

**SOFTLINE HOLDING PLC**  
**(former AXION HOLDING CYPRUS LTD)**

REPORT AND SEPARATE FINANCIAL STATEMENTS  
For the period from 1 January 2021 to 31 March 2022

# **SOFTLINE HOLDING PLC** **(former AXION HOLDING CYPRUS LTD)**

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## **REPORT AND SEPARATE FINANCIAL STATEMENTS**

Period from 1 January 2021 to 31 March 2022

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# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **BOARD OF DIRECTORS AND OTHER OFFICERS**

**Board of Directors:** Igor Pavlovich Borovikov  
Royston Charles Harding (Appointed on 4 March 2022)  
Sergey Chernovolenko (Appointed on 8 September 2021)  
Karl Robb (Appointed on 29 September 2021)  
Marc William Kasher (Appointed on 8 September 2021)  
Jacques Guers (The Chairman, appointed on 15 December 2020)  
Katerina Havatzias Berou (Appointed on 4 January 2019, resigned on 8 September 2021)  
Nikolas Paphitis (Appointed on 18 March 2019, resigned on 8 September 2021)  
Alexander Galitskiy (Appointed on 18 March 2019, resigned on 4 March 2022)  
Procopi Maria (Appointed on 15 December 2020, resigned on 18 June 2021)  
Anastasia Christofi (Appointed on 31 December 2019, resigned on 8 September 2021)  
Maria Pieridou (Appointed on 31 December 2019, resigned on 1 March 2021)  
Alexis Constantinou (Appointed on 18 June 2021, resigned on 8 September 2021)  
Oleg Zhelezko (Appointed on 29 July 2016, resigned on 4 March 2022)  
Maria Mylona (Appointed on 1 March 2021, resigned on 8 September 2021)

**Company Secretary:** IONICS SECRETARIES LIMITED  
20 Vasilissis Freiderikis, El Greco House  
1st floor, Apt. 104, 1066, Nicosia, Cyprus

**Independent Auditors:** Ernst & Young Cyprus LTD  
Certified Public Accountants and Registered Auditors  
Jean Nouvel Tower  
6, Stasinou Avenue  
P.O. Box 21656  
1511 Nicosia, Cyprus

**Registered office:** 11 Kosta Charaki Street, Office 302  
Limassol  
CY-3041  
Cyprus

**Registration number** HE242943

# **SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)**

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## **MANAGEMENT REPORT**

The Board of Directors of SOFTLINE HOLDING PLC ("the Company") presents to the members its Management report and the audited separate financial statements of the Company for the period from 1 January 2021 to 31 March 2022. Softline Holding PLC is a public company, listed on London Stock Exchange and Moscow Stock Exchange.

Softline's Environmental, Social and Governance (ESG) Statement is presented on the official website <https://softline.com/about/esg/esg-statement>.

### **Principal activities and nature of operations of the Company**

The principal activities of the Company, which are unchanged from last year, are the holding of investments, provision of finance to its subsidiaries and other interest earning activities.

### **Review of current position, and performance of the Company's business**

The Company's development to date, financial results and position as presented in the separate financial statements are considered satisfactory.

### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the Company are disclosed in notes 6 and 7 of the separate financial statements.

### **Future developments of the Company**

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

### **Existence of branches**

The Company does not maintain any branches.

### **Results**

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

### **Dividends**

During the period from 1 January 2021 till 31 March 2022, the Company declared dividends in the amount of US\$12,806,641 (2020: Nil).

### **Share capital**

#### Authorised capital

Under its Memorandum of Association the Company fixed its nominal share capital as at 31 March 2022 at US\$118,235 dollars divided into 500,000,000 ordinary shares of US\$0,00023647 each.

#### Issued capital

The Company issued share capital is US\$43,438 divided into 183,692,834 ordinary shares of US\$0,00023647 each. The Company's share capital movement disclosed in the Note 21.

### **Board of Directors**

The members of the Company's Board of Directors as at 31 March 2022 and at the date of this report are presented on page 1.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

### **Events after the reporting period**

Any significant events that occurred after the end of the reporting period are described in Note 30 to the separate financial statements.

# **SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)**

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## MANAGEMENT REPORT (continued)

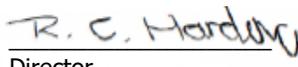
### **Corporate Governance Statement**

The Company is not required to comply with the U.K. Corporate Governance Code. In addition there are no compulsory corporate governance rules applicable to the Company either under Cyprus law or Russian law. The Company is principally governed by the Board of Directors and general meetings of the shareholders. The Board of Directors has, however, put in place a corporate governance framework which it considers appropriate taking into account the nature of its business. The Board of Directors has established an audit and risk committee, a nomination and remuneration committee, and a disclosure committee each with formally delegated duties and responsibilities and written terms of reference.

### **Independent Auditors**

The Independent Auditors, Ernst & Young Cyprus LTD, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

On behalf of the Directors as authorised by the Board of Directors:

  
\_\_\_\_\_  
Director  
ROYSTON CHARLES HARDING

  
\_\_\_\_\_  
Director  
SERGEY CHERNOVOLENKO

Nicosia, 6 July 2022

# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **BOARD OF DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors is responsible for the preparation of the separate financial statements that give a true and fair view of the financial position of Softline Holding PLC (the "Company") for the period from 1 January 2021 to 31 March 2022 and of the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In preparing the separate financial statements, the Board of Directors is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in the International Financial Reporting Standards ("IFRS") are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- making an assessment of the Company's ability to continue as a going concern.

The Board of Directors, within its competencies, is also responsible for:

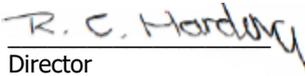
- designing, implementing and maintaining an effective and sound system of internal controls over financial reporting, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the separate financial position of the Company, and which enable them to ensure that the separate financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

In accordance with DTR4.1 on Annual Financial Reporting, providing for the disclosure and transparency requirements for issuers whose transferable securities are admitted to trading on a UK Recognised Investment Exchange, we, the members of the Board of Directors, responsible for the preparation of the annual parent separate financial statements of Softline Holding PLC for the period from 1 January 2021 to 31 March 2022, hereby declare that to the best of our knowledge:

- (a) the parent separate financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company taken as a whole; and
- (b) the management report includes a fair review of the development and performance of the business and the position of the Company taken as a whole, together with a description of the principal risks and uncertainties it faces.

The separate financial statements of the Company as of and for the period from 1 January 2021 to 31 March 2022 were authorized for issue by the Board of Directors on 6 July 2022.

On behalf of the Board:

  
\_\_\_\_\_  
Director  
ROYSTON CHARLES HARDING

  
\_\_\_\_\_  
Director  
SERGEY CHERNOVOLENKO

Nicosia, 6 July 2022

## Independent Auditor's Report

### To the shareholders and the Board of Directors of Softline Holding PLC

#### Report on the Audit of the Parent Separate Financial Statements

##### Opinion

We have audited the separate financial statements of parent company SOFTLINE HOLDING PLC (the "Company"), which are presented in pages 9 to 48 and comprise the statement of financial position for the period from 1 January 2021 to 31 March 2022, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and notes to the parent separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent separate financial statements give a true and fair view of the financial position of parent company SOFTLINE HOLDING PLC as at 31 March 2022, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

##### Basis for Opinion

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

##### Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent separate financial statements of the current period. These matters were addressed in the context of our audit of the parent separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the parent separate financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the parent separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying parent separate financial statements.



**Key audit matter**

**How our audit addressed the key audit matter**

**Impairment of investments in subsidiaries and loans receivable**

As at 31 March 2022, the Company had investments in subsidiaries with carrying amount of US\$ 202,851,367 and loans receivable with carrying amount of US\$ 58,069,329, of which US\$ 52,657,769 with subsidiaries, resulting in a net investment in subsidiaries of US\$ 255,509,136 representing 45.9% of total assets. According to IAS 36 "Impairment of assets" at the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired (i.e. its carrying amount may be higher than its recoverable amount). If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated. The Company has performed impairment assessment of the net investment in subsidiaries as of 31 March 2022 in accordance with IAS 36 requirements.

We consider the impairment assessment of net investment in subsidiaries as a matter of most significance in our audit since the impairment assessment is subject to significant judgement and involves assumptions and estimates to be made by management in relation to such parameters as projections of future performance of the subsidiaries and their enterprise value, which are based on extensive analysis.

Disclosures in respect of impairment assessment of investments in subsidiaries and loans receivable are included in Note 14, Note 17 and Note 7.

We have considered the Company's accounting policy in respect to assessment for impairment of subsidiaries and loans receivable (the net investment in subsidiaries) against the requirements of IAS 36.

We have assessed the disclosures made in respect of investments in subsidiaries and loans receivable in the notes to the separate financial statements.

We have received financial statements of subsidiaries and reviewed their net asset position against the carrying amount of the net investment in subsidiaries to assess managements assessment as to whether any indicators of impairment are present.

We involved our internal specialist to assist us in analysing the main assumptions and valuation methodology used by management in the Discounted Cash Flow (DCF) model for estimating the fair value of Softline Services India Private Limited with carrying amount of US\$96,490,790 (direct and indirect holding). For Softline AG Germany, which is listed entity, the quoted price used to determine the recoverable amount, resulting in an impairment of US\$5,557,982 was corroborated to the market price of the investment on the Munich stock market. For other net investments, for which impairment indicators were identified, we obtained DCF models prepared by management internal experts and we assessed the valuation assumptions used such as discount and growth rates applied to derive valuations based on comparable companies valuations.

We have also assessed the competence and relevant experience of the experts engaged by management internal experts.

**Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management report, but does not include the parent separate financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the parent separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the parent separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



## **Responsibilities of the Board of Directors and those charged with governance for the parent Separate Financial Statements**

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

In preparing the parent separate financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the parent Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent separate financial statements, including the disclosures, and whether the parent separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal Requirements**

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

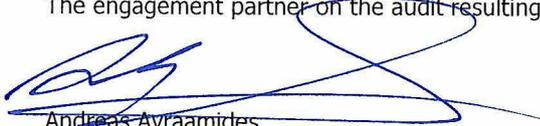
- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the parent separate financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

### **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the period ended 31 March 2022.

The engagement partner on the audit resulting in this independent auditor's report is Andreas Avraamides.



Andreas Avraamides  
Certified Public Accountant and Registered Auditor  
for and on behalf of

**Ernst & Young Cyprus LTD**  
**Certified Public Accountants and Registered Auditors**

Nicosia, Cyprus 6 July 2022

**SOFTLINE HOLDING PLC**  
**(former AXION HOLDING CYPRUS LTD)**

**STATEMENT OF COMPREHENSIVE INCOME**  
For the period from 1 January 2021 to 31 March 2022

|  |         | <b>For the period<br/>from 1 January<br/>2021 to 31<br/>March 2022</b> | 2020         |
|--|---------|--|--------------|
|  | Note    | US\$   | US\$         |
| Revenue  | 8       | <b>7,933,530</b>   | 2,731,114    |
| Change in fair value of associates at fair value through profit and loss | 15,16.2 | <b>10,311,504</b>  | 66,994,503   |
| Other operating income   | 9       | <b>4,357,532</b>   | 1,047,954    |
| Administration expenses  | 10      | <b>(13,781,841)</b>  | (10,357,821) |
| Net other expenses   | 11      | <b>(5,612,587)</b>   | (6,329,566)  |
| <b>Operating profit</b>  |         | <b>3,208,138</b>   | 54,086,184   |
| Net finance income   | 12      | <b>3,092,784</b>   | 5,065,498    |
| <b>Profit before tax</b>   |         | <b>6,300,922</b>   | 54,151,682   |
| Tax  | 13      | <b>(1,056,043)</b>   | -            |
| <b>Net profit for the period/year</b>                                    |         | <b>5,244,879</b>   | 59,151,682   |
| <b>Other comprehensive income</b>  |         |  |              |
| Fair value reserve of equity instrument designated at FVOCI              | 16.1    | 8,372,880  | -            |
| <b>Total comprehensive income for the period/year</b>                    |         | <b>13,617,759</b>  | 59,151,682   |

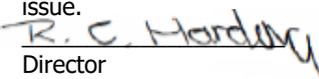
The notes on pages 13 to 48 form an integral part of these financial statements.

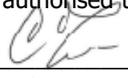
**SOFTLINE HOLDING PLC**  
**(former AXION HOLDING CYPRUS LTD)**

**STATEMENT OF FINANCIAL POSITION**  
**At 31 March 2022**

|   |      | <b>31 March 2022</b> | 31 December 2020 |
|---|------|----------------------|------------------|
|   | Note | US\$                 | US\$             |
| <b>ASSETS</b>   |      |                      |                  |
| <b>Non-current assets</b>   |      |                      |                  |
| Investments in subsidiaries                                       | 14   | <b>202,851,367</b>   | 104,397,494      |
| Intangible assets   |      | <b>50,950</b>        | -                |
| Investments in associates   | 15   | <b>645</b>           | 112,113,048      |
| Financial assets at fair value through other comprehensive income | 16.1 | <b>12,782,839</b>    | -                |
| Financial assets at fair value through profit and loss            | 16.2 | <b>62,172,759</b>    | -                |
| Other non-current assets  |      | <b>1</b>             | 1                |
| Non-current loans receivable                                      | 17   | <b>36,163,665</b>    | 1,818,116        |
|   |      | <b>314,022,226</b>   | 218,328,659      |
| <b>Current assets</b>   |      |                      |                  |
| Receivables   | 18   | <b>1,677,482</b>     | 907,491          |
| Loans receivable  | 17   | <b>21,905,664</b>    | 31,252,434       |
| Prepayments   | 20   | <b>2,651,110</b>     | 3,216,886        |
| Cash and cash equivalents   | 19   | <b>217,000,267</b>   | 752,707          |
|   |      | <b>243,234,523</b>   | 36,129,518       |
| <b>Total assets</b>   |      | <b>557,256,749</b>   | 254,458,177      |
| <b>EQUITY AND LIABILITIES</b>                                     |      |                      |                  |
| <b>Equity</b>   |      |                      |                  |
| Share capital   | 21   | <b>43,438</b>        | 1,290            |
| Treasury shares   | 21   | <b>(120)</b>         | -                |
| Share premium   | 21   | <b>414,591,899</b>   | 45,627,638       |
| Shareholder contribution  | 21   | <b>1,358,754</b>     | -                |
| Revaluation of equity instrument designated at FVOCI              | 16.1 | <b>8,372,880</b>     | -                |
| Other reserves  | 22   | <b>(1,244,518)</b>   | (1,244,518)      |
| Treasury shares reserve   | 21   | <b>(2,694,851)</b>   | -                |
| Retained earnings   |      | <b>57,671,044</b>    | 82,132,012       |
| <b>Total equity</b>   |      | <b>478,098,526</b>   | 126,516,422      |
| <b>Non-current liabilities</b>                                    |      |                      |                  |
| Borrowings  | 23   | <b>19,194,058</b>    | 63,716,175       |
| Non-current contingent consideration                              | 27   | <b>5,637,000</b>     | -                |
| Deferred income   | 25   | <b>5,289,000</b>     | -                |
|   |      | <b>30,120,058</b>    | 63,716,175       |
| <b>Current liabilities</b>  |      |                      |                  |
| Deferred income   | 25   | <b>1,476,000</b>     | -                |
| Contingent consideration  | 27   | <b>12,065,000</b>    | -                |
| Other payables  | 24   | <b>32,595,488</b>    | 2,126,893        |
| Borrowings  | 23   | <b>2,901,677</b>     | 62,098,687       |
|   |      | <b>49,038,165</b>    | 64,225,580       |
| <b>Total liabilities</b>  |      | <b>79,158,223</b>    | 127,941,755      |
| <b>Total equity and liabilities</b>                               |      | <b>557,256,749</b>   | 254,458,177      |

On 6 July 2022 the Board of Directors of SOFTLINE HOLDING PLC authorised these separate financial statements for issue.

  
 Director  
 ROYSTON CHARLES HARDING

  
 Director  
 SERGEY CHERNOVOLENKO

The notes on pages 13 to 48 form an integral part of these financial statements.

**SOFTLINE HOLDING PLC**  
**(former AXION HOLDING CYPRUS LTD)**

**STATEMENT OF CHANGES IN EQUITY**

For the period from 1 January 2021 to 31 March 2022

|   | Note | Share capital<br>US\$ | Treasury shares<br>US\$ | Share premium<br>US\$ | Revaluation of equity instrument<br>designated at FVOCI<br>US\$ | Shareholder contribution<br>US\$ | Other reserves<br>US\$ | Treasury Shares reserve<br>US\$ | Retained earnings<br>US\$ | Total<br>US\$      |
|---|------|-----------------------|-------------------------|-----------------------|---|----------------------------------|------------------------|---------------------------------|---------------------------|--------------------|
| <b>Balance at 1 January 2020</b>  |      | <b>1,290</b>          | -                       | <b>45,627,638</b>     | -   | -                                | <b>(1,244,518)</b>     | -                               | <b>22,980,330</b>         | <b>67,364,740</b>  |
| Net profit for the year   |      | -                     | -                       | -                     | -   | -                                | -                      | -                               | 59,151,682                | 59,151,682         |
| <b>Total comprehensive income for the year</b>                          |      |                       |                         |                       |   |                                  |                        |                                 | 59,151,682                | 59,151,682         |
| <b>Balance at 1 January 2021</b>  | 21   | <b>1,290</b>          | -                       | <b>45,627,638</b>     | -   | -                                | <b>(1,244,518)</b>     | -                               | <b>82,132,012</b>         | <b>126,516,422</b> |
| Net profit for the period   |      | -                     | -                       | -                     | -   | -                                | -                      | -                               | 5,244,879                 | 5,244,879          |
| Fair value reserve of equity instrument designated at FVOCI (Note 16.1) |      | -                     | -                       | -                     | 8,372,880   | -                                | -                      | -                               | -                         | 8,372,880          |
| <b>Total comprehensive income for the period</b>                        |      |                       |                         |                       | <b>8,372,880</b>  |                                  |                        |                                 | <b>5,244,879</b>          | <b>13,617,759</b>  |
| <b>Transactions with owners</b>   |      |                       |                         |                       |   |                                  |                        |                                 |                           |                    |
| Redemption of shares  | 21   | (84)                  | -                       | -                     | -   | -                                | -                      | -                               | (16,899,206)              | (16,899,290)       |
| Dilution of shares  | 21   | 29,042                | -                       | -                     | -   | -                                | -                      | -                               | -                         | 29,042             |
| Issue of shares   | 21   | 578                   | -                       | -                     | -   | -                                | -                      | -                               | -                         | 578                |
| IPO proceeds  | 21   | 12,612                | -                       | 399,987,393           | -   | -                                | -                      | -                               | -                         | 400,000,005        |
| IPO-related costs   | 21   | -                     | -                       | (31,023,132)          | -   | -                                | -                      | -                               | -                         | (31,023,132)       |
| Dividends   | 21   | -                     | -                       | -                     | -   | 1,358,754                        | -                      | -                               | (12,806,641)              | (11,447,887)       |
| Purchase of treasury shares   | 21   | -                     | (120)                   | -                     | -   | -                                | -                      | (2,694,851)                     | -                         | (2,694,971)        |
| <b>Balance at 31 March 2022</b>   | 21   | <b>43,438</b>         | <b>(120)</b>            | <b>414,591,899</b>    | <b>8,372,880</b>  | <b>1,358,754</b>                 | <b>(1,244,518)</b>     | <b>(2,694,851)</b>              | <b>57,671,044</b>         | <b>478,098,526</b> |

The notes on pages 13 to 48 form an integral part of these separate financial statements.

# SOFTLINE HOLDING PLC

## (former AXION HOLDING CYPRUS LTD)

### CASH FLOW STATEMENT

For the period from 1 January 2021 to 31 March 2022

|   | Note   | For the period<br>from 1 January<br>2021 to 31<br>March 2022<br>US\$ | 2020<br>US\$ |
|---|--------|--|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                               |        |  |              |
| <b>Profit before tax</b>  |        | <b>6,300,922</b>   | 59,151,682   |
| Adjustments for:  |        |  |              |
| Unrealised exchange gain  |        | <b>(12,058,750)</b>  | (12,719,216) |
| Fair value gains on financial assets at fair value through profit or loss | 15,16. |  |              |
| Impairment charge for loans, receivables, investment in subsidiaries      | 2      | <b>(10,311,504)</b>  | (66,994,503) |
| Loss from sale of subsidiary  | 11     | <b>5,592,789</b>   | 6,287,233    |
| Dividend income   | 11     | <b>85,843</b>  | -            |
| Amortization of discount on non-current contingent consideration          | 8      | <b>(6,505,115)</b>   | (636,507)    |
| Interest accrued on debentures  |        | <b>555,000</b>   | -            |
| Interest income   | 9      | <b>(1,472,614)</b>   | -            |
| Interest expense  | 17     | <b>(1,428,415)</b>   | (1,909,579)  |
|   | 23     | <b>7,985,303</b>   | 6,434,225    |
|   |        | <b>(11,256,541)</b>  | (10,386,665) |
| <b>Changes in working capital:</b>  |        |  |              |
| Net change in receivables   |        | <b>(769,992)</b>   | 11,817,859   |
| Net change in prepayments   |        | <b>565,775</b>   | (3,216,886)  |
| Net change in other payables  |        | <b>126,745</b>   | 1,350,299    |
| <b>Cash used in operations</b>  |        | <b>(11,334,013)</b>  | (435,393)    |
| Tax paid  |        | <b>(1,055,980)</b>   | -            |
| Interest received   | 17     | <b>93,083</b>  | 63,483       |
| <b>Net cash used in operating activities</b>                              |        | <b>(12,296,910)</b>  | (371,910)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                               |        |  |              |
| Payment for purchase of investments in subsidiaries                       | 14     | <b>(61,369,234)</b>  | (25,851,862) |
| Proceeds from sale of associate   | 15     | <b>69,406,307</b>  | 48,805       |
| Loans granted   | 17     | <b>(54,111,299)</b>  | (11,218,795) |
| Loans repayments received   | 17     | <b>7,719,009</b>   | 2,730,126    |
| Dividends received  | 26.7   | <b>6,505,115</b>   | 636,508      |
| <b>Net cash used in investing activities</b>                              |        | <b>(31,850,102)</b>  | (33,655,218) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                               |        |  |              |
| IPO proceeds  | 21     | <b>368,976,873</b>   | -            |
| Arrangement benefit proceeds  | 25     | <b>7,380,000</b>   | -            |
| Redemption of shares  | 21     | <b>(16,899,290)</b>  | -            |
| Dividends paid  | 21     | <b>(567,349)</b>   | -            |
| Repayments of borrowings  | 23     | <b>(180,706,619)</b>   | (40,365,817) |
| Proceeds from borrowings  | 23     | <b>94,299,533</b>  | 81,375,028   |
| Interest paid   | 23     | <b>(12,088,576)</b>  | (7,827,078)  |
| <b>Net cash generated from financing activities</b>                       |        | <b>260,394,572</b>   | 33,182,133   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>               |        | <b>216,247,560</b>   | (844,995)    |
| Cash and cash equivalents at beginning of the period/year                 |        | <b>752,707</b>   | 1,597,702    |
| <b>Cash and cash equivalents at end of the period/year</b>                | 19     | <b>217,000,267</b>   | 752,707      |

Non-cash transactions are disclosed in notes 14, 17 and 23.

The notes on pages 13 to 48 form an integral part of these separate financial statements.

# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **1. Incorporation and principal activities**

##### **Country of incorporation**

The Company SOFTLINE HOLDING PLC (the "Company") was incorporated in Cyprus on 3 December 2008 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 11 Kosta Charaki Street, Office N302, Limassol, CY-3041, Cyprus.

On 20 September 2021, the Company changed its name from Axion Holding Cyprus Limited to Softline Holding Limited. On 11 October 2021, the Company changed its name to Softline Holding PLC. Softline Holding PLC is a public company, listed on London Stock Exchange and Moscow Stock Exchange.

##### **Principal activities**

The principal activities of the Company, which are unchanged from last year, are the holding of investments, provision of finance to its subsidiaries and other interest earning activities.

#### **2 Basis of preparation**

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The separate financial statements have been prepared under the historical cost convention except for associates recognised at fair value through profit or loss and other financial assets at fair value through profit and loss.

These financial statements are the separate financial statements of the Company. The Company has also prepared consolidated financial statements in accordance with IFRS as adopted by the EU and the Cyprus Companies Law, Cap.113 for the Company and its subsidiaries (the "Group") for the year ended 31 March 2022. The consolidated financial statements can be obtained at 11 Kosta Charaki Street, office N302, CY-3041, Limassol, Cyprus.

Users of these parent's separate financial statements should read them in conjunction with the Group's consolidated financial statements as at and for the period ended 31 March 2022 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2021 and relevant to the Company have been adopted by the EU through the endorsement procedure established by the European Commission.

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

These separate financial statements cover the period from 1 January 2021 to 31 March 2022 since the Management aligned the statement of financial position date of parent separate financial statements with its consolidated financial statements. As such, the amounts presented in the separate financial statements are not entirely comparable.

#### **3. Functional and presentation currency**

The separate financial statements are presented in United States Dollars (US\$) which is the functional currency of the Company.

# SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

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## NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 March 2022

### 4. Adoption of new or revised standards and interpretations

During the current period the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2021. This adoption did not have a material effect on the accounting policies of the Company.

#### 4.1 New accounting pronouncements

Up to the date of approval of the separate financial statements, certain new Standards, Interpretations and Amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

##### (i) Issued by the IASB and adopted by the European Union

- *Amendments to IFRS 16: Covid-19 Related Rent Concessions beyond June 30, 2021 (issued on March 31, 2020) (effective for annual periods beginning on or after 1 April 2021)*
- *IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective for annual periods beginning on or after 1 January 2023)*
- *Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020) (effective for annual periods beginning on or after 1 January 2022)*
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on February 12, 2021) (effective for annual periods beginning on or after 1 January 2023).*
- *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on February 12, 2021) (effective for annual periods beginning on or after 1 January 2023).*

##### (ii) Issued by the IASB but not yet adopted by the European Union

- *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively) (effective for annual periods beginning on or after 1 January 2023)*
- *Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective for annual periods beginning on or after 1 January 2023)*
- *Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) (effective for annual periods beginning on or after 1 January 2023)*

The above are expected to have no significant impact on the Company's separate financial statements when they become effective.

### 5. Significant accounting policies

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

#### Subsidiary companies

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company 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.

Investments in subsidiaries are measured at cost less impairment. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss 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 sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

#### Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are classified as investments at fair value through profit or loss and are measured at fair value. Gains or losses on investments in associates are recognised in profit or loss. Dividends from associates are recognised in profit or loss when the Company's right to receive payment is established.

# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **5. Significant accounting policies (continued)**

##### **Revenue**

##### **Recognition and measurement**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms at payment and excluding taxes or duty. Revenues earned by the Company are recognised on the following bases:

- **Sale of services**  
Revenue from rendering of services is recognised over time while the Company satisfies its performance obligation by transferring control over the promised service to the customer in the accounting period in which the services are rendered.
- **Interest income**  
Interest income is recognised on a time-proportion basis using the effective interest method.
- **Dividend income**  
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

##### **Finance costs**

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

##### **Foreign currency translation**

##### **(1) Functional and presentation currency**

Items included in the Company's separate financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The separate financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

##### **(2) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on financial assets at fair value through other comprehensive income are recognised in other comprehensive income and then included in the fair value reserve in equity. Translation differences on debt securities at fair value through other comprehensive income are recognised in profit or loss.

##### **Tax**

The current income tax charge is calculated in the basis of the tax laws enacted or substantively enacted at the reporting date in the country in which the Company 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. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities. Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **5. Significant accounting policies (continued)**

##### **Dividends**

Dividends are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared before or at the end of the reporting period. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period, but before the financial statements are authorised for issue.

##### **Financial assets - Classification**

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

##### **Financial assets - Recognition and derecognition**

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

##### **Financial assets - Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **5. Significant accounting policies (continued)**

##### **Financial assets – Measurement (continued)**

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

**FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income". Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the statement of comprehensive income.

**FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

##### **Financial assets - impairment - credit loss allowance for ECL**

The Company assesses on a forward-looking basis the expected credit losses (ECL) for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within "net impairment losses on financial and contract assets". Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **5. Significant accounting policies (continued)**

##### **Financial assets - impairment - credit loss allowance for ECL (continued)**

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 6, Credit risk section for a description of how the Company determines low credit risk financial assets.

##### **Financial assets -Reclassification**

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

##### **Financial assets - write-off**

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

##### **Financial assets - modification**

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

##### **Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **5. Significant accounting policies (continued)**

##### **Financial assets at amortised cost**

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

##### **Loans issued**

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

##### **Prepayments**

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

##### **Receivables**

Accounts receivables are carried at amortised cost using the effective interest method, net of provisions for impairment, if any. Accounts receivable are subject to the impairment requirements of IFRS 9. The Company applies the IFRS 9 simplified approach to measuring expected credit losses as described above. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

##### **Derecognition of financial assets**

The Company derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Company has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Company has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

##### **Financial liabilities - measurement categories**

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

##### **Borrowings**

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **5. Significant accounting policies (continued)**

##### **Other payables**

Other payables are initially measured at fair value and are subsequently measured at amortised cost, using effective interest rate method.

##### **Deferred revenue**

Deferred revenue includes payments received in advance of performing services, and other amounts deferred if other conditions of revenue recognition have not been met.

##### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

##### **Share capital**

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

The share premium can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

##### **Treasure shares**

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

##### **Leases**

The Company assesses at the contract inception whether a contract is, or contains, a lease. That is, in the Contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is not involved into any material lease transactions, whether as a lessor or lessee.

##### **Comparatives**

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

#### **6. Financial risk management**

##### **Financial risk factors**

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

##### **6.1 Market price risk**

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risk is managed through diversification of the investment portfolio.

# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **6. Financial risk management (continued)**

##### **6.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is limited: at 31 March 2022 approximately 100% of the Company's borrowings were at a fixed rate of interest.

##### **6.3 Credit risk**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution. Exposure to credit risk is limited since all loans and receivables are due from related companies (Note 17, 18). The Company monitors the credit risk on a continuous basis and acts accordingly.

##### **6.4 Liquidity risk**

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

##### **6.5 Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Russian Rubles and the Euro. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

##### **6.6 Capital risk management**

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, in order to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

At the Group level, Management monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, deferred payments for acquisition, contingent consideration less cash and short-term deposits.

##### **6.7 Fair value estimation**

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

#### **7. Critical accounting estimates, judgments and assumptions**

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

The preparation of the Company's financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

# **SOFTLINE HOLDING PLC**

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 March 2022

#### **7. Critical accounting estimates, judgments and assumptions (continued)**

##### *Critical accounting estimates and assumptions*

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

- **Income taxes**

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

##### *Critical judgements in applying the Company's accounting policies*

- **Impairment of investments in subsidiaries**

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

- **Impairment of loans receivable**

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

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section.

- **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Company must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

# SOFTLINE HOLDING PLC

## (former AXION HOLDING CYPRUS LTD)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 March 2022

#### 7. Critical accounting estimates, judgments and assumptions (continued)

##### Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Equity investments for which no active market exists and for which fair value cannot be measured reliably are carried at cost less impairment, if insufficient more recent information is available to measure FV, or if there is a wide range of possible FV measurements and cost represents the best estimate of FV within that range.

#### 8. Revenue

|   | <b>For the period<br/>from 1 January<br/>2021 to 31<br/>March 2022</b> | Year ended 31<br>December 2020 |
|---|--|--------------------------------|
|   | <b>US\$</b>  | US\$                           |
| Dividend income from subsidiaries (Note 26.7) | <b>6,505,115</b>   | 636,508                        |
| Loan interest income (Note 17)                | <b>1,428,415</b>   | 1,909,579                      |
|   | <b><u>7,933,530</u></b>  | <u>2,546,087</u>               |

#### 9. Other operating income

|  | <b>For the period<br/>from 1 January<br/>2021 to 31<br/>March 2022</b> | Year ended 31<br>December 2020 |
|--|--|--------------------------------|
|  | <b>US\$</b>  | US\$                           |
| Other income                             | <b>2,269,918</b>   | 1,047,954                      |
| IPO-related income (Note 25)             | <b>615,000</b>   | -                              |
| Interest accrued on debentures (Note 14) | <b>1,472,614</b>   | 185,027                        |
|  | <b><u>4,357,532</u></b>  | <u>1,232,981</u>               |

Other income represents revenue for management, consulting and legal services provided by the Company to its subsidiaries.

# SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 March 2022

### 10. Administration expenses

|   | <b>For the period<br/>from 1 January<br/>2021 to 31<br/>March 2022<br/>US\$</b> | Year ended 31<br>December 2020<br>US\$ |
|---|---|--|
| Legal and professional fees*                  | <b>5,634,904</b>  | 4,230,014                              |
| Directors' remuneration**                     | <b>3,405,607</b>  | 2,093,545                              |
| Management's remuneration                     | <b>1,148,000</b>  | 2,210,000                              |
| Staff costs                                   | <b>472,333</b>  | 205,114                                |
| Consulting Expenses                           | <b>1,729,210</b>  | 653,474                                |
| Consulting Expenses provided by shareholder   | <b>75,000</b>   | -                                      |
| Advertising Expenses                          | <b>110,000</b>  | -                                      |
| Rent  | <b>4,325</b>  | 55,544                                 |
| Auditors' remuneration current period/year*** | <b>544,879</b>  | 302,144                                |
| Auditors' remuneration prior period/year      | -   | 238,717                                |
| Other expenses                                | <b>657,583</b>  | 369,269                                |
|   | <b><u>13,781,841</u></b>  | <u>10,357,821</u>                      |

\* Legal and professional fees include expenses incurred by the Company in relation to acquisition of new subsidiaries and consultations related to business expansion and growth.

\*\* Directors' remuneration includes directors' salaries of US\$2,120,716 (2020:US\$1,533,987). Tax expenses in amount of US\$1,038,760 (2020: US\$646,909) and social contribution payments in amount of US\$246,131 (2020: US\$161,727).

\*\*\* Audit fees related to the statutory audit for the period ended 31 March 2022 amounted to US\$30,000 (the year ended 31 December 2020 – US\$28,114). Tax fees amounted to US\$1,756 for the period ended 31 March 2022 (the year ended 31 December 2020 – US\$1,371).

Average number of employees during the period from 1 January 2021 to 31 March 2022: 9 persons (2020: 7 persons).

### 11. Other income/(expenses)

|   | <b>For the period<br/>from 1 January<br/>2021 to 31<br/>March 2022<br/>US\$</b> | Year ended 31<br>December 2020<br>US\$ |
|---|---|--|
| Gain on sale of investment                                | <b>68,188</b>   | -                                      |
|   | <b><u>68,188</u></b>  | <u>-</u>                               |
| Loss on sale of subsidiary (Note 14)                      | <b>(85,843)</b>   | -                                      |
| Loss on liquidation of subsidiary                         | <b>(2,143)</b>  | -                                      |
| Impairment charge – investments in subsidiaries (Note 14) | <b>(5,559,789)</b>  | (3,163,359)                            |
| Impairment charge – loans receivable (Note 17)            | <b>(33,000)</b>   | (3,123,874)                            |
| Other expenses  | -   | (42,333)                               |
|   | <b><u>(5,612,587)</u></b>   | <u>(6,329,566)</u>                     |

During the period from 1 January 2021 to 31 March 2022, the Company impaired its investments in subsidiaries for a total amount of US\$5,559,789 (Note 14) and the loan from its subsidiary in the amount of US\$33,000 (Note 17). During the year 2020, the Company impaired its investments for the total amount of US\$3,163,359 (Note 14) and loans receivable were impaired for the amount of US\$3,123,874 (Note 17).

# SOFTLINE HOLDING PLC

## (former AXION HOLDING CYPRUS LTD)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 March 2022

#### 12. Finance income/(costs)

|   | <b>For the period<br/>from 1 January<br/>2021 to 31<br/>March 2022<br/>US\$</b> | Year ended 31<br>December 2020<br>US\$ |
|---|---|--|
| Interest income   | <b>160,503</b>  | -                                      |
| Net foreign exchange gain   | <b>12,058,750</b>   | 11,990,632                             |
| <b>Finance income</b>   | <b>12,219,253</b>   | 11,990,632                             |
| Interest expense (Note 23)  | <b>(7,985,303)</b>  | (6,434,225)                            |
| Amortization of discount on long-term contingent considerations (Note 27) | <b>(555,000)</b>  | -                                      |
| Sundry finance expense  | <b>(66,975)</b>   | (373,000)                              |
| Bank charges  | <b>(519,191)</b>  | (117,909)                              |
| <b>Finance costs</b>  | <b>(9,126,469)</b>  | (6,925,134)                            |
| <b>Net finance income</b>   | <b>3,092,784</b>  | 5,065,498                              |

#### 13. Tax

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

|  | <b>For the period<br/>from 1 January<br/>2021 to 31<br/>March 2022<br/>US\$</b> | Year ended 31<br>December 2020<br>US\$ |
|--|---|--|
| Profit before tax                                      | <b>6,300,922</b>  | 59,151,682                             |
| Tax calculated at the applicable tax rates             | <b>787,615</b>  | 7,393,960                              |
| Tax effect of expenses not deductible for tax purposes | <b>2,170,939</b>  | 2,351,685                              |
| Tax effect of allowances and income not subject to tax | <b>(4,743,022)</b>  | (9,952,705)                            |
| Tax effect of tax loss for the period/year             | <b>1,784,468</b>  | 207,060                                |
| Withholding tax on interest and dividends              | <b>(1,056,043)</b>  | -                                      |
| <b>Tax charge</b>                                      | <b>(1,056,043)</b>  | -                                      |

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

Due to tax losses sustained during the period, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years. As at 31 March 2022, the balance of tax losses which is available for offset against future taxable profits amounts to US\$6,748,642 (EUR5,765,113) (2020: US\$2,638,305 (EUR 2,309,845)) - for which no deferred tax asset is recognised in the statement of financial position.

**SOFTLINE HOLDING PLC**  
**(former AXION HOLDING CYPRUS LTD)**

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
31 March 2022

**14. Investments in subsidiaries**

|  | <b>For the period<br/>from 1 January<br/>2021 to 31<br/>March 2022<br/>US\$</b> | Year ended 31<br>December 2020<br>US\$ |
|--|---|--|
| Balance at 1 January                     | <b>104,397,494</b>  | 66,459,392                             |
| Additions                                | <b>92,970,703</b>   | 25,851,862                             |
| Disposals                                | <b>(86,852)</b>   | (48,806)                               |
| Liquidation of subsidiaries              | <b>(2,142)</b>  | -                                      |
| Impairment charge (Note 11)              | <b>(5,559,789)</b>  | (3,163,359)                            |
| Capitalized loans receivable (Note 17)   | <b>11,131,953</b>   | 15,257,396                             |
| Reclass to associates (Note 15)          | -   | 41,009                                 |
| <b>Balance at 31 March / 31 December</b> | <b><u>202,851,367</u></b>   | <u>104,397,494</u>                     |

# SOFTLINE HOLDING PLC

## (former AXION HOLDING CYPRUS LTD)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 March 2022

#### 14. Investments in subsidiaries (continued)

The details of the subsidiaries are as follows:

| Name  | Country of incorporation | Principal activities  | Holding    | Holding    | 31 March 2022 | 31 December 2020 |
|---|--------------------------|---|------------|------------|---------------|------------------|
|   |                          |   | 31.03.2022 | 31.12.2020 |               |                  |
|   |                          |   | %          | %          | US\$          | US\$             |
| Softline International BE                                   | Uzbekistan               | I.T consulting and software trading   | 100        | 100        | 35,635        | 35,635           |
| SoftLine International SRL                                  | Moldova                  | I.T consulting and software trading   | 100        | 100        | 423           | 423              |
| Axoft JSC   | Russia                   | I.T consulting and software trading   | 100        | 100        | 3,196         | 3,196            |
| Soft Logistic LLC   | Russia                   | Logistics   | 50         | 50         | 1,308,420     | 1,308,420        |
| Softline Internet Trade LLC                                 | Russia                   | I.T consulting and software trading   | 100        | 100        | 639           | 639              |
| Axoft International LLC****                                 | Kyrgyzstan               | I.T consulting and software trading   | 99         | 99         | 11            | 11               |
| Softline International CJSC*                                | Russia                   | I.T consulting and software trading   | 99.50      | 99.50      | 244,814       | 20,126           |
| Softline International SRL                                  | Romania                  | I.T consulting and software trading   | 100        | 100        | 2,256,735     | 2,256,735        |
| Softline International LLC*                                 | Armenia                  | I.T consulting and software trading   | 99         | 99         | 307,069       | 169              |
| Axoft Distribution TOO****                                  | Kazakhstan               | Wholesale of software   | -          | 100        | -             | 1,005            |
| SoftLine Trade TOO  | Kazakhstan               | I.T consulting and software trading   | 100        | 100        | 960           | 960              |
| Softline International Ltd                                  | Azerbaijan               | I.T consulting and software trading   | 50         | 50         | 1,500         | 1,500            |
| Axoft Ltd   | Georgia                  | I.T consulting and software trading   | 100        | 100        | 120           | 120              |
| Softline International de Venezuela SLI. S.A.***            | Venezuela                | I.T consulting and software trading   | 100        | 100        | -             | -                |
| Softline Georgia Ltd  | Georgia                  | I.T consulting and software trading   | 90         | 90         | 104           | 104              |
| Softline Tajikistan LLC                                     | Tajikistan               | I.T consulting and software trading   | 100        | 100        | 94            | 94               |
| Softline Overseas Limited (former Softline Overseas Corp.)* | Cyprus                   | I.T consulting and software trading   | 100        | 100        | 73,563,990    | 62,432,037       |
| NiltaSoft Ltd   | Cyprus                   | Logistics   | 100        | 100        | 2,336         | 2,336            |
| Softline International LLC                                  | Kyrgyzstan               | I.T consulting and software trading   | 99         | 99         | 10            | 10               |
| Softline Corporate Solutions SRL                            | Romania                  | Sale of computers. Computer peripheral equipment and software   | 100        | 100        | 535,702       | 535,702          |
| Softline Limited  | Hong Kong                | Information Technologies  | 100        | 100        | 13            | 13               |
| Bolucom Holdings LTD****                                    | Cyprus                   | Sale of software and hardware   | -          | 99.90      | -             | 1,137            |
| Sarmelon Holdings Limited****                               | Cyprus                   | All kind of activities  | -          | 100        | -             | -                |
| Lagembor Holdings Limited*                                  | Cyprus                   | All kind of activities  | 100        | 67         | 15,234,612    | 12,528,067       |
| Softline Technology & Management AG***                      | Switzerland              | Delivery, purchase, sale of IT, software, services for development and implementation of new information technologies | 100        | 100        | -             | -                |
| SoftLine Enterprise Solutions LLC***                        | Russia                   | I.T consulting, software development, computer production   | -          | 100        | -             | -                |

# SOFTLINE HOLDING PLC

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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#### 14. Investments in subsidiaries (continued)

| Name                               | Country of incorporation | Principal activities   | Holding    | Holding    | 31 March 2022    | 31 December 2020 |
|------------------------------------|--------------------------|--|------------|------------|------------------|------------------|
|                                    |                          |  | 31.03.2022 | 31.12.2020 |                  |                  |
|                                    |                          |  | %          | %          | US\$             | US\$             |
| ENGINEERING CENTER "SOFTLINE" LLC* | Russia                   | Skolkovo resident, software developer  | 100        | 100        | <b>272,608</b>   | 168              |
| Freshstore LLC                     | Russia                   | I.T consulting, software development   | 100        | 100        | <b>4,051,200</b> | 4,051,200        |
| SOFTLINE SERVICES Kft              | Hungary                  | I.T consulting, software and hardware trading, other IT Services                   | 100        | 100        | <b>1,432,289</b> | 1,432,289        |
| SOFTLINE SERVICES doo*             | Serbia                   | Sale of software and hardware  | 100        | 100        | <b>278,175</b>   | 1,175            |
| Axoft International Society Ltd*** | Uzbekistan               | Software distributor   | 100        | 100        | -                | -                |
| Belsmart Holdings Ltd***           | Cyprus                   | Investing activities   | -          | 51         | -                | -                |
| Novakom Group LLC***               | Belarus                  | Hi-Tec park member, software development unit                                      | 99.90      | 99.90      | -                | -                |
| Softline TechnoBrain BVI Limited   | BVI                      | Holding company, provision of finance to its subsidiaries (IT companies).          | 60         | 60         | <b>60</b>        | 60               |
| ESTELIOR HOLDINGS LIMITED****      | Cyprus                   | Holding company, provision of finance to its subsidiaries (IT companies).          | -          | 100        | -                | -                |
| SOFTLINE EOOD                      | Bulgaria                 | Sale of software and hardware, provision of IT services                            | 100        | 100        | <b>133,508</b>   | 133,508          |
| SOFTLINE d.o.o.                    | Croatia                  | Information Society Services, software development, purchase and sale of goods     | 100        | 100        | <b>281,369</b>   | 281,369          |
| SOFTLINE d.o.o.                    | Slovenia                 | Sale of software and hardware, provision of IT services                            | 100        | 100        | <b>194,089</b>   | 194,089          |
| Axoft LLC                          | Armenia                  | Wholesale and retail of software and computer hardware, telecommunication services | 100        | 100        | <b>435</b>       | 435              |
| Ontarino Investments Ltd***        | Cyprus                   | Holding company, provision of finance to its subsidiaries (IT companies).          | 80         | 80         | -                | 1,807            |
| Softline Management Limited***     | Ireland                  | Sale of software and hardware, provision of IT services                            | 100        | 100        | -                | -                |
| SOFTLINE PL Sp. z o.o.             | Poland                   | E-commerce, online sales on West and Central Europe                                | 100        | 100        | <b>1,342</b>     | 1,342            |
| SoftLineBel Ltd****                | Belarus                  | Sale of software and hardware, provision of IT services                            | -          | 53.17      | -                | 86,843           |
| Aplana Software_Inc                | USA                      | Software development   | 100        | 100        | <b>3,307</b>     | 3,307            |
| Softline AG*                       | Germany                  | IT-Asset Management  | 63.38      | -          | <b>7,119,083</b> | -                |
| Softline Egypt for Software        | Egypt                    | IT-solutions   | 99.5       | 99.5       | <b>312,799</b>   | 312,799          |
| Softline Group Ltd                 | UK                       | IT-Asset Management  | 100        | 100        | <b>773,767</b>   | 773,767          |
| Softline Trade LTD Azerbaijan      | Azerbaijan               | IT-solutions and services  | 100        | 100        | <b>17</b>        | 17               |
| Softline International, S.A.       | Argentina                | Software trading   | 4          | 4          | <b>41,000</b>    | 41,000           |

## SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 March 2022

#### 14. Investments in subsidiaries (continued)

| Name                                     | Country of<br>incorporation | Principal activities                                      | Holding    | Holding    | 31 March 2022      | 31 December 2020   |
|--|-----------------------------|---|------------|------------|--------------------|--------------------|
|  |                             |   | 31.03.2022 | 31.12.2020 |                    |                    |
|  |                             |   | %          | %          | US\$               | US\$               |
| Axoft International LLC                  | Belarus                     | IT services   | -          | 19         | -                  | 9                  |
| SL International Myanmar Co LTD          | Myanmar                     | Information Technology solutions                          | 1.01       | 1.01       | 500                | 500                |
| Softline Services International          | Thailand                    | IT services   | 1.96       | 1.96       | 636                | 636                |
| SCGROUP INVESTMENT LIMITED*              | Cyprus                      | Information Technology solutions                          | 55.5       | -          | 31,310,000         | -                  |
| Squalio Group                            | Latvia                      | Software licensing and software asset management services | 100        | -          | 10,541,000         | -                  |
| AG Distribution Ltd*                     | Cyprus                      | IT-solutions  | 100        | -          | 57,929             | -                  |
| Softline Trade JSC*                      | Russia                      | IT maintenance and software trading                       | 100        | -          | 4,093              | -                  |
| Umbrella Infocare Private India*         | India                       | Software trading  | 100        | -          | 13,734,728         | -                  |
| Belitsoft International LLC              | Belarus                     | IT Services   | 100        | -          | 15,884,250         | -                  |
| Softline Services India Private Limited* | India                       | Software trading  | 100        | 100        | 22,926,800         | 17,952,735         |
|  |                             |   | Indirectly | Indirectly |                    |                    |
|  |                             |   |            |            | <b>202,851,367</b> | <b>104,397,494</b> |

\*Additional contribution/purchase/loan capitalization made during the period from 1 January 2021 to 31 March 2022 and the year 2020

\*\*Entities purchased during the period from 1 January 2021 to 31 March 2022 and the year 2020

\*\*\*Entity impaired during the period from 1 January 2021 to 31 March 2022 and previous years

\*\*\*\* Entity liquidated/sold during the period from 1 January 2021 to 31 March 2022

# SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

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## NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 March 2022

### 14. Investments in subsidiaries (continued)

#### Additions:

On 4 February 2022, the Company entered into share purchase agreement for the acquisition of 99% of share capital of Umbrella Infocare Private Limited for the total amount of US\$13,734,728. The transfer of shares will be carried-out in three tranches: 1) 74% of shares for the consideration of US\$9,443,228, divided in two parts (US\$7,519,728 and US\$1,924,000); 2) 12,5% of shares for the consideration of US\$1,916,000 and 3) 12,5% for the consideration of US\$2,375,000. As at 31 March 2022 the transfer of 74% of shares was completed and part of the consideration for the first tranche of US\$7,519,728 was settled by the Company. As at the acquisition date, the total fair value of the contingent consideration of 99% of Umbrella Infocare Private Limited was estimated to be \$6,215,000. The fair value is determined using a DCF method.

On 26 April 2021, the Company purchased from its related party, ZUBR CAPITAL FUND I L.P. additional 33% stake in Lagembor Holding Limited in exchange for cash consideration of US\$2,706,545 and 5,704 Company's shares of US\$0.01 par value each. Fair value of shares transferred approximated the nominal value. As a result of the transaction Lagembor Holding Limited became a wholly owned subsidiary.

On 11 May 2021, the Company decided to make an additional contribution to the capital of its subsidiary, ENGINEERING CENTER "SOFTLINE" LLC, for a total amount of RUB20,000,000 equivalent to US\$272,440.

On 31 August 2021, the Company acquired ownership over 3,000 share of Softline Trade JSC for a total consideration of RUB300,000 equivalent to US\$4,093.

On 1 October 2021, the Company's subsidiary, Softline International CJSC Russia, accepted additional contribution made by the Company in its capital in the total amount of RUB16,000,000 equivalent to US\$224,688.

On 22 December 2021, the Company's subsidiary, Softline International LLC (Armenia), accepted an additional contribution made by the Company for AMD151,609,689 equivalent to US\$306,900.

On 14 February 2022, the Company made a contribution in the share capital of AG Distribution Limited for a total amount of EUR50,000 equivalent to US\$57,929 in exchange for 500 shares with nominal value of EUR1 each. No dilution of ownership in the result of this tranche.

On 25 February 2022, the Company purchased from individuals 55.5% of the share capital of SCGROUP INVESTMENT LIMITED (Cyprus) for a total consideration of US\$31,310,000.

On 13 May 2021, the Company made additional contribution to the share capital of its subsidiary, SOFTLINE SERVICES doo, in the total amount of RSD 26,959,274 equivalent to US\$277,000.

On 16 September 2021 the Company made an additional contribution to the share capital of Softline Services India Private Limited for the amount of INR376,464,792 equivalent to US\$4,974,065 in exchange for the 2,267,576 ordinary shares with the nominal value of INR166.

During the period from 1 January to 31 March 2022, the Company received ownership over the 63.38% of share capital of Softline AG Germany for a total consideration of US\$12,677,065.

On 16 July 2021 in exchange for US\$4,859,250 deferred payment and US\$11,025,000 contingent consideration the Company entered into sales and purchase agreement of 100% of the shares in charter capital of Belitsoft International LLC. During the year ended 31 March 2022 short-term deferred consideration was paid in the amount of US\$4,859,250. On 22 March 2022, the Company sold 75% shares in Belitsoft International LLC to a related individual and on the same day entered into an option agreement for purchase of these 75% of shares for a total consideration of US\$1,000. As a result of this transaction, the control was retained by the Company and no derecognition of investment was made. As at the acquisition date, the total fair value of the contingent consideration was estimated to be US\$11,025,000. The fair value is determined using a DCF method.

# SOFTLINE HOLDING PLC

## (former AXION HOLDING CYPRUS LTD)

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 March 2022

#### 14. Investments in subsidiaries (continued)

Additions (continued):

On 16 July 2021 in exchange for US\$10,541,000 deferred payment the Company entered into sale and purchase agreement on 100% of the shares in charter capital of SIA "Squalio Group" (Latvia) and its subsidiaries representing software licensing business: SIA "DPA" (Latvia), UAB "Squalio Lietuva" (Lithuania), Squalio Estonia OÜ (Estonia) and 67% of "DPA" JLLC (Belarus) (hereinafter Squalio). On 16 March 2022, the Company sold 56.86% of Squalio Group shares to a related party for a total consideration of US\$455,000 and on the same day entered into an option agreement for purchase of these 56.6% for an amount of US\$455,000. As a result of this transaction the control was retained by the Company and no derecognition of investment was made. During the year ended 31 March 2022, part of short-term deferred consideration in the amount of US\$8,257,000 was paid to the previous shareholder of SIA "Squalio Group" (Latvia).

On 31 January 2020, management of the Company decided to contribute into the share capital of Softline Overseas Limited (Cyprus) additional amount of US\$5,500,000.

On 6 May 2020, the Company purchased from its ultimate parent 100 ordinary shares of Softline Group Ltd (UK) with nominal value of GBP1 each for a total price of GBP100. On 16 October 2020, the Company acquired another 600,000 ordinary shares that were issued by the investment for a total price of GBP600,000. As a result, the total investment amounted to US\$773,767.

On 22 May and 18 December 2020, the Company received an offer from its indirect subsidiary to purchase 2,639,460 ordinary shares and 527,892 compulsory convertible debentures in Softline Services India Private for a total price of INR 1,314,472,284 (equivalent to US\$17,952,735).

On 19 October 2020, the Company purchased from related individuals 100% shares of Aplana Software Inc for RUR250,000 equivalent to US\$3,307.

On 23 October 2020, the Company made an additional contribution to Soft Logistic LLC in the total amount of RUR 100,000,000 (equivalent to US\$1,308,101) which did not result in change of percentage of ownership.

On 11 November 2020, the Company incorporated Softline Egypt by contributing an amount of US\$312,799 in exchange for 199 ordinary shares with the nominal value of EGP1,000.

During 2020, the Company acquired 1.96% and 1.01% of shares in Softline Services International (Thailand) and SL International Myanmar CoLTD (Myanmar) and paid US\$636 and US\$500 respectively. The Company exercised control over these investments through indirect holding of 93.47% and 99% of shares through its 100% owned subsidiary, Softline Overseas Limited.

#### Disposals:

On 15 December 2021, the Company sold 100% share in SoftLine Enterprise Solutions LLC to a related party for a total consideration of RUB5,010,000 (equivalent to US\$68,188). The investment was fully impaired in prior year.

On 22 March 2022, the Company sold Axoft International LLC to a related party for a consideration of US\$1,009, resulting in a loss on sale of US\$ 85,834.

On 22 March 2022, the Company sold SoftLineBel LLC to a related party, resulting in a loss on sale of US\$9.

On 4 January 2020, subsidiary of the Company ESTELIOR HOLDINGS LIMITED was voluntary liquidated and fully impaired in the amount of US\$1,196.

On 19 December 2020, the Company sold to an individual related party part of its ownership in the share capital of SoftLineBel LLC for a price of US\$46,489.

During 2020, the Company's subsidiary Sarmelon Holdings Limited, was liquidated and the amount of investment of US\$1,121 was impaired in full.

# SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

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## NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 March 2022

### 14. Investments in subsidiaries (continued)

#### Reclassification from associates:

The Company's exercised its control over Axoft International LLC through the holding of 19% directly and holding of 51% indirectly through its subsidiary, Lagembor Holdings Limited.

The Company's exercised its control over Softline International, S.A. through the holding of 4% directly and holding of 96% indirect through its subsidiary, Softline Overseas Limited.

#### Impairment and liquidation of subsidiaries:

On 20 May 2021, the Company's subsidiary Novakom Group LLC was liquidated and the amount of investment US\$113,476 was fully impaired as at 31 December 2020.

During the period from 1 January 2021 to 31 March 2022, the Company impaired its investment in Ontarino Investment Ltd in the amount of US\$1,807 due to the planned liquidation of the subsidiary.

Additionally, during the period from 1 January 2021 to 31 March 2022, investments in Axoft Distribution TOO and Bolucom Holdings Ltd were liquidated and written-off fully in the total amount of US\$2,142.

On 31 March 2022, the Company recognized impairment in its investment in Softline AG Germany in the amount of US\$5,557,982 due to fall in the market price of the investment listed on Munich stock market.

During 2020, the Company impaired its investments in SoftLine Enterprise Solutions LLC, Softline Management Limited and Softline Technology & Management AG in the total amount of US\$3,049,883. As of 31 March 2022, the Company identified impairment indicators of these investments and since the management does not expect any positive financial results in the future associated with these particular investments, the Company recognised an impairment loss in the amount of US\$3,049,883.

#### Capitaized loans receivables:

On 9 February 2021, the Company capitalized loans receivable from its subsidiary, Softline Overseas Corp., in the total amount of US\$11,131,953 in exchange for 1 ordinary share with the nominal value of US\$100. No dilution of ownership as a result of this tranche.

On 25 February 2020, the Company increased its investment in SOFTLINE SERVICES Kft by the way of conversion of loan receivable from subsidiary in the amount of US\$967,832.

On 31 March 2020, the Company capitalized loan given to Softline International SRL in the amount of US\$400,000 and increased its investment in its subsidiary respectively.

On 31 March 2020, the Company increased its investment in Softline Corporate Solutions SRL by the way of conversion of loan receivable from subsidiary in the amount of US\$513,000.

On 8 April 2020, the Company converted its loans receivable from SOFTLINE d.o.o. Slovenia in the amount of US\$ 185,094 to investment.

On 12 June 2020, the Company increased its investment in SOFTLINE d.o.o. Croatia by the way of conversion of loan receivable from subsidiary in the amount of US\$278,198.

On 30 June 2020, the Company made additional contribution to the capital of SOFTLINE EOOD by converting loan receivable from it in the amount of US\$132,272.

On 21 October 2020, the Company capitalised loan receivable due from Softline Overseas Limited in the total amount of US\$12,781,000 in exchange for 10 ordinary shares with nominal value of US\$100.

# SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 March 2022

### 15. Investments in associates

|  | <b>For the period<br/>from 1 January<br/>2021 to 31<br/>March 2022<br/>US\$</b> | Year ended<br>31 December<br>2020<br>US\$ |
|--|---|---|
| Balance at 1 January   | <b>112,113,048</b>  | 45,159,554                                |
| Disposal   | <b>(36,164,844)</b>   | -   |
| Gain on change in fair value   | <b>11,091,745</b>   | 66,994,503                                |
| Reclassification to financial assets at fair value through profit and loss (Note 16) | <b>(87,039,304)</b>   | (41,009)                                  |
| <b>Balance at 31 March / 31 December</b>   | <b>645</b>  | <b>112,113,048</b>                        |

The details of the investments are as follows:

| <b>Name</b>                  | <b>Country of<br/>incorporation</b> | <b>Principal<br/>activities</b> | <b>31 March<br/>2022<br/>Holding<br/>%</b> | <b>31 December<br/>2020<br/>Holding<br/>%</b> | <b>31 March<br/>2022<br/>US\$</b> | <b>31 December<br/>2020<br/>US\$</b> |
|------------------------------|-------------------------------------|---------------------------------|--|---|-----------------------------------|--------------------------------------|
| Softline Service Company Ltd | Russia                              | IT services                     | <b>20</b>                                  | 20  | <b>645</b>                        | 645                                  |
| OEP ITS HOLDING B.V.*        | Netherlands                         | IT consulting services          | -  | 31.72   | -                                 | 112,112,403                          |
|                              |                                     |                                 |  |   | <b>645</b>                        | <b>112,113,048</b>                   |

\* In August 2018 the Company purchased 7.644.039 shares in Crayon Group Holding ASA (Crayon) for a price of US\$ 13,329,675. Crayon is a provider of software asset management, Cloud and Volume licensing and associate consulting services and is listed on the Oslo stock exchange. During the same month the Company made a contribution to OEP ITS Holding B.V. (BidCo) in the form of 7,644,039 shares of Crayon Group Holding. The interest acquired by the Company in OEP ITS Holding B.V. was equal to 31.72%.

BidCo conducts no other significant activities beside from holding the investments in Crayon, for which it accounts for as investments at fair value with revaluation at quoted market prices through other profit and loss (FVTPL).

On 30 June 2021, the Company sold 2,664,278 shares in Crayon at a discount of 8% for a total price of US\$ 36,164,844 resulting in a loss of US\$2,969,081. On 18 August 2021 it was agreed between the Company and another shareholder of BidCo by written shareholders resolution (1) to make cash distribution to another shareholder in the amount of \$45,529 representing a share in the balance of funds on BidCo accounts at the date of the resolution pro rata to its shareholding (2) to make Crayon shares distribution to another shareholder pro rata to its share in BidCo constituting 10,720,546 Crayon shares, leaving the rest of 4,979,761 Crayon shares on the balance of BidCo (3) to reduce BidCo share capital by cancellation of 682,824 shares with a nominal value of € 0.01 each held by another shareholder. Pro rata part of the share premium reserve attached to the shares was re-allocated to the share premium reserve attached to the remaining 317,176 shares held by the Company.

Following the reduction of BidCo share capital, the Company became the ultimate controlling party of the former associate. During March 2022 all assets held by BidCo were transferred to Softline Holding PLC. As a result of the transactions the Company became an owner of 4,979,761 shares of Crayon and reclassified at its fair value to the Financial assets recognised at fair value through other comprehensive income (Note 16.1).

During the period from 1 January 2021 to 18 August 2021, the Company recognized gain of US\$14,060,826 and during the year 2020 the gain amounted to US\$66,994,503 related to change in the fair value of its investment in OEP ITS HOLDING B.V.

The inputs used to measure fair value are categorised into three different levels of the fair value hierarchy. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (level 3). The fair value of OEP ITS HOLDING B.V is based on the quoted prices of its holding in Crayon.

The fair values of the remaining associates approximate their cost, so the Company did not recognize any changes in relation to them.

# SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 March 2022

### 16.1 Financial assets at fair value through other comprehensive income

*Crayon*

|  | For the period<br>from 1<br>January 2021<br>to 31 March<br>2022<br>US\$ | Year ended 31<br>December 2020<br>US\$ |
|--|---|--|
| <b>Balance at 1 January</b>            | -   | -                                      |
| Additions                              | 87,039,304  | -                                      |
| Disposal                               | (33,239,425)  | -                                      |
| Fair value change                      | 8,372,880   | -                                      |
| <b>Balance at 31 March/31 December</b> | <u>62,172,759</u>   | <u>-</u>                               |

| <u>Name</u> | <u>Country of<br/>incorporation</u> | <u>Principal<br/>activities</u> | 31 March 2022 | 31 December<br>2020 | 31 March<br>2022  | 31 December<br>2020 |
|-------------|-------------------------------------|---------------------------------|---------------|---------------------|-------------------|---------------------|
|             |                                     |                                 | Holding<br>%  | Holding<br>%        | US\$              | US\$                |
| Crayon      | Netherlands                         | IT consulting<br>services       | 13.65%        | -                   | <u>62,172,759</u> | <u>-</u>            |
|             |                                     |                                 |               |                     | <u>62,172,759</u> | <u>-</u>            |

During March 2022, the Company made another sale of Crayon shares of 1,690,586 for a price of US\$33,239,425. During the period from 18 August 2021 to 31 March 2022, the Company recognized gain of US\$8,372,880. The fair value of Crayon is based on the quoted prices of its holding in Crayon.

### 16.2 Financial assets at fair value through profit and loss

*EMBEE Software Private Limited*

|  | For the period<br>from 1<br>January 2021<br>to 31 March<br>2022<br>US\$ | Year ended 31<br>December 2020<br>US\$ |
|--|---|--|
| <b>Balance at 1 January</b>            | -   | -                                      |
| Additions                              | 5,898,884   | -                                      |
| Fair value change                      | (70,189)  | -                                      |
| Foreign exchange loss                  | (218,686)   | -                                      |
| <b>Balance at 31 March/31 December</b> | <u>5,610,009</u>  | <u>-</u>                               |

On 15 January 2021, the Company obtained an option for purchase of 5.29% of EMBEE for a period of 5 years from third party. The price of the option depends on the year in which the Company will exercise the option. On the effective date, 15 January 2021, the option was recognized at its fair value of US\$5,898,884.

# SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 March 2022

### 16.2 Financial assets at fair value through profit and loss (continued)

#### SCGROUP INVESTMENTS LIMITED

|  | For the period<br>from 1<br>January 2021<br>to 31 March<br>2022<br>US\$ | Year ended 31<br>December 2020<br>US\$ |
|--|---|--|
| <b>Balance at 1 January</b>            | -   | -                                      |
| Additions                              | 7,882,882   | -                                      |
| Fair value change                      | (710,052)   | -                                      |
| <b>Balance at 31 March/31 December</b> | <b>7,172,830</b>  | -                                      |

On 25 February 2022, the Company obtained an option for purchase of 44.5% of share capital of SCGROUP INVESTMENTS LIMITED. Put option can be exercised within three years and call option can be exercised within 3 months after expiration of the put option and in 38 months. The options are stated net at fair value, calculated using Binominal option pricing model. As at 31 March 2022, the fair value of the option was defined at US\$7,172,830.

### 17. Loans receivable

|  | For the period<br>from 1<br>January 2021<br>to 31 March<br>2022<br>US\$ | Year ended 31<br>December 2020<br>US\$ |
|--|---|--|
| Balance at 1 January                         | 33,070,550  | 41,490,164                             |
| Loans granted                                | 54,111,299  | 11,218,795                             |
| Loans impaired (Note 11)                     | (33,000)  | (3,123,874)                            |
| Interest charged (Note 8)                    | 1,428,415   | 1,909,579                              |
| Loan set-off (Note 21)                       | (10,911,701)  | -                                      |
| Loans repaid                                 | (7,719,009)   | (2,730,126)                            |
| Interest repaid                              | (93,083)  | (63,483)                               |
| Capitalization of loans receivable (Note 14) | (11,131,953)  | (15,257,396)                           |
| Foreign exchange loss                        | (652,189)   | (373,109)                              |
| <b>Balance at 31 March/31 December</b>       | <b>58,069,329</b>   | <b>33,070,550</b>                      |

Loans receivables by currency:

|  | 31 March 2022<br>US\$ | 31 December<br>2020<br>US\$ |
|--|-----------------------|-----------------------------|
| US\$                                       | 52,137,352            | 31,032,367                  |
| EUR  | 2,275,835             | 844                         |
| RUR  | 3,656,142             | 2,037,339                   |
|  | <b>58,069,329</b>     | <b>33,070,550</b>           |
|  |                       | 31 December<br>2020<br>US\$ |
| Loans to own subsidiaries (Note 26.2)      | 52,657,769            | 20,769,761                  |
| Loans to other related parties (Note 26.2) | 5,444,560             | 15,424,663                  |
| Loans impaired (Note 11)                   | (33,000)              | (3,123,874)                 |
|  | <b>58,069,329</b>     | <b>33,070,550</b>           |
| Less current portion                       | (21,905,664)          | (31,252,434)                |
| Non-current portion                        | <b>36,163,665</b>     | <b>1,818,116</b>            |

# SOFTLINE HOLDING PLC

## (former AXION HOLDING CYPRUS LTD)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 March 2022

#### 17. Loans receivable (continued)

The loans are repayable as follows:

|                            | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|----------------------------|-----------------------------------|-----------------------------|
| Within one year            | <b>21,905,664</b>                 | 31,252,434                  |
| Between two and five years | <b>36,163,665</b>                 | 1,818,116                   |
|                            | <b><u>58,069,329</u></b>          | <u>33,070,550</u>           |

On 24 March 2022, the Company entered a loan agreement with its subsidiary, Niltasoft Limited, for provision of a principal amount of US\$40,000,000, interest rate of 5% and maturity on 24 March 2024 with the option of early repayment by the borrower.

On 15 December 2021, the Company signed a loan agreement with its related party, SL International LLC (Brazilia), for a total principal of US\$2,500,000, interest rate of 4.8% and maturity on 30 May 2024.

On 24 March 2021, the Company entered a loan agreement with its subsidiary, Softline Group LTD (UK), for a total amount of US\$200,000, interest rate of 3% and maturity date on 23 March 2022. On 19 April 2021, the Company signed an addendum in accordance with which the principal was increased to US\$10,000,000. On 23 March 2022, the Company prolonged the loan till 23 March 2023.

On 3 August 2021 and on 7 February 2022, the Company signed two loan agreements with its related party, Squalio Group (Latvia), for principal amounts of US\$1,970,000 and US\$94,750 with interest rates of 6% and 5% respectively. The first loan matures on 3 August 2024 and the latter on 27 September 2023.

The loans are unsecured, bear interest of 0% for short-term loans and from 2% to 15% per annum for long-term loans which are repayable in 2023-2024. The fair values of loans receivables approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk in relation to loans receivable is reported in note 6 of the financial statements.

#### 18. Receivables

|  | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|--|-----------------------------------|-----------------------------|
| Receivables from own subsidiaries (Note 26.1)      | <b>1,580,234</b>                  | 895,008                     |
| Receivables from other related parties (Note 26.1) | <b>69,508</b>                     | 2,939                       |
| Receivables from third parties                     | <b>27,740</b>                     | 1,128                       |
| VAT Receivables                                    | -                                 | 8,416                       |
|  | <b><u>1,677,482</u></b>           | <u>907,491</u>              |

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

The exposure of the Company to credit risk and impairment losses in relation to receivables is reported in note 6 of the financial statements.

# SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 March 2022

### 18. Receivables (continued)

Receivables in currency:

|      | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|------|-----------------------------------|-----------------------------|
| INR  | <b>1,055,174</b>                  | -                           |
| US\$ | <b>622,308</b>                    | 897,947                     |
| EUR  | -                                 | 9,544                       |
|      | <b><u>1,677,482</u></b>           | <u>907,491</u>              |

### 19. Cash and cash equivalents

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

|              | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|--------------|-----------------------------------|-----------------------------|
| Cash at bank | <b><u>217,000,267</u></b>         | <u>752,707</u>              |
|              | <b><u>217,000,267</u></b>         | <u>752,707</u>              |

### Cash and cash equivalents by currency:

|      | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|------|-----------------------------------|-----------------------------|
| US\$ | <b>120,397,268</b>                | 724,920                     |
| CHF  | <b>96,378,823</b>                 | -                           |
| EUR  | <b>98,886</b>                     | 10,687                      |
| RUR  | <b>125,290</b>                    | 17,100                      |
|      | <b><u>217,000,267</u></b>         | <u>752,707</u>              |

### 20. Prepayments

As at 31 March 2022, out of the total amount of prepayments of US\$2,651,110, amount of US\$ 2,616,375 represents prepayments for investments acquisitions of Softline Group Ltd. (UK) and Aplana International projects (Russia).

As at 31 December 2020, the prepayment of US\$3,216,886 (EUR2,652,161) represents advance paid by the Company under a share purchase agreement with the related party, S. K. Management- und Beteiligungs GmbH, dated 10 December 2020. In accordance with the agreement the Company acquires 63.38% of investment in Softline AG Germany for a total price of US\$11,237,185 (EUR9,280,173). The share transfer becomes effective after full consideration is paid.

At the same date 10 December 2020, the related party, S. K. Management- und Beteiligungs GmbH ("Assignor") and the Company ("Assignee") entered into shareholder loan assignment agreement to transfer all rights and obligation of the loan receivable from Softline AG Germany from Assignor to the Assignee in the amount of US\$1,328,472 for a total consideration equal to the amount of the loan US\$1,328,472. The effective date of the assignment is the date when remaining consideration for the acquisition of the shares fully paid by the Company. The remaining consideration for the acquisition of the shares of Softline AG was settled fully by the Company during 2021.

# SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 March 2022

### 21. Share capital

|   | 31 March<br>2022    | 31 March<br>2022 | 31 December<br>2020 | 31 December<br>2020 |
|---|---------------------|------------------|---------------------|---------------------|
|   | Number of<br>shares | US\$             | Number of<br>shares | US\$                |
| <b>Authorised</b>   |                     |                  |                     |                     |
| Ordinary shares of US\$0.00023647 each                    | 500,000,000         | 118,235          | -                   | -                   |
| Ordinary shares of US\$0.01 each                          | -                   | -                | 117,251             | 1,173               |
| Series A Redeemable Preferred Shares of US\$0,01 each     | -                   | -                | 19,887              | 199                 |
| Series A Non-redeemable Preferred Shares of US\$0,01 each | -                   | -                | 36,451              | 364                 |
|   | <b>500,000,000</b>  | <b>118,235</b>   | 173,589             | 1,736               |

|   | 31 March<br>2022    | 31 March<br>2022 | 31 December<br>2020 | 31 December<br>2020 |
|---|---------------------|------------------|---------------------|---------------------|
|   | Number of<br>shares | US\$             | Number of<br>shares | US\$                |
| <b>Issued and not fully paid</b>            |                     |                  |                     |                     |
| Balance at 1 January                        | 128,975             | 1,290            | 128,975             | 1,290               |
| Redemptions of redeemable preference shares | (8,383)             | (84)             | -                   | -                   |
| Issue of shares                             | 2,682,594           | 578              | -                   | -                   |
| Dilution of shares                          | 127,556,314         | 29,042           | -                   | -                   |
| IPO proceeds                                | 53,333,334          | 12,612           | -                   | -                   |
| <b>Balance at 31 March / 31 December</b>    | <b>183,692,834</b>  | <b>43,438</b>    | 128,975             | 1,290               |

### Authorised capital

On 23 August 2021, the nominal value of shares was changed from US\$ 0.01 to US\$0.00001.

On 13 September 2021, the authorised share capital of the Company consisted of ordinary shares, Series A Redeemable Preferred Shares and Non-redeemable Preferred Shares with nominal value of US\$0.0001 each was reconstituted and divided into ordinary shares with a nominal value of USD 0.0001 each. Each ordinary share confers the right to one vote. On 13 September 2021, the Company abolished share classes.

On 30 September 2021 authorised share capital of the Company was increased to 11,823,500,000 ordinary shares with nominal value of US\$0.0001 and on the same date was changed to 500,000,000 ordinary shares with nominal value of US\$0.00023647 each.

As at 31 March 2022, authorized share capital was US\$118,235 of 500,000,000 ordinary shares with nominal value of US\$0.00023647 each.

### Issued capital

By a resolution of the shareholders of the Company dated 26 February 2021 it was decided that the Company proceed on the 5 March 2021 with the redemption of 7,021 Series A redeemable preference shares of US\$0.01 each and on the 11 March 2021 with the redemption of 1,362 Series A redeemable preferred shares of US\$0.01 each. The amount of consideration for the redemption was fully paid in March 2021 and equals to US\$16,899,206 (\$2,015.89 per share). The redemption led to the reduction in equity of the Company, including reduction of share capital by US\$84 and reduction of retained earnings by US\$16,899,206.

On 17 June and 26 July 2021, the Company issued and allotted 7,092 ordinary shares at nominal value of US\$0,01 to existing shareholders for a total consideration of US\$72.

On 8 September 2021, the Company issued and allotted of 320,002 shares with nominal value of US\$0.0001 for a total consideration of US\$3. On 29 September 2021, the Company issued and allotted of 245,000 shares with nominal value of US\$0.0001 for a total consideration of US\$3.

# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **21. Share capital (continued)**

On 23 August 2021, the Company diluted previously issued shares of 127,684 at nominal value of US\$0.01 to 127,684,000 shares at nominal value of US\$0.0001, as a result the share capital of the Company was increased by US\$12,768. On 30 September 2021, the nominal value of authorised and issued shares was changed from US\$0.0001 to US\$0.00023647 as a result the share capital of the Company was increase by US\$16,274.

On 2 October September 2021, the Company issued and allotted 2,110,500 ordinary shares with nominal value of US\$0.00023647 for a total consideration of US\$500.

On 28 September 2021, the Board of Directors approved the Company's IPO. On 1 November 2021, the Company had its Global Depository Receipts (GDR) listed on the main market of the London Stock Exchange and subsequently, had its secondary listing on Moscow Exchange. The Company raised gross funds in the amount of US\$400,000,005 for its future development and growth. A number of international funds and a significant number of retail investors became GDR holders through the process of the IPO. The IPO was arranged with a consortium of global banks, whereby Credit Suisse, J.P. Morgan were amongst Joint Global Coordinators and Citigroup was one of the Joint Bookrunners.

Due to IPO, the Company allotted 53,333,334 ordinary shares with nominal value of US\$0.00023647 to its depository for a total price of US\$7.50 per share, resulting in total proceeds of US\$400,000,005, out of which share premium amounted to US\$399,987,393. After deducting of IPO-related expenses in amount of US\$31,023,132 the total amount of share premium remained at US\$368,964,261.

On 3 February 2022, the Company purchased its own shares from a related party, Softline Trade JSC, in the quantity of 500,000 ordinary shares with nominal value of US\$0.00023647 for a consideration of RUB205,125,000 equal to US\$2,681,782. During the period from 1 January 2021 to 31 March 2022 the Company purchased it own 5,356 ordinary shares with nominal value of US\$0.00023647 traded on the market for the total consideration of US\$13,069.

As at 31 March 2022, the issued shares capital of the Company consist of 183,692,834 ordinary shares of nominal value of US\$0.00023647 each.

#### **Dividends and shareholders contribution**

On 26 March 2021, the Company declared dividends to its shareholders in the amount of US\$12,273,574. At the same date, DaVinci Private Equity Fund and DaVinci Pre-IPO Fund, waived their rights to receive dividends in the amount of US\$1,358,754 and it was resolved that the amount should be considered as a non-refundable contribution and remain in the accounts of the Company as equity.

On 27 March 2021, the Company 2021 the Company declared dividends to Zubr Capital Fund 1 L.P. in the amount of US\$567 as a part of the deal for the increased Company's share in Lagembor Holding Limited from 67% to 100%.

On 26 March 2021, the Company and shareholders agreed that the amount of dividends of US\$10,911,701 will be fully set-off with the loans receivable by the Company to those shareholders.

#### **Share premium**

On 29 July 2016, 1 ordinary share of US\$0,01 (shares premium US\$14,075,939) was issued to controlling shareholder SOFTLINE GROUP INC in exchange for the shares of ActiveHost Limited. On the same date additional US\$13,287,078 of share premium was recognised in the financial statements for 15,173 Series A redeemable preferred shares allotted to the same shareholder.

On 14 December 2016, 1 ordinary share of US\$0,01 (shares premium US\$18,264,621) was issued to controlling shareholder SOFTLINE GROUP INC in exchange of assigned loan receivables.

On 21 February 2018, Komana Holdings Limited sold 2,881 non-redeemable preferred shares to Carmelia Investments Limited. On 28 March 2018, SOFTLINE GROUP INC sold 1,020 non-redeemable preferred shares to IT Invest Financial Solutions (Cyprus) Limited. On 29 March 2018, SOFTLINE GROUP INC bought 2,881 non-redeemable preferred shares from Carmelia Investments Limited.

# SOFTLINE HOLDING PLC

## (former AXION HOLDING CYPRUS LTD)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 March 2022

#### 21. Share capital (continued)

##### Share premium (continued)

On 1 November 2021, the Company allotted 53,333,334 ordinary shares with nominal value of US\$0.00023647 to its depositary for a total price of US\$7.50 per share, resulting in total proceeds of US\$400,000,005, out of which share premium amounted to US\$399,987,393. After deducting of IPO-related expenses in amount of US\$31,023,132 the total amount of share premium remained at US\$368,964,261. The amount of share premium raised due to IPO has not registered yet in the Cyprus Company registrar at the time of signing the Auditors Report.

#### 22. Other reserves

As at 31 March 2022 and 31 December 2020, Other reserves include transactions with the shareholders such as writing-off of borrowings and payables from the related party due to its liquidation in the amount of US\$303,770 and a part of loss on sale of ActiveHost Ltd in the amount of US\$1,548,288.

#### 23. Borrowings

|  | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|--|-----------------------------------|-----------------------------|
| <b>Current borrowings</b>              |                                   |                             |
| Loans from subsidiaries (Note 26.4)    | <b>658,244</b>                    | 18,196,181                  |
| Loans from third parties               | <b>2,241,050</b>                  | -                           |
| Loans from related parties (Note 26.4) | <b>2,383</b>                      | 43,902,506                  |
|  | <b>2,901,677</b>                  | 62,098,687                  |
| <b>Non-current borrowings</b>          |                                   |                             |
| Loans from subsidiaries (Note 26.4)    | <b>6,457,054</b>                  | 23,358,981                  |
| Loans from related parties (Note 26.4) | -                                 | 30,535,872                  |
| Loans from third parties               | <b>12,737,004</b>                 | 9,821,322                   |
|  | <b>19,194,058</b>                 | 63,716,175                  |

Loans denominated in EUR bear interest rate of 3.25% and 7%, loans denominated in US\$ bear interest rates of 5%-6%, and loans denominated in Russian Rubles, bear interest of 5.50% and are repayable in December 2022-2027.

The movement for the period from 1 January 2021 to 31 March 2022 and for the year ended 31 December 2020 are presented below:

|   | <b>For the period<br/>from 1 January<br/>2021 to 31<br/>March 2022<br/>US\$</b> | Year ended 31<br>December 2020<br>US\$ |
|---|---|--|
| <b>Balance at 1 January</b>             | <b>125,814,862</b>  | 99,290,829                             |
| Drawdowns                               | <b>94,299,533</b>   | 81,375,028                             |
| Interest charged (Note 12)              | <b>7,985,303</b>  | 6,434,225                              |
| Repayment of principal                  | <b>(180,706,619)</b>  | (40,365,817)                           |
| Repayment of interest                   | <b>(12,088,576)</b>   | (7,827,078)                            |
| Foreign exchange gain                   | <b>(13,208,768)</b>   | (13,092,325)                           |
| <b>Balance at 31 March/ 31 December</b> | <b>22,095,735</b>   | 125,814,862                            |

On 15 February 2022, the Company entered into a borrowing agreement with the third party, LLC "National Center of support and development", for a principal amount of 2,000,000 EUR, interest rate of 7% and maturity on 15 August 2022.

On 19 August 2021, the Company entered into a borrowing agreement with its subsidiary, Softline International Peru SAC, for a principal amount of US\$ 2,900,000, interest rate 6% and maturity on 19 November 2021. As at 31 March 2022, the balance of the loan was US\$ 2,383 and the balance remains unpaid.

# **SOFTLINE HOLDING PLC**

## **(former AXION HOLDING CYPRUS LTD)**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **23. Borrowings (continued)**

On 19 August 2021, the Company entered into a borrowing agreement with its subsidiary, Softline Solutions International SDN BHD, for a principal amount of US\$ 800,000, interest rate 6% and maturity on 31 August 2021. As at 31 March 2022, the balance of the loan is US\$ 526 and the balance remains unpaid.

On 1 April 2020, the Company entered into a borrowing agreement with its subsidiary, Softline Trade JSC, for a principal amount of RUB 800,000,000, interest rate of 9% and maturity date on 31 March 2021. The loan was repaid in March 2021.

On 1 October 2020, the Company entered into a borrowing agreement with the subsidiary, Softline Trade JSC, for a principal amount of RUB 4,500,000,000 interest rate of 5% and maturity date in one year with automatic prolongation unless monthly notice is provided by one of the parties. On 9 March 2021, an additional agreement has been signed to extend principal amount to RUB 10,000,000,000. As at 31 March 2022 the loan was fully repaid.

On 21 August 2020, the Company signed an addendum to the agreement with its subsidiary Lagembor Holdings Limited thereby changing interest rate to 5%. On 7 May 2021, the maturity of the loan was prolonged till 31 December 2022.

On 3 September and on 16 December 2020, the Company entered into loan agreements with the related party Niltasoft Limited for a total amount of US\$2,000,000 each, with interest rates of 7% and maturity on 2 September and 15 December 2021 respectively. Both loans were fully settled by 31 March 2022.

During the year 2020, the Company signed addendums with its subsidiary Soft Logistic LLC changing interest rates on loans to 5-5.5%.

During the year 2020, the Company entered into two new loan agreements with Soft Logistic LLC for a total amount of RUB 4,000,000,000 and RUB 800,000,000, interest rates of 5% and 9% respectively. The loan for principal amount of RUB 800,000,000 matures on 9 April 2021 and the loan for RUB 4,000,000,000 is automatically prolonged each year for one year unless one month notice is given by one of the parties stating otherwise. During the period from 1 January 2021 to 31 March 2022, both loans were repaid.

On 24 November 2020, the Company signed an addendum to the loan agreement dated 30 May 2018 for a principal amount of US\$10,000,000, thereby changing interest rate on the loan with Softline Trade JSC to 5.5%.

On 25 of March 2020, the Company entered into a loan agreement with related party, Softline International LLC Armenia, for a total amount of US\$ 2,700,000, interest rate of 5% and maturity date on 31 December 2021. During 2021, the borrowing was fully repaid.

On 2 December 2020, the Company signed a loan agreement with a bank for a total amount of EUR 22,300,000, interest rate of 3.25% per annum and maturity date on 2 December 2027. The loan was provided to the Company for the purpose of financing purchase of 5.29% of ordinary share capital in Embee Software, to finance the purchase of 79.9% of ordinary share capital of Embee Software by the Company's related party, Softline Services, and to finance any payments due by Embee Software to its employees. During 2021, the Company purchased the above-mentioned entity. Guarantors under the agreement are subsidiaries of the Company.

The borrowing agreement with the bank provides for certain covenants in respect of Group's financial position. The covenants impose restrictions in respect of certain transactions and financial ratios. As at 31 March 2022, the Company complied with all its covenants.

On 18 January 2019, the Company entered into a loan agreement with its subsidiary Soft Logistic LLC, for a total facility of RUB 900,000,000 with interest rate of 9% and maturity date on 31 December 2023. As at 31 March 2022, the loan was fully repaid.

On 19 March 2019, the Company entered into a prolongation agreement with its subsidiary Soft Logistic LLC, for a loan with the balance of RUB 946,123,855 (equivalent to US\$ 15,283,308) as at 31 December 2019. The new maturity of the loan is on 30 March 2022. As at 31 March 2022, the loan was fully repaid.

On 24 of January 2018, the Company signed a loan agreement with its subsidiary, Soft Logistic LLC, with the total principal amount of RUB 400,000,000 bearing interest rate of 9% and maturity date on 31 December 2022. As at 31 March 2022, the loan was fully repaid.

# SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 March 2022

### 23. Borrowings (continued)

On 01 of February 2018, the Company signed amendments to loan agreements of 2016 and 2017 with Soft Logistic LLC to change the interest rate to 9%. As at 31 March 2022, the loan was repaid.

On 30 of May 2018, the Company signed a loan agreement with the related party, SoftLine Trade JSC, with the total principal amount of US\$ 10,000,000 bearing interest rate of 2% and maturity date on 30 May 2023. As at 31 March 2022, the outstanding balance of the loan amounted to US\$5,444,299.

On 10 of July 2018, the Company signed a loan agreement with its subsidiary, Soft Logistic LLC, with the total principal amount of RUB 145,000,000 bearing interest rate of 9% and maturity date on 10 July 2023. As at 31 March 2022, the loan was fully repaid.

On 20 of December 2018, the Company signed a loan agreement with its subsidiary, Soft Logistic LLC, with the total principal amount of RUB 400,000 bearing interest rate of 9% and maturity date on 31 December 2023. As at 31 March 2022, the loan was fully repaid.

On 21 of December 2018, the Company signed a loan agreement with its subsidiary, Soft Logistic LLC, with the total principal amount of US\$10,000,000 bearing interest rate of 9% and maturity date on 31 December 2023. As at 31 March 2022, the outstanding balance of the loan amounted to US\$1,012,755.

### 24. Other payables

|  | <b>31 March<br/>2022</b> | 31 December<br>2020 |
|--|--------------------------|---------------------|
|  | <b>US\$</b>              | US\$                |
| Directors' current accounts - credit balances (Note 26.5)    | <b>41,326</b>            | 41,000              |
| Shareholders' current accounts - credit balances (Note 26.5) | <b>549,273</b>           | 549,273             |
| Payables to staff  | -                        | 110,737             |
| Payables for purchase of investments (Note 14)               | <b>19,752,509</b>        | -                   |
| Payables for purchase of share options (Note 16)             | <b>7,882,882</b>         | -                   |
| Accruals   | <b>512,373</b>           | 302,144             |
| Other payables   | <b>1,175,206</b>         | 1,121,886           |
| Payables for a purchase of associates                        | -                        | 1,136               |
| Payables to subsidiaries (Note 26.3)                         | <b>2,681,919</b>         | 717                 |
|  | <b><u>32,595,488</u></b> | <u>2,126,893</u>    |

At 31 March 2022 and as at 31 December 2020, all payables are denominated in US\$.

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

### 25. Deferred income

During October 2021 the Group appointed the Bank of New York Mellon as depositary. According to the agreement the depositary is obliged to pay to the Group a regular compensation to share income received from brokerage operations. The payment was received during the year ended 31 March 2022 in net amount of US\$7,380,000 (gross compensation of US\$7,853,000 less withholding income tax equal to \$473,000). The net compensation was recognized as deferred income in the separate statement of financial position with long-term part in the amount of US\$5,289,000 and short-term part in the amount of \$1,476,000 recognized as trade and other payables. Part of remuneration related to the period ended 31 March 2022 in the amount of \$615,000 was recognized as other income in the separate statement of profit or loss and comprehensive income (Note 9).

### 26. Related party transactions

The UBO of Softline Holding PLC is Igor Borovikov, who owns 100% of the shares of Softline Group Inc., which is the parent of the Company, directly owns more than 50% of the Company's share capital.

# SOFTLINE HOLDING PLC

## (former AXION HOLDING CYPRUS LTD)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 March 2022

#### 26. Related party transactions (continued)

##### 26.1 Receivables from related parties (Note 18)

| <u>Name</u>                     | <u>Nature of transactions</u>                                    | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|---------------------------------|--|-----------------------------------|-----------------------------|
| Softline Services India Private | Interest from compulsory convertible debentures                  | <b>1,055,174</b>                  | -                           |
| EMBEE SOFTWARE LTD India        | IT-solutions and services  | <b>367,051</b>                    | -                           |
| Softline International India    | IT-solutions and services  | <b>121,963</b>                    | 172,143                     |
| Softline LTD Hong-Kong          | IT-solutions and services  | <b>26,685</b>                     | -                           |
| Softline International Maynmar  | Information Technology solutions                                 | -                                 | 48,882                      |
| Softline International Peru     | IT-solutions and services  | -                                 | 45,024                      |
| Softline Direct LLC             | IT Services  | <b>68,191</b>                     | -                           |
| Shareholders                    | Purchase of shares   | <b>1,318</b>                      | -                           |
|                                 | I.T consulting, software and hardware trading, other IT Services | -                                 | 309,800                     |
| Softline Projects LLC           | IT-solutions and services  | <b>9,360</b>                      | -                           |
| Softline Trade LLP Kazakhstan   | IT-solutions and services  | -                                 | 319,159                     |
| Axoft JCS                       | IT-solutions and service   | -                                 | 2,939                       |
| Directors                       | Purchase of shares   | -                                 | -                           |
|                                 |  | <b>1,649,742</b>                  | <b>897,947</b>              |

##### 26.2 Loans to subsidiaries and other related parties (Note 17)

|  |  | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|--|--|-----------------------------------|-----------------------------|
| <b>Loans to own subsidiaries</b>           |  |                                   |                             |
| Softline Overseas Limited (Cyprus)         |  | <b>5,442,228</b>                  | 16,423,250                  |
| Softline Tajikistan LLC (Tajikistan)       |  | <b>80,185</b>                     | 76,134                      |
| Softline International Ltd (Azerbaijan)    |  | -                                 | 10,355                      |
| Softline International SRL (Romania)       |  | <b>131,462</b>                    | 73,247                      |
| SL International LLC (Russia)              |  | <b>1,660,435</b>                  | -                           |
| Novakom Group LLC (Belarus)                |  | <b>2,028,247</b>                  | -                           |
| SL International LLC (Brazilia)            |  | <b>2,534,521</b>                  | -                           |
| Softline International LLC (Azerbaijan)    |  | <b>525,324</b>                    | 549,382                     |
| Softline Corporate Solutions SRL (Romania) |  | <b>27,302</b>                     | 27,302                      |
| Softline Group LTD (UK)                    |  | <b>9,232,949</b>                  | -                           |
| SOFTLINE SERVICES DOO                      |  | <b>25,247</b>                     | 277,000                     |
| SL International LLC (Colombia)            |  | <b>5,403,608</b>                  | -                           |
| Squalio Group (Latvia)                     |  | <b>2,663,157</b>                  | -                           |
| Niltasoft Limited                          |  | <b>22,018,260</b>                 | -                           |
| AG Distribution LTD                        |  | <b>22</b>                         | -                           |
| SOFTLINE EGYPT                             |  | <b>851,822</b>                    | 209,217                     |
|  |  | <b>52,624,769</b>                 | <b>17,645,887</b>           |

# SOFTLINE HOLDING PLC (former AXION HOLDING CYPRUS LTD)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 March 2022

### 26. Related party transactions (continued)

#### 26.2 Loans to related parties (Note 17) (continued)

|   | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|---|-----------------------------------|-----------------------------|
| <b>Loans to related parties other than subsidiaries</b> |                                   |                             |
| SOFTLINE SERVICES, SOFTWARE, CLOUD, S.A. de C.V.        | -                                 | 24,001                      |
| ACTIVEHOST LTD  | <b>2,794,722</b>                  | 2,663,854                   |
| EMBEE MIDDLE EAST W.L.L (Bahrain)                       | <b>226,660</b>                    | -                           |
| ACTIVEPLATFORM HOLDING LIMITED                          | <b>698,982</b>                    | 661,584                     |
| Softline International de Colombia SA                   | -                                 | 758,701                     |
| DA VINCI PRIVATE  | -                                 | 2,031,163                   |
| Softline Group INC                                      | -                                 | 3,232,130                   |
| Softline International Inc USA                          | <b>1,374,156</b>                  | 589,862                     |
| Igor Borovikov  | -                                 | 4,800,163                   |
| Softline International Philippines                      | <b>189,040</b>                    | 502,205                     |
| Soft Distribution LLP Kazakhstan                        | <b>161,000</b>                    | 161,000                     |
|   | <b>5,444,560</b>                  | 15,424,663                  |

#### 26.3 Payables to subsidiaries (Note 24)

| <u>Name</u>                   | <u>Nature of transactions</u> | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|-------------------------------|-------------------------------|-----------------------------------|-----------------------------|
| Axion Incorporation           | Trade                         | -                                 | 121                         |
| Softline Trade JSC            | Treasury shares               | <b>2,681,902</b>                  | -                           |
| Ontarino Investments Ltd      | Finance                       | -                                 | 579                         |
| Softline Trade LTD Azerbaijan | Trade                         | <b>17</b>                         | 17                          |
|                               |                               | <b>2,681,919</b>                  | 717                         |

The payables to subsidiaries and other related parties were provided interest free and there was no specified repayment date.

#### 26.4 Borrowings from subsidiaries and other related parties (Note 23)

|  | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|--|-----------------------------------|-----------------------------|
| Soft Logistic LLC (Russia) (1)                       | <b>1,012,755</b>                  | 34,972,477                  |
| SL International Solutions International SDN BHD (4) | <b>526</b>                        | -                           |
| SL International Peru SAC (5)                        | <b>2,383</b>                      | -                           |
| Lagembor Holding Limited (2)                         | <b>657,718</b>                    | 632,518                     |
| NiltaSoft Limited (6)                                | -                                 | 5,950,167                   |
| SoftLine International LLC (Armenia) (7)             | -                                 | 2,625,441                   |
| SoftLine Trade JSC (3)                               | <b>5,444,299</b>                  | 71,812,937                  |
|  | <b>7,117,681</b>                  | 115,993,540                 |

#### *Borrowing from subsidiaries:*

- (1) As at 31 March 2022 loan from Soft Logistic LLC in the amount of US\$1,012,755 is denominated in Russian Rubles, bears interest at the rate of 5.5% per annum and has maturity date on 31 December 2023.
- (2) As at 31 March 2022, loan from Lagembor Holding Limited amounted to US\$657,718. The borrowing is denominated in US\$, bears interest rate of 5% and has maturity date on 31 December 2022.

# SOFTLINE HOLDING PLC

## (former AXION HOLDING CYPRUS LTD)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 March 2022

#### 26. Related party transactions (continued)

##### 26.4 Borrowings from related parties (Note 23) (continued)

- (3) As at 31 March 2022, the loan from SoftLine Trade JSC denominated in RUB amounted to US\$5,444,299. It bears interest rate of 5.50% per annum and has maturity date on 30 May 2023.
- (4) During 2020 the Company signed two loan agreements with Niltasoft Limited for a principal amount of US\$ 2,000,000 each with interest rates of 7% and maturity in 2021. The loans were fully repaid during the period from 1 January 2021 to 31 March 2022.
- (5) During 2020 the Company signed a new loan agreement with Softline International (Armenia) for a principal amount of RUB 4,000,000,000, interest rate of 5% and maturity in 2021. The loan was fully settled during the period from 1 January 2021 to 31 March 2022.

##### *Borrowing from related parties other than subsidiaries:*

- (4) On 19 August 2021, the Company entered into a borrowing agreement with a related party, Softline International Peru SAC, for a principal amount of US\$2,900,000, interest rate 6% and maturity on 19 November 2021. As at 31 March 2022, the balance of the loan is US\$ 2,384 and the balance remains unpaid.
- (5) On 19 August 2021, the Company entered into a borrowing agreement with a related party, Softline Solutions International SDN BHD, for a principal amount of US\$800,000, interest rate 6% and maturity on 31 August 2021. At 31 March 2022, the balance of the loan is US\$ 526 and the balance remains unpaid.

##### 26.5 Directors'/shareholders' current accounts - credit balances (Note 24)

|                          | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|--------------------------|-----------------------------------|-----------------------------|
| SOFTLINE GROUP INC       | <b>549,273</b>                    | 549,273                     |
| Igor Pavlovich Borovikov | <b>41,326</b>                     | 41,000                      |
|                          | <b>590,599</b>                    | 590,273                     |

The Directors'/shareholder's current accounts are interest free and have no specified repayment date.

##### 26.6 Prepayments to related parties (Note 20)

|                                       | <b>31 March<br/>2022<br/>US\$</b> | 31 December<br>2020<br>US\$ |
|---------------------------------------|-----------------------------------|-----------------------------|
| Aplana International Project (Russia) | <b>680,035</b>                    | -                           |
| Softline Group Ltd (UK)               | <b>1,936,340</b>                  | -                           |
|                                       | <b>2,616,375</b>                  | -                           |

# SOFTLINE HOLDING PLC

## (former AXION HOLDING CYPRUS LTD)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 March 2022

#### 26. Related party transactions (continued)

##### 26.7 Dividend income (Note 8)

|   | <b>For the period<br/>from 1 January<br/>2021 to 31<br/>March 2022</b> | Year ended 31<br>December 2020 |
|---|--|--------------------------------|
|   | <b>US\$</b>  | US\$                           |
| Niltasoft Limited (Cyprus)              | <b>4,000,000</b>   | -                              |
| Softline International LLC (Kyrgyzstan) | <b>318,402</b>   | -                              |
| Softline Georgia Ltd. (Georgia)         | <b>52,632</b>  | -                              |
| Softline International LLC (Armenia)    | <b>83,624</b>  | -                              |
| Softline Trade TOO (Kazakhstan)         | <b>162,801</b>   | -                              |
| Softline Services (India)               | <b>85,543</b>  | -                              |
| Softline Enterprise Solutions (Russia)  | <b>1,802,113</b>   | -                              |
| SoftLineBel Ltd (Belarus)               | -  | 23,217                         |
| SoftLine International BE (Uzbekistan)  | -  | 143,242                        |
| Bolucum Holdings LTD (Cyprus)           | -  | 470,049                        |
|   | <b><u>6,505,115</u></b>  | <b><u>636,508</u></b>          |

As at 31 March 2022 and as at 31 December 2020, dividends were fully received in cash.

#### 27. Contingent Consideration

As part of the sales and purchase agreement with the previous owner of Belitsoft, payables for acquisitions has been agreed. There will be additional cash payments to the previous owner of Belitsoft:

- depending on EBITDA for the year ended 31 December 2021;
- depending on EBITDA for the year ended 31 December 2024 and Net debt as of 31.12.2024.

As at 31 March 2022, the total fair value of the payables for acquisitions was estimated to be US\$11,480,000 and amortization of discount in the amount of US\$455,000 was recognized in the statements of comprehensive income (Note 11). The fair value is determined using a DCF method.

During the period from 1 January 2021 to 31 March 2022, as part of the sales and purchase agreement with the previous owner of Umbrella, a contingent consideration has been agreed. There will be additional cash payments to the previous owner of Umbrella:

- depending on Revenue for the year ended 31 March 2022;
- depending on Revenue and EBITDA for the year ended 31 March 2025;
- depending on Revenue and EBITDA for the year ended 31 March 2026.

As at 31 March 2022, the total fair value of the contingent consideration was estimated to be US\$6,222,000 and amortization of discount in the amount of US\$100,000 was recognized in the statement of comprehensive income. The fair value is determined using a DCF method.

The Company had no other contingent liabilities as at 31 March 2022 and as at 31 December 2020.

# **SOFTLINE HOLDING PLC**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **28. Financial guarantees**

On 20 August 2018, the Company entered into a surety agreement with PJSC Sberbank in order to provide a guarantee to secure the obligation of the related party Softline Trade JSC under the credit agreement for the amount up to 1,000,000,000 RUB. The surety agreement matures on 26 July 2024.

On 12 December 2018, the Company entered into a surety agreement with LLC DLL Leasing in order to provide a guarantee to secure the obligation of the related party Softline Trade JSC under the leasing agreement for the amount up to US\$1,200,000. The surety agreement matures on performance of all obligations under the agreement.

On 24 April 2019, the Company entered into a surety agreement with PJSC Sberbank in order to provide a guarantee to secure the obligation of the related party Softline Trade JSC under the credit agreement for the amount up to 2,500,000,000 RUB. The surety agreement matures on 10 February 2024.

On 31 July 2019, the Company entered into a surety agreement with OTP Bank in order to provide a guarantee to secure the obligation of the related party Softline Trade JSC under the credit agreement for the amount up to 450,000,000 RUB. The surety agreement matures on 24 April 2025.

On 18 October 2019, the Company entered into a surety agreement with ROSBANK in order to provide a guarantee to secure the obligation of the related party Softline Trade JSC under the credit agreement for the amount up to 400,000,000 RUB. The surety agreement matures on 18 April 2026.

On 30 January and 3 August 2020, the Company entered into a surety agreement with PJSC Sberbank to provide a guarantee to secure the obligation of the related party Softline Trade JSC under the credit agreement for the amount 1,500,000,000 RUB maturing on 10 February 2024.

Management considers that the risk of cash outflows under the above guarantee agreements is remote.

The Company had no other commitments as at 31 March 2022 and as at 31 December 2020.

#### **29. Operating environment and economic risks**

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the need for respective actions.

The Company's subsidiaries are heavily exposed to the operating environment in the Russian Federation and other emerging markets with similar characteristics in Eastern Europe, Latin America, Asia and India.

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate. The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel, which will affect household incomes and business operating costs.

# **SOFTLINE HOLDING PLC**

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 March 2022

#### **29. Operating environment and economic risks (continued)**

The Group's senior leadership established a very robust approach dealing with the impact of this crisis on the Company and its subsidiaries and took immediate and effective actions upon thorough evaluation of the risk factors and ongoing live tracking. As the result, the Group announced prompt organizational changes that had been immediately communicated to the London Stock Exchange; managed the external and internal messaging in highly controlled and responsible manner; ensured proactive engagement with the key vendors and developed fit for purpose marketing materials. There was an extraordinarily prompt mitigation undertaken by the finance team to ensure access to the corporate funds via careful navigation in the banking sector that is currently heavily impacted through the various restrictions. This enabled continuity of the business operations.

The Group continues to proactively navigate the evolving market in Russia, mitigating impacts where possible, including certain disruptions on day to day operations, supply impacts, and vendor restrictions. The Russian and non-Russian businesses now differ significantly in operations, priorities, and go-to-market strategies. As a result, Softline is exploring alternative options to adjust the group's assets and ownership structure in order to optimize value for all of its stakeholders. Softline remains fully committed to serving customers globally with a focus on growth and addressing our customers, employees, vendors, and shareholders' needs and values.

#### **Legal proceedings**

In the opinion of management, there are no current legal proceedings or claims outstanding as at 31 March 2022 and 31 December 2020, which could have a material adverse effect on the results of operations or financial position of the Company and which have not been accrued or disclosed in these parent separate financial statements.

#### **30. Events after the reporting period**

During April and May 2022, the Company sold 3,063,466 Crayon shares for cash consideration of US\$39,188,000. As a result the Company holds 0.94% of Crayon shares in the amount of 225,709 at the date of issuance of these financial statements.

On 24 April 2022, in the result of ITI Group Ltd share transfer to IT Invest Financial Solutions (Cyprus) Limited, ITI Group Ltd is no longer the shareholder of the Company.

On 29 April 2022, the Company approved incorporation of a new subsidiary Softline International Technologies Sotline in accordance with the current legislation of United Arab Emirates. The Company owns 100% of share capital.

During April 2022, the Company's subsidiary Softline Group allotted additional 1,400,000 shares with nominal value of GBP1 each to the Company for a consideration of GBP1,400,000.

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

In July 2022 The Group acquired 100% share in Seven Seas Technology group (including companies registered in Abu Dhabi, Sharjah and Dubai), leading system integrator and Information and Communications Technology solution provider in the UAE providing medium and large enterprises with collaborative, multi-cloud strategies. The acquisition represents a significant addition to the Group's operations in the Middle East and Africa region.

The Group preliminary concluded that this acquisition gives the Group control over Seven Seas Technology group. Acquisition is expected to be accounted for using purchase accounting, the initial purchase price allocation is yet incomplete.

#### **Independent auditor's report on pages 5 to 8**