprise tax rate(b)}}{1+\text{Enterprise tax rate(a)}+\text{Enterprise tax rate(a)}\times\text{Enterprise tax rate(b)}}$$

NOTE 12 – EARNING PER SHARE

Earnings per share attributable to owners of the parent for the years ended 31 December 2017, 2018 and 2019 are calculated based on the following information.

	2017	2018	2019
Basic	(0.057)	(0.071)	(0.147)
Diluted Earnings (losses) per share attributable to owners of the parent (USD)	(0.057)	(0.071)	(0.147)
Numerator (thousands of USD)			

Profit (loss) for the year attributable to owners of the parent	(1,823)	(2,815)	(6,850)
Denominator (Shares)			
Weighted average number of common shares outstanding, basic	31,857,759	39,537,516	46,502,800
Effect of dilutive securities:	-;-		
Weighted average number of common shares outstanding, diluted	31,857,759	39,537,516	46,502,800

NOTE 13 – DIVIDENDS

So far the company has not declared or paid any dividend.

In accordance with the Japanese Companies Law, dividend can be distributed from the balance of retained earnings, includes dividend income from affiliated companies, and does not includes the retained earnings of affiliated companies that were defined in accordance with J-GAAP as distributable in further periods. This takes into consideration that IRI Israel has no control over the distribution of dividend by its affiliates.

In accordance with the Japanese Companies Law, the amount of JPY 818,072 thousand, equal to USD 7,539 thousand, translated according to the exchange rate as of December 31, 2019, can be distributed in IRI Japan in the year ended December 31, 201

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Equipment	Construction in progress	Total USD thousand
Year ended 31 December 2018				
Opening net book amount	-;-	66	196	262
Additions	546	224	(200)	570
Depreciation	(65)	(51)	-;-	(116)
Retirement	-;-	-;-	-;-	-;-
Translation differences	2	2	4	8
Closing net book amount	483	241	-;-	724
At 31 December 2018				
Acquisition cost	548	337	-;-	885
Accumulated depreciation	(65)	(96)	-;-	(161)
Net book amount	483	241	-;-	724
Year ended 31 December 2019				
Opening net book amount	483	241	-;-	724
Adjustment on adoption of new accounting standards - Acquisition cost	-;-	(80)	-;-	(80)
Adjustment on adoption of new accounting standards - Accumulated depreciations	-;-	3	-;-	3
Additions	-;-	12	-;-	12
Acquisition of subsidiary - Acquisition cost	33	49	-;-	82
Acquisition of subsidiary - Accumulated depreciations	(4)	(25)	-;-	(29)
Depreciation	(72)	(51)	-;-	(123)
Retirement	-;-	-;-	-;-	-;-
Translation differences	6	2	-;-	8
Closing net book amount	446	151	-;-	597
At 31 December 2019				
Acquisition cost	587	320	-;-	907
Accumulated depreciation	(141)	(169)	-;-	(310)
Net book amount	446	151	-;-	597

Depreciation expenses of 123 thousand of USD and 116 thousand of USD have been charged in Selling, general and administrative for the years ended 31 December 2019 and 2018.

NOTE 15 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

1. General Information

Set out below are the associates of the Group as at 31 December 2018 and 31 2019. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of Company	Main Business	% of ownership interest (3) 31 December 2018	2019	Nature of relationship	Place of business
BroadBand Tower, Inc.	・Computer plat form ・AI solutions business ・Media solutions business	22%	19%	Associate (1)	Tokyo Japan
Mobile Internet Capital, Inc.	Investment management	30%	30%	Associate (2)	Tokyo Japan

Carrying amount of each investment as at 31 December 2018 and 2019, and dividend received from each affiliate are as follows.

Name of Company	USD (In thousands) Carrying amount 31 December 2018	2019	Dividend received 31 December 2018	2019
BroadBand Tower, Inc.	15,230	11,573	203	206
Mobile Internet Capital, Inc.	2,301	2,319	2,337	-;-

Quoted fair value of BroadBand Tower, Inc. as at 31 December 2018 and 2019, are USD 28,822 thousand and USD 26,905 thousand, respectively.

(1) BroadBand Tower, Inc. is a trailblazer in the specialty Internet data center business, as a service evolved from ICT for modern businesses, through its advanced technological capabilities, experienced staff, and high-grade facilities and services. BroadBand Tower, Inc. has subsidiaries and affiliates, and they provide planning, construction, and providing dedicated platform services (video, voice, data delivery) and support of VNO setup/operation services to cable television operators.

As shown in the table above, during the twelve-month period ended 31 December 2019, the Company's ownership interest ratio has decreased due to the following transactions.

a) Acquisition of TSS LINK, Inc by BBT through share exchange
As discussed in Note 30, BBT acquired TSS LINK, Inc through share exchange on 31 January 2019 and it led to 0.3% of decrease in the Company's ownership interest ratio.

b) Issuance of common shares and 10th Series of Stock Acquisition Rights
On 22 April 2019, BBT issued its common shares and 10th series of stock acquisition rights through third party allotment to Macquaire Bank Limited (the "Allottee"), pursuant to a resolution of a meeting of the Board of Directors on 5 April 2019. From 23 April to 31 December 2019, the Allottee fully exercised the rights owned by them and BBT issued common shares to the Allotee. Those transactions led to 3% of decrease in the Company's ownership interest ratio.

As of 31 December 2019, the Company holds 19% of the voting rights, two directors of the Company are also designated as directors of this entity and they participate in all significant financial and operating decisions of the entity. The Group has therefore determined that it has significant influence over this entity. BBT's common stock is listed and traded in the Tokyo Stock Exchange, and above BBT's quoted fair value is categorized as level 1 under IFRS 13, which is quoted prices in active markets.

(2) Mobile Internet Capital, Inc. is a venture capital investing in ICT related venture companies. The Company holds 30% of the voting rights, therefore the Company has determined that it has significant influence over this entity.

(3) Impact from the change in ownership interest at BBT recorded as a gain on change in share of investments accounted for using the equity method in statement of income, due to the following contributions: (a) Gain on sale on owner dilution in the holding percentage of BBT; (b) Reclassification of a portion of BBT's accumulated OCI following such sale or dilution, and ; (c) The company's share in equity movement in BBT not resulting from its comprehensive income.

2. The summary financial statement of BroadBand Tower, Inc. adjusted to IFRS is as follows:

	USD (In thousands)	
	31 December 2018	31 December 2019
Current assets	93,031	81,075
Non-current assets	125,281	297,139
Total assets	218,312	378,214
Current liabilities	* 39,046	66,401
Non-current liabilities	* 81,602	215,842
Total liabilities	120,648	282,243
Total Net assets	97,664	95,971
Group's share in %	22%	19%
Carrying amount	15,230	11,573

* Reclassified

	Year ended 31 December 2018	Year ended 31 December 2019
Revenue	110,313	131,001
Expense	115,198	144,872
Profit (loss) from continuing operations	(4,885)	(13,871)
Gain (loss) from discontinued operations	(3,400)	-;-
Profit (loss)	(8,285)	(13,871)
Profit attributable to:		
Owners of the parent of the company	(7,587)	(14,778)
Non-controlling interests	(698)	907
Other comprehensive income (loss)	1,146	1,307
Total comprehensive income	(7,139)	(12,564)
Total comprehensive income attributable to:		
Owners of the parent of the company	(6,384)	(14,277)

Non-controlling interests	(755)	1,713
lost attributable to owners of the parent of the company	(7,587)	(14,777)
Group's share in %	22%	19%
Share of profit of investments accounted for using the equity method	(1,668)	(2,810)

* Discontinued operations for the year ended 31 December 2018 is relating to the sale of IoT Square, Inc. as a wholly subsidiary and lost its control on 4 January 2019. Further details is discussed in Note 30.

Individually immaterial associates*

	31 December	
	2018 USD (In thousands)	2019 USD (In thousands)
Aggregate carrying amount of individually immaterial associates	7,670	7,730
The investments in Mobile Internet Capital Inc.	2,301	2,319
Profit from continuing operations	8,870	63
Other comprehensive income	1,292	(93)
Total comprehensive income	10,162	(30)

(*) As shown in the table above, during the year ended 31 December, 2018 the amount of the investments in MIC has significantly increased compared to the previous period.
It caused by the fact that MIC gained an outstanding performance in the period by three IPOs from their operating funds, one of which investments is a smash success by HEROZ, Inc. After their IPO in April, the MIC's fund sold off all their holdings in HEROZ through the stock exchange. The total gain on sale of securities that MIC recognized amounts to 18 million USD before tax effect, while no success fee was paid in the previous financial year. As a result, IRI assumed profit of investments accounted for using the equity method from MIC in its annual financial statements as approximately USD 3M.
MIC is a fund management company described above, and it will not continuously secure the good performance like MIC's the result in this period. In fact, the success fee still gross amount before any payment of performance incentives to fund managers, dividend distribution, and so on. Therefore, the Group determined that the reporting good results is a temporary, and accordingly MIC is still determined as individually immaterial associate.

1. Share of profit and of other comprehensive income (loss) of investments accounted for using the equity method

(a) Share of profit of investments accounted for using equity method

	31 December 2017	31 December 2018	31 December 2019
		USD (In thousands)	
Profit (loss) attributable to owners of BBT	5,269	(7,587)	(14,778)
Group's share in BBT %	22%	22%	19%
Share of profit (loss)of BBT	1,159	(1,668)	(2,810)
Profit attributable to owners of MIC	992	8,870	63
Group's share in MIC %	30%	30%	30%

Share of profit of MIC	298	2,661	19
Share of profit of investments accounted for using the equity method	**1,457**	**993**	**(2,791)**

(b) Share of other comprehensive income (loss) of investments accounted for using equity method

		Six months ended 31 December 2018	Year ended 31 December 2019
		USD (In thousands)	
Other comprehensive income (loss) attributable to owners of BBT	184	1,146	471
Group's share in BBT %	22%	22%	19%
Share of other comprehensive income (loss) of BBT	41	175	63
Other comprehensive income (loss) attributable to owners of MIC	304	1,292	(93)
Group's share in MIC %	30%	30%	30%
Share of Other comprehensive income (loss) of MIC	92	253	(18)
Share of other comprehensive income (loss) of investments accounted for using the equity method	**133**	**428**	**45**

NOTE 16 – FINANCIAL INSTRUMENTS BY CATEGORY

	USD thousand	
	31 December	
	2018	2019
Financial assets:		
Available-for-sale for equity securities	-;-	-
Financial assets at FVOCI –equity securities	224	252
Financial assets at Fair value through profit and loss –equity securities	80	87
Other financial assets at amortized cost, mainly office security deposits	783	889
	1,087	1,228
Financial assets at amortized cost:		
Trade receivables	21	360
Deposits and other receivables (including amounts due from related parties)	172	29
Cash and cash equivalents	11,282	7,251
	11,475	7,640
	12,562	8,868
Financial liabilities:		
Financial liabilities at amortized cost	147	487
Trade payables	1,066	1,133
Other payables	6	12
Amounts due to related parties	77	6,276
Obligations under finance lease	-;-	230
	1,296	8,138

NOTE 17 –OTHER FINANCIAL ASSETS:

	USD thousand	
	31 December	
	2018	2019
Current		
Office security deposits	-;-	-;-
	-;-	-;-
Non-current		
Available-for-sale for equity securities	-;-	-;-
Financial assets at Fair value through OCI	224	252
Financial assets at Fair value through profit and loss	80	87
Other financial assets at amortized cost, mainly office security deposits	783	889
	1,087	1,228

#

Hereby details regarding investments in financial assets as of December 31, 2019:

(a) Investment in Beta-O2 Technologies Ltd.
On September 3, 2018, IRI Japan executed an investment agreement with Beta-O2 Technologies Ltd. (hereinafter – BO2), a company incorporated in Israel, which deals in the field of biomedicine, in the context of which IRI Japan invested the sum of USD 202 thousands in BO2, as part of round B investment in BO2, in consideration for an issue of shares of BO2, which constitute approximately 0.46% of its issued and paid up capital.

(b) Investment in Arch Medical Devices Ltd.

The Company purchased shares of Arch Medical Devices Ltd. (hereinafter – Arch) from Capital Point, in consideration for the sum of USD 650 thousands, and invested an additional sum of USD 25 thousands in the shares of Arch. As of the date of the Report, the Company holds approximately 9% of the share capital of Arch (fully diluted base). The Company appraise the fair value of Arch at a negligible amount, and therefore reduced the full value of its investment in Arch. The Company together with Capital Point is exploring several possible arrangements which may partially compensate the Company for the loss the Company suffered from depreciating these investments.

(c) Investment in Dia Imaging Analysis Ltd.
The Company has purchased shares of Dia Imaging Analysis Ltd. (hereinafter – Dia), which constitutes approximately 0.43% of the shares of Dia, from Capital Point, in consideration for the sum of USD 350 thousands, and invested an additional sum of USD 25 thousands in January 2019. The Company appraise the fair value of its investment in Dia in amount of USD 87 thousands, and therefore recognized impairment in amount of USD 288 thousands in its financial statements. The Company together with Capital Point is exploring several possible arrangements which may partially compensate the Company for the loss the Company suffered from depreciating these investments.

#

NOTE 18 – OTHER CURRENT ASSETS

	USD thousand	
	31 December	
	2018	2019
Prepaid expense	371	646
Consumption tax receivable	156	180
Other receivables	40	17
	567	844

NOTE 19 – CASH AND CASH EQUIVALENTS

	USD thousand	
	31 December	
	2018	2019
Cash in hand	5	3
Bank deposits	11,277	7,248
	11,282	7,251

NOTE 20 – EQUITY

a. Share Capital

The Company's total number of shares authorized and issued for the years ended 31 December 2018 and 2019 are as follows:

	31 December	
	2018	2019
Total number of common shares, no par value:		
Authorized shares	10,000,000,000	10,000,000,000
Issued shares	46,502,000	46,502,000

The number of shares outstanding of the Company have been adjusted to reflect the effect of the triangle merger and allotted bonus shares, as described in note 1.1.

All shares issued as of December 31, 2019 and 2018 have been fully paid-up.

Changes in the issued and paid-up share capital during the year ended December 31, 2018:

In August 2018, the Company completed a first initial public offering (hereinafter – IPO) and listing of its shares for trade on the Tel Aviv Stock Exchange Ltd. (hereinafter – TASE). On August 9, 2018, the trading in the Company's shares was commenced on TASE. The Company issued 11,715,800 ordinary shares for price of NIS 1.73 per share. As a result, the Company raised NIS 16,218 thousands, equals to USD 4,367 thousands, after deduction of issuance expenses paid in cash. Net amounts received at the Company's bank account close to the issue date.

Changes in the issued and paid-up share capital during the year ended December 31, 2017:

(a) Issuance of common stock to a director, employee and other investors

(b) At the annual extraordinary general meeting of shareholders held on 12 January 2017, IRI Japan resolved toissue 30,000 common stock to a director of the company, 20,000 ordinary stocks to employee and 600,000 ordinary stocks to general investors and to authorize the board of directors to determine the subscription requirements. The details of the common stock are as follows:

Issuance of common stock on 12 January 2017

Candidates and numbers of candidates	One director, one employee and three general investors.
Total number of common stock issued	650,000 shares
Amount of proceeds for common stock (*)	JPY 105 per share, equal to USD 0.92 per share
Payment period	From 23 January 2017 to 31 January 2017
The share capital and capital reserve to be increase	Under the Companies act of Japan, at least 50% of the proceeds of certain issuances of share capital shall be credited to share capital. The remaining proceeds shall be credited to share premium.

(*) The fair value of IRI Japan's share on 12 January 2017 is estimated at JPY 125 per share which is based on the issue-price of 17 May 2017 (see paragraph (b)). Therefore, the share-based compensation expenses of USD 9 thousand have been charged in the second quarter of 2017.

(c) Issuance of common stock to Media Do Co., Ltd.

Issuance of common stock on 17 May 2017

Candidates and numbers of candidates	Media Do Co., Ltd.
Total number of common stock issued	7,000,000 shares
Amount of proceeds for common stock	125 yen per share, equal to 1.11 U.S dollars per share
Payment date	31 May 2017
The share capital and capital reserve to be increase	Under the Companies act of Japan, at least 50% of the proceeds of certain issuances of share capital shall be credited to share capital. The remaining proceeds shall be credited to share premium.

b. Capital Surplus and Retained Earnings

Capital surplus consists of capital reserves and other capital surplus that is derived from equity transactions and not recorded in share capital. The primary component of capital surplus is capital reserves. The Companies Act of Japan provides that no less than 50% of the paid-in amount or proceeds of issuance of shares shall be incorporated in share capital, and that the remaining shall be incorporated in capital reserves. Capital reserves are restricted to distribute as dividend and may be, if necessary, incorporated share capital and other capital surplus upon approval of the General Meeting of Shareholders.

IRI Japan has not declared or paid cash dividends to date, and therefore no legal earnings reserves have been recorded as of 31 December, 2017 and 2018.

c. Incorporation of accumulated earnings into share capital in a subsidiary

IRI Japan's general meeting of shareholders held on 15 March, 2018, resolved the incorporation of accumulated earnings into share capital in accordance with the Companies Act of Japan. The effective date is the same date with the resolution and the incorporation amount is JPY 96,100 thousands, equal to USD 874 thousands.

NOTE 21 – ACCRUALS AND OTHER PAYABLES

	USD thousand	
	31 December	
	2018	2019
Accounts payable	258	288
Accrued expenses	673	658
Accrued consumption taxes	176	93
Income tax payable	165	395
Expense payable due to withholding tax	86	141
Accrued vacation payable	89	115
Accrued bonuses	49	46
Other	4	4
	1,500	1,740

NOTE 22 – SHARE-BASED PAYMENTS

IRI Japan adopted the stock option plan by the subscription rights to shares.
On 15 Jan 2016, the stock option for free of charge have been issued to directors and employees based on the resolution of the general meeting of shareholders.
On 24 Nov 2017, all of the subscription rights to shares have lapsed. All of the stock acquisition rights outstanding have been transferred to capital surplus.

The terms of contract about the stock option are as follows. All the stock option will be settled with common stocks:

Issue date	Issue amount	Vesting conditions	The validity of the stock option contract
Directors 15-Jan-16	200	Exercising stock option is possible from the issue date.	10 years
Employees 15-Jan-16	40	Exercising stock option is possible from the issue date.	10 years

The expenses recognized in connection with share-based payments during the years ended 31 December 2017 and 2018 are shown in the following table:

	Year Ended December 31		
	2017	2018	2019
	USD thousand		
Total expenses arising from equity-settled share-based payment transactions	*9	-;-	-;-

* See note 20a(a).

NOTE 23 – BORROWINGS

The Group's borrowings as 31 December 2019 is comprised of the short term borrowings by IoT and relevant interest ratio is 0%.
IoT entered into loan agreements with its four directors on 18 December and 23 December 2019, respectively. The maturity date of each borrowing is 31 December 2020.
In the agreements, the borrowings should be repaid by cash, but in the case where IoT executes third-party allotments before the maturity date of borrowings, the directors as lender can select an option that they can acquire IoT's common shares which is equivalent to the amounts of borrowings as

alternative method of settlement of the borrowings. The Group determined the borrowing as financial liabilities under IAS 32.

NOTE 24 – Asset Retirement Obligations

Changes in Asset Retirement Obligation

	USD thousand
	Asset Retirement Obligations
At December 31, 2017	196
Arising during the year	9
Utilized	-;-
Unwinding of discount and changes in the discount rate	-;-
	4
At December 31, 2018	209
Arising during the year	20
Utilized	-;-
Unwinding of discount and changes in the discount rate	-;-
	3
At December 31, 2019	232

The Group records provisions for Asset Retirement Obligations related to its properties as the Group is required to restore these properties upon termination of its properties to the state specified in the rental agreement.

Changes in provision for onerous contract in relation to Cybergym business

	USD thousand
	For the year ended 31 December, 2019
Balance at 31 December 2018	-;-
Arising during the year	297
Translation differences	2
Balance at 31 December 2019	299

The Group records a provision for certain maintenance expense payable to the third-party vendors in relation to Cybergym business since relevant contract is determined as Onerous contract under IAS37.

NOTE 25 – DEFERRED TAX BALANCES

	USD thousand 31-December	
Deferred tax assets	2018	2019
The balance comprises temporary differences attributable to:		
Tax losses	1,467	1,078

Prepaid expense	25	35
Allowance for paid leave	20	18
Allowance for bonus	17	16
Bad debt allowance	23	7
Property plant and equipment	-;-	5
Lease obligations	-;-	931
Others	14	32
Total deferred income tax assets	1,566	2,122

Deferred income tax liabilities
The balance comprises temporary differences attributable to:

Undistributed earnings relating to investments in affiliate	(1,403)	(1,070)
Depreciation	(10)	(15)
Right-of-use assets	-;-	(937)
Other comprehensive income	(6)	(8)
Total deferred income tax liabilities	(1,419)	(2,030)
Net deferred tax assets	147	92

Deferred income tax assets

USD thousand

Movements	Tax losses	Prepaid Expense	Allowance for paid leave	lease liabilities	Depreciation	Allowance for bonus	Bad debt allowance	Others	Total
Balances at 31 December 2017	1,335	62	12	-;-	-;-	10	23	-;-	1,442
Adjustments due to new accounting standards implementation	-;-	(58)	-;-	-;-		-;-	-;-	-;-	(58)
Credited/(charged) to profit or loss	99	19	8	-;-		7	(1)	14	146
Translation difference	33	2	-;-	-;-		-;-	1	-;-	36
Balances at 31 December 2018	1,467	25	20	-;-		17	23	14	1,566
Adjustments due to new accounting standards implementation	-;-	-;-	-;-	1,073	-;-	-;-	-;-	-;-	1,073
Credited/(charged) to profit or loss	(405)	10	(2)	(146)	5	(1)	(16)	18	(539)
Translation difference	16	-;-	-;-	4	-;-	-;-	-;-	-;-	22
Balances at 31 December 2019	1,078	35	18	931	5	16	7	32	2,122

Deferred income tax liabilities

Movements	USD (In thousands)				
	Undistributed earnings relating to investments in affiliate	Depreciation	Right-of-use assets	Other comprehensive income	Total
Balances at 31 December 2018	(915)	(3)	-;-	-;-	(918)
Charged to other comprehensive income	(227)	-;-	-;-	(6)	(233)
Credited/(charged) to profit or loss	(236)	7	-;-	-;-	(243)
Translation difference	(25)	-;-	-;-	-;-	(25)
Balances at 31 December 2018	(1,403)	(10)	-;-	(6)	(1,419)
Adjustment following implementation of new international financial reporting standards	-;-	-;-	(1,086)	-;-	(1,086)
Charged to other comprehensive income	-;-	-;-	-;-	(2)	(2)
Credited/(charged) to profit or loss	349	(4)	153		498
Translation difference	(16)		(4)		(20)
Balances at 31 December 2019	(1,070)	(14)	(937)	(8)	(2,029)

The Group takes into account the probability that deductible temporary differences or tax losses carried forward can be utilised against future taxable profits on recognition of deferred income tax assets. In assessing recoverability of deferred income tax assets, the Group takes into account scheduled reversal of deferred income tax liabilities, projected future taxable profit and tax planning.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

As a result of the assessment of the recoverability of deferred income tax assets, the Group does not recognise deferred income tax assets for a portion of deductible temporary differences or tax losses carried forward as of 31 December 2018 and 2019. The amounts of deductible temporary differences and tax losses carried forward for which deferred income tax assets that are not recognised as of 31 December 2018 and 2019 are as follows:

	USD thousand	
	31-December	
	2018	2019
Deductible temporary differences	46	826
Losses carried forward	14,650	23,249
Total	14,696	24,057

The expiration of tax losses carried forward for which deferred income tax assets are not recognised is as follows:

USD thousand

	31-December	
	2018	2019
Grand total		
1st Year	-;-	7,246
2nd Year	6,755	1,241
3rd Year	1,225	393
4th Year	388	862
5th Year and thereafter or no expiration date	6,282	13,507
Total	14,650	23,249

The above mentioned amount of tax losses carried forward related to the Company and IRI Japan.

NOTE 26 – LEASES

The Group, as lessee, mainly leases properties. The lease contracts may contain extension options but do not include material purchase options, escalation clause and restrictions imposed by leases, such as additional financing and additional leases.
Information for the year ended 31 December, 2018 is disclosed based on IAS 17 Leases.

For the year ended 31 December, 2018

	USD thousand
	31 December
	2018
No later than 1 year	13
Later than 1 year and no later than 5years	53
Later than 5years	16
Total	82
Future finance charges on finance leases	5
Present values of finance lease liabilities	77

	USD thousand
	31 December
	2018
No later than 1 year	12
Later than 1 year and no later than 5 years	50
Later than 5years	15
Total finance lease liabilities	77
Less: Amount included in current liabilities	(12)
Non-current portion	65

For the year ended 31 December, 2019

(i) The expenses relating to leases are as follows.

	USD thousand
	For the year ended 31 December, 2019
Depreciation of right-of-use assets	
Buildings	(1,028)
Equipment	(107)
Total depreciation expenses	(1,135)
Interest expenses relating to lease liabilities	(108)
Expenses relating to leases of low-value assets	(4)

(ii) The carrying amounts of the right-of-use assets are as follows.

	USD thousand
	31 December, 2019
Right-of-use assets	
Buildings	1,221
Equipment	5,055
Total	6,276

(iii) The changes in the carrying amounts of the right-of-use assets are as follows:

	USD thousand
	31 December, 2019
Balance at 1 January, 2019 under finance lease transactions	80
Adjustments on adoption of IFRS16	6,232
Balance at 1 January, 2019 (adjusted)	6,312
New lease transactions	599
Acquisition of subsidiary	537
Depreciation	(1,135)
Impairment loss (*)	(345)
Translation differences	31
Balance at 31 December, 2019	5,997

(*) The Group determined that there were indications of impairment on right-of-use assets in connection with Cybergym business within technology information segment. As a result, impairment of right-of-use assets in the amounts of USD 345 thousand was recognized for the year ended December 31, 2019.

(iv) The changes in the carrying amounts of the right-of-use assets are as follows:

	USD thousand
	31 December, 2019
Balance at 1 January, 2019 under finance lease transactions	78
Adjustments on adoption of IFRS16	6,155
Balance at 1 January, 2019 (adjusted)	6,233
New lease transactions	599
Acquisition of subsidiary	516
Repayment	(1,110)
Translation differences	38

Balance at 31 December, 2019	6,276

As of 31 December, 2019, there are no lease contracts not yet commenced

NOTE 27 – CONTINGENCIES AND COMMITMENTS

a. As at 31 December 2018 and 2019, the Group and the Company did not have any significant contingent liabilities.

As at 31 December 2018 the Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	USD thousand	
	31 December	
	2018	
No later than one year	471	
Later than one year and no later than five years	8	
Over five years	-;-	
	479	

479 USD thousand Lease expenses have been charged in Selling, general and administrative for the years ended 31 December 2018.

b. IRI Japan entered into a donation agreement with the Israel Technological Institute (the "Technion") and with the Technion Japan on March, 2017. IRI Japan undertook to donate the sum of USD 4 million (in 10 equal installments over 10 years) to the Technion, which would be used to support the research and development operations of the Cyber Security Research Center at the Technion from 1 July, 2017 to 30 June, 2027, which would be called the Hiroshi Fujiwara Cyber Security Research Center.
The agreement is treated as an executory contract in accordance with IAS 39 and accordingly, an expense is recognized over the 10-year agreement period, starting 1 July, 2017.

c. On 8 September, 2016, IRI Japan entered into a memorandum with Technion Japan Co., Ltd. ("Technion Japan"), the branch of the Technion in Japan, under which IRI Japan would have a first right upon any sales and/or production on the Japanese market of products developed by startup companies from the Technion, or located by the Technion, which deal in research and development in the fields of medicine, life sciences, biology, food and hygiene.

NOTE 28 – RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of this Financial Information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals and companies were related parties that had transactions or balances with the Group for the reporting periods ended 31 December 2018 and 2019, are as follows. Please note that the scope of related parties has been changed due to the change in reporting entity with regards to the triangle merger discussed in Note 2.2 etc.

Name of related parties	Relationship with the Company/Group	Period subject to related parties
Hiroshi Fujiwara	Director of the Company, Chairman of the board of directors and CEO, and Representative director of IRI Japan, President and CEO	From 1 January, 2017
Mieko Nakagawa	Director of the Company, and Director of IRI Japan, COO	From 1 January, 2017
Mirei Kuroda	CFO of the Group	From 20 November, 2017
Elchanan Harel	Director of the Company	From 20 November, 2017
Kazuto Sasaki	Director of IRI Japan	From 1 January, 2017 to 19 November, 2017
Osamu Nakamura	Independent Director of IRI Japan	From 1 January, 2017 to 19 November, 2017
Yasushi Fujita	Independent Director of IRI Japan	From 1 June, 2017 to 19 November, 2017
Hidehiko Suzuki	Corporate Auditor of IRI Japan	From 1 January, 2017 to 19 November, 2017
Lqwhuqhw#Uhvhdufk#Lqvwlwxwh/# Lqf1	Subsidiary	From 9 August, 2017
NANO Opt Media, Inc.	Subsidiary	From 1 January, 2017
BroadBand Tower, Inc.	Affiliate	From 1 January, 2017
Unimo, Inc.	Company owned by director	From 1 January, 2017
IoT Square, Inc.	Subsidiary of BroadBand Tower, Inc.	From 2 October, 2017
Remote Sensing Technology Center of Japan	Company owned by director	From 1 January, 2017
Internet Association Japan	Company owned by director	From 1 January, 2017
Astro Aerospace	Company owned by director	From 1 January, 2017

(a) Balances classified as related parties:

The following balances were financial assets and liabilities attributed to related parties:

	USD thousand	
	31 December	
	2018	2019
Current assets		
Booked in IRI Japan:		
Trade Receivable to a company own by director	60	10
Trade Receivable to IoT Square, Inc.	-;-	
Allowance for Doubtful accounts to a company own by director	(10)	(10)
Booked in NOM:		
Other receivable to a company own by director	21	21
Allowance for Doubtful accounts to a company own by director	(21)	(21)
Booked in IoT Square, Inc.:		
Trade Receivable to Broad band Tower, Inc.	-	8
Prepaid expense to Broad band Tower, Inc.	-	9
Total	50	17
Current liabilities		
Booked in the Company –		
Account payable to BroadBand Tower, Inc.	-	4
Account payable for Hiroshi Fujiwara	-;-	15

Account payable for Directors of the Company	-	9
Account payable for the Group's CFO	-	8
Booked in NOM –		
Account payable to BroadBand Tower, Inc.	3	3
Booked in IoT Square, Inc.:	-	
-Trade Payable to Broad band Tower, Inc.	-	4
-Account payable for Broad band Tower, Inc.	-	3
Total	6	46

All of the above transactions with related parties were conducted in the ordinary course of the business of the Group based on the terms mutually agreed between the relevant parties.

(b) Transactions with related parties:

	USD thousand		
	Year ended 31 December		
	2017	2018	2019
Transaction with Management Executives in the Company –			
Account payable for Hiroshi Fujiwara	37	-;-	
Loan collection from Hiroshi Fujiwara	288	-;-	
Loan to Hiroshi Fujiwara	-;-	-;-	
Interest Income from Loan to Hiroshi Fujiwara	2	-;-	
Transaction with Other Related Parties in IRI Japan:			
Purchse of common shares of IoT Square, Inc. from BroadBand Tower, Inc.	-;-	-;-	71
Outsourcing cost to BBT	(21)	(14)	(11)
Sales to BBT	143	-;-	
Sales to IoT Square, Inc.	3	13	
Sales to a company own by director	-;-	136	
Revisions of contract amount in relation to sales transactions with Internet Association Japan			(50)
Payment of membership fee to a company own by director	-;-	(1)	(2)
Transaction with Management Executives in NOM:			
Transaction with Other Related Parties in NOM:			
Sales to BBT	18	-;-	11
Sales to a company own by director	19	-;-	1
Consulting fee to a company own by director	-;-	(181)	
Outsourcing cost to BBT	(9)	(2)	
Payment on behalf of a company own by director	-;-	-;-	
Booked in IoT Square, Inc.:			
-Sales to BroadBand Tower, Inc.			108

-Sales to Remote Sensing Technology Center of Japan			9
-Outsourcing cost to BroadBand Tower, Inc.			(63)
Total	480	(49)	74

(C) Key management compensation

As discussed in the above, until the change in reporting entity occurred on 20 November 2017, key management personal includes 5 directors and 1 corporate auditors of IRI Japan. After the date, key management has been changed to 3 directors and 1 CFO of the Company. The compensation paid or payable to key management for employee services for the year ended 31 December 2018 and 2019 are respectively shown below:

	USD thousand		
	Year ended 31 December		
	2017	2018	2019
Executive compensation	265	323	236
Share-based payment	5	-;-	-
Total	270	323	236

(D) Guarantees provided by shareholders and directors

As of January 1, 2017, the company's bank accounts are guaranteed by a personal guarantee provided by the controlling shareholder, Dr. Hiroshi Fujiwara. The guarantee related to bank loans for NOM subsidiary and restricted to these loans extant.
On November 15, 2017 the above loan was fully repaid. Accordingly, the personal guarantee was invalid.

NOTE 29 –SEGMENT INFORMATION

(1) General information

Operating segments were determined based on the reports reviewed by the Chief Executive Officer (CEO) who is responsible for allocating resources and assessing performance of the operating segments, who is the Chief Operating Decision Maker ("CODM") of IRI Israel as the Company's parent company.
An operating segment of the Group is a component for which discrete financial information is available. No operating segments have been aggregated to form the reportable segments.

The CEO considers the business from two areas of activities, as follows;

(a) Information technology, which includes two operating segments:

(i) IRI- it mainly provides consultancy services, research services and the reviewing of market trends in the field of internet technologies for companies, organizations and government institutions in Japan.

(ii) BBT- it mainly provides data center services, cloud services, storage solutions, AI (artificial intelligence) solutions, dedicated platform services and support of VNO setup/operation services to cable television operators. In addition, BBT deals in renewable energy and is the owner of a number of solar power stations. Revenue from a single external customer were approximately 29,028 thousands USD for the year ended December 31, 2018 and 33,418 thousands USD for the year ended December 31, 2019, respectively.

(iii) IoT- as discussed in Note 8, IoT becomes a subsidiary of the Company from the six-month periods ended 30 June 2019 and. The subsidiary mainly provides IOT solutions and consultation services in the field of data security, and the design and production of films and production services, and the business is determined as operating segment. In relation to idenfitication of new operating segment, the comparative information for the six-month period ended 30 June 2018 and the year ended 31 December 2018 as shown in table below are reclassified.

(b) Information service business
(i) NOM – it mainly provides planning, organization, production and management of conferences, exhibitions, seminars and other business events in the fields of internet technology, hi-tech, cyber security, etc.

(c) Other
Other comprise of the investments in MIC. It is a general partner in an investment fund that mainly invests in startups in the technology and services industry, which focus on next generation ICT (information and communications technology) companies and in related areas.

Each segment is divided to services and equipment relating to revenues and cost of revenues. The reportable operating segments include the following measures: Revenues, Operating profit (loss), and Interest expenses and incomes, Tax, Depreciation and Assets.

	Year ended 31 December,2017						
	USD thousand						
	Technology Information						
	IRI	BBT	NOM	Other	Sub total	Adjustments	Total
Segment revenues from external customers	278	77,655	8,843	-	86,776	(77,655)	9,121
Operating profit (loss)	(3,817)	3,564	743	-	490	(3,564)	(3,074))
Share of profit (loss) of investments accounted for using the equity method	1,159	(1,650)	-	298	(193)	1,650	1,457
Gain on change in share of investments accounted for using equity method	123	-	-	-	123	-	123
Profit (loss) before income tax	(2,533)	2,242	742	298	749	(2,242)	(1,493)
Income tax expenses (benefit)	-	(9,684)	(330)	-	(10,014)	9,684	(330)
Profit (loss) from continued operations	(2,533)	(7,439)	412	298	(9,262)	7,439	(1,823)
Profit (loss) from discontinued operation **	-	(14,036)	-	-	14,036	(14,036)	-
Profit (loss) for the year	(2,533)	6,597	412	298	4,774	(6,592)	(1,823)
Other segment items							
Finance income	2	1,615	-	-	1,617	(1,615)	2
Finance expense	-	(1,286)	(1)	-	(1,287)	1,286	(1)
Depreciation and amortization	-	(5,844)	(35)	-	(5,879)	5,844	(35)
Capital expenditure	-	11,865	247	-	12,112	(11,865)	247

	Year ended 31 December, 2018							
	USD thousand							
	Technology Information							
	IRI	BBT	IoT	NOM	Other	Sub total	Adjustments	Total
Segment revenues from external customers	281	110,313	727	10,188	-	121,509	(111,054)	10,455
Operating profit (loss)	*(3,923)	(6,002)	(3,396)	1,135	-	(12,186)	*9,398	(2,788)
Share of profit (loss) of investments accounted for using the equity method	(1,668)	442	-	-	2,661	1,435	(442)	993
Gain on change in share of investments accounted for using equity method	112	-	-	-	-	112	-	112
Profit (loss) before income tax	*(6,352)	(5,733)	(3,395)	1,135	2,661	(11,684)	*9,128	(2,556)
Income tax expenses (benefit)	224	848	(5)	(483)	-	589	(843)	(259)
Profit (loss) from continued operations	*(6,128)	(4,885)	(3,400)	652	2,661	(11,100)	*8,285	(2,815)
Profit (loss) from discontinued operation **	-	(3,400)	3,400	-	-	-	-	-
Profit (loss) for the year	*(6,128)	(8,285)	-	652	2,661	(11,100)	8,285	(2,815)
Other segment items								
Finance income	*90	317	-	-	-	407	(317)	90
Finance expense	*8	(489)	-	(1)	-	(498)	490	(8)
Depreciation and amortization	(73)	(10,473)	-	(43)	-	(10,589)	10,473	(116)
Capital expenditure	427	46,066	-	65	-	46,558	(46,066)	492

	Year ended 31 December, 2019							
	Technology Information							
	IRI	BBT	IOT	NOM	Other	Sub total	Adjustments	Total
Segment revenue from external customers	139	130,990	1,031	10,830	-;-	142,990	(130,870)	12,120
Inter-segment revenues	-;-	11	123	11	-;-	145	(145)	-;-
Segment revenues	139	131,001	1,154	10,841	-;-	143,135	(131,015)	12,120
Operating profit (loss)	(3,314)	(11,224)	(3,022)	823	-;-	(16,737)	(11,224)	(5,513)
Share of profit (loss) of investments accounted for using the equity method	(2,810)	-;-	-;-	-;-	19	(2,791)	-;-	(2,791)
Gain on change in share of investments accounted for using equity method	1,849	-;-	-;-	-;-	-;-	1,849	-;-	1,849
Profit (loss) before income tax	(6,886)	(11,630)	(3,067)	774	19	(20,790)	14,296	(6,495)
Income tax expenses (benefit)	8	(2,241)	(6)	(481)	(10)	(2,729)	2,241	(448)

Profit (loss) from continued operations	(6,877)	(13,871)	(3,073)	293	9	(23,520)	16,538	(6,983)
Other segment items								
Finanse income	123	1,672	-;-	-;-	-;-	1,795	(1,624)	(87)
Finanse expense	(2,716)	(2,078)	(45)	(49)	-;-	(4,888)	4,781	(107)
Depreciation and amortization	(1,060)	(11,395)	(160)	(81)	-;-	(12,696)	(11,395)	(1,301)
Capital expenditure	7	35,139	5	282	-;-	35,433	(35,159)	292

*Reclassified.
**Discontinued operation in a year ended on 31 December 2017 refers to the partial sale of BBT subsidiary BBF, Inc. on 30 June 2017, the sale of BBT subsidiary IoT on 4 January, 2019.

	Year ended 31 December, 2018						
	Information technology						
	IRI	**BBT**	**IOT**	**NOM**	**Other**	**Adjustments**	**Total**
Segment assets	24,351	217,161	499	5,550	2,301	(217,660)	32,202

	Year ended 31 December, 2019						
	Information technology						
	IRI	**BBT**	**IOT**	**NOM**	**Other**	**Adjustments**	**Total**
Segment assets	18,748	378,214	986	9,288	2,319	(378,637)	30,918

NOTE 30 – BUSINESS COMBINATION

Acquisition of IoT Square, Inc.

On 20 December 2018, the Company's board of director meeting resolved to acquire of IoT Square, Inc. ("IoT"), accompany incorporated in Japan and as a wholly subsidiary of BBT.
Based on the resolution, the Company entered into the share purchase agreement with BBT on 21 December 2018. According to the terms and conditions of the agreement, the acquisition was completed on 4 January 2019 and it resulted that IoT becomes a wholly subsidiary of the Company.

IoT is an R&D company which operates in a number of fields of operations, the principal ones being the development of systems for the management and sale of digital tickets to events, management and operation services to solar power plants, the development of solutions and consultation services in the field of date security, and the design and production of films and production services.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of IoT, which are measured at fair value as of the date of acquisition except for limited exceptions in accordance with IFRS, were as follows:

	(USD in thousands) **Fair value recognized on acquisition**
Assets	
Cash and cash equivalents	213
Trade receivables	29
Related parties	10
Other current assets	83
Other financial assets	105
Property and equipment	53
Right-of-use assets	537
Intangible assets	4
Other non-current assets	10
Total	1,044
Liabilities	
Accruals and other payables	(271)
Related parties	(59)
Other liabilities	(15)
Lease liabilities	(516)
Asset Retirement Obligations	(21)
Total	(882)
Total identifiable net assets at fair value	162
Negative goodwill	(91)
Total consideration	71

All consideration was paid in cash and the amount is USD 71 thousand. The fair value of the trade receivables was USD 29 thousand. The gross contractual amounts of the trade receivables were not materially different from the fair value determined as part of the purchase price allocation.

Negative goodwill of USD 91 thousand represented the value of expected synergies decreasing from the acquisition and was allocated entirely to the IRI segment. None of the goodwill recognized was expected to be deductible for income tax purposes.

(USD in thousands)

Analysis of cash flows on acquisition:	
Total consideration related to the acqusition	(71)
Net cash and cash equivalents acquired at the acquisition date	213
Net cash flows on acquisition (incuded in cash flows from investing activities)	142

The Pro Forma Statement of Financial Positions as of 31 December 2017 and 31 December 2018, and the Pro Forma Statement of Income of the Group for the six-month period ended 31 December 2018 and the year ended 31 December 2018 which the profit or loss of IoT have been retrospectively consolidated as part of Group's consolidated financial statements as if the acquisition of IoT had occurred on 1 January 2017 were as followed:

<u>Pro Forma Statement of Financial Positions</u>

	USD (In thousands) 31 December 2018
ASSET	
CURRENT ASSETS	
Cash and cash equivalents	11,495
Trade receivables	50
Contract assets	267
Related parties	60
Income tax receivables	511
Other current assets	651
TOTAL CURRENT ASSETS	13,034
NON-CURRENT ASSETS	
Other financial assets	1,192
Investments accounted for using the equity method	17,531
Property, plant and equipment	777
Intangible assets	19
Deferred tax assets	147
Other non-current assets	9
TOTAL NON-CURRENT ASSETS	19,679
TOTAL ASSETS	32,702
LIABILITIES AND EQUITY	
CURRENT LIABILITIES	
Trade payable	147
Accruals and other payables	1,766
Contract liabilities	2,947
Income taxes payables	16
Obligations under finance leases	12
Related parties	62
TOTAL CURRENT LIABILITIES	4,950
NON-CURRENT LIABILITIES	
Obligations under finance leases	65
Asset Retirement Obligations	209
TOTAL NON-CURRENT LIABILITIES	274
TOTAL LIABILITIES	5,224
EQUITY	
Share capital	-;-
Capital surplus	14,845
Retained earnings	10,786
Accumulated other comprehensive income	352
Exchange differences on translation from functional currency to presentation currency	1,495
TOTAL EQUITY	27,428
TOTAL LIABILITIES AND EQUITY	32,702

Pro Forma Statement of Income

USD (In thousands)

	31 December 2017	31 December 2018
Revenue	11,003	11,169
Operating costs and expenses:		
Cost of sales	(4,274)	(4,281)
Selling, general and administrative	(13,653)	(11,898)
Research and Development expenses	(1,624)	(1,202)
Other incomes/(expenses),net	(152)	29
Total operating costs and expenses	(19,721)	(17,352)
Operating loss	(8,718)	(6,153)
Other expenses	0	(955)
Finance income	2	90
Finance expense	(1)	(9)
Finance income (expense), net	(1)	81
Share of profit of investments accounted for using the equity method	3,355	1,739
Gain on change in share of investments accounted for using the equity method	201	162
Profit (loss) before income taxes	(6,309)	(5,156)
Income tax benefit	(336)	(264)
Profit (loss) for the year	(6,645)	(5,420)
Profit (loss) for the period attributable to:		
Items that may be reclassified to profit or loss		
Differences from translation of financial statements from functional currency to presentation currency	564	657
Share of other comprehensive income of investments accounted for using equity method	(133)	34
Change in fair value of available-for-sale financial assets	(9)	-;-
Items that will not be classified to profit or loss		
Differences from translation of financial statements from functional currency to presentation currency	-;-	(13)
Change in fair value of equity securities at FVOCI	-;-	5
Share of other comprehensive income (loss) of investments accounted for using equity method	-;-	394
Total other comprehensive income, net of tax	688	1,077
Comprehensive loss for the year	(5,957)	(4,343)

NOTE 31 – PRINCIPAL SUBSIDIARIES

(1) General information
The Group has 3 consolidated subsidiaries as of 31 December 31, 2019 as follows.

Name	Main business	% of ownership interest 31 December 2018	2019
Nano-opt Media Inc.	Refer to Note 30	100%	100%
Fintech A-Eye ventures Inc.	Operating venture fund business as GP	100%	100%
IoT Square, Inc. (*)	Refer to Note 30	-	77%

(*) As discussed in Note 29. BUSINESS COMBINATION, IoT has become a subsidiary of the Company on 4 January 2019. During the year ended 31 December, 2019, IoT issued new common shares through a third-party allotment. As a results, the Group's ownership interest in IoT decreased from 100% to 77% and recorded 1,300 thousands USD of Capital surplus and 327 thousand USD of Non-Controlling interest, respectively.

(2) The summarized financial information for the subsidiary which the Group recognize non-controlling interest is as follows.

	IoT Square Inc. USD thousand 31 December, 2019
Current assets	387
Non-current assets	600
Current liabilities	1,855
Non-current liabilities	1,155
Equity	(2,023)

(3) Condensed financial information on the overall profit for an IRI Japan subsidiary for non-controlling interests:

	IoT Square Inc. USD thousand 31 December, 2019
Revenue	1,154
Loss for the year	(3,073)
Other comprehensive income	-;-
Total comprehensive income for the year	(3,073)
Profit attribute to non-controlling interest	(132)
Dividend paid to non-controlling interest	-;-

	IoT Square Inc. USD thousand 31 December, 2019
Cash flows from operating activities	(3,219)
Cash flows from investing activities	(9)
Cash flows from financing activities	3,094
Net decrease in cash and cash equivalent	(134)

NOTE 32 – SUBSEQUENT EVENTS

Directorate plan

On August 28, 2019 the Company's Board of Directors has approved the efficiency plan that was developed by the Management, as follows:

(a) The acquisition of Digit Inc.

On 10 March 2020, the Company entered into an investment agreement with Digit Inc. ("Digit") according to which the Company will invest an amount of JPY 25.26 million (approximately 240 thousands USD) for 51% of authorized and issued share of Digit.
Digit is a development and research company which provides consulting services to enterprises in Japan in HR field especially in business behavior assessment, skills management and organization and strategic consulting.
With Digit acquisition, the company is interested to integrate in its activity technologies developed by Israeli companies in IoT and AI filed which will assist Digit to enter the reduction of employee stress and improvement productivity field, while utilizing the access of the company to the Israeli technologies.

The investment was completed on 31 March 2020. Therefore, the Company acquired control over Digit and the entity becomes a subsidiary of the Company on that date.

(b) New third-party allotment by IoT
On April 10, 2020, an investment agreement has been signed between SBI Holdings ("SBI"), a Japanese financial services company that deals, inter alia, in the card field, and IoT as a subsidiary of the Group.
At the time of signing the Agreement, SBI invested a total sum of JPY 200 million (approximately USD 1.85 million) in consideration to 5,000 ordinary shares of IoT, constituting approximately 29.9% of its shares, so that after such investment (and following further investments in non-material amounts in IoT's shares), the Group's holdings in IoT decreased to approximately 53.7% of the issued and paid-up share capital of IoT.

(c) The effects of the spread of the "Corona" virus – Please see note 1.

(d) On April 23, 2020, the Company's Board of Directors approved the Management Plan as set out in Note B1.

NOTE 33 – RECONCILIATION of BBT's FINANCIAL STATEMENTS FROM J-GAAP TO IFRS

On August 6, 2017, the Company submitted an application to the Securities Authority for approval of relief in attaching the reports of the affiliate BBT, whose securities are listed for trading on the Tokyo Stock Exchange in Japan, mainly approval to attach to the Company's reports BBT's financial statements prepared according to the accepted accounting principles in Japan (J-GAAP), as published for the public in Japan, translated into to English, together with a reconciliation note setting out the relevant differences in the BBT financial statements between the J-GAAP and the IFRS. Moreover, in view of the fact that BBT's annual financial statements are published in Japan at the end of the second quarter of the calendar year (meaning June 30,), the Securities Authority staff approves the Company's requested to attach BBT's reports according to its reporting cycle, i.e. BBT's financial statements as at June 30, 2017, which are the audited annual report for the year ending on that date, were attached to the Company's interim reports as at that date.

To the financial statements of the Company for the year ended on December 31, 2018, attached is the audited quarterly reports of BBT, since BBT informed the Company that as of December 31, 2018, it has updated its reporting period in order to have the annual financial statements of BBT published together with the annual financial statements of the Company.

Below is transition from Japanese GAAP to IFRS at BBT as of and for the 12 months ended 31 December 2018 and 2019. Since BBT's financial information under Japanese GAAP is denominated in JPY, the reconciliation below is presented in thousands of JPY.

Consolidated statement of financial position

		As of 31 December 2017			
Presentation under J-GAAP	**Note**	**Reported under Japanese GAAP JPY(in thousand)**	**Effect of transition to IFRS JPY(in thousand)**	**IFRS JPY(in thousand)**	**Presentation under IFRS**
Current assets					**Current assets**
Cash and cash equivalents	C	6,346,851	-	6,346,851	Cash and cash equivalents
Notes and accounts receivable - trade	C,N	1,458,475	(6,941)	1,478,475	Notes and accounts receivable - trade
Investment securities		300,000	(300,000)		Investment securities
Marketable securities		1,040,741	1,040,741	-;-	Investment securities at fair value (Current)
Inventories		268,953	-;-	269,953	Inventories
Deferred tax assets		19,598	(19,598)	-;-	Deferred tax assets
-;-	C	-;-	657,887	657,887	Assets classified as held for sale
Current assets - Others	C	675,694	17,813	693,507	Current assets - Others
Allowance for doubtful accounts	N	(6,941)	6,941	-;-	Allowance for doubtful accounts
Total current assets		**9,089,568**	**1,396,846**	**10,486,414**	**Total current assets**
Non-current assets					**Non-current assets**
Property, plant and equipment	C,K	5,141,514	(654,960)	4,486,554	Property, plant and equipment
Intangible assets	A	204,364	1,318,547	1,522,911	Intangible assets
Goodwill	D	1,094,719	(490,675)	604,044	Goodwill
Investment securities	H,I	1,178,112	221,761	1,399,874	Investments accounted for using the equity method
-;-		-;-	34,774	34,774	Financial assets at fair value through comprehensive income
Deferred tax assets	F		201,054	201,054	Deferred tax assets - non current
Lease and guarantee deposits	C	876,475	-;-	876,475	Lease and guarantee deposits

Non-current assets - Others	C	138,348	20,943	159,291	Non-current assets - Others
Total non-current assets		**8,633,533**	**651,444**	**9,284,977**	**Total non-current assets**
Total assets		**17,723,101**	**2,048,290**	**19,771,391**	**Total assets**

Presentation under J-GAAP	**Note**	**As of 31 December 2017** **Reported under Japanese GAAP JPY(in thousand)**	**Effect of transition to IFRS JPY(in thousand)**	**IFRS JPY(in thousand)**	**Presentation under IFRS**
Current liabilities					**Current liabilities**
Accounts payable-trade		495,988	-;-	495,988	Trade payable
Short-term borrowings		1,899,980	-;-	1,899,980	Short-term borrowings
Lease obligations - - current		32,703	-;-	32,703	Obligation under finance leases - current
Accounts payable-other	C	1,362,626	-;-	1,362,626	Accruals, provisions and other payables
Income taxes payable	C	590,727	-;-	590,727	Income taxes payable
-;-	J	-;-	436,644	436,644	Contract liabilities
Others	J	476,264	(303,430)	172,834	Other current liabilities
Total current liabilities		**4,858,288**	**133,214**	**4,991,502**	**Total current liabilities**
Non-current liabilities					**Non-current liabilities**
Lease obligations		294,931	-;-	294,931	Obligation under finance leases
Long-term borrowings		2,728,610	-;-	2,728,610	Long-term borrowings
Asset retirement obligations		794,247	-;-	794,247	Asset retirement obligations
Deferred tax liabilities	F,N	87,159	393,457	480,616	Deferred tax liabilities - non current
-;-		-;-	100,789	100,789	Contract liabilities - non current
Non-current liabilities - Others	G	107,485	64,822	172,307	Other non-current liabilities
Total non-current liabilities		**4,012,432**	**559,068**	**4,571,500**	**Total non-current liabilities**
Total liabilities		**8,870,720**	**692,282**	**9,563,002**	**Total liabilities**
Equity					**Equity**
Shareholders' equity					**Shareholders' equity**

Capital stock		2,381,163	-	2,381,163	Capital stock
Capital surplus		2,776,297	-	2,776,297	Capital surplus
Retained earnings	O	2,683,324	613,756	3,297,080	Retained earnings
Treasury shares		(259,690)	-	(259,690)	Treasury shares
Total shareholders' equity		**7,581,094**	**613,756**	**8,194,850**	**Total shareholders' equity**
Other comprehensive income		-;-	-;-	-;-	**Other comprehensive income**
Valuation differences of available-for-sale investments		32	222,332	222,364	Valuation differences of available-for-sale investments
Foreign currency translation adjustment		(45,833)	(415)	(46,248)	Foreign currency translation adjustment
Share- based payment		13,345	14,415	27,760	Share- based payment
Total other comprehensive income		**(32,456)**	**236,332**	**203,876**	**Total other comprehensive income**
Non-controlling interests		1,303,742	505,920	1,809,662	Non-controlling interests
Total equity		**8,852,381**	**1,356,008**	**10,208,389**	**Total equity**
Total liabilities and equity		**17,723,101**	**2.048,290**	**19,771,391**	**Total liabilities and equity**

Presentation under J-GAAP	Note	As of 31 December 2018 Reported under Japanese GAAP JPY(in thousand)	Effect of transition to IFRS JPY(in thousand)	IFRS JPY(in thousand)	Presentation under IFRS
Current assets					**Current assets**
Cash and cash equivalents	C	7,250,975	(22,983)	7,227,993	Cash and cash equivalents
Notes and accounts receivable - trade	C,N	1,717,958	(19,638)	1,698,320	Notes and accounts receivable - trade
Marketable securities		221,964	-;-	221,964	Investment securities at fair value (Current)
Inventories		282,482	-;-	282,482	Inventories
-;-	C	-;-	48,727	48,727	Assets classified as held for sale
Current assets - Others	C	744,718	(3,231)	741,487	Current assets - Others
Allowance for doubtful accounts	N	(15,393)	15,393	-;-	Allowance for doubtful accounts
Total current assets		**10,202,704**	**18,268**	**10,220,972**	**Total current assets**
Non-current assets					**Non-current assets**
Property, plant and equipment	C,K	6,643,234	78,364	6,721,598	Property, plant and equipment
Intangible assets	B	1,960,730	17,477	1,978,207	Intangible assets
Goodwill	D	663,584	17,457	681,042	Goodwill
Investment securities	H,I	1,822,665	(1,788,736)	33,929	Investments accounted for using the equity method
-;-		-;-	2,105,616	2,105,616	Financial assets at fair value through comprehensive income
-;-		-;-	171,190	171,190	Financial assets at fair value through profit or loss
Deferred tax assets	F	209,959	253,047	463,007	Deferred tax assets - non current
Lease and guarantee deposits	C	1,488,263	(9,708)	1,478,555	Lease and guarantee deposits
Non-current assets - Others	C	158,947	(26,522)	132,429	Non-current assets - Others
Total non-current assets		**12,947,382**	**818,184**	**13,765,574**	**Total non-current assets**
Total assets		**23,150,094**	**836,452**	**23,986,546**	**Total assets**

As of 31 December 2018

Presentation under J-GAAP	Note	Reported under Japanese GAAP JPY(in thousand)	Effect of transition to IFRS JPY(in thousand)	IFRS JPY(in thousand)	Presentation under IFRS
Current liabilities					**Current liabilities**
Accounts payable-trade		607,430	-;-	607,430	Trade payable
Short-term borrowings		1,831,952	-;-	1,831,952	Short-term borrowings
Lease obligations - - current		25,867	-;-	25,867	Obligation under finance leases - current
Accounts payable-other	C	779,207	(25,501)	753,706	Accruals, provisions and other payables
Income taxes payable	C	45,143	(1,776)	43,367	Income taxes payable
-;-	J	-;-	366,324	366,324	Contract liabilities
-;-	C	-;-	41,079	41,079	Liabilities directly associated with assets classified as held for sale
Others	J	795,193	(125,707)	669,486	Other current liabilities
Total current liabilities		**4,084,792**	**254,419**	**4,339,211**	**Total current liabilities**
Non-current liabilities					Non-current liabilities
Lease obligations		271,109	-;-	271,109	Obligation under finance leases
Long-term borrowings	K	6,339,164	(85,903)	6,253,261	Long-term borrowings
Asset retirement obligations		1,537,158	-;-	1,537,158	Asset retirement obligations
Deferred tax liabilities	E	468,985	60,530	529,515	Deferred tax liabilities - non current
-;-	H	-;-	10,716	10,716	Contract liabilities - non current
Non-current liabilities - Others		277,735	36,347	314,082	Other non-current liabilities
Total non-current liabilities		**8,894,151**	**21,690**	**8,915,841**	Total non-current liabilities
Total liabilities		**12,978,943**	**276,109**	**13,255,052**	Total liabilities
Equity					Equity
Shareholders' equity					Shareholders' equity
Capital stock		2,404,404	-;-	2,404,404	Capital stock
Capital surplus		2,841,553	5,260	2,846,813	Capital surplus
Retained earnings	M	2,247,961	424,720	2,672,681	Retained earnings
Treasury shares		(259,690)	-;-	(259,690)	Treasury shares
Total shareholders' equity		**7,234,228**	**429,980**	**7,664,208**	Total shareholders' equity

Other comprehensive income		-;-	-;-	-;-	Other comprehensive income
Valuation differences of available-for-sale investments	G	(3,313)	6,864	3,551	Valuation differences of available-for-sale investments
Foreign currency translation adjustment		(19,830)	-;-	(19,830)	Foreign currency translation adjustment
Total other comprehensive income		**(23,143)**	**6,864**	**(16,279)**	Total other comprehensive income
Non-controlling interests		2,960,066	123,499	3,083,565	Non-controlling interests
Total equity		10,171,151	560,343	10,731,494	Total equity
Total liabilities and equity		**23,150,094**	**836,452**	**23,986,546**	Total liabilities and equity
Equity					Equity

JPY(in thousand)

Presentation under J-GAAP	**Note**	**Reported under Japanese GAAP**	**Effect of transition to IFRS**	**IFRS**	**Presentation under IFRS**
		As of 31 December 2019			
Current assets					**Current assets**
Cash and cash equivalents		5,914,296	-;-	5,914,296	Cash and cash equivalents
Notes and accounts receivable - trade	L	2,121,401	(5,499)	2,115,902	Notes and accounts receivable - trade
Inventories		306,760	-;-	306,760	Inventories
Current assets - Others		607,364	(146,158)	461,206	Current assets - Others
Allowance for doubtful accounts	L	(5,499)	5,499	-;-	Allowance for doubtful accounts
Total current assets		**8,944,322**	**(146,158)**	**8,798,164**	**Total current assets**
Non-current assets					**Non-current assets**
Property, plant and equipment	I,J	8,458,443	(428,990)	8,029,453	Property, plant and equipment
Use rights assets	J	-;-	15,694,574	15,694,574	
Intangible assets	A,B	2,395,199	7,386	2,402,585	Intangible assets
Goodwill	D	605,672	75,370	681,042	Goodwill
Investment securities	G,L	2,378,706	(2,362,464)	16,242	Investments accounted for using the equity method
-;-		-;-	3,119,187	3,119,187	Financial assets at fair value through

					comprehensive income
-;-		-;-	197,910	197,910	Financial assets at fair value through profit or loss
Deferred tax assets	E	101,282	298,922	400,204	Deferred tax assets - non current
Lease and guarantee deposits		1,335,438	-;-	1,335,438	Lease and guarantee deposits
Non-current assets - Others	H	163,956	204,543	368,499	Non-current assets - Others
Total non-current assets		**15,438,696**	**16,806,438**	**32,245,134**	**Total non-current assets**
Total assets		**24,383,018**	**16,660,280**	**41,043,298**	**Total assets**

JPY(in thousand)

Presentation under J-GAAP	**Note**	**As of 31 December 2019** **Reported under Japanese GAAP**	**Effect of transition to IFRS**	**IFRS**	**Presentation under IFRS**
Current liabilities					**Current liabilities**
Accounts payable-trade		983,528	-;-	983,528	Trade payable
Short-term borrowings		1,820,736	-;-	1,820,736	Short-term borrowings
Lease obligations - - current	J	12,630	3,018,192	3,030,822	Obligation under finance leases - current
Accounts payable-other		322,018	-;-	322,018	Accruals, provisions and other payables
Income taxes payable		108,662	-;-	108,662	Income taxes payable
-;-	H	-;-	559,154	559,154	Contract liabilities
Others		922,730	(541,848)	380,882	Other current liabilities
Total current liabilities		**4,170,304**	**3,035,498**	**7,205,802**	**Total current liabilities**
Non-current liabilities					**Non-current liabilities**
Lease obligations	J	29,714	14,489,683	14,519,397	Obligation under finance leases
Long-term borrowings	K	5,893,430	(68,328)	5,825,102	Long-term borrowings
Asset retirement obligations		1,704,982	-;-	1,704,982	Asset retirement obligations
Deferred tax liabilities	E	592,369	113,140	705,509	Deferred tax liabilities - non current
-;-		-;-	306,589	306,589	Contract liabilities - non current

Non-current liabilities - Others	H	323,973	37,318	361,291	Other non-current liabilities
Total non-current liabilities		**8,544,468**	**14,878,402**	**23,422,870**	**Total non-current liabilities**
Total liabilities		**12,714,772**	**17,913,900**	**30,628,672**	**Total liabilities**
Equity					Equity
Shareholders' equity					Shareholders' equity
Capital stock		3,322,421	-;-	3,322,421	Capital stock
Capital surplus		3,809,480	12,777	3,822,257	Capital surplus
Retained earnings	M	1,226,728	(1,646,907)	(420,179)	Retained earnings
Treasury shares		(87,662)	-;-	(87,662)	Treasury shares
Total shareholders' equity		**8,270,967**	**(1,634,130)**	**6,636,837**	Total shareholders' equity
Other comprehensive income		-;-	-;-	-;-	**Other comprehensive income**
Valuation differences of available-for-sale investments	G	(5,235)	62,935	57,700	Valuation differences of available-for-sale investments
Foreign currency translation adjustment		(22,598)	-;-	(22,598)	Foreign currency translation adjustment
Total other comprehensive income		**(27,833)**	**62,935**	**35,102**	**Total other comprehensive income**
Non-controlling interests		3,425,112	317,575	3,742,687	Non-controlling interests
Total equity		**11,668,246**	**(1,253,620)**	**10,414,626**	**Total equity**
Total liabilities and equity		**24,383,018**	**16,660,280**	**41,043,298**	**Total liabilities and equity**

Consolidated statement of income

		For the six months ended 31 December 2017				
Presentation under J-GAAP	**Note**	**Reported under Japanese GAAP JPY(in thousand)**	**Effect of transition to IFRS JPY(in thousand)**	**Reclassification into Discontinued Operations JPY (In thousands)**	**IFRS JPY(in thousand)**	**Presentation under IFRS**
Net revenue	C,J	4,833,846	(45,663)	(52,847)	4,735,337	Revenue
Cost of revenue	C	(3,366,122)	(13,883)	32,929	(3,347,076)	Cost of sales
Gross profit		**1,467,724**	**(59,546)**	**(19,918)**	**1,388,261**	**Gross profit**
Selling, general and	C,D,E	(1,410,180)	66,598	111,739	(1,231,852)	Selling, general and

administrative expenses						administrative expenses
-;-	C,N	-;-	224,154	(2)	224,152	Other income
-;-	C,N	-;-	(63,191)	-;-	(63,191)	Other expense
Operating profit(Loss)		**57,544**	**168,006**	**91,819**	**317,370**	**Operating profit(Loss)**
Non-operating income	N	85,747	(85,747)	-;-	-;-	-;-
Non-operating expenses	N	(13,833)	13,833	-;-	-;-	-;-
Finance income	N	-;-	154,728	-;-	154,728	Finance income
Finance expense	N	-;-	(11,035)	-;-	(11,035)	Finance expense
Profit under equity method	N	-;-	83,749	-;-	83,749	Share of loss of investments accounted for using the equity method
Extraordinary income	N	687,323	(687,323)	-;-	-;-	-;-
Extraordinary loss	N	(59,900)	59,900	-;-	-;-	-;-
Profit before income taxes		**756,881**	**(303,889)**	**91,819**	**544,811**	**Profit(Loss) before income taxes**
Income taxes	C,F	(564,641)	146,644	190	(417,807)	Income taxes expense
Profit after income taxes		**192,240**	**(157,245)**	**92,009**	**127,004**	**Profit for the period from continuing operations**
-;-		-;-	-;-	(92,009)	(92,009)	Grain from discontinued operations, net of taxes
Profit for the period		192,240	(157,245)	**-;-**	34,995	
Profit (loss) attributable to owners of parent		**167,002**	**(167,087)**	**-;-**	**(85)**	**Profit (loss) attributable to owners of parent**
Non-controlling interests		**25,238**	**9,842**	**-;-**	**35,080**	
Other comprehensive income (loss), net of tax:						Other comprehensive income (loss), net of tax:
Valuation difference on available-for-sale investment	I	32	125,229	-;-	125,261	Change in fair value of available-for-sale financial assets
Foreign currency translation adjustment		5,764	-;-	-;-	5,764	Foreign currency translation adjustment
Share of other comprehensive income of entities accounted for		552	-;-	-;-	552	Share of other comprehensive income of

using equity method						investments using the equity method
Total other comprehensive income (loss), net of tax		**6,348**	**125,229**	**-;-**	**131,577**	**Total other comprehensive income (loss), net of tax**
Comprehensive income		**198,588**	**(32,016)**	**-;-**	**166,572**	**Comprehensive income**
Comprehensive income attributable to :						Comprehensive income attributable to :
Owners of parent		173,350	(41,858)	-;-	131,492	Owners of parent
Non-controlling interests		25,238	9,842	-;-	35,080	Non-controlling interests

		For the six months ended 31 December 2018				
Presentation under J-GAAP	**Note**	**Reported under Japanese GAAP JPY(in thousand)**	**Effect of transition to IFRS JPY(in thousand)**	**Reclassification into Discontinued Operations JPY (In thousands)**	**IFRS JPY(in thousand)**	**Presentation under IFRS**
Net revenue	C,J	6,296,650	39,984	(16,282)	6,320,352	Revenue
Cost of revenue	C	(5,024,647)	(278,138)	26,712	(5,276,073)	Cost of sales
Gross profit		**1,272,003**	**(238,154)**	**10,430**	**1,044,279**	**Gross profit**
Selling, general and administrative expenses	C,D,E	(1,873,504)	54,173	192,772	(1,626,559)	Selling, general and administrative expenses
-;-	C,N	-;-	219,216	(922)	218,294	Other income
-;-	C,N	-;-	(17,841)	-;-	(17,841)	Other expense
Operating profit(Loss)		**(601,501)**	**17,394**	**202,280**	**(381,827)**	**Operating profit(Loss)**
Non-operating income	N	20,995	(20,995)	-;-	-;-	-;-
Non-operating expenses	N	(82,685)	82,685	-;-	-;-	-;-
Finance income	N	-;-	13,149	-;-	13,149	Finance income
Finance expense	N	-;-	(36,016)	-;-	(36,016)	Finance expense
Loss under equity method	N	-;-	(482)	-;-	(482)	Share of loss of investments accounted for using the equity method
Ordinary profit		**(663,190)**	**55,735**	**202,280**	**(405,176)**	**-;-**
Extraordinary income	N	930,145	(930,145)	-;-	-;-	-;-
Extraordinary loss	N	(228,092)	228,092	-;-	-;-	-;-
Profit before income taxes		**38,862**	**(646,318)**	**202,280**	**(405,176)**	**Profit(Loss) before income taxes**
Income taxes	C,F	50,139	(16,982)	309	33,466	Income taxes expense

Profit after income taxes		**89,001**	**(663,300)**	**202,589**	**(371,710)**	**Profit for the period from continuing operations**
Minority interest		76,167	(14,149)	-;-	61,304	Minority interest
-;-		-;-	-;-	(202,589)	(202,589)	Grain from discontinued operations, net of taxes
Profit (loss) attributable to owners of parent		**165,168**	**(678,163)**	**-;-**	**(512,995)**	**Profit (loss) attributable to owners of parent**
Profit after income taxes		**89,001**	**(664,737)**	**202,589**	**89,001**	**(663,300)**
Reclassification of loss from discontinued operations	**C**	**-;-**	**-;-**	**(202,589)**	**(202,589)**	**Reclassification of loss from discontinued operations**
Profit after income taxes		**89,001**	**(663,300)**	**-;-**	**(574,299)**	**Profit(Loss) for the period**
Other comprehensive income (loss), net of tax:						Other comprehensive income (loss), net of tax:
Valuation difference on available-for-sale investment	I	(13,676)	75,164	-;-	61,488	Change in fair value of available-for-sale financial assets
Foreign currency translation adjustment		39,126	-;-	-;-	39,126	Foreign currency translation adjustment
Share of other comprehensive income of entities accounted for using equity method		-;-	-;-	-;-	-;-	Share of other comprehensive income of investments using the equity method
Total other comprehensive income (loss), net of tax		**25,450**	**75,164**	**-;-**	**100,614**	**Total other comprehensive income (loss), net of tax**
Comprehensive income		**114,451**	**(588,136)**	**-;-**	**(473,685)**	**Comprehensive income**
Comprehensive income attributable to :						Comprehensive income attributable to :
Owners of parent		200,982	(608,207)	-;-	(407,225)	Owners of parent
Non-controlling interests		(86,531)	20,071	-;-	(66,460)	Non-controlling interests

JPY(in thousand)

		Year ended 31 December 2019			
Presentation under J-GAAP	**Note**	**Reported under Japanese GAAP**	**Effect of transition to IFRS**	**IFRS**	**Presentation under IFRS**
Net revenue	H	14,660,370	(379,198)	14,218,172	Revenue
Cost of revenue	J	(11,133,347)	(732,932)	(11,866,279)	Cost of sales
Gross profit		**3,527,023**	**(1,112,130)**	**2,414,893**	**Gross profit**
Selling, general and administrative expenses	D,F	(3,830,742)	143,077	(3,687,665)	Selling, general and administrative expenses
-;-	L	-;-	63,859	63,859	Other income
-;-	L	-;-	(14,647)	(14,647)	Other expense
Operating profit(Loss)		**(303,719)**	**(919,841)**	**(1,223,560)**	**Operating profit(Loss)**
Non-operating income	L	63,015	(63,015)	-;-	-;-
Non-operating expenses	L	(111,555)	111,555	-;-	-;-
Finance income	L	-;-	182,328	182,328	Finance income
Financial expense	L	-;-	(226,579)	(226,579)	Finance expense
Loss under equity method	L	-;-	(16)	(16)	Share of loss of investments accounted for using the equity method
Ordinary profit		(352,259)	(915,568)	(1,267,827)	-;-
Extraordinary income	L	-;-	-;-	-;-	-;-
Extraordinary loss	L	(308,382)	308,382	-;-	-;-
Profit before income taxes		**(660,641)**	**(607,186)**	**(1,267,827)**	**Profit(Loss) before income taxes**
Income taxes	E	(297,524)	53,131	(244,393)	Income taxes expense
Profit after income taxes		**(958,165)**	**(554,055)**	**(1,512,220)**	**Profit for the period from continuing operations**
Profit (loss) attributable to owners of parent		**(912,853)**	**(698,185)**	**(1,611,038)**	**Profit (loss) attributable to owners of parent**
Non-controlling interests		45,312	(144,130)	(98,818)	**Non-controlling interests**
Valuation difference on available-for-	G	(14,112)	159,402	145,290	Change in fair value of available-for-sale financial assets

sale investment				
Foreign currency translation adjustment	(2,767)	-;-	(2,767)	Foreign currency translation adjustment
Share of other comprehensive income of entities accounted for using equity method	-;-	-;-	-;-	Share of other comprehensive income of investments using the equity method
Total other comprehensive income (loss), net of tax	**(16,879)**	**159,402**	**142,523**	**Total other comprehensive income, net of tax**
Comprehensive income	**(975,044)**	**(394,653)**	**(1,369,697)**	**Comprehensive income**
Comprehensive income attributable to				Comprehensive income attributable to
Owners of parent	(919,195)	(637,167)	(1,556,362)	Owners of parent
Non-controlling interests	(55,849)	242,514	186,665	Non-controlling interests

A) Acquisition of TSS LINK,Inc.

Pursuant to the share exchange agreement executed on 21 December 2018, the Company completed a share exchange on 31 January 2019, whereby the Company became a wholly owning parent company resulting from share exchange, and TSS LINK, Inc. ("TSS") became a wholly owned subsidiary resulting from share exchange, with the aim of enhancing its computer platform business to increase competitiveness. As a result of the above, the Company acquired 100% voting rights in TSS and made it a consolidated subsidiary.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of TSS, which are measured at fair value as of the date of acquisition in accordance with IFRS, were as follows:

	(In thousands of yen) Fair Value recognized on acquisition
Assets	
Current asset	140,069
Non-current asset	178,955
Total assets	319,024
Liabilities	
Current liabilities	(49,837)
Non-current liabilities	(52,490)
Total liabilities	(102,327)
Total identifiable net assets at fair value	216,697
Total consideration	216,697

Detail of purchase consideration is as follow.

	(In thousands of yen)
Cash paid	10,203
Loss on step acquisition	(3,785)
Ordinary shares issued	210,279
Total purchase consideration	216,697

As of end of June 2019, the difference between the net book value and the acquisition price was recorded as goodwill, but due to the confirmation of accounting, intangible assets were recorded at 171,425 thousand yen and deferred tax liabilities of 52,490 thousand yen. On the other hand, goodwill decreased by 118,934 thousand yen. From the date of acquisition, TSS had contributed JPY 179,365 thousand to the revenue of BBT and had increased profit from continuing operations of BBT by JPY 30,278 thousand. If the business combination had taken place on 1 January 2019, consolidated pro-forma revenue and loss from continuing operations would have been JPY 14,291,218 thousand and JPY 1,654,887 thousand for the 12 months ended 31 December 2019.

B) Acquisition of Okinawa Cable Network Inc.

On 3 October 2018, Japan Cable Cast Inc. ("JCC"), which is BBT's consolidated subsidiary, acquired 100% of the voting shares of Okinawa Cable Network Inc. ("OCN"), an unlisted company based in Okinawa, Japan, specializing in providing dedicated cable television service. As a result of the acquisition, JCC obtained control, and OCN became consolidated subsidiaries of BBT. JCC acquired OCN for the purpose of proposing cable television operators to make progress of innovation of IP business by providing data broadcasting services with IP video distribution service, mutual smart TV service and hybrid cast technology.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of OCN, which are measured at fair value as of the date of acquisition except for limited exceptions in accordance with IFRS, were as follows:

(In thousands of yen)

	Fair Value recognized on acquisition
Assets	
Cash and cash equivalents	387,560
Trade receivables	185,701
Inventories	18,058
Others	53,747
Property and equipment	380,588
Customer relationship assets	16,000
Other intangible assets	10,289
Deferred tax assets	203,717
Other non-current asset	4,071
Total assets	1,259,731
Liabilities	
Trade payables	(36,723)
Accruals and other payables	(152,172)
Income taxes payables	(78,222)
Asset Retirement Obligations	(762,518)
Other current liabilities	(8,899)
Other non-current liabilities	(198,195)
Total liabilities	(1,236,729)
Total identifiable net assets at fair value	23,003

Goodwill	76,997
Total consideration	100,000

All consideration was paid in cash. The fair value of the trade receivables was JPY 185,701 thousand. The gross contractual amounts of the trade receivables were not materially different from the fair value determined as part of the purchase price allocation.

Goodwill of JPY 76,997 thousand represented the value of expected synergies arising from the acquisition and was allocated entirely to the BBT segment. None of the goodwill recognized was expected to be deductible for income tax purposes.

As the purchase price allocation is incomplete as of issuance date of the consolidated financial statements, BBT reports provisional amounts at the acquisition as of 31 December 2018 and 30 June 2019 , but have been confirmed during the current fiscal year. As a result of the allocation of 16,000 thousand yen to customer-related assets, which are mainly intangible assets, and 5,032 thousand yen to deferred tax liabilities, the amount of goodwill is 76,997 thousand yen.

C) Presentation of discontinued operations

Under Japanese GAAP, there is no specific requirements for the presentation of discontinued operations and reclassification of assets and liabilities as assets and liabilities held for sale.
Under IFRS, an operation which meets certain criteria is classified as a discontinued operation and its results should be presented separately from continuing operations.
The Company engaged to sell whole share of its 100% investment in IoT square, Inc. on 21, December 2018. Due to this, the assets and liabilities of IoT square, Inc. as at 31 December 2018 are reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale and income from discontinued operations for the 6 months ended 31 December 2018 and 2017 are separately presented retrospectively.

D) Goodwill and intangibles

As allowed under Japanese GAAP, goodwill is amortized for a period of less than 20 years. Under IFRS, goodwill is not amortized and the impairment test is performed at least annually, or more frequently upon occurrence of a trigger event.
As a result, JPY 681,042 thousand of goodwill is recorded under IFRS as at 31 December 2018 and 31 December 2019, respectively. Subsequently, JCC, which is a subsidiary of BBT, acquired OCN on 3 October 2018. Goodwill arising from OCN acquisition is newly included as at 31 December 2018 and 31 December 2019.

Reconciliation of goodwill between Japanese GAAP and IFRS 31 December 2018 and 31 December 2019 are as follow.

		JPY (In thousands)
	31 December 2018	31 December 2019
Goodwill under Japanese GAAP	663,584	605,672
Reversal of amortization expense of goodwill under Japanese GAAP	55,238	47,504
GAAP adjustment from Japanese GAAP to IFRS related to JCC and OCN as at the date of initial acquisition	(37,780)	27,866
Goodwill under IFRS	681,042	681,042

The Company tests whether goodwill has suffered any impairment on an annual basis at every 31 December under IFRS. The recoverable amount of a cash generating unit (CGU) is determined based on the value-in-use calculations which require the use of the assumptions. The calculations use cash flow projections based on the financial budget covering a five-year period for JCC and a three-year period for OCN. Cash flows beyond each covering period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in the industry reports specific to the industry in which each CGU operates.

When the recoverable amount of the CGU which includes goodwill is lower than the carrying amount of such CGU, an impairment loss is recognized.

	JCC Year ended 31 December 2019	OCN Year ended 31 December 2019
Budgeted operating profit margin (%)	2.9%	5.7%
Long-term growth rate (%)	0%	0%
Pre-tax discount rate (%)	6.69%	7.33%

The Company's management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Budgeted operating profit margin (%)	Based on past performance and management's expectations for the future.
Long-term growth rate (%)	This is the weighted average growth rate used to extrapol ate cash flows beyond the budgeted period. The rates ar e consistent with forecasts included in the industry report.
Pre-tax discount rate (%)	Reflect specific risks relating to the relevant CGU.

The Company tests whether goodwill has suffered any impairment on an annual basis at every 31 December under IFRS. The Company did not perform the impairment test, because there was no indication of potential impairment as at 31 December 2019.

E) Deferred tax assets and deferred tax liabilities

Japanese GAAP provides detailed guidance on assessing the recoverability of deferred tax assets. An entity is classified into 5 categories by its profitability and the extent of the recoverability of deferred tax assets and the length of estimated future periods to assess the recoverability of deferred tax assets are determined by such categories, and the scheduling of estimated future taxable income and the amounts thereof is taken into account in recording deferred tax assets by assessing the recoverability of assets in terms of the sufficiency of taxable income based on profitability, existence of tax planning and sufficiency of taxable temporary differences.

Under IFRS, the recoverability of deferred tax assets is assessed as they are recognized in terms of whether it is probable that taxable profits will be available against which the assets can be utilized. Deferred taxes recognized for other temporary differences arising from adjustments related to IFRS are also adjusted.

As a result, JPY 243,247 thousand and JPY 298,922 thousand of deferred tax assets are 1) adjusted as the differences of the treatment of recoverability of deferred taxes under Japanese GAAP and IFRS, 2) recorded from the adjustment accounting entries from Japanese GAAP to IFRS and 3) reclassified from the tax assets at current assets to non-current assets, also off set the deferred tax assets with the liabilities, as at 31 December 2018 and 2019, respectively.

F) Unused paid absences

Under Japanese GAAP, no provision is made for employees' unused rights to paid absences. Under IFRS, they are recognized in other current liabilities. Additionally, obligations associated with special leave and remuneration that are granted based on specified years of service and which do not require recognition under Japanese GAAP are recognized and included in other non-current liabilities under IFRS.

For the 12 month ended December 31, 2018 and 2019, the expense relating to the unused paid absence at JPY 30,523(profit) thousand and JPY 4,969(profit) thousand are included as the adjustment from Japanese GAAP to IFRS, respectively. In addition, others in the non-current liability are increased by JPY 49,429 thousand and JPY 48,799 thousand, respectively, due to the adjustment from Japanese GAAP to IFRS.

G) Fair value measurement

Under Japanese GAAP, if a financial asset does not have a quoted market value, then where an entity is able to reasonably calculate a price which can be considered to be a quasi-quoted price, such price may be used for that financial asset as a market value. The "reasonably calculated price" represents, a price calculated using reasonable estimates of management.
Under IFRS, the Company referred to the levels of the fair value hierarchy for financial instruments measured at fair value on the reconciliation based on the following inputs:
– Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

– Level 2 inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

– Level 3 inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable, which reflect the reporting entity's own assumptions that market participants would use in establishing a price.

(1) Fair value measurements by fair value hierarchy
Assets measured at fair values on a recurring basis in the reconciliation as of 31 December 2018 and 2019 are as follows:

JPY (In thousands)

	Level 1	Level 2	Level 3	Total
As at 31 December 2018				
Assets				
Financial assets at fair value through other comprehensive income	-;-	-;-	2,327,579	2,327,579
Financial assets at fair value through profit or loss	-;-	-;-	171,190	171,190
Total	-;-	-;-	2,498,769	2,498,769

JPY (In thousands)

	Level 1	Level 2	Level 3	Total
As at 31 December 2019				
Assets				
Financial assets at fair value through other comprehensive income	-;-	-;-	3,119,187	3,119187
Financial assets at fair value through profit or loss	-;-	-;-	197,911	197,911
Total	-;-	-;-	3,317,097	3,317,097

The table below presents the changes in level 3 instruments for the relevant periods:

Level 3

	JPY (In thousands)
Balance at 1 July 2018	1,900,106
Additions of financial assets	574,972
Disposal of financial assets	(50,000)
Transfer to investment in subsidiary	-;-
Fair value gain/(loss) on valuation carried to other comprehensive income	73,374
Others	317
Balance at 31 December 2018	2,498,769
Balance at 1 July 2019	2,498,769
Additions of financial assets	686,740
Disposal of financial assets	(222,000)
Transfer to investment in subsidiary	-;-
Fair value gain/(loss) on valuation carried to other comprehensive income	193,097
Fair value gain/(loss) through profit or loss	158,112
Loss on valuation of financial assets	2,343
Others	-;-
Balance at 31 December 2019	3,317,097

There were no transfers between levels 1, 2 and 3 during the relevant periods.

H) Revenue recognition

BBT derives more than 90% of its revenues from recurring revenue streams, consisting primarily of 1) Computer platform business; 2) IoT/AI solution business; 3) Media solution business.

1) Computer platform business
Main component in the computer platform business is data center business, consisting primarily of 1) colocation, which includes the licensing of cabinet space and power; (2) interconnection offerings; (3) managed infrastructure solutions. The remainder of the revenues are from non-recurring revenue streams, such as installation revenues, professional services and equipment sales. Under the revenue accounting guidance under IFRS15, revenues are recognized when control of these products and services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for the products and services. Revenues from recurring revenue streams are generally billed monthly and recognized ratably over the term of the contract, generally one to three years for data center customers. Non-recurring installation fees, although generally paid upfront upon installation, are deferred and recognized ratably over the average customer relationship periods. Professional service fees and equipment sales are recognized in the period when the services were provided.

2) IoT/AI solution business
IoT/AI solution business mainly supports contact centers and help desks operators through natural language analysis technology. Under the revenue accounting guidance under IFRS15, revenues are recognized when control of these services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for the services. Revenue from the services are recognized in the period when the services were provided.

3) Media solution business
   Media solution business provides the telecommunications network business for cable television operators and program suppliers throughout Japan. The remainder of the revenues are from non-recurring revenue streams, such as installation revenues, professional services and equipment sales. Under the revenue accounting guidance under IFRS15, revenues are recognized when control of these products and services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for the products and services. Revenues from recurring revenue streams are generally billed monthly and recognized ratably over the term of the contract, generally one to three years for cable television operators and program suppliers. Non-recurring installation fees are recognized in the period when the services were provided.

Under Japanese GAAP, revenue is recognized when each good is accepted by the Company's customer or for the contractual period when each service is provided. The revenue from initial installation services at the datacenter business is recognized at the time of installation.
However, under IFRS 15, which has been adopted from 1 January 2018, the Company recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. The Company has concluded that the current methods of revenue recognition and measurement under Japanese GAAP are in accordance with both IFRS 15 and former IAS18, with the exception of installation services. Under both IFRS 15 and former IAS18, the initial installation services is recognized over the period of the expected period of the customer relationship.
As a result of the adjustment at revenue recognition, the revenue for the 6 month ended 31 December 2018 increased by JPY 39,984 thousand and the revenue for the 12 month ended 31 December 2019 decreased by JPY 379,198 thousand, and also the cost of sales for the 6 month ended 31 December 2018 increased by JPY 2,081 thousand and the cost of sales for the 12 month ended 31 December 2019 decreased by JPY 307,715 thousand.
The Company has provided the services to various customers. In the computer platform business of BBT, Yahoo Japan Corporation is the largest customer for more than 10 percent of total segment revenue under J-GAAP at JPY 1,633,139 thousand and JPY 1,212,866 thousand for the 6 month ended December 2018 and the 12 month ended December 2019, respectively.

I) Impairment of plant, property and equipment
Under Japanese GAAP, an impairment loss is recognized when there is an indicator of impairment and (1) The undiscounted value of total future cash flows is below the asset's carrying amount; then (2) The recoverable amount of an asset is below its carrying amount. There are two steps for recognition of an impairment loss.
Under IFRS, an impairment loss is recognized when there is an indication of impairment and when the recoverable amount of an asset is below its carrying amount. Step 1 under Japanese GAAP is not required under IFRS.

J) Lease
BBT has adopted IFRS 16 Leases from the fiscal year beginning 1 January 2019. The Group has applied the modified retrospective method permitted by IFRS 16 and recognized the cumulative amount of the impact as of 1 January 2019 upon adoption of the standard. As a result, the Group has not restated the amounts in the comparative reporting period prior to adoption of IFRS 16.

IFRS 16 sets out the principal for the recognition, measurement, presentation and disclosure of lease contracts for lessees and lessors. Under IFRS 16, lessees no longer make a distinction between finance and operating leases as required under IAS 17, and apply a single accounting model. At the commencement date of a lease, lessees recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use assets). Subsequently, lessees are required to recognize separately the interest expense on the lease liability and the depreciation expense on the right-of-use assets. The right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the assets or the lease term. Lessors accounting under IFRS 16 remains substantially unchanged from IAS 17.

Upon the adoption of IFRS 16, the Group recognized lease liabilities for its leases previously classified as operating lease under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate used for the lease liabilities as of 1 January 2019 was 0.51%.

BBT applied the following practical expedients permitted by IFRS 16 when applying IFRS 16:

- Accounted operating leases with less than 12 months of lease term remaining as of 1 January 2019 for as short-term leases and low value leases.
- Used hindsight when determining the lease term of contract including extension options and/or termination options.
- By class of underlying asset, not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

BBT elected not to apply IFRS 16 to the agreements that were not identified as containing a lease component applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

JPY(in thousands)

Commitments for operating lease as of 31 December 2018 as disclosed in the Group's consolidated financial statements	18,057,304
Discounted using the group's incremental borrowing rate of 0.51%	(713,862)
Add: finance lease liabilities recognized as at 31 December 2018	296,975
(Less): short term leases and low value leases recognized on straight-line basis as expense	(26,239)
Add: adjustments as a result of different treatment of extension and termination options	17,726
Lease liabilities recognized at 1 January 2019	17,631,904
Current lease liabilities	3,019,815
Non-current lease liabilities	14,612,089

As a result of above, the Group recognized JPY 15,678,935 thousand for the right-of-use assets, the amount of impairment was JPY 1,476,841 thousand, and JPY 17,334,928 thousand for the lease liabilities, in the annual condensed consolidated financial position as of 1 January 2019. As at 1 January and 31 December 2019, the Group's right-of-use assets consist almost entirely of Buildings.

Due to the adoption of IFRS 16, cost of revenue and rent expense which included operating lease expenses decreased by JPY 2,484,382 thousand and 425,133 thousand, respectively for the period ended 31 December 2019. The depreciation and amortization expenses which included the depreciation expenses of right-of-use assets, and finance costs which included interest expenses for lease liabilities increased by JPY 1,744,715 thousand and JPY 101,381 thousand, respectively for the period ended 31 December 2019.

The accounting policies applied by the Group in accordance with the IFRS 16 as of 1 January 2019 are as follows:

The Group, as a lessee, mainly leases properties. Lease contracts are normally entered into the fixed term from 1 years to 15 years.

Leases are recognized as right-of-use assets and the corresponding liabilities when the lease assets become available for use by the Group. Each lease payment is apportioned between repayments of the lease liability and finance costs. The finance costs are accounted for as expenses over the lease term and calculated based on constant periodic rate of interest on the remaining balance of the lease liability. The right-of-use assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The assets and liabilities arising from leases are measured at the present value ofthe lease at the commencement date. The lease liability includes the net present value of the following lease payments:

- fixed payments less any lease incentives
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option. to terminate the lease

Lease payments are determined using the Group's incremental borrowing rate, since the implicit rate in the lease can not be readily determined.
The right-of-use assets is measured at cost shall comprise:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct cost
- cost of restoring the underlying asset to the original condition

The lease payments associated with short-term lease and leases of low-value assets are recognized as expenses on a straight-line basis.

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. A lease of low-value asset, for example, comprises low value assets such as office furniture and fixture.

The Group's property leases include extension options and termination options.

Extension option shall be included in the lease term only if the lessee is reasonably certain to exercise that option.

For the year ended 31 December, 2018

	JPY (In thousands)
	31 December
	2018
No later than 1 year	32,707
Later than 1 year and no later than 5years	123,923
Later than 5years	188,185
Total	344,814
Future finance charges on finance leases	47,839
Present values of finance lease liabilities	296,975

	JPY (In thousands)
	31 December

	2018
No later than 1 year	25,866
Later than 1 year and no later than 5 years	99,237
Later than 5years	171,872
Total finance lease liabilities	296,975
Less: Amount included in current liabilities	(25,866)
Non-current portion	271,109

For the year ended 31 December, 2019

(v) The expenses relating to leases are as follows.

	JPY (In thousands)
	For the year ended 31 December, 2019
Depreciation of right-of-use assets	
Buildings	(1,445,745)
Equipment	(311,397)
Total depreciation expenses	(1,757,142)
Interest expenses relating to lease liabilities	(101,877)
Expenses relating to leases of low-value assets	(15,089)

(vi) The carrying amounts of the right-of-use assets are as follows.

	JPY (In thousands)
	31 December, 2019
Right-of-use assets	
Buildings	14,839,826
Equipment	854,749
Total	15,694,575

(vii) The changes in the carrying amounts of the right-of-use assets are as follows:

	JPY (In thousands)
	31 December, 2019
Balance at 1 January, 2019 under finance lease transactions	286,306
Adjustments on adoption of IFRS16	15,678,539
Balance at 1 January, 2019 (adjusted)	15,964,845
New lease transactions	3,181,214
Depreciation	(1,757,142)
Impairment loss (*)	(1,925,016)
Others	230,673
Balance at 31 December, 2019	15,694,575

(*) The Group determined that there were indications of impairment on right-of-use assets, mainly in connection with the first site, the third site, and the fifth site. As a result, impairment of right-of-use assets in the amounts of 1,925,016 thousand yen was recognized for the year ended December 31, 2019.

(viii) The changes in the carrying amounts of the right-of-use liabilities are as follows:

	JPY (In thousands)
	31 December, 2019
Balance at 1 January, 2019 under finance lease transactions	296,975
Adjustments on adoption of IFRS16	17,334,929
Balance at 1 January, 2019 (adjusted)	17,631,904
New lease transactions	3,181,214
Repayment	(3,262,899)
Balance at 31 December, 2019	17,550,219

K) Loan covenants

To raise funds flexibly for investment demand in the new data center established in August 2018, BBT has signed a commitment-type syndicated loan agreement of 4.0 billion in total with five banks including our counterparties arranged by Sumitomo Mitsui Banking Corporation in March 2018 and the agreement was updated in December 2018. This agreement includes financial conditions as follows.
1) At the end of the fiscal year ended 30 June 2018 and every subsequent fiscal year-end, the total amount of net assets on the consolidated balance sheet shall not be less than the higher of either: an amount equivalent to 80% of total net assets on the consolidated balance sheet at the end of the fiscal year ended 30 June 2017; or an amount equivalent to 80% of total net assets on the consolidated balance sheet at the end of the most recent fiscal year.
2) At the end of the fiscal year ended 31 December 2020 and every subsequent fiscal year-end, an ordinary loss on the consolidated statement of income shall not be recorded for two consecutive fiscal years.
3) At the second quarter end of the fiscal year ended 31 December 2020, an ordinary loss on the consolidated statement of income shall not be recorded.
The Company has complied with these covenants throughout the reporting period.

L) Reclassification

a) Allowance for doubtful accounts

Under Japanese GAAP, the allowance for doubtful accounts is separately presented on the balance sheet. Under IFRS, allowances for doubtful accounts are offset against the applicable accounts (i.e. accounts receivable).
As a result, JPY 15,394 and JPY 5,499 thousand included in the account of the allowance for doubtful accounts are transferred to Notes and accounts receivables – trade as at 31 December 2018 and 2019, respectively.

b) Investment securities

Under Japanese GAAP, investments accounted for using the equity method are presented as a part of investment securities with the investment securities, however, under IFRS, it's independently presented as the investment accounted for using the equity method.
As a result, the investment accounted for using the equity method of JPY 16,259 thousand and JPY 16,242 thousand included in the account of the investment securities are independently presented as at 31 December 2018 and 2019, respectively.

c) Non-operating income & expense and Extraordinary income & loss

Under Japanese GAAP, non-operating income and expense are presented below operating profit. These accounts consist of financial income and expense, foreign exchange gain (loss), profit (loss) under equity method investment and others. In addition, exceptional items are required to be presented as “Extraordinary income and loss” on the face of the income statement. The definition of “special” is broader compared to IFRS and includes some extraordinary items.
Under IFRS, financial income, financial expense and profit (loss) under equity method investment is usually shown below operating profit. The term exceptional items is not used or defined, however, separate disclosure is required (either on the face of the comprehensive income statement or in the notes) when it is necessary to allow an entity to explain its performance for the period as a result of the size, nature or incidence of certain items of income and expense. It is prohibited to present any items as “Extraordinary” under IFRS.

M) Retained earnings

Reconciliation of retained earnings under Japanese GAAP and IFRS is below-

	31 December 2018 JPY (in thousand)	**31 December 2019 JPY (in thousand)**
Reported under Japanese GAAP	2,247,961	1,226,728
Reversal of amortization of goodwill	55,237	101,470
Amortization of customer relationship asset	(2,463)	-;-
Deferred taxes	237,848	364,404
Unused paid absences	(39,469)	(28,612)
Impairment of Property, Plant & Equipment	(35,153)	3,398,521
Revenue recognition	(49,467)	(120,951)
Impairment of investment securities	(11,827)	(11,828)
Non-controlling interests	(35,916)	(141,474)
Adjustment for application of Effective interest method	85,569	69,986
Effect of application of IFRS 9	340,136	452,202
Provision for unfavorable contract	(161,900)	(161,900)
Effect of application of IFRS 16		1,063,419
Others	41,124	2,998
Reported under IFRS	2,672,681	(420,179)

The company identifies contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it in its datacenter business, thus the company makes provision for such onerous contracts.