Embee Software Private Limited

Financial statements

Years ended 31 March 2021, 31 March 2020 and 31 March 2019

Embee Software Private Limited

Financial statements

For the years ended 31 March 2021, 31 March 2020 and 31 March 2019

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Embee Software Private Limited

Financial statements

For the years ended 31 March 2021, 31 March 2020 and 31 March 2019

Statement of Management Responsibilities

Management is responsible for the preparation of financial statements that present fairly the financial position of Embee Software Private Limited (the Company") as at 31 March 2021, 31 March 2020, 31 March 2019, and the results of its operations, cash flows and changes in equity for the years then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management 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 IFRSs 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; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, 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 financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The financial statements of the Company for the years ended 31 March 2021, 31 March 2020, 31 March 2019 were approved by management on 25 September 2021:

SUDHIR KOTHARI Dated: 25 September 2021

MOORE

Independent Auditor's Report

To the Shareholders of Embee Software Private Limited

Report of the Independent Auditors on the Financial Statements of Embee Software Private Limited.

Qualified Opinion

We have audited the financial statements of Embee Software Private Limited (the "Company"), which comprise the statements of financial position as at 31 March 2021, 31 March 2020 and 31 March 2019, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2021, 31 March 2020 and 31 March 2019, and its financial performance and its cash flows for the years then ended and, except for the matter described in the Basis for Qualified Opinion section, have been properly prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The financial statements for the year ended 31 March 2019 have been presented without full comparative information for the previous period. Presentation of comparative information is a requirement of IFRSs. Consequently, in this regard alone, these financial statements do not comply with IFRSs.

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' *Code of Ethics for Professional Accountants (IESBA Code)*, 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management 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 financial statements, management 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 management 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 directors.
- Conclude on the appropriateness of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Moore ST (International) Ltd

London

25 September 2021

Embee Software Private Limited

Statement of profit or loss and other comprehensive income

For the years ended 31 March 2021, 31 March 2020 and 31 March 2019

(in thousands of US dollars)

	Notes	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2019
Revenue from contracts with customers	5	98,334	93,592	79,076
Cost of sales	6	(85,977)	(82,745)	(68,836)
Gross profit		**12,357**	**10,847**	**10,240**
Selling, general and administrative expenses	7	(8,075)	(6,785)	(6,802)
Operating profit		**4,282**	**4,062**	**3,438**
Other income		696	22	8
Movement in provision for expected credit losses		184	(167)	13
Other expenses	8	(253)	(248)	(112)
Foreign exchange (losses) / gains		124	90	1
Finance income		114	113	181
Finance costs	9	(730)	(1,151)	(924)
Profit before Income tax		**4,417**	**2,721**	**2,605**
Income tax expense	10	(758)	(766)	(905)
Net profit for the year		**3,659**	**1,955**	**1,700**
Other comprehensive income				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):				
Translation differences		340	(849)	(463)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)		—	—	—
Total comprehensive income for the year		**3,999**	**1,106**	**1,237**

The accompanying notes on pages 10 to 38 form an integral part of these financial statements.

Embee Software Private Limited

Statement of financial position

As at 31 March 2021, 31 March 2020 and 31 March 2019

(in thousands of US dollars)

	Notes	31 March 2021	31 March 2020	31 March 2019	1 April 2018
Assets					
Non-current assets					
Intangible assets	11	16	19	26	16
Property and equipment	12	1,094	1,190	1,317	1,270
Right-of-use assets	22	256	342	391	500
Deferred tax assets	10	—	—	7	71
Non-current tax receivables		982	215	—	154
Other non-current assets		—	306	333	355
		2,348	**2,072**	**2,074**	2,366
Current assets					
Advances issued and other current assets	13	845	330	468	908
Tender guarantees and deposits		505	564	611	776
Software licenses and other inventory	14	2,259	2,978	1,476	1,375
Tax receivables		4,106	4,544	2,376	570
Trade receivables, net	15	40,688	38,607	33,975	28,166
Other receivables	16	438	658	316	267
Cash and cash equivalents	17	2,297	1,393	1,408	1,386
		51,138	**49,074**	**40,630**	**33,448**
Total assets		**53,486**	**51,146**	**42,704**	**35,814**
Equity					
Share capital	18	132	132	132	132
Share premium		905	905	905	905
Retained earnings		12,360	10,442	8,487	6,787
Translation reserve		(972)	(1,312)	(463)	—
Total equity		**12,425**	**10,167**	**9,061**	**7,824**
Non-current liabilities					
Deferred tax liabilities	10	292	36	—	—
Long-term tax payable		—	—	150	—
Long-term lease liabilities	22	244	297	348	433
Long-term borrowing	19	157	943	1,268	285
Other long-term liabilities	20	475	390	321	261
		1,168	**1,666**	**2,087**	**979**
Current liabilities					
Trade and other payables	21	32,244	30,122	24,786	20,645
Short-term lease liabilities	22	62	81	64	67
Short-term borrowing	19	6,646	7,676	5,113	5,147
Other short-term liabilities	20	941	1,434	1,593	1,152
		39,893	**39,313**	**31,556**	**27,011**
Total equity and liabilities		**53,486**	**51,146**	**42,704**	**35,814**

Director

SUDHIR KOTHARI
Digitally signed by
SUDHIR KOTHARI
Date: 2021.09.25
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The accompanying notes on pages 10 to 38 form an integral part of these financial statements.

Embee Software Private Limited

Statement of cash flows

For the years ended 31 March 2021, 31 March 2020 and 31 March 2019

(in thousands of US dollars)

	Notes	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2019
Operating activities				
Profit before income tax		**4,417**	**2,721**	**2,605**
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation and amortisation	7,11,12	130	146	144
Finance income		(114)	(113)	(181)
Gain on sale of investments		(583)	—	—
Gain on bad debt provision movement		(353)	(516)	(347)
Loss on lease liabilities movement		12	16	21
Net (gain) / loss on forward exchange contracts		(598)	289	—
Other non-cash charges		75	(48)	366
Interest expense		567	141	108
Net unrealised exchange loss		162	1,010	816
Operating profit before working capital changes		**3,715**	**3,646**	**3,532**
Working capital adjustments:				
(Increase)/Decrease in software licenses and other inventory		798	(1,724)	(183)
Increase in advances issued, trade and other receivables		(1,165)	(8,080)	(5,676)
Increase in contract liabilities, trade and other payables		1,377	8,060	6,844
Cash generated from / (used in) operations		**4,725**	**1,902**	**4,517**
Income tax paid		(506)	(722)	(846)
Net cash from / (used in) operating activities		**4,219**	**1,180**	**3,671**
Investing activities				
Disposal of subsidiary		893	—	—
Purchase of property, plant and equipment		(50)	(118)	(280)
Proceeds from sale of fixed assets		55	—	—
Interest received (others)		114	113	181
Net cash generated by / (used in) investing activities		**1,012**	**(5)**	**(99)**
Cash flows from financing activities				
(Repayment of borrowings)/proceeds from borrowings		(2,361)	81	(2,545)
Distributions to shareholders		(1,291)	—	—
Interest paid (borrowings and finance lease)		(730)	(1,151)	(924)
Net cash (used in) / generated by financing activities		**(4,382)**	**(1,070)**	**(3,469)**
Translation difference		55	(120)	(81)
Net increase in cash and cash equivalents		**904**	**(15)**	**22**
Cash and cash equivalents at beginning of the year	17	1,393	1,408	1,386
Cash and cash equivalents at end of the year	17	**2,297**	**1,393**	**1,408**

The accompanying notes on pages 10 to 38 form an integral part of these financial statements.

Embee Software Private Limited

Statement of changes in equity

For the years ended 31 March 2021, 31 March 2020 and 31 March 2019

(in thousands of US dollars)

	Share capital	Share premium	Retained earnings	Translation reserve	Total equity
Balance as at 1 April 2018	**132**	**905**	**6,787**		**7,824**
Profit for the year	—	—	1,700	—	**1,700**
Currency translation differences	—	—	—	(463)	**(463)**
Total comprehensive income	**—**	**—**	**1,700**	**(463)**	**1,237**
Balance as at 31 March 2019	**132**	**905**	**8,487**	**(463)**	**9,061**
Profit for the year	—	—	1,955	—	**1,955**
Currency translation differences	—	—		(849)	(849)
Total comprehensive income	**—**	**—**	**1,955**	**(849)**	**1,106**
Balance as at 31 March 2020	**132**	**905**	**10,442**	**(1,312)**	**10,167**
Profit for the year	—	—	3,659	—	**3,659**
Currency translation differences	—	—	—	340	**340**
Total comprehensive income	**—**	**—**	**3,659**	**340**	**3,999**
Distribution to shareholders	—	—	(1,741)	—	(1,741)
Balance as at 31 March 2021	**132**	**905**	**12,360**	**(972)**	**12,425**

The accompanying notes on pages 10 to 38 form an integral part of these financial statements.

Embee Software Private Limited

Notes to the financial statements

1. Corporate information

The Company is a private company based in India, with headquarters in Kolkata, incorporated on the 3 April 1992. The registered office is located at Circular Court, 2nd Floor, 8, A.J.C. Bose Road, Kolkata–700017.

Prior to 15 January 2021 when Softline Services India Private Limited (hereinafter the "Parent company") became the major shareholder of the Company with a 94.7% stake, the Company's owners were Sudhir Kothari, Radha Kothari, DVK Information Technology Pvt. Ltd. with stakeholdings of 45.19%, 21.62% and 17.49%, respectively, and a number of minor shareholders.

The Company's ultimate parent is Softline Group Inc.

The Company is engaged in the business of Informatlon Technology solutions and system integration services. The Company provides solutions that span the cycle encompassing technical consulting, systems integration, implementation and maintenance of infrastructure and business applications.

The Company has partnerships wlth leading IT organisatlons such as Microsoft, H.P., I.B.M.Cisco, Epson, VM ware and others.

2. Basis of preparation

The financial statements of Embee Software Private Limited ("the Company") for the years ended 31 March 2021, 31 March 2020 and 31 March 2019 were authorised for issue in accordance with a written resolution of the Chief Executive Officer on 24 September 2021.

General

These financial statements are prepared in accordance with the principles contained within International Financial Reporting Standards (IFRS), including International Accounting Standards and Interpretations as issued by the International Accounting Standards Board ("IASB"). The financial statements also comply with the disclosure requirements of IFRS with the exception that financial information for the year ended 31 March 2018 is not presented as comparative information for the year ended 31 March 2019. Management has not presented this information as, in the opinion of management, the benefit to users of presenting information that, at the date of issue of these financial statements, is more than three years old, does not justify the time and expense involved in doing so.

These financial statements include statements of financial position as at 31 March 2021, 31 March 2020 and 31 March 2019 as well as 1 April 2018 which is the date when IFRS were first applied by the Company. The adjustments that the Company made for the purpose of transition from Indian GAAP to IFRS resulted in the recognition of right-of-use assets and corresponding lease liabilities under IFRS 16 and the creation of a provision for expected credit losses under IFRS 9 in the statement of financial position. The effect on the Company's statement of comprehensive income comprised a partial elimination of rental expenses as well as recognition of depreciation expense in relation to the the newly recognised right-of-use assets and interest expense in respect of the corresponding lease liabilities. None of the adjustments were material.

The financial statements have been prepared on a historical cost basis, except for specific financial assets and liabilities that have been measured at fair value, as detailed in Note 4.

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

The United States Dollar ("USD" or "presentation currency") has been used for the presentation of these financial statements. All values are rounded to the nearest thousand ($'000), except where otherwise indicated.

Foreign currency transactions

The USD is used as the Company's presentation currency, because presentation in USD is convenient for the major current and potential users of the financial statements.

Management has determined that the functional currency of all the Company is the Indian Rupee ("INR" or "functional currency") as the majority of the Company's operations are denominated in INR. Items included in

2. Basis of preparation (Continued)

the financial statements are measured using the Company's functional currency. The rates of exchange of the INR to USD were as follows:

	31 March 2021	31 March 2020	31 March 2019	1 April 2018
US Dollar / Rupees	73.1661	75.3675	69.2813	65.0441

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured into the functional currency at the rate of exchange ruling at the reporting date. All resulting differences are taken to the statement of profit or loss and other comprehensive income and included in the determination of net profit as "Foreign exchange gain/ (loss)". Non-monetary items that are carried at historical cost and acquired in a foreign currency transaction are measured using the exchange rate as at the date of initial transaction and are not re-measured subsequently.

For the purpose of translation to the presentation currecy, assets and liabilities of the Company are translated into USD at the rate of exchange ruling at the reporting date. Income and expense items are translated at the exchange rates prevailing at the date of the transactions (when practicable) or using average exchange rates for the reporting period as an expedient. The exchange differences arising on the translation are recognised in other comprehensive income.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Each of the most significant areas in which management has used judgement, estimates and assumptions in the application of the Company's accounting policies are listed below. The associated commentary describes the key judgements, key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Non-consolidation of Subsidiary

During the current and previous reporting periods the Company owned a 99,96% interest in Kota Merchants & Traders Private Limited (the "Subsidiary"). Management has assessed the potential effect of consolidation of the Subsidiary and found that effect to be immaterial. Consequently, it has been decided to recognise the investment in the Subsidiary under IFRS 9 as a financial asset at fair value through other comprehensive income.

This investment in Subsidiary was disposed of during the year ended 31 March 2021

Amounts paid to previous shareholders in connection with purchase by current parent

As reflected in note 1 above, on 15 January 2021 Softline Services India Private Limited acquired a 94.7% stake in the Company. In addition to payments made directly to the selling shareholders, the terms of the purchase agreement required a number payments from the Company to the selling shareholders. Management has considered these items and determined that in substance these amounts are distributions to shareholders rather than expenses of the Company. As a consequence these transactions are recorded in the statement of changes in equity and not in the statement of profit or loss and other comprehensive income.

3. Significant accounting judgements, estimates and assumptions (Continued)

Revenue recognition

The main source of revenue for the Company is sale of software licenses, hardware and provision of a range of services. Management uses significant judgement to determine if it acts as a principal or an agent in its transactions with customers, and when it determines if gross or net revenue recognition is appropriate for each significant class of transactions.

Assessing agent/principal consideration depends on the nature of the contract with vendor. The Company determines two types of reselling arrangements—direct (revenue recognised on a net basis) and indirect (Company acts as a value added partner and recognises gross revenue).

Provision for expected credit losses

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of trade receivable from the date credit was initially granted up to the reporting date including ageing analysis and analysis of subsequent payments. The Company's exposure to concentration of credit risk is limited due to its customer base being large and diverse. The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Company's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. Further information about the ECLs on the Company's trade receivables is disclosed in Note 15.

Taxation

The calculation and disclosure of tax provisions, uncertain tax positions and deferred tax assets and liabilities involve the use of assumptions about future events and the way in which the tax authorities will interpret legislation. Management uses significant judgement in making such assumptions. In particular, management applies significant judgement in determining the likelihood and magnitude of potential tax risks arising from the Company's operations (see Note 25). In reaching its conclusions, management considers past tax audit results, current and emerging tax enforcement practices and its own tax risk management approaches.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits and the existence of taxable temporary differences (Note 10). Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilisation of deferred tax assets must be reduced, this reduction will be recognised in the statement of profit or loss and other comprehensive income.

The Company applies the single most likely outcome method when making estimates about uncertain tax positions.

Impairment of non-financial assets

Management applies judgement in assessing impairment of non-financial assets. Impairment is considered to have occurred when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is assessed as the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The

3. Significant accounting judgements, estimates and assumptions (Continued)

value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generated unit being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives. There were no indicators of impairment of non-financial assets at 31 March 2021, 2020 and 2019.

Leases

When the Company recognises and measures right-of-use assets and lease liabilities, it makes a number of judgements and estimates. These include assessment of the likelihood of extension and termination options being exercised, the separation and estimation of non-lease components of payments, the identification and valuation of in-substance fixed payments and the determination of incremental borrowing rates relevant in calculating lease liabilities.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option, if any, to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Renewable lease contracts that specify an initial period, and renew indefinitely at the end of the initial period unless terminated by either of the parties to the contract are considered enforceable beyond the date on which the contract can be terminated taking into account the broader economics of the contract, and not only contractual termination payments. Lease terms are determined based on the contract terms, need to lease any specialised assets and terms of rehabilitation obligations.

The Company cannot readily determine the interest rate implicit in most leases, it, therefore, uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

4. Significant accounting policies

(a) Property and equipment

Property and equipment are stated at historic cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of assets. Depreciation is calculated using the straight-line method to write off their cost to their residual values over their estimated useful lives, as follows:

Type of equipment	Useful life, years
Buildings	60
Furniture	10
Office equipment	5
Motor cars	8
Computers	3
Electric installations	10
Cycles	10
Plant & machinery	6
IT equipment	5
Air conditioning units	10

4. Significant accounting policies (Continued)

The gain or loss arising on the disposal or liquidation of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(b) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in categories consistent with the function of the impaired asset .

For assets an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(c) Software licenses

Software licenses consist primarily of software purchased for resale to customers.

Net realisable value is the estimated selling price in the ordinary course of business, less related selling expenses.

Cost of purchase includes purchase price and other non-recoverable taxes. Contractual trade discounts, rebates and other similar items which the Company reasonably expect to receive are deducted in determining the cost of purchase. Net realisable value is the estimated selling price in the ordinary course of business, less related selling expenses.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of change in value.

4. Significant accounting policies (Continued)

(e) Financial instruments—initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, fair value through other comprehensive income (FVOCI), and as subsequently measured at amortised cost. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at fair value through profit or loss;
- Financial assets carried at amortised cost;
- FVOCI financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of other comprehensive income.

Financial assets carried at amortised cost

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company’s financial assets at amortised cost includes trade and other receivables, cash and cash equivalents.

FVOCI financial assets

FVOCI financial assets include equity investments. Equity investments classified as FVOCI are those that are neither classified as held for trading nor designated at fair value through profit or loss.

4. Significant accounting policies (Continued)

After initial measurement, FVOCI financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income (OCI) and credited in the FVOCI reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the FVOCI reserve to the statement of other comprehensive income in finance costs. Interest earned whilst holding FVOCI financial assets is reported as interest income using the EIR method.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3;
- Trade receivables Note 15.

The Company recognises a provision for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss;

4. Significant accounting policies (Continued)

- Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of other comprehensive income;
- Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of other comprehensive income. This category generally applies to interest-bearing loans and borrowings (Note 19).

Derecognition

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of other comprehensive income.

(f) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Uncertain tax positions

The Company's policy is to comply fully with the local tax regulations. The Company and the relevant tax authorities may have different interpretations of how regulations should be applied to actual transactions. Such uncertain tax positions are accounted for in accordance with IAS 12 *Income Taxes* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Company applies the single most likely outcome method when making estimates about uncertain tax positions.

Deferred taxes

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

4. Significant accounting policies (Continued)

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Goods and Serives Tax (GST) or Value added tax

Output value added tax (VAT) is payable to the tax authorities on the earlier of (a) advances received from customers or (b) revenue from delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Net VAT payable to tax authorities as on the reporting date is recognised separately from the input VAT not submitted for reimbursement to tax authorities by that date. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT. VAT is excluded from revenue.

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and 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 of payment and excluding taxes or duty.

The Company records revenue from sales transactions as performance obligations are satisfied or when control of goods or the output of services is passed to the purchaser. Recognition may over time or at a point in time.

The Company recognises revenue over time if one of the following criteria is met:

- The customer simultaneously receives and consumes all of the benefits of a service provided by the Company as the entity performs those services;
- The Company's performance creates or enhances an asset that the customer controls while the asset is being created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If revenue does not meet the criteria above for recognition over time, it is recongnised at the point in time when control of goods or the output of services passes from vendor to purchaser. The Company considers a number of indicators when assessing whether or not control has passed. These include, but are not limited, to the following:

- The Company has a present right to payment for the asset;
- The customer has legal title to the asset;
- The Company has transferred physical possession of the asset;
- The customer has the significant risks and rewards related to the ownership of the asset; and

4. Significant accounting policies (Continued)

- The customer has accepted the asset.

In accounting for contracts involving multiple performance obligations, the Company uses a recognition method based on contract liability units. A contract liability unit is the smallest contract liability into which a contract recording revenue over time can be split. Revenue from each contract liability unit is recognised when the performance obligations associated ith that contract liability unit have been satisfied.

When the Company sells goods and services provided by another vendor, it makes a distinction between direct sales and indirect sales arrangements.

Under direct agreements the Company's performance obligation is to arrange for the provision of the specified good or service by the vendor. It does not control the good or service at any point and provides only basic technical support.

Under indirect agreements the Company acts as a value-added partner of the vendor and provides a complex of customised solutions and consulting services for its clients, which are not distinct from the sale of software products or other goods and also acts as the main source of technical support. In these instances the Company is primarily responsible for fulfilling the promise under the contract with its clients. It has discretion in establishing prices and bears inventory and credit risks.

When the sales agreement is direct, the Company considers itself to be acting as an agent of the vendorand records only the net revenue attributable to the Company. When the sales arrangement is indirect the Company considers itself to be acting as a principal and recognises revenue of a gross basis (that is at an amount equal to that paid by the customer). It also recognises the cost of the purchase from the vendor.

When determining if revenue should be recognised on a gross basis, the Company considers whether or not it:

- Has primary responsibility for providing the goods or services to the customer or for fulfilling the order;
- Has inventory risk before or after the goods have been ordered, during shipping or on return;
- Has discretion to establish pricing for the other party's goods; and
- Is exposed to credit risk for the amount receivable in exchange for the goods or services.

If the indicators above are identified the Company considers itself to be acting as a principal rather than as an agent.

The main types of revenue earned by the Compnay and their treatment in the financial statements are as follows:

(1) Retail packaged products and licenses

The Company has determined that it generally acts as a principal in the sale of hardware products and software licenses being ultimately responsible for delivery of products to the end customers, having latitude in establishing prices and bearing inventory and credit risks. Consequently income from this source is recognised on a gross basis with the selling price to the customer recorded as revenue and the acquisition cost of the product or service recorded as cost of sales.

Revenue from this source is generally recognised as products are shipped or made available to customers.

(2) Third Party Software Subscription Arrangements

The Company resells 3rd party software subscription arrangements that include term-based licenses for current products with the right to use unspecified future versions of the software during the coverage period, and with payments terms generally extended to match the service periods; 3rd party Software Assurance (SA) arrangements that allow for upgrade to unspecified future versions and other additional benefits to the customers; 3rd party cloud-based service arrangements that allow for the use of a hosted software product or service over a contractually determined period; and other 3rd party product maintenance services including 3rd party anti-virus software.

4. Significant accounting policies (Continued)

Under the indirect model, which is the majority of cases, the Company provides significant integration service while it configures and customises software elements as part of an IT solution to its customers. It provides to its customers access to the ready IT solution. It also provides subsequent support. Therefore, related revenues are recognised gross at a time of providing access to the solution. Any subsequent consideration related to annual renewal is recorded only when is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the renewal consideration is subsequently resolved, usually upon renewal.

In the event that the Company is not responsible for providing the goods or services to the customer, it either records only its commission as revenue, or reduces the amount of revenue received from the customers by the amount of cost of paid to the vendors. Resulting revenue is equal to the gross profit on the transaction, and there is no corresponding cost of sales. In other cases the Company records the full amount of revenue.

The annual amount of related software subscription and SA revenues are recognised upon initial subscription and any time a customer renews them. Revenues from 3rd party cloud and product maintenance are recorded when earned, based on the nature of the arrangements.

(3) Own Cloud and Product Maintenance Services

The Company records gross revenues from its own cloud and product maintenance services, where it bears ultimate responsibility for such services and acts as a principal. Relevant revenues are recognised ratably over the contractual period or otherwise based on usage pattern.

(4) Information technology (IT) and related services

Revenue from this source is either recognised as the services are billed at an hourly rates or, for projects designed to deliver a turnkey IT infrastructure solutions, percentage of completion.

(5) Bundled multiple deliverables

The Company sells some of its products and services as part of bundled contract arrangements containing multiple deliverables, which may include a combination of products and services. For each deliverable that represents a separate unit of accounting, total arrangement consideration is allocated based upon the relative selling prices of each element.

The allocated arrangement consideration is recognised as revenue in accordance with the principles described above. Selling prices are determined by using vendor specific objective evidence (“VSOE”) if it exists. Otherwise, selling prices are determined using third party evidence (“TPE”). If neither VSOE nor TPE is available, the Company uses its best estimate of selling prices.

Customer advances and deferred revenues include (1) payments received from customers in advance of providing the product or performing services, and (2) amounts deferred if other conditions of revenue recognition have not been met.

(h) Cost of sales

Cost of sales includes software and hardware costs, direct costs associated with delivering products and services, outbound and inbound freight costs. These costs are reduced by rebates, which are recorded as earned based on the contractual arrangement with the vendor.

(i) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

4. Significant accounting policies (Continued)

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are mainly associated wtih office premises and depreciated on a straight-line basis over the lease term. The useful lives of right-of-use assets usually vary from 1 to 5 years.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3.

(ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Company also applies the lease of low-value assets recognition exemption to leases. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(j) Current vs non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

4. Significant accounting policies (Continued)

(j) Current vs non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(k) Share capital and share premium

The Company presents its share capital at the nominal value of its shares.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares.

(l) Post-employment benefits

The Company operates a defined benefit plan, which provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment. Vesting occurs upon completion of 5 years of service. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

a. The date of the plan amendment or curtailment, and

b. The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Company recognises the following changes in the net defined benefit obligation under ‘cost of sales’, ‘administration expenses’ and ‘selling and distribution expenses’ in the statement of profit or loss (by function):

a. Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

b. Net interest expense or income

5. Revenue from contracts with customers

Set out below is the disaggregation of the Company’s revenue from contracts with customers:

	For the year ended 31 March		
	2021	**2020**	**2019**
Sales of software and cloud services	85,356	80,396	63,580
Sales of hardware	5,023	6,458	8,729
Sales of services	7,955	6,738	6,767
	98,334	**93,592**	**79,076**

Embee Software Private Limited

Notes to the financial statements (Continued)

6. Cost of sales

	For the year ended 31 March		
	2021	**2020**	**2019**
Cost of software and cloud	(80,055)	(75,411)	(59,956)
Cost of hardware	(3,757)	(4,727)	(6,049)
Cost of services	(2,165)	(2,607)	(2,831)
	(85,977)	**(82,745)**	**(68,836)**

7. Selling, general and administrative expenses

The average number of employees employed by the Company during the year ended 31 March 2021 was 540 (the year ended 31 March 2020—525, the year ended 31 March 2019—457)

	For the year ended 31 March		
	2021	**2020**	**2019**
Compensation to employees	(5,640)	(4,534)	(3,983)
Professional services	(276)	(183)	(199)
Sales commissions and similar charges	(944)	—	(755)
Payroll taxes	(192)	(210)	(147)
Depreciation and amortisation	(130)	(146)	(144)
Advertising and marketing expenses	(116)	(420)	(191)
Legal services	(104)	(83)	(180)
Business trips	(107)	(451)	(472)
Gratuities	(94)	(106)	(81)
Depreciation of leased rights	(95)	(103)	(78)
Communication expenses	(79)	(92)	(100)
Office rent and maintenance	(72)	(162)	(124)
Transportation expenses	(57)	(88)	(173)
Corporate Social Responsibility expense	(40)	(42)	(42)
Training and entertainment expenses	(26)	(13)	(6)
Audit, other assurance and non-audit services	(25)	(22)	(28)
Rates and taxes	(13)	(75)	(24)
Printing, periodicals, stationery and subscriptions	(4)	(9)	(10)
Non income taxes	—	—	4
Other expenses	(61)	(46)	(69)
	(8,075)	**(6,785)**	**(6,802)**

8. Other expenses

	For the year ended 31 March		
	2021	**2020**	**2019**
Write-down of slow or non-moving inventories	(113)	(141)	—
Penalties	(59)	(13)	(20)
Other expenses	(81)	(94)	(92)
	(253)	**(248)**	**(112)**

9. Finance costs

	For the year ended 31 March		
	2021	**2020**	**2019**
Interest on borrowings	(553)	(940)	(717)
Interest expense on lease liabilities	(30)	(39)	(38)
Other finance expenses	(147)	(172)	(169)
Interest expense	**(730)**	**(1,151)**	**(924)**
Finance costs	**(730)**	**(1,151)**	**(924)**

10. Income tax

The Company is subject to corporate income tax at the standard rates applied to its taxable income.

	For the year ended 31 March		
	2021	**2020**	**2019**
Current income tax	(488)	(713)	(833)
Tax, fines and penalties for the previous years	(13)	(16)	(8)
Deferred tax	(257)	(37)	(64)
Income tax expense reported in the statement of profit or loss and other comprehensive income	**(758)**	**(766)**	**(905)**

Deferred income tax as of 31 March 2021, 2020 and 2019:

	Statement of financial position as at				Statement of profit or loss and other comprehensive income for the year ended 31 March		
	31.03.2021	**31.03.2020**	**31.03.2019**	**01.04.2018**	**2021**	**2020**	**2019**
Deferred tax assets/ (liabilities) arising from							
Emploee benefits	(111)	99	(136)	85	(209)	236	(223)
Fixed assets valuation	121	(90)	114	(151)	211	(204)	266
Provision for expected credit losses	(235)	(124)	23	137	(111)	(147)	(113)
Leases	15	11	6	—	4	4	6
Fair value of forward contracts	(82)	68	—	—	(151)	68	—
Deferred tax expense/ (benefit)							
Net deferred tax assets/ (liabilities)	**(292)**	**(36)**	**7**	**71**	**(256)**	**(43)**	**(64)**

Reflected in statement of financial position as follows:

	31 March 2021	**31 March 2020**	**31 March 2019**
Deferred tax assets	—	—	7
Deferred tax liabilities	(292)	(36)	—
Deferred tax assets / (liabilities), net	**(292)**	**(36)**	**7**

9. Finance costs (Continued)

Reconciliation of tax expense and the accounting profit multiplied by appropriate tax rate for years ended 31 March 2021—25.17%, 31 March 2020—25.17% and 31 March 2019—34.94% is provided below:

	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2019
Accounting profit before income tax	**4,417**	**2,721**	**2 605**
Theoretical income tax at actual Indian tax rate	**(1,112)**	**(685)**	**(910)**
Reconciling items			
Unrecognised deferred tax assets	256	43	64
Other	98	(124)	(59)
Total income tax expense	**(758)**	**(766)**	**(905)**

11. Intangible assets

	Software	Total
Cost		
1 April 2018	**88**	**88**
Additions—acquired	23	23
Translation difference	(5)	(5)
At 31 March 2019	**106**	**106**
Additions—acquired	5	5
Translation difference	(10)	(10)
At 31 March 2020	**101**	**101**
Additions—acquired	7	**7**
Translation difference	3	3
At 31 March 2021	**111**	**111**
Accumulated amortisation		
1 April 2018	**72**	**72**
Amortisation charge	12	12
Translation difference	(4)	(4)
At 31 March 2019	**80**	**80**
Amortisation charge	10	10
Translation difference	(8)	(8)
At 31 March 2020	**82**	**82**
Amortisation charge	13	**13**
Translation difference	—	
At 31 March 2021	**95**	**95**
Net book value		
At 1 April 2018	**16**	**16**
At 31 March 2019	**26**	**26**
At 31 March 2020	**19**	**19**
At 31 March 2021	**16**	**16**

The intangible asset is SAP Software, which is being amortised using the straight line method.

Embee Software Private Limited

Notes to the financial statements (Continued)

12. Property and equipment

	Computer and office equipment	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Electric Installation	Total
Cost							
1 April 2018	**596**	**1,170**	**78**	**284**	**349**	**50**	**2,527**
Additions	65	—	184	7	—	—	**256**
Disposals	—	—	—	—	—	—	**—**
Translation difference	(36)	(70)	(4)	(18)	(21)	(3)	**(152)**
31 March 2019	**625**	**1,100**	**258**	**273**	**328**	**47**	**2,631**
Additions	58	—	22	13	21	—	**114**
Disposals	(1)	—	—	—	—	—	**(1)**
Translation difference	(54)	(91)	(22)	(22)	(28)	(3)	**(220)**
31 March 2020	**628**	**1,009**	**258**	**264**	**321**	**44**	**2,524**
Additions	36	—	8	1	—	—	**45**
Disposals	—	(15)	—	—	(250)	—	**(265)**
Translation difference	20	32	8	8	6	—	**74**
31 March 2021	**684**	**1,026**	**274**	**273**	**77**	**44**	**2,378**
Accumulated depreciation							
1 April 2018	**498**	**179**	**52**	**225**	**262**	**41**	**1,257**
Depreciation charge	43	17	32	19	19	3	**133**
Disposals	—	—	—	—	—	—	**—**
Translation difference	(30)	(10)	(3)	(14)	(16)	(3)	**(76)**
31 March 2019	**511**	**186**	**81**	**230**	**265**	**41**	**1,314**
Depreciation charge	50	17	35	16	18	1	**137**
Disposals	—	—	—	—	—	—	**—**
Translation difference	(46)	(16)	(9)	(20)	(22)	(4)	**(117)**
31 March 2020	**515**	**187**	**107**	**226**	**261**	**38**	**1,334**
Depreciation charge	44	16	35	9	15	—	**119**
Disposals	—	(3)	—	—	(207)	—	**(210)**
Translation difference	17	6	4	7	5	2	**41**
31 March 2021	**576**	**206**	**146**	**242**	**74**	**40**	**1,284**
Net book value							
At 1 April 2018	**98**	**991**	**26**	**59**	**87**	**9**	**1,270**
At 31 March 2019	**114**	**914**	**177**	**43**	**63**	**6**	**1,317**
At 31 March 2020	**113**	**822**	**151**	**38**	**60**	**6**	**1,190**
At 31 March 2021	**108**	**820**	**128**	**31**	**3**	**4**	**1,094**

13. Advances issued and other current assets

	31 March 2021	31 March 2020	31 March 2019	1 April 2018
Advances issued	205	121	229	651
Prepayments	313	209	239	257
Fair value of forward contracts	327	—	—	—
	845	**330**	**468**	**908**

Embee Software Private Limited

Notes to the financial statements (Continued)

14. Software licenses and other inventory

	31 March 2021	31 March 2020	31 March 2019	1 April 2018
Software for resale (at cost)	1,381	2,129	641	848
Hardware for resale (at cost)	1,130	982	835	527
Stock obsolescence provision	(252)	(133)	—	—
Total inventories	**2,259**	**2,978**	**1,476**	**1,375**

15. Trade receivables

	31 March 2021	31 March 2020	31 March 2019	1 April 2018
Receivables from third-party customers	40,742	38,442	32,845	28,520
Other trade receivable	332	715	1,550	102
Less: allowance for expected credit losses	(386)	(550)	(420)	(456)
	40,688	**38,607**	**33,975**	**28,166**

The fair value of trade and other current receivables approximates their carrying value. The average days sales outstanding (DSO) period is 149 days in the year ended 31 March 2021 . No interest is charged on trade receivables.

The table below shows the movement in provision for expected credit losses:

	31 March 2021	31 March 2020	31 March 2019	1 April 2018
As at 1 April	(550)	(420)	(456)	(456)
Release / (charge) for the year	178	(174)	8	—
Translation difference	(14)	44	28	—
As at 31 March	**(386)**	**(550)**	**(420)**	**(456)**

Information about credit exposures is disclosed in Note 23.

As at 31 March the aging analysis of trade receivables is, as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-180 days	>181 days
As at 1 April 2018	**28,166**	20,425	3,003	1,093	438	811	2,396
As at 31 March 2019	**33,975**	21,612	8,295	1,321	697	1,008	1,042
As at 31 March 2020	**38,607**	24,838	7,109	814	1,890	1,074	2,882
As at 31 March 2021	**40,688**	27,564	6,017	1,482	1,616	1,912	2,097

16. Other receivables

	31 March 2021	31 March 2020	31 March 2019	1 April 2018
Interest receivable	321	250	195	153
Receivables from employees	117	122	121	114
Other receivables	—	286	—	—
	438	**658**	**316**	**267**

17. Cash and cash equivalents

	31 March 2021	31 March 2020	31 March 2019	1 April 2018
Short-term deposits	949	477	240	245
Cash in banks, including	298	30	387	468
In USD	134	21	22	3
In other currencies	164	9	365	465
Cash on hand	5	14	4	11
Restricted cash	1,045	872	777	662
	2,297	**1,393**	**1,408**	**1,386**

Restricted cash is mainly represented by fixed deposit in India as security for a credit line.

18. Share capital and other components of equity

Number of shares issued and outstanding as of:

	31 March 2021	31 March 2020	31 March 2019	1 April 2018
Authorised Share Capital (Equity shares of Rs10 each with voting rights)	5,000,000	5,000,000	5,000,000	5 000 000
Subscribed and fully paid up (Equity shares of Rs10 each with voting rights)	857,850	857,850	857,850	857,850
Total number of shares	**857,850**	**857,850**	**857,850**	**857,850**
Total shares issued and outstanding	**857,850**	**857,850**	**857,850**	**857,850**

19. Interest bearing borrowings and loans

	Balances as at			
	31.03.2021	**31.03.2020**	**31.03.2019**	**01.04.2018**
Short-term loans				
Citi Bank (WCDL/FCNR)	—	1,061	1,155	—
Citi Bank (Cash Credit)	443	721	—	1 585
ICICI Bank Limited (Cash Credit)	124	75	102	7
HDFC Bank	778	1,331	246	130
Standard Chartered Bank	—	1,105	289	173
	1,345	**4,293**	**1,792**	**1,895**

Loans represent overdrafts and on demand loans. As at 31 March 2021 these loans were attracted at effective interest rates ranging between 8.6% and 11.0% (31 March 2020: between 9.25% and 11.0%; 31 March 2019: between 9.5% and 11.0%;01 April 2018: between 10.3% and 11.0%).

As of 31 March 2021, 31 March 2020, 31 March 2019 and 1 April 2018 the Company was in compliance with all major restrictive financial covenants.

19. Interest bearing borrowings and loans (Continued)

	31 March 2021	31 March 2020	31 March 2019	1 April 2018
Short-term borrowings				
Tata Capital Finance Serivce Ltd	1,261	1,447	2,166	3,054
ICICI BANK	410	347	—	—
AXIS BANK	1,369	—	—	—
HDFC Bank Ltd-Auto	—	8	20	11
221101—HPFS (India) Pvt Ltd	469	48	195	187
221103—HPFS Services (India) Pvt Ltd	165	904	888	—
221104—HPFS (India) Pvt Ltd	—	53	52	—
221105—HPFS (India) Pvt Ltd	536	470	—	—
221107—HPFS (India) Pvt Ltd	768	—	—	—
221108—HPFS (India) Pvt Ltd	202	—	—	—
221106—HPFS (India) Pvt Ltd	121	106	—	—
	5,301	**3,383**	**3,321**	**3,252**

As at 31 March 2021 the short-term borrowings were attracted at effective interest rates ranging between 8.50% and 10.65% (31 March 2020: between 10.23% and 11.0%).

	31 March 2021	31 March 2020	31 March 2019	1 April 2018
Long-term borrowings				
221103—HPFS (India) Pvt Ltd	—	160	—	—
221105—HPFS (India) Pvt Ltd	95	612	—	—
221106—HPFS (India) Pvt Ltd	54	171	—	—
221104—HPFS (India) Pvt Ltd	—	—	1,158	—
221101—HPFS (India) Pvt Ltd	8	—	58	264
HDFC Bank Ltd	—	—	52	21
	157	**943**	**1,268**	**285**

As at 31 March 2021 the long-term borrowings were attracted at effective interest rates ranging between 8.50% and 10.65% (31 March 2020: between 10.23% and 11.0%; 31 March 2019: between 10.32% and 11.0%;01 April

2018: between 10.25% and 10.89%).

20. Other liabilities

Other liabilities include net provision for gratuities, deferred income and statutory remittances.

21. Trade and other payables

	31 March 2021	31 March 2020	31 March 2019	1 April 2018
Trade payables	29,638	28,696	23,451	19,199
Payable to employees	393	317	262	227
Provision for unused vacation	69	63	50	10
Related parties (Note 27)	584	213	140	117
Other payables	1,554	558	877	1,083
Short-term provisions	6	4	6	9
Negative fair value of forward contracts	—	271	—	—
	32,244	**30,122**	**24,786**	**20,645**

22. Leases

The Company leases office and store premises under lease agreements.

Lease liabilities after transition to IFRS 16 comprised the following:

	1 April 2018
Lease liabilities recognised under IFRS 16	**500**
Total lease liabilities	**500**

On adoption of IFRS 16, the Company has recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 April 2018 which was 9.375%.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	31.03.2021	31.03.2020	31.03.2019
As at 1 April	**378**	**414**	**500**
Additions	—	85	—
Accretion of interest	30	39	38
Payments—body portion	(83)	(87)	(57)
Payments—%	(30)	(39)	(38)
Translation difference	11	(34)	(31)
As at 31 March	**306**	**378**	**412**
Current	**62**	**81**	**64**
Non-current	**244**	**297**	**348**

The maturity analysis of lease liabilities is disclosed in Note 23.

The Company cannot readily determine the interest rate implicit in its operating lease contracts, it has therefore, determined its incremental borrowing rate as of 1 April 2018 to be 9.375% which corresponds to the rate average of interest the Company would have to pay to finance acquisition of similar assets that ranges between 8.75% p.a. and 10%.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Office premises	Total
1 April 2019		
Adjustment on initial application of IFRS 16	500	**500**
Depreciation expense	(78)	**(78)**
Translation difference	(31)	**(31)**
31 March 2019	**391**	**391**
Additions	85	**85**
Depreciation expense	(103)	**(103)**
Translation difference	(31)	**(31)**
31 March 2020	**342**	**342**
Depreciation expense	(95)	**(95)**
Translation difference	**9**	**9**
31 March 2021	**256**	**256**

22. Leases (Continued)

The following are the amounts recognised in profit or loss:

	For the year ended 31 March		
	2021	2020	2019
Depreciation expense of right-of-use assets	(95)	(103)	(78)
Interest expense on lease liabilities	(30)	(39)	(38)
Total amount recognised in profit or loss	**(125)**	**(142)**	**(116)**

The Company had total cash outflows for leases of 81 in 2021 (84 in 2020,71 in 2019).

The Company has lease contracts with fixed payments, extention and termination options.

The Company is not committed to any leases that have not yet commenced.

23. Financial risk management and policies

The Company's activities expose them to the following financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge their risk exposures. Risk management is carried out by the finance department under policies approved by management.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Foreign exchange risk

Substantially all the Company's trading activities are conducted in Rupees although the Company does have exposure to purchases in other currencies, including the USD The Company does not have extensive formal arrangements to mitigate foreign exchange risk in respect of other currencies as its exposure to this risk is not considered material. On occasion it uses forward foreign exchange contracts for this purpose. See note 26.

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 Company's exposure to the risk of changes in market interest rates is limited: at 31 March 2021 approximately 99% of the Company's borrowings were at a fixed rate of interest.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company is exposed to credit risk from its operating activities. Financial assets with potential credit risk are mainly trade receivables.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

23. Financial risk management and policies (Continued)

The provision rates are based on days past due for Companyings of various customer segments with similar loss patterns (i.e., by geographical region and rating).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than three year and are not subject to enforcement activity.

The Company has no material concentration of credit risk. Although the collection of receivables may be affected by economic factors, management believes that there is no significant risk of loss.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Notes 13–17.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

				Past due but not impaired			
31 March 2021	**Total**	**Neither past due nor Impaired**	**<30 days**	**30–60 days**	**60–90 days**	**90–180 days**	**>181 days**
Expected credit loss rate	**0.93%**	0.01%	0.08%	0.60%	1.04%	1.24%	11.44%
Estimated total gross carrying amount at default	**41,074**	**27,566**	**6,022**	**1,491**	**1,633**	**1,936**	**2,426**
Expected credit loss	**(386)**	(2)	(5)	(9)	(17)	(24)	(329)

				Past due but not impaired			
31 March 2020	**Total**	**Neither past due nor Impaired**	**<30 days**	**30–60 days**	**60–90 days**	**90–180 days**	**>181 days**
Expected credit loss rate	**1.40%**	0.00%	0.20%	0.85%	0.63%	4.96%	13.76%
Estimated total gross carrying amount at default	**39,157**	**24,839**	**7,123**	**821**	**1,902**	**1,130**	**3,342**
Expected credit loss	**(550)**	(1)	(14)	(7)	(12)	(56)	(460)

				Past due but not impaired			
31 March 2019	**Total**	**Neither past due nor impaired**	**<30 days**	**30–60 days**	**60–90 days**	**90–180 days**	**>181 days**
Expected credit loss rate	1.22%	0.00%	0.11%	0.90%	1.41%	2.70%	25.68%
Estimated total gross carrying amount at default	**34,395**	**21,613**	**8,304**	**1,333**	**707**	**1,036**	**1,402**
Expected credit loss	**(420)**	(1)	(9)	(12)	(10)	(28)	(360)

				Past due but not impaired			
1 April 2018	**Total**	**Neither past due nor impaired**	**<30 days**	**30–60 days**	**60–90 days**	**90–180 days**	**>181 days**
Expected credit loss rate	1.59%	0.00%	0.30%	1.18%	1.79%	3.34%	14.21%
Estimated total gross carrying amount at default	**28,622**	**20,426**	**3,012**	**1,106**	**446**	**839**	**2,793**
Expected credit loss	**(456)**	(1)	(9)	(13)	(8)	(28)	(397)

Liquidity risk

Liquidity risk is defined as the risk that an entity cannot pay its liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

23. Financial risk management and policies (Continued)

Management monitors rolling forecasts of the Company's liquidity reserve (forecasts of trade receivable payments and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Company's financial assets and liabilities into relevant maturity based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The fair value of balances due within 12 months approximates their carrying value as the impact of discounting is not significant.

As at 31 March 2021	On demand	Less than 6 months	6–12 months	1–2 years	More than 2 years	Total
Financial assets						
Trade accounts receivable	13,909	26,779	—	—	—	**40,688**
Cash and cash equivalents	303	1,994	—	—	—	**2,297**
	14,212	**28,773**	—	—	—;	**42,985**
Financial liabilities						
Short Term Borrowings	1,345	4,093	1,208	—	—	**6,646**
Long term borrowing	—	—	—	157	—	**157**
Trade accounts payable	—	31,972	—	—	—	**31,972**
Carrying value of lease liabilities	—	30	32	71	173	**306**
	1,345	**36,095**	**1,240**	**228**	**173**	**39,081**
Net position	**12,867**	**(7,322)**	**(1,240)**	**(228)**	**(173)**	**3,904**

As at 31 March 2020	On Demand	Less than 6 months	6–12 months	1–2 years	More than 2 years	Total
Financial assets						
Trade accounts receivable	14,391	24,216	—	—	—	38,607
Cash and cash equivalents	44	1,349	—	—	—	1,393
	14,435	**25,565**	—;	—;	—;	**40,000**
Financial liabilities						
Short-term borrowing	3,232	1,841	2,603	—	—	**7,676**
Long-term borrowing	—	—	—	160	783	**943**
Trade accounts payable	—	29,626	—	—	—	**29,626**
Carrying value of lease liabilities	—	42	39	60	237	**378**
	3,232	**31,509**	**2,642**	**220**	**1,020**	**38,623**
Net position	**11,203**	**(5,944)**	**(2,642)**	**(220)**	**(1,020)**	**1,377**

As at 31 March 2019	On Demand	Less than 6 months	6–12 months	1–2 years	More than 2 years	Total
Financial assets						
Trade accounts receivable	14,314	19,661	—	—	—	33,975
Cash and cash equivalents	391	1 017	—	—	—	1,408
	14,705	**20,678**	—;	—;	—;	**35,383**
Financial liabilities						
Short term borrowing	638	2,167	2,308	—	—	5,113
Long term borrowing	—	—	—	—	1,268	1,268
Trade accounts payable		22,599	—	—	—	22,599
Carrying value of lease liabilities	—	31	32	66	283	412
	638	**24,497**	**2,340**	**66**	**1,551**	**29,392**
Net position	**14,067**	**(4,119)**	**(2,340)**	**(66)**	**(1,551)**	**5,991**

23. Financial risk management and policies (Continued)

As at 1 April 2018	On demand	Less than 6 months	6–12 months	1–2 years	More than 2 years	Total
Financial assets						
Trade accounts receivable	7,769	20,397	—	—	—	28,166
Cash and cash equivalents	479	907				1,386
	8,248	**21,304**	**—**	**—**	**—**	**29,552**
Financial liabilities						
Short term borrowing	1,895	3,054	198	—	—	5,147
Long term borrowing	—	—	—	—	285	285
Trade accounts payable	—	20,415	—	—	—	20,415
Carrying value of lease liabilities	—	30	31	68	371	500
	1,895	**23,499**	**229**	**68**	**656**	**26,347**
Net position	**6,353**	**(2,195)**	**(229)**	**(68)**	**(656)**	**3,205**

24. Financial instruments

The Company's financial instruments as of 31 March 2021, 31 March 2020, 31 March 2019 and 1 April 2018 are presented by category in the table below:

	Category*	31 March 2021	31 March 2020	31 March 2019	1 April 2018
Financial assets					
Investments in non-consolidated subsidiaires	FVOCI	—	306	333	355
Trade and other receivables	FAAC	40,688	38,607	33,975	28,166
Cash and cash equivalents	FAAC	2,297	1,393	1,408	1,386
Total financial assets		**42,985**	**40,306**	**35,716**	**29,907**
Current		42,985	40,000	35,383	29,552
Non-current		—	306	333	355
Financial liabilities					
Short-term borrowing	FLAC	6,646	7,676	5,113	5,147
Long-term borrowing	FLAC	157	943	1,268	285
Trade and other accounts payable	FLAC	31,776	29,467	24,468	20,399
Long-term lease liabilities	FLAC	244	297	348	433
Short-term lease liabilities	FLAC	62	81	64	67
Total financial liabilities		**38,885**	**38 464**	**31,261**	**26 331**
Current		38,484	37,224	29,645	25,613
Non-current		401	1 240	1,616	718

* Financial instruments used by the Company are included in one of the following categories:

- *FAAC—financial assets at amortised cost;*
- *FVOCI—fair value through other comprehensive income financial assets;*
- *FLAC—financial liabilities at amortised cost.*

Fair value of financial assets and liabilities is determined by reference to the amount of cash receivable and generally approximates carrying value due to the short maturities of the instruments.

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

25. Contingent liabilities and other risks

Operating environment and economic risks

The Company operates in India, a country that displays certain characteristics of an emerging market, e.g. quickly changing regulatory and tax frameworks. The Indian economy remained stable, with Moody's affirming India's sovereign credit rating at Baa3 with negative outlook in June 2020, and S&P confirmed at BBB– with stable outlook in 2021.

India continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Indian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In March 2020 the World Health Organisation declared a global pandemic caused by novel coronavirus (Covid-19) which has had numerous adverse effects on the global economy.

In preparation of these financial statements The Company has considered all the possible impacts of Covid-19, including but not limited to its assessment of, liquidity and going concern assumption, and recoverable values of its financial and non-financial assets. The Company has carried out this assessment based on available internal and external sources of information up to the date of approval of these financial statements and believes that the impact of Covid-19 is not material to these financial statements and expects to recover the carrying amount of its assets. The impact of Covid-19 on the financial statements may differ from that estimated as at the date of approval of these standalone financial statements owing to the nature and duration of Covid-19.

Legal proceedings

In the opinion of Management, there are no current legal proceedings or claims outstanding at 31 March 2021, 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 financial statements.

Credit related commitments

Credit related commitments comprise guarantees issued by the Company. The contractual amount of these commitments represents the value at risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral (if any) becomes worthless. Outstanding credit related commitments at their nominal amounts are as follows:

	31 March 2021	31 March 2020	31 March 2019	01 April 2018
Guarantees issued	6,393	6,269	6,583	5,581

The total outstanding contractual amount of loan commitments and guarantees does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded.

26. Commitments

As at 31 March 2021, 31 March 2020 and 31 March 2019 the Company had no material commitments.

Derivatives

The Company uses foreign exchange forward contracts as part of its strategy for managing exchange risk. The contracts it uses are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions.

Derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly over time.

Embee Software Private Limited

Notes to the financial statements (Continued)

26. Commitments (Continued)

	31 March 2021			
	Contracts with positive fair value		Contracts with negative fair value	
	in thousands of Indian rupees	in thousands of USD	in thousands of Indian rupees	in thousands of USD
Amount payable	(774,164)	—	—	—
Amount receivable	798,083	—	—	—
Gain / (loss) from forward conracts	**23,919**	**327**	**—**	**—**

	31 March 2020			
	Contracts with positive fair value		Contracts with negative fair value	
	in thousands of Indian rupees	in thousands of USD	in thousands of Indian rupees	in thousands of USD
Amount payable	—	—	(718,300)	
Amount receivable			697,848	
Gain / (loss) from forward conracts	**—**	**—**	**(20,452)**	**(271)**

As at 31 March 2019 and 1 April 2018 the Company had no material currency forward contracts.

27. Related party balances and transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, exercise significant influence over the other party in making financial or operational decisions or if the two parties are under common control as defined by IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

During the period, the Company had the following balances and transactions with related parties:

	Under common control	Key management personnel	Relatives of Key management personnel	Total related party balances/ transactions
Balances as at 31 March 2021				
Trade payables	252	126	205	**583**
Transactions for the year ended 31 March 2021				
Payroll expenses	—	(66)	(38)	**(104)**
Professional services	(269)	—	(229)	**(498)**
Other distributions	32	—	71	**103**
Finance income	—	893	—	**893**

During the year ended 31 March 2021 Mr.Sudhir Kothari acquired the Company's stake in Kota Merchants & Traders Pvt. Ltd. The Company recognised a gain from this transaction amounting to INR 43,238,797 which is an equivalent of USD 582,620.

	Under common control	Key management personnel	Relatives of Key management personnel	Total related party balances/ transactions
Balances as at 31 March 2020				
Advances issued and other receivables	—	—	—	—
Trade payables	—	200	214	214
Transactions for the year ended 31 March 2020				
Payroll expenses	—	(20)	(10)	(29)
Professional services	—	—	(8)	(8)

27. Related party balances and transactions (Continued)

	Under common control	Key management personnel	Relative of Key management personnel	Total related party balances/ transactions
Balances as at 31 March 2019				
Trade payables	—	139	1	**140**
Transactions for the year ended 31 March 2019	—			
Payroll expenses	—	(306)	(161)	**(467)**
Professional services	—	—	(2)	**(2)**

	Under common control	Key management personnel	Relative of Key management personnel	Total related party balances/ transactions
Balances as at 1 April 2018				
Trade payables		116		**116**

Substantially all transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

28. Capital management

For the purpose of the Company's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Capital's capital management is to maximise shareholder value.

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to loans and other borrowing. Breaches in meeting financial covenants could potentially allow a bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any loans or borrowings in the periods presented in these financial satements.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2021, 31 March 2020 and 31 March 2019.

Management is responsible for making operational decisions and the Company's owners evaluate the Company's performance based on operating profit adjusted for depreciation of property, plant and equipment, net financial expenses and other non-cash and extraordinary items (EBITDA). Since EBITDA is not an IFRS standard performance indicator, the definition of EBITDA and the way of its calculation as applied by the Company may vary from those used by other companies.

Calculation of EBITDA and its reconciliation with profit before tax is presented below:

		For the year ended 31 March		
	Notes	2021	2020	2019
Profit for the year		3,659	1,955	1,700
Income tax expense	10	758	766	905
Depreciation and amortisation	7	225	249	222
Net finance income and expenses		616	1,038	743
EBITDA		**5,258**	**4,008**	**3,570**
Foreign exchange gain / (loss)		(124)	(90)	(1)
One-off items (disposal of subsidiary)		(583)	—	—
Adjusted EBITDA		**4,551**	**3,918**	**3,569**

Embee Software Private Limited

Notes to the financial statements (Continued)

28. Capital management (Continued)

Accumulated capital is, from time to time, distributed to shareholders.

29. Events after the reporting period

Management has not identified any significant events occurring afte the end of the reporting which need to be brought to the attention of users of these financial statements.

LLC National center of support and development

Financial statements

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Statement of Management Responsibilities

Management is responsible for the preparation of financial statements that present fairly the financial position of LLC National center of support and development (the Company") as at 31 December 2020, 31 December 2019, 31 December 2018, and the results of its operations, cash flows and changes in equity for the years then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management 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 IFRSs 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; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, 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 financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The financial statements of the Company for the years ended 31 December 2020, 31 December 2019, 31 December 2018 were approved by management on 24 September 2021:

/s/ signature illegible Dated: 24 September 2021

MOORE

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LLC National center of support and development

Report of the Independent Auditors on the Financial Statements of LLC National center of support and development

Qualified Opinion

We have audited the financial statements of LLC National center of support and development (the "Company"), which comprise the statements of financial position as at 31 December 2020, 31 December 2019 and 31 December 2018, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, 31 December 2019 and 31 December 2018, and its financial performance and its cash flows for the years then ended and, except for the matter described in the Basis for Qualified Opinion section, have been properly prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The financial statements for the year ended 31 December 2018 have been presented without full comparative information for the previous period. Presentation of comparative information is a requirement of IFRSs. Consequently, in this regard alone, these financial statements do not comply with IFRSs.

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' *Code of Ethics for Professional Accountants (IESBA Code)*, 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management 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 financial statements, management 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 management 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 directors.
- Conclude on the appropriateness of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Moore ST (International) Ltd

Moscow

27 September 2021

LLC National center of support and development

Statement of profit or loss and other comprehensive income

For the years ended 31 December 2020, 31 December 2019 and 31 December 2018

(in US dollars)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from contracts with customers	5	3,923,349	3,388,825	1,317,672
Cost of sales	6	(568,147)	(1,431,360)	(1,048,126)
Gross profit		**3,355,202**	**1,957,465**	**269,546**
Selling, general and administrative expenses	7	(354,573)	(427,956)	(426,958)
Operating profit		**3,000,629**	**1,529,509**	**(157,412)**
Other income		441	—	1,747
Other expenses	8	(11,055)	(294,666)	(3,772)
Foreign exchange gains / (losses)		43,528	(18,431)	13,810
Finance costs	9	(26,525)	(33,718)	(55,694)
Profit before profit tax		**3,007,018**	**1,182,694**	**(201,321)**
Income tax expense	10	(20,063)	(238,486)	34,890
Net profit / (loss) for the year		**2,986,955**	**944,208**	**(166,431)**
Other comprehensive income				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):				
Translation differences		(164,709)	2,556	50,078
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)		—	—	—
Total comprehensive income / (loss) for the year		**2,822,246**	**946,764**	**(116,353)**

The accompanying notes on pages 10 to 35 form an integral part of these financial statements.

LLC National center of support and development

Statement of financial position

As at 31 December 2020, 31 December 2019, 31 December 2018 and 01 January 2018

(in US dollars)

	Notes	31 December 2020	31 December 2019	31 December 2018	01 January 2018
Assets					
Non-current assets					
Intangible assets		454	939	2,308	6,052
Property and equipment		59	347	917	2,158
Right-of-use assets	11	88,598	34,284	82,923	163,177
Long-term trade receivables	12	319,128	—	—	—
Long term loans issued	13	11,736	14,005	12,480	15,052
Deferred tax assets	10	—	—	106,094	81,829
		419,975	**49,575**	**204,722**	**268,268**
Current assets					
Advances issued and other current assets	14	71,181	698,908	38,130	100,287
Income tax receivable		455	39	1	7,922
Software,licenses and other inventory	15	369	933	819	1,850
Trade receivables,net	12	3,746,214	676,356	837,635	737,006
Other receivables	16	25,596	45,778	30,608	38,833
Cash and cash equivalents	17	10,335	8,383	1,094	4,738
		3,854,150	**1,430,397**	**908,287**	**890,636**
Total assets		**4,274,125**	**1,479,972**	**1,113,009**	**1,158,904**
Equity					
Share capital	18	20,522	20,522	20,522	20,522
Retained earnings	18	3,542,884	555,929	(388,279)	(221,848)
Translation reserve	18	(112,075)	52,634	50,078	—
Total equity		**3,451,331**	**629,085**	**(317,679)**	**(201,326)**
Non-current liabilities					
Deferred tax liabilities	11	117,277	124,087	—	—
Long-term lease liabilities	11	25,596	—	33,832	105,185
		142,873	**124,087**	**33,832**	**105,185**
Current liabilities					
Vacation expenses accrued		8,850	8,952	7,754	10,411
Income tax payable	10	2,415	2,882	2,646	3,099
Trade and other payables	19	174,695	595,686	990,014	943,522
Other tax payables		29,036	26,390	103,968	35,716
Short-term lease liabilities	11	58,363	37,967	53,380	57,992
Short-term borrowings	20	406,562	54,923	239,094	204,305
		679,921	**726,800**	**1,396,856**	**1,255,045**
Total equity and liabilities		**4,274,125**	**1,479,972**	**1,113,009**	**1,158,904**

Director

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The accompanying notes on pages 10 to 35 form an integral part of these financial statements.

LLC National center of support and development

Statement of cash flows

For the years ended 31 December 2020, 31 December 2019 and 31 December 2018

(in US dollars)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Operating activities				
Profit before profit tax		3,007,018	1,182,694	(201,321)
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation		237	693	962
Amortisation		340	1,582	2,992
Depreciation of right of use assets	11	48,200	56,305	57,819
Foreign exchange losses/(gains)		(43,529)	18,431	(13,811)
Finance costs	9	22,350	26,544	42,480
Interest expence lease liabilities	11	4,175	7,174	13,214
Vacation expenses accrued		1,378	240	(970)
Expected credit losses for the year		—	287,636	—
VAT right-off	7	5,451	7,532	4,433
Operating profit before working capital changes				
Working capital adjustments:				
(Increase)/Decrease in software licenses and other inventory		450	(14)	790
(Increase)/Decrease in advances issued, trade and other receivables		(2,921,610)	(751,125)	(124,711)
(Increase)/Decrease in contract liabilities, trade and other payables		(396,454)	(527,331)	256,945
Cash generated from operating activities		**(271,994)**	**310,361**	**(38,822)**
Income tax paid		(6,913)	(5,665)	—
Interest paid for borrowings		(22,350)	(26,544)	(42,480)
Interest paid for lease liabilities	11	(4,175)	(7,174)	(13,214)
Net cash flows from operating activities		**(305,432)**	**270,978**	**(16,872)**
Investing activities				
Purchase of property, plant and equipment		—	(41)	—
Net cash used in investing activities		**—**	**(41)**	**—**
Cash flows from financing activities				
Repayment of borrowings	22	(772,091)	(1,580,788)	(1,086,428)
Proceeds from borrowings	22	1,140,370	1,376,357	1,163,375
Payment of principal portion of lease liabilities	11	(56,091)	(57,388)	(53,084)
Net cash flows from financing activities		**312,188**	**(261,819)**	**23,863**
Foreign exchange difference		(3,374)	(2,264)	(10,121)
Translation difference		(1,430)	435	(514)
Net increase in cash and cash equivalents		**1,952**	**7,289**	**(3,644)**
Cash and cash equivalents at beginning of the year	17	8,383	1,094	4,738
Cash and cash equivalents at end of the year	17	**10,335**	**8,383**	**1,094**

The accompanying notes on pages 10 to 35 form an integral part of these financial statements.

LLC National center of support and development

Statement of changes in equity

For the years ended 31 December 2020, 31 December 2019 and 31 December 2018

(in US dollars)

	Share capital	Retained earnings	Translation reserve	Total equity
Balance as at 1 January 2018	**20,522**	**(221,848)**	**—**	(201,326)
Loss for the year	—	(166,431)	—	(166,431)
Currency translation differences	—	—	50,078	50,078
Total comprehensive income / (loss)	**—**	**(166,431)**	**50,078**	**(116,353)**
Balance as at 31 December 2018	**20,522**	**(388,279)**	**50,078**	**(317,679)**
Profit for the year	—	944,208	—	944,208
Currency translation differences	—	—	2,556	2,556
Total comprehensive income	**—**	**944,208**	**2,556**	**946,764**
Balance as at 31 December 2019	**20,522**	**555,929**	**52,634**	**629,085**
Profit for the year	—	2,986,955	—	**2,986,955**
Currency translation differences	—	—	(164,709)	**(164,709)**
Total comprehensive income / (loss)	**—**	**2,986,955**	**(164,709)**	**2,822,246**
Balance as at 31 December 2020	**20,522**	**3,542,884**	**(112,075)**	**3,451,331**

The accompanying notes on pages 10 to 35 form an integral part of these financial statements.

1. Corporate information

The LLC National center of support and development ("the Company") is a private company based in the Russian Federation, with headquarters in Moscow, incorporated on 07 February 2007. The registered office is located in Mochovaya str.,11, build. 13., Moscow.

Prior to 30 April 2021, when Softline Projects LLC (hereinafter the "Parent company") became the major shareholder of the Company with a 99.99% stake, the Company's owner was Elena Solomatina. Subsequent to that, the Company has no ultimate controlling party.

The Company's ultimate parent is Softline Group Inc.

The Company operates in the Russian Federation and specialises in open and secure information technology. Its main areas of activity are:

- Supply of full-featured stable versions of industrial-grade open source software products and their technical support services;
- Development, production and supply of integrated software solutions based on open source software products as well as provision of technical support, updating and maintenance services;
- Development, production and supply of information security certified software products, as well as provision of technical support, updating and maintenance services.

Among the Company's customers and suppliers are leading global developers of open source software products, system integrators, testing laboratories, as well as developers, manufacturers and vendors of computer hardware, software and information security products.

2. Basis of preparation

The financial statements of the Company for the years ended 31 December 2020, 31 December 2019 and 31 December 2019 were authorised for issue in accordance with a written resolution of the Chief Executive Officer on 24 September 2021.

General

These financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS), including International Accounting Standards and Interpretations as issued by the International Accounting Standards Board ("IASB").

The Company maintains its own individual books of accounts in accordance with the Russian legislative requirements. Statutory financial statements used in preparation of these financial statements were converted and adjusted as necessary to comply with the IFRS accounting policies described in Note 4.

The Company prepared the present financial statements in accordance with IFRS for the first time with a transition date 01 January 2018. Accordingly, the Company has prepared financial statements that comply with IFRS applicable as of 31 December 2020, together with the comparative periods data for the year ended 31 December 2019 and year ended 31 December 2018, as described in the summary of significant accounting policies (Note 4).

The financial statements have been prepared on a going concern basis, as Management believes that the Company will continue its activities in the foreseeable future and that there is no intention to dispose of any of the Company or to cease their business operations as well as there being no external threats in existence that would force the companies to cease their business operations.

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

The United States Dollar ("USD" or "presentation currency") has been used for the presentation of these financial statements. All values are rounded to the nearest USD, except where otherwise indicated.

2. Basis of preparation (Continued)

Foreign currency transactions

The USD is used as the Company's presentation currency, because presentation in USD is convenient for the major current and potential users of the financial statements.

Management has determined that the functional currency of all the Company is the Russian Rouble ("RUR" or "functional currency") as the majority of the Company's operations are denominated in RUR. Items included in the financial statements are measured using its functional currency. The official rate of exchange of the RUR to USD, as determined by the Central Bank of the Russian Federation, was as follows:

	31 December 2020	31 December 2019	31 December 2018	01 January 2018
US Dollar / Rouble	73,8757	61,9057	69,4706	57,6002

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured into the functional currency at the rate of exchange ruling at the reporting date. All resulting differences are taken to the statement of profit or loss and other comprehensive income and included in the determination of net profit as "Foreign exchange gain/ (loss)". Non-monetary items that are measured in terms of historical cost in a foreign currency are measured using the exchange rate as at the date of initial transaction and are not re-measured subsequently.

For the purpose of translation to the presentation currecy, assets and liabilities of the Company are translated into USD at the rate of exchange ruling at the reporting date. Income and expense items are translated at exchange rates prevailing at the date of the transactions (when practicable) or using average exchange rates for the reporting period as an expedient. The exchange differences arising on the translation are recognised in other comprehensive income.

3. Significant accounting judgments, estimates and assumptions

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 accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Each of the most significant areas in which management has used judgement, estimates and assumptions in the application of the Company's accounting policies are listed below. The associated commentary describes the key judgements, key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Taxation

The calculation and disclosure of tax provisions, uncertain tax positions and deferred tax assets and liabilities involve the use of assumptions about future events and the way in which the tax authorities will interpret legislation. Management uses significant judgment in making such assumptions. In particular, management applied significant judgment in determining the likelihood and magnitude of potential tax risks arising from its operations (see Note 20). In making its conclusions, the management considers past tax audit results, current and emerging tax enforcement practices and its own tax risk management approaches.

3. Significant accounting judgments, estimates and assumptions (Continued)

Revenue recognition

The main source of revenue for the Company is sale of software licenses and provision of a range of services. Management of the Company uses significant judgment to determine if it acts as a principal or an agent in its transactions with customers, and determines if gross or net revenue recognition is appropriate for each significant class of transactions.

Assessing agent/principal consideration depends on the nature of the contract with vendor. The Company determines two types of reselling arrangements—direct (revenue recognised on a net basis) and indirect (Company acts as a value added partner and recognises gross revenue).

Provision for expected credit losses

The Company uses a simplified model of expected credit losses (ECLs) for provisioning purposes in respect of financial assets carried at amortised cost, the key principle of which is the timely reflection of the deterioration or improvement in the credit quality of financial instruments, taking into account current and forecast information. Provisions for credit losses calculated using the simplified model of expected credit losses represent an amount that reflects various probabilities, the time value of money, as well as reasonable and confirmed information about both past events and the current and future economic situation.

For loans and receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss provision based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors.

Overdue loans and receivables (up to 30 days)	0.01%
Overdue loans and receivables (30 to 90 days)	25%
Overdue loans and receivables (from 90 to 180 days)	50%
Overdue loans and receivables (from 180 days)	100%

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Deferred tax assets and uncertain tax positions

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits and the existence of taxable temporary differences (Note 10). Various factors are considered to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilisation of deferred tax assets must be reduced, this reduction will be recognised in the statement of profit (loss) and other comprehensive income (loss).

Leases

The likelihood of extension and termination options being exercised, the separation and estimation of non-lease components of payments, the identification and valuation of in-substance fixed payments, the determination of

3. Significant accounting judgments, estimates and assumptions (Continued)

the incremental borrowing rate relevant in calculating lease liabilities are assessed for recognition of right-of-use assets and lease liabilities.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option,if any, to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The renewable lease contracts that specify an initial period, and renew indefinitely at the end of the initial period unless terminated by either of the parties to the contract are considered enforceable beyond the date on which the contract can be terminated taking into account the broader economics of the contract, and not only contractual termination payments. Lease terms are determined based on the contract terms, production need to lease the specialised asset and terms of rehabilitation obligations.

Estimates

The Company cannot readily determine the interest rate implicit in the lease, therefore, it average credit rates, which corresponds to the terms and amounts of right-of-use assets financing to measure lease liabilities.

4. Significant accounting policies

(q) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(r) Software licenses

Software licenses consist primarily of software purchased for resale to customers.

Net realizable value is the estimated selling price in the ordinary course of business, less related selling expenses.

4. Significant accounting policies (Continued)

Cost of purchase includes purchase price and other non-recoverable taxes. Contractual trade discounts, rebates and other similar items which the Company reasonably expect to receive are deducted in determining the cost of purchase. Net realizable value is the estimated selling price in the ordinary course of business, less related selling expenses.

(s) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

(t) Financial instruments—initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, fair value through other comprehensive income (FVOCI), and as subsequently measured at amortised cost. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss;
- Financial assets carried at amortised cost;
- FVOCI financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of other comprehensive income.

Financial assets carried at amortised cost

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

4. Significant accounting policies (Continued)

The Company's financial assets at amortised cost includes trade and other receivables, cash and cash equivalents.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3;
- Trade receivables Note 12.

The Company recognises the provision for expected credit losses (ECL) for all debt instruments that are not measured at fair value through profit or loss. ECLs are calculated based on the difference between the cash flows due under the contract and all cash flows that the Company expects to receive, discounted using the original effective interest rate or its approximate value. Expected cash flows include cash flows from the sale of held collateral or from other credit enhancement mechanisms that are an integral part of the contractual terms.

ECLs are recognised in two steps. In the case of financial instruments for which credit risk has not increased significantly since their initial recognition, a provision is created for losses in respect of credit losses that may arise as a result of defaults possible over the next 12 months (12-month expected credit losses). For financial instruments for which credit risk has increased significantly since initial recognition, a provision for expected losses is created in respect of credit losses expected over the remaining life of this financial instrument, regardless of the time of default (expected credit losses for the entire term).

For trade receivables, the Company takes a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk but instead at each reporting date recognises a provision for losses in the amount equal to expected credit losses for the entire term. The Company has used the provisioning matrix based on its past experience of credit losses, adjusted for forecast factors specific to borrowers and general economic conditions.

The Company believes that a default occurred on the financial asset if the payments stipulated by the contract were overdue for 90 days. However, in certain cases, the Company may also conclude that a default occurred on a financial asset if internal or external information indicates that it is unlikely that the Company will receive, without taking into account the credit enhancement mechanisms held by the Company, the full amount of the remaining payments provided for by contract. A financial asset is written off if the Company does not have reasonable expectations regarding the reimbursement of cash flows stipulated by the contract.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The

4. Significant accounting policies (Continued)

Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss;
- Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of other comprehensive income;
- Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of other comprehensive income. This category generally applies to loans and borrowings (Note 20).

Derecognition

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of other comprehensive income.

(u) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(v) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Uncertain tax positions

The Company's policy is to comply fully with the applicable tax regulations in the jurisdictions in which its operations are subject to income taxes. The Company's estimates of current income tax expense and liabilities are calculated assuming that all tax computations filed by the Company's subsidiaries will be subject to a

4. Significant accounting policies (Continued)

review or audit by the relevant tax authorities. The Company and the relevant tax authorities may have different interpretations of how regulations should be applied to actual transactions. Such uncertain tax positions are accounted for in accordance with IAS 12 *Income Taxes* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Company applies single most likely outcome method of uncertain tax positions estimation.

Deferred taxes

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Value added tax

Output value added tax (VAT) is payable to the tax authorities on the earlier of (a) advances received from customers or (b) revenue from delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Net VAT payable to tax authorities as on the reporting date is recognised separately from the input VAT not submitted for reimbursement to tax authorities by that date. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT. VAT is excluded from revenue.

(g) Revenue recognition

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 of payment and excluding taxes or duty.

The Company records revenue from sales transactions as performance obligations being satisfied, as control is passed, either over time or at a point in time.

The Company recognises revenue over time if one of the following criteria is met:

- The customer simultaneously receives and consumes all of the benefits provided by the Company as the entity performs;

4. Significant accounting policies (Continued)

- The Company's performance creates or enhances an asset that the customer controls as the asset is created;
- Or the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If revenue does not meet the criteria above for recognition over time, it is recongnised at the point in time when control of goods or the output of services passes from vendor to purchaser. The Company considers a number of indicators when assessing whether or not control has passed. These include, but are not limited to, the following:

- The Company has a present right to payment for the asset;
- The customer has legal title to the asset;
- The Company has transferred physical possession of the asset;
- The customer has the significant risks and rewards related to the ownership of the asset; and
- The customer has accepted the asset.

In accounting for contracts involving multiple performance obligations, the Company uses a recognition method based on contract liability units. A contract liability unit is the smallest contract liability into which a contract recording revenue over time can be split. Revenue from each contract liability unit is recognised when the performance obligations associated ith that contract liability unit have been satisfied.

Revenue for retail packaged products and licenses generally are recognised as products are shipped or made available.

Revenues from the sales of hardware products and software licenses are recognised on a gross basis with the selling price to the customer recorded as revenue and the acquisition cost of the product or service recorded as cost of sales. The Company determined that it generally acts as a principal in the above transactions being ultimately responsible for delivery of products to the end customers; has latitude in establishing prices; bears inventory and credit risks.

The Company provides significant integration service while it configures and customizes software elements as part of an IT solution to its customers. It provides to its customers access to the ready IT solutions as well as subsequent support. Therefore, related revenues are recognised gross at a time of providing access to the solution. Any subsequent consideration related to annual renewal is recorded only when is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the renewal consideration is subsequently resolved, usually upon renewal.

In case when the Company is not responsible for providing the goods or services to the customer, it either records only its commission as revenue, or reduces the amount of revenue received from the customers by the amount of cost of paid to the vendors. Resulting revenue is equal to the gross profit on the transaction, and there is no corresponding cost of sales. In other cases the Company records the full amount of revenue.

Revenue from information technology (IT) and related services is either recognised as provided for services billed at an hourly rate or, for projects designed to deliver a turnkey IT infrastructure solutions, percentage of completion.

Customer advances and deferred revenues include (1) payments received from customers in advance of providing the product or performing services, and (2) amounts deferred if other conditions of revenue recognition have not been met.

(h) Cost of sales

Cost of sales includes software and hardware costs, direct costs associated with delivering products and services, outbound and inbound freight costs. These costs are reduced by rebates, which are recorded as earned based on the contractual arrangement with the vendor.

4. Significant accounting policies (Continued)

(i) Staff costs

The Company contributes to the Russian Federation state pension scheme, social insurance and medical insurance funds in respect of its employees. These costs are expensed as incurred and are included in staff costs.

(j) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). That applies to finance leases for all periods presented and for operating leases—from 01 January 2018, following implementation of the modified retrospective approach for application of IFRS 16. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are mainly presented by office premises and depreciated on a straight-line basis over the lease term. The useful lives of right-of-use assets usually vary from 1 to 5 years.

The right-of-use assets are also subject to impairment. Please refer to the accounting policies in Note 4.

(ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Company also applies the lease of low-value assets recognition exemption to leases. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4. Significant accounting policies (Continued)

(k) Current vs non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

Expected to be realised or intended to be sold or consumed in the normal operating cycle;

- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(l) First time adoption of IFRS

The information presented below is on enforcement of compliance data and a quantitative assessment of the impact of the transition from the Russian accounting standards (RAS) to IFRS.

The effect on equity reported under RAS to equity under IFRS is as follows:

Adjusted item	31 December 2018	01 January 2018
Retained earnings according to RAS	107,938	105,470
Vacation expenses accrued adjustment	(9,441)	(10,411)
Operating lease adjustment	(4,735)	—
Deferred tax adjustment	124,054	81,829
Trade accounts payable adjustment	(606,094)	(398,736)
Total adjustments	**(496,216)**	**(327,318)**
Retained earnings according to IFRS	(388,279)	(221,848)
Share capital	20,522	20,522
Translation reserve	50,078	—
Equity	**(317,679)**	**(201,326)**

Effect on the total comprehensive income under IFRS for the latest period of the Company's recent annual financial statements:

4. Significant accounting policies (Continued)

Adjusted item	Year ended 31 December 2018
Net profit for the year according to RAS	2,468
Vacation expenses accrued adjustment	969
Operating lease adjustment	(4,735)
Deferred tax adjustment	42,224
Trade accounts payable adjustment	(207,357)
Total adjustments	(168,899)
Net profit for the year according to IFRS	**(166,431)**

Most of the adjustments listed above arose due to differences between the accounting under RAS and IFRS and are related to the following items:

- ***Recognition of leases under IFRS 16*** IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted.
- ***Accrual of vacation expenses*** The Company has elected not to accrue unused vacation expenses in RAS accounts whereas for IFRS purposes such an accrual is considered appropriate.
- ***Accrual of expenses*** The Company is not allowed to accrue expenses that are not supported by appropriately produced documnets in RAS accounts whereas for IFRS purposes under such an accrual is considered appropriate.
- ***Deferred taxes***. Deferred tax assets and liabilities are recorded in the RAS financial statements of the Company in accordance with the rules of RAS. Deferred tax assets and liabilities for the IFRS purposes were adjusted based on the Management estimates of possibilities of temporary differences to crystalise in future. Additional calculation of deferred taxes under IFRS was made after evaluation of all adjustments by analysing the changes resulting from adjustments to balance sheet items of assets / liabilities for accounting and taxation. Balances on the settlements with the state for profit tax, reflected in Russian accounting at the end of each reporting period are confirmed by the reconciliation with tax authorities.

5. Revenue from contracts with customers

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the year ended 31 December		
	2020	2019	2018
Sales of software	3,859,008	3,376,824	689,833
Sales of services	63,816	11,794	627,400
Sales of hardware	525	207	439
	3,923,349	**3,388,825**	**1,317,672**

The sale of software and hardware from the Company's top ten vendors accounted for 100% of the Company's turnover in the years ended 31 December 2020, 2019 and 2018, respectively.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. The Company usually does not have significant contract assets.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities include short-term

5. Revenue from contracts with customers (Continued)

advances received to deliver software products or to render services. All contract liabilities as at 31 December 2020 were recognised as revenue in 2020.

Substantially all revenue is recognised by the Company at the moment of time.

6. Cost of sales

	For the year ended 31 December		
	2020	**2019**	**2018**
Cost of software	568,147	1,431,360	1,048,126
	568,147	**1,431,360**	**1,048,126**

7. Selling, general and administrative expenses

Average number of employees during the year ended 31 December 2020 amounted to 17 (the year ended 31 December 2019–18, the year ended 31 December 2018–19).

	For the year ended 31 December		
	2020	**2019**	**2018**
Compensation to employees	234,944	289,054	294,401
Depreciation of right of lease assets	48 200	56 305	57 819
Payroll taxes	30,714	35,765	34,636
Licenses for own use	12,141	15,012	11,230
Materials	8,389	9,738	5,341
Communication expenses	8,038	8,462	11,228
VAT written-off	5,451	7,532	4,433
Professional services	2,242	181	—
General expenses	2,040	788	2,248
Audit, other assurance and non-audit services	1,383	1,548	1,589
Depreciation and amortisation	577	2,275	3,954
Advertising and marketing expenses	454	1,296	79
	354,573	**427,956**	**426,958**

8. Other expenses

	For the year ended 31 December		
	2020	**2019**	**2018**
Penalties for taxes, social insurance and contributions (other)	7,029	—	—
Bank comissions	1,592	6,379	3,708
Movement in expected credit losses for the year	—	287,636	—
Other expenses	2,434	651	64
	11,055	**294,666**	**3,772**

9. Finance costs

	For the year ended 31 December		
	2020	**2019**	**2018**
Interest on borrowings	22,350	26,544	42,480
Interest expense on lease liabilities	4,175	7,174	13,214
Interest expense	**26,525**	**33,718**	**55,694**
Finance costs	**26,525**	**33,718**	**55,694**

10. Income tax

The Company is subject to corporate income tax at the standard rate of 20% applied to its taxable income for the years ended 31.12.2020, 31.12.2019, 31.12.2018. Since 01.01.2021 the applicable income tax rate is 3%.

	For the year ended 31 December		
	2020	**2019**	**2018**
Current income tax	**(6,482)**	**(5,547)**	**(7,335)**
Deferred tax	(13,581)	(232,939)	42,225
Total income tax expense	**(20,063)**	**(238,486)**	**34,890**

Deferred income tax as of 31 December 2020, 2019 and 2018:

	Statement of financial position as at				Statement of profit or loss and other comprehensive income for the year ended 31 December		
	31.12.2020	**31.12.2019**	**31.12.2018**	**01.01.2018**	**2020**	**2019**	**2018**
Deferred tax assets/ (liabilities) arising from							
Rights of use assets	2,855	7,593	17,442	—	(3,584)	(11,478)	19,256
Lease liabilities	(3,012)	(6,857)	(16,585)	—	2,792	11,261	(18,309)
Accrual for unused vacation	301	1,790	1,551	2,082	(1,225)	48	(194)
Accounts recievable	(117,421)	—	—	—	(119,941)	—	—
Trade accounts payable	—	—	103,686	79,747	—	(111,471)	41,472,
Advances issued	—	(126,613)	—	—	108,377	(121,299)	—
Deferred tax expense/ (benefit)	**—**	**—**	**—**	**—**	**(13,581)**	**(232,939)**	**42,225**
Net deferred tax assets/ (liabilities)	**(117,277)**	**(124,087)**	**106,094**	**81,829**	**—**	**—**	**—**

The Company recorded the effect of translation difference on deferred tax assets and liabilities of USD 462 in the year ended 31 December 2020 (USD 248 in the year ended 31 December 2019, USD 338 in the year ended 31 December 2018).

Reflected in statement of financial position as follows:

	For the year ended 31 December		
	2020	**2019**	**2018**
Deferred tax assets	3,156	9,383	122,679
Deferred tax liabilities	(120,433)	(133,470)	(16,585)
Deferred tax assets / (liabilities), net	**(117,277)**	**(124,087)**	**106,094**

10. Income tax (Continued)

Reconciliation of tax expense and the accounting profit multiplied by appropriate tax rate for 2020, 2019 and 2018:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Accounting profit before income tax	**3,007,018**	**1,182,694**	**(201,321)**
Theoretical income tax expense at prevailing tax rate 20%	**(601,403)**	**(236,539)**	**40,264**
Effect of changes in income tax rate from 20% to 3% and non-taxable items	581,341	(1,947)	(5,374)
Total income tax expense	**(20,063)**	**(238,486)**	**34,890**

11. Leases

The Company leases office space in a operating lease agreements and office premises under operating lease agreements. The Company did not have any finance lease contracts.

The Company had operating lease commitments before transition to IFRS 16. Lease liabilities after transition to IFRS 16 comprised the following:

	1 January 2018
Operating lease liabilities recognised under IFRS 16	(163,177)
Total lease liabilities	**(163,177)**

On adoption of IFRS 16, the Company has recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of 11.9% as at 01 January 2018.

Company cannot readily determine the interest rate implicit in the operating lease contracts, therefore, it uses the rate of interest that is implied under average credit rates and equals from 8.2% p.a. to 11.9% p.a. which corresponds to the terms and amounts of right-of-use assets financing.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020	2019	2018
As at 1 January	**(37,967)**	**(87,212)**	**(163,177)**
Additions	(109,354)	—	—
Accretion of interest	(4,175)	(7,174)	(13,214)
Payments—body portion	56,091	57,388	53,084
Payments—%	4,175	7,174	13,214
Translation difference	7,271	(8,143)	22,881
As at 31 December	**(83,959)**	**(37,967)**	**(87,212)**
Current	(58,363)	(37,967)	(53,380)
Non-current	(25,596)	—	(33,832)

The maturity analysis of lease liabilities is disclosed in Note 21.

10. Income tax (Continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Office premises	Total
01 January 2018	**163,177**	**163,177**
Depreciation expense	(57,819)	(57,819)
Translation difference	(22,435)	(22,435)
31 Devember 2018	**82,923**	**82,923**
Depreciation expense	(56,305)	(56,305)
Translation difference	7,666	7,666
31 December 2019	**34,284**	**34,284**
Additions	109,354	109,354
Depreciation expense	(48,200)	(48,200)
Translation difference	(6,840)	(6,840)
31 December 2020	**88,598**	**88,598**

The following are the amounts recognised in profit or loss:

	For the year ended 31 December		
	2020	2019	2018
Depreciation expense of right-of-use assets	(48,200)	(56,305)	(57,819)
Interest expense on lease liabilities	(4,175)	(7,174)	(13,214)
Total amount recognised in profit or loss	**(52,375)**	**(63,479)**	**(71,033)**

The Company had total cash outflows for leases of 60,266 in 2020 (64,562 in 2019, 66,298 in 2018).

The Company did not have lease contracts with variable payments.

The Company did not have leases not yet commenced to which the lessee is committed.

Details of lease obligations are as follows:

		Less than 6 month	6–12 months	1–2 years	More than 2 years	Total
31.12.2020	Present value of minimum lease payments	28,672	29,691	25,596	—	**83,959**
	Minimum lease payments	31,269	31,269	26,057	—	**88,595**
31.12.2019	Present value of minimum lease payments	32,401	5,566	—	—	**37,967**
	Minimum lease payments	33,695	5,616	—	—	**39,311**
31.12.2018	Present value of minimum lease payments	26,017	27,363	33,832	—	**87,212**
	Minimum lease payments	30,026	30,026	35,031	—	**95,083**
01.01.2018	Present value of minimum lease payments	28,319	29,673	64,380	40,805	**163,177**
	Minimum lease payments	36,214	36,214	72,428	42,250	**187,106**

13. Trade receivables

	31 December 2020	31 December 2019	31 December 2018	01 January 2018
Short-term receivables from third-party customers	318,984	583,496	837,428	736,756
Short-term receivables from related parties (Note 25)	3,678,823	393,101	207	250
Long-term receivables from related parties (Note 25)	319,128	—	—	—
Less: provision for expected credit losses	(251,593)	(300,241)	—	—
	4,065,342	**676,356**	**837,635**	**737,006**

The fair value of trade and other current receivables approximates their carrying value. The average days sales outstanding (DSO) period is 124 days (82 in 2019, 218 in 2018). No interest is charged on trade receivables.

For terms and conditions relating to related party receivables, refer to Note 25.

The table below shows the movement in provision for expected credit losses:

	31 December 2020	31 December 2019	31 December 2018	01 January 2018
As at 1 January	(300,241)	—	—	—
Expected credit losses for the year (Note 21)	—	(300,241)	—	—
Write-offs	—	—	—	—
Translation difference	48,648	—	—	—
As at 31 December	**(251,593)**	**(300,241)**	**—**	**—**

Information about the credit exposures is disclosed in Note 21.

The aging analysis of trade receivables at various reporting dates is as follows:

	Total	Neither past due nor impaired	Past due and impaired <30 days	30–60 days	60–90 days	90–180 days	>181 days
As at 01 January 2018	**737,006**	737,006	—	—	—	—	—
As at 31 December 2018	**837,635**	837,635	—	—	—	—	—
As at 31 December 2019	**976,597**	676,356	—	—	—	—	300,241
As at 31 December 2020	**4,316,935**	4,065,342	—	—	—	—	251,593

14. Loans issued

	31 December 2020	31 December 2019	31 December 2018	01 January 2018
Long-term loans issued to third parties	11,736	14,005	12,480	15,052
Total long-term loans issued	**11,736**	**14,005**	**12,480**	**15,052**
	11,736	**14,005**	**12,480**	**15,052**

As at 31 December 2020, 2019, 2018 and 01 January 2018, all loans issued were long-term and not impaired. These loans were denominated in RUB and bear 0% rate. The sole receipient of the loans is LLC "OSL Distribution", a partner company.

15. Advances issued

	31 December 2020	31 December 2019	31 December 2018	01 January 2018
Advances issued	69,410	65,721	34,280	95,644
Advances issued and other receivables to related parties (Note 25)	—	633,211	3,871	4,669
VAT on advances received	1,771	(24)	(21)	(26)
	71,181	**698,908**	**38,130**	**100,287**

As at 31 December 2020, 2019, 2018 and 01 January 2018, all advances issued and other current assets were current and not impaired.

16. Software licenses and other inventory

	31 December 2020	31 December 2019	31 December 2018	01 January 2018
Software for resale (at cost)	55	559	498	600
Materials (at cost)	314	374	321	1,250
Total inventories	**369**	**933**	**819**	**1,850**

17. Other receivables

	31 December 2020	31 December 2019	31 December 2018	01 January 2018
Other taxes receivable	25,415	38,523	21,584	27,600
Receivables from employees	181	7,255	9,024	11,233
	25,596	**45,778**	**30,608**	**38,833**

As at 31 December 2020, 2019, 2018 and 01 January 2018, all other receivable balances were current and not impaired.

18. Cash and cash equivalents

	31 December 2020	31 December 2019	31 December 2018	01 January 2018
Cash in banks, including	10,335	8,383	1,094	4,738
In Russian roubles	*10,335*	*8,383*	*1,093*	*4,714*
In EURO	—	—	*1*	*24*
	10,335	**8,383**	**1,094**	**4,738**

As at 31 December 2020, 2019, 2018 and 01 January 2018, all cash and cash equivalents balances were current and not impaired.

19. Share capital

During the years ended 31 December 2020, 31 December 2019 and 31 December 2018 share capital of the Company was RUB 1,182,059 (an equivalent of USD 20,522 as at the date of initial recogniton).

During the years ended 31 December 2020, 31 December 2019 and 31 December 2018 the Company's sole owner and ultimate beneficiary was Elena Solomatina.

During the years ended 31 December 2020, 31 December 2019 and 31 December 2018 the Company did not declare dividends.

20. Trade and other payables

	31 December 2020	31 December 2019	31 December 2018	01 January 2018
Related parties (Note 25)	(138,559)	(564,405)	(959,431)	(864,219)
Payable to employees	(14,753)	(19,518)	(21,573)	(28,205)
Trade payables	(9,763)	(10,309)	(8,065)	(43,730)
Other payables	(11,620)	(1,454)	(945)	(7,368)
	(174,695)	**(595,686)**	**(990,014)**	**(943,522)**

Terms and conditions of the above financial liabilities described above:

(a) Trade payables are non-interest bearing and are normally settled on 30-day terms;

(b) Other payables are settled on 30-day terms.

The detailed information on related party transactions is also disclosed in Note 25.

21. Short-term borrowings

	Effective interest rate	31 December 2020	31 December 2019	31 December 2018	01 January 2018
In RUB					
Short-term borrowings					
TCB Bank	11%	249,067	33,923	11,516	204,305
Elena Solomatina	—	157,495	21,000	118,899	—
Alexandra Solomatina	—	—	—	108,679	—
Total		**406,562**	**54,923**	**239,094**	**204,305**

The Company has obtained revolving credit line facilities in RUB from TCB Bank in case it needs to raise extra funds for working capital purposes. The total amount of the credit line is RUR 18,000,000. The agreement for the amount with interest 11% is valid until April 2022. The unused portion under all credit facilities as of 31 December 2020 was an equivalent of USD 5,414 (as of 31 December 2019: USD 256,842, as of 31 December 2018: USD 247,569 , as of 01 January 2018: USD 108,194).

As of 31 December 2020, as of 31 December 2019, 31 December 2018 and as of 01 January 2018 the Company was in compliance with all major Company's restrictive financial covenants.

22. Financial risk management and policies

The Company's activities expose them to the following financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge its risk exposures.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Foreign exchange risk

The Company has trading activity in foreign currencies. The Company does not have formal arrangements to mitigate the foreign exchange risks of the Company's operations but aims to maintain its financial assets and liabilities in local currencies or some of its assets.

22. Financial risk management and policies (Continued)

Monetary assets and liabilities of the Company are mostly expressed in Euro and Russian Roubles. The table below provides information on the amounts of financial assets and liabilities of the Company denominated in EUR that are exposed to currency risk at each reporting date:

	EUR	Total
As at 31 December 2020		
Financial assets		
Trade accounts receivable*	4,031,094	**4,031,094**
Financial liabilities		
Trade accounts payable	(138,559)	**(138,559)**
Net position	**3,892,535**	**3,892,535**
As at 31 December 2019		
Financial assets		
Trade accounts receivable*	449,190	**449,190**
Financial liabilities		
Trade accounts payable	(564,266)	**(564,266)**
Net position	**(115,076)**	**(115,076)**
As at 31 December 2018		
Financial assets		
Trade accounts receivable*	389,313	**389,313**
Financial liabilities		
Trade accounts payable	(959,431)	(959,431)
Net position	**(570,118)**	**(570,118)**
As at 01 January 2018		
Financial assets		
Trade accounts receivable*	569,419	**569,419**
Financial liabilities		
Trade accounts payable	(1,433,638)	**(1,433,638)**
Net position	**(864,219)**	**(864,219)**

* Trade accounts receivables do not include advances paid, VAT recoverable, profit tax prepaid, other current assets which are not classified as financial assets.

The Company does not have formal arrangements to mitigate foreign exchange risks of the Company's operations but aims to maintain its financial assets and liabilities in local currencies or some of its assets.

22. Financial risk management and policies (Continued)

The following tables demonstrate the sensitivity to a reasonably possible change in EUR exchange rates against RUR, with all other variables held constant.

Foreign exchange risk

	Change in exchange rates	Effect on profit before tax	Effect on pre-tax equity
As at 31 December 2020			
EUR/RUR	10%	**389,254**	**389,254**
	–10%	**(389,254)**	**(389,254)**
As at 31 December 2019			
EUR/RUR	10%	**(11,508)**	**(11,508)**
	–10%	**11,508**	**11,508**
As at 31 December 2018			
EUR/RUR	10%	**(57,012)**	**(57,012)**
	–10%	**57,012**	**57,012**
As at 1 January 2018			
EUR/RUR	10%	**(86,422)**	**(86,422)**
	–10%	**86,422**	**86,422**

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 Company's exposure to the risk of changes in market interest rates is limited as substantially all the Company's borrowings are at a fixed interest rates.

Credit risk

Credit risk is the risk that the Company incurs a financial loss caused by a customer or counterparty not fulfilling its contractual obligations on financial instrument. This risk is mainly associated with trade receivables. To manage this risk, the Company periodically assesses the financial reliability of its counterparties.

Generally, trade receivables are written-off if past due for more than three years and are not subject to enforcement activity.

The Company's exposure to concentration of credit risk is considered significant as its customer base comprises a limited number of customers. Although the collection of receivables may be affected by economic factors, Management believes that there is no significant risk of loss.

Set out below is the information about the credit risk exposure on the Company's trade receivables:

	Total	Neither past due nor impaired	Past due and impaired
31 December 2020			
Estimated total gross carrying amount at default	**4,316,935**	4,065,342	251,593
31 December 2019			
Estimated total gross carrying amount at default	**976,597**	676,356	300,241
31 December 2018			
Estimated total gross carrying amount at default	**837,635**	837,635	—
01 January 2018			
Estimated total gross carrying amount at default	**737,006**	737,006	—

22. Financial risk management and policies (Continued)

Liquidity risk

Liquidity risk is defined as the risk that an entity cannot pay its liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Company's liquidity reserve (forecasts of trade receivable payments and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Company's financial assets and liabilities into relevant maturity based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The fair value of balances due within 12 months approximates their carrying value as the impact of discounting is not significant.

As at 31 December 2020	On demand	Less than 6 months	6–12 months	1–2 years	More than 2 years	Total
Financial assets						
Trade accounts receivable	—	3,746,214	—	319,128	—	**4,065,342**
Long-term loans issued	—	—	—	11,736	—	**11,736**
Cash and cash equivalents	10,335	—	—	—	—	**10,335**
	10,335	**3,746,214**	**—**	**330,864**	**—**	**4,087,413**
Financial liabilities						
Carrying value of borrowings and loans	—	(289,540)	(117,022)	—	—	**(406,562)**
Carrying value of lease liabilities	—	(28,672)	(29,691)	(25,596)	—	**(83,959)**
Trade accounts payable	—	(174,695)	—	—	—	**(174,695)**
	—	**(492,907)**	**(146,713)**	**(25,596)**	**—**	**(665,216)**
Net position	**10,335**	**3,253,307**	**(146,713)**	**305,268**	**—**	**3,422,197**

As at 31 December 2019	On demand	Less than 6 months	6–12 months	1–2 years	More than 2 years	Total
Financial assets						
Trade accounts receivable*	—	676,356	—	—	—	**676,356**
Long-term loans issued	—	—	—	—	14,005	**14,005**
Cash and cash equivalents	8,383	—	—	—	—	**8,383**
	8,383	**676,356**	**—**	**—**	**14,005**	**698,744**
Financial liabilities						
Carring value of borrowings and loans	(21,000)	(33,923)	—	—	—	**(54,923)**
Carrying value of lease liabilities	—	(32,451)	(5,516)	—	—	**(37,967)**
Trade accounts payable	—	(595,686)	—	—	—	**(595,686)**
	(21,000)	**(662,060)**	**(5,516)**	**—**	**—**	**(688,576)**
Net position	**(12,617)**	**14,296**	**(5,516)**	**—**	**14,005**	**10,168**

22. Financial risk management and policies (Continued)

As at 31 December 2018	On demand	Less than 6 months	6–12 months	1–2 years	More than 2 years	Total
Financial assets						
Trade accounts receivable*	—	837,635	—	—	—	**837,635**
Long-term loans issued	—	—	—	—	12,480	**12,480**
Cash and cash equivalents	1,094	—	—	—	—	**1,094**
	1,094	**837,635**	**—**	**—**	**12,480**	**851,209**
Financial liabilities						
Carring value of borrowings and loans	(227,578)	(11,516)	—	—	—	**(239,094)**
Trade accounts payable	—	(990,014)	—	—	—	**(990,014)**
Carrying value of lease liabilities	—	(26,017)	(27,363)	(33,832)	—	**(87,212)**
	(227,578)	**(1,027,547)**	**(27,363)**	**(33,832)**	**—**	**(1,316,320)**
Net position	**(226,484)**	**(189,912)**	**(27,363)**	**(33,832)**	**12,480**	**(465,111)**

As at 01 January 2018	On demand	Less than 6 months	6–12 months	1–2 years	More than 2 years	Total
Financial assets						
Trade accounts receivable*	—	737,006	—	—	—	**737,006**
Long-term loans issued	—	—	—		15,052	**15,052**
Cash and cash equivalents	4,738	—	—	—	—	**4,738**
	4,738	**737,006**	**—**	**—**	**15,052**	**756,796**
Financial liabilities						
Carring value of borrowings and loans	—	(204,305)	—	—	—	**(204,305)**
Carrying value of lease liabilities	—	(28,319)	(29,673)	(64,380)	(40,805)	**(163,177)**
Trade accounts payable	—	(943,522)	—	—	—	**(943,522)**
Carrying value of lease liabilities	**—**	**(1,176,146)**	**(29,673)**	**(64,380)**	**(40,805)**	**(1,311,004)**
Net position	**4,738**	**(439,140)**	**(29,673)**	**(64,380)**	**(25,753)**	**(554,208)**

* Trade receivables do not include advances paid, VAT recoverable, profit tax prepaid, other current assets which are not classified as financial assets

23. Financial instruments

The Company's financial instruments as of 31 December 2020, 31 December 2019, 31 December 2018 and 01 January 2018 are presented by category in the table below:

	Category*	31 December 2020	31 December 2019	31 December 2018	01 January 2018
Financial assets					
Trade and other receivables	FAAC	4,065,342	676,356	837,635	736,006
Long-term loans issued	FAAC	11,736	14,005	12,480	15,052
Cash and cash equivalents	FAAC	10,335	8,383	1,094	4,738
Total financial assets		**4,087,413**	**698,744**	**851,209**	**755,796**
Current		3,756,549	684,739	838,729	741,744
Non-current		330,864	14,005	12,480	15,052
Financial liabilities					
Short-term borrowings—third parties	FLAC	(249,067)	(33,923)	(120,195)	(204,305)
Short-term borrowings—related parties	FLAC	(157,495)	(21,000)	(118,899)	—
Long-term lease liabilities	FLAC	(25,596)	—	(33,832)	(105,185)
Short-term lease liabilities	FLAC	(58,363)	(37,967)	(53,380)	(57,992)
Trade and other accounts payable	FLAC	(174,695)	(595,686)	(990,014)	(943,522)
Total financial liabilities		**(665,216)**	**(688,576)**	**(1,316,320)**	**(1,311,004)**
Non-current		(25,596)	—	(33,832)	(105,185)
Current		(639,620)	(688,576)	(1,282,488)	(1,205,819)

* Financial instruments used by the Company are included in one of the following categories:

- FAAC—financial assets at amortised cost;
- FLAC—financial liabilities at amortised cost.

Management assessed that the fair values of cash and cash equivalents, long-term loans issued, trade and other receivables, trade and other payables, bank loans and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Management assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, bank loans and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

There are the following levels within the fair value hierarchy:

- Level 1—measurement using quoted prices in active markets for identical assets or liabilities that the Group can access at the measurement date. As at 31 December 2020, 31 December 2019, 31 December 2018 and 01 January 2018 the Company did not have assets and liabilities of this level.
- Level 2—inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices). As at 31 December 2020, 31 December 2019, 31 December 2018 and 01 January 2018 cash and cash equivalents and bank loans belonged to this level.
- Level 3—unobservable inputs for the asset or liability. These inputs reflect own assumptions of the Company about the assumptions a market participant would use in pricing the asset or liability. As at 31 December 2020, 31 December 2019, 31 December 2018 and 01 January 2018 accounts receivable, short-term loans issued, accounts payable, short-term borrowings and lease liabilities belonged to this level.

During the years ended 31 December 2020, 31 December 2019 and 31 December 2018 there were no transfers between the above levels.

23. Financial instruments (Continued)

Changes in liabilities arising from financing activities

	As at 1 January 2020	Repayment of borrowings	Foreign exchange movement	New leases	Movement from long to short-term liability	Proceeds from borrowings	As at 31 December 2020
Current interest bearing borrowings and loans	(54,923)	772,091	16,640	—	—	(1,140,370)	(406,562)
Current lease liabilities	(37,967)	56,091	19,147	(27,115)	(68,519)	—	(58,363)
Non-current lease liabilities	—	—	4,453	(98,568)	68,519	—	(25,596)
Total liabilities from financing activities	**(92,890)**	**828,182**	**40,240**	**(125,683)**	**—**	**(1,140,370)**	**(490,521)**

	As at 1 January 2019	Repayment of borrowings	Foreign exchange movement	New leases	Movement from long to short-term liability	Proceeds from borrowings	As at 31 December 2019
Current interest-bearing loans and borrowings	(239,094)	1,580,788	(20,260)	—		(1,376,357)	(54,923)
Current lease liabilities	(53,380)	57,388	(5,602)	—	(36,373)	—	(37,967)
Non-current lease liabilities	(33,832)	—	(2,541)	—	36,373	—	—
Total liabilities from financing activities	**(326,306)**	**1,638,176**	**(28,403)**	**—**	**—**	**(1,376,357)**	**(92,890)**

	As at 1 January 2018	Repayment of borrowings	Foreign exchange movement	New leases	Movement from long to short-term liability	Proceeds from borrowings	As at 31 December 2018
Current interest-bearing loans and borrowings	(204,305)	1,086,428	42,158	—		(1,163,375)	(239,094)
Current lease liabilities	(57,992)	53,084	10,459	—	(58,931)	—	(53,380)
Non-current lease liabilities	(105,185)	—	12,422	—	58,931	—	(33,832)
Total liabilities from financing activities	**(367,482)**	**1,139,512**	**65,039**	**—**	**—**	**(1,163,375)**	**(326,306)**

25. Contingent liabilities and other risks

Operating environment and economic risks

The Company has significant operations in Russia that displays certain characteristics of an emerging market, e.g. quickly changing regulatory and tax frameworks. The Russian economy is susceptible to ongoing political tensions, including international sanctions against certain entities and individuals. However, despite this pressure the economy remained stable, with Moody's affirming Russia's sovereign credit rating at Baa3 with stable outlook in May 2021, and S&P confirmed at BBB- with stable outlook in early 2021.

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and

25. Contingent liabilities and other risks (Continued)

developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

On March 2020 the World Health Organisation declared a global pandemic caused by novel coronavirus (Covid-19) which has begun to have numerous effects on the global economy.

In preparation of these financial statements The Company has considered all the possible impacts of Covid-19, including but not limited to its assessment of, liquidity and going concern assumption, and recoverable values of its financial and non-financial assets. The Company has carried out this assessment based on available internal and external sources of information up to the date of approval of these financial statements and believes that the impact of Covid-19 is not material to these financial statements and expects to recover the carrying amount of its assets. The impact of Covid-19 on the financial statements may differ from that estimated as at the date of approval of these standalone financial statements owing to the nature and duration of Covid-19.

Legal proceedings

In the opinion of management, there are no current legal proceedings or claims outstanding at 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 financial statements.

Tax risks

The taxation system in the Russian Federation is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Taxes are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. Taxes are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. Consequently, the risk of potential tax liabilities in the Russian Federation is substantially greater than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant tax authorities may have differing interpretations and the effects on the Company could be significant.

According to management, at 31 December 2021, the Company had paid or accrued all taxes that are applicable.

26. Commitments

As at 31 December 2020, 31 December 2019 and 31 December 2018 the Company had no material commitments.

27. Related party balances and transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, exercise significant influence over the other party in making financial or operational decisions or if the two parties are under common control as defined by IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

During the period, the Company had the following balances and transactions with related parties:

27. Related party balances and transactions (Continued)

	Under common control	Key management personnel	Total related party balances/ transactions
Balances as at 31 December 2020			
Trade receivables (EUR) (Note 12)	3,997,951	—	**3,997,951**
Trade payables (EUR) (Note 19)	(138,559)	—	**(138,559)**
Short-term borrowings (Note 20)	—	(157,495)	**(157,495)**
Advances received (EUR)	(109)	—	**(109)**
Payable to employees	—	(3,428)	**(3,428)**
Transactions for the year ended 31 December 2020			
Payroll expenses (Note 7)	—	(64,039)	**(64,039)**
Receipts of borrowings (Note 20)	—	(160,876)	**(160,876)**
Cost of sales	(541,885)	—	**(541,885)**
Revenue from customers	3,645,990	—	**3,645,990**

	Under common control	Key management personnel	Total related party balances/ transactions
Balances as at 31 December 2019			
Trade receivables (EUR) (Note 12)	393,101	—	**393,101**
Trade payables (EUR) (Note 19)	(564,405)	—	**(564,405)**
Advances received (EUR)	(233)	—	**(233)**
Advances issued (EUR)	633,071	—	**633,071**
Short-term borrowings (Note 20)	—	(21,000)	**(21,000)**
Payable to employees	—	(7,881)	**(7,881)**

	Under common control	Key management personnel	Total related party balances/ transactions
Transactions for the year ended 31 December 2019			
Receipts of short-term borrowings (Note 20)	—	(38,689)	**(38,689)**
Payroll expenses (Note 7)	—	(74,044)	**(74,044)**
Cost of sales	(1,409,543)	—	**(1,409,543)**
Revenue from customers	1,115,959	—	**1,115,959**

	Under common control	Key management personnel	Total related party balances/ transactions
Balances as at 31 December 2018			
Trade receivables (EUR) (Note 12)	207	—	**207**
Trade payables (EUR) (Note 19)	(959,431)	—	**(959,431)**
Short-term borrowings (Note 20)	—	(227,578)	**(227,578)**
Payable to employees	—	(6,720)	**(6,720)**
Transactions for the year ended 31 December 2018			
Payroll expenses (Note 7)	—	(65,271)	**(65,271)**
Receipts of short-term borrowings (Note 20)	—	(251,246)	**(251,246)**
Cost of sales	(207,357)	—	**(207,357)**

27. Related party balances and transactions (Continued)

	Under common control	Key management personnel	Total related party balances/ transactions
Balances as at 01 January 2018			
Trade receivables (EUR) (Note 12)	250	—	**250**
Trade payables (EUR) (Note 19)	(864,219)	—	**(864,219)**
Advances received (EUR)	(140)	—	**(140)**
Payable to employees	—	(6,761)	**(6,761)**

For the year ended 31 December 2020 compensation was paid to the Company's management in the amount of USD 64,039 (2019: USD 74,044; 2018: USD 65,257).

Short-term borrowings from Elena Solomatina are disclosed in Key management personne trancactions and balances. However, she had been a shareholder until April 2021.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

28. Capital management

For the purpose of the Capital's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Capital's capital management is to maximize the shareholder value. It may distribute some of the capital to its shareholder from time to time.

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020, 31 December 2019 and 31 December 2018.

Management is responsible for making operational decisions and the Company's owners evaluate the Company's performance based on operating profit adjusted for depreciation of property, plant and equipment, net financial expenses and other non-cash and extraordinary items (EBITDA). Since EBITDA is not an IFRS standard performance indicator, the definition of EBITDA and the way of its calculation as applied by the Company may vary from those used by other companies.

Calculation of EBITDA and its reconciliation with profit before tax is presented below:

		For the year ended 31 December		
	Notes	2020	2019	2018
Profit / (loss) for the year		2,986,955	944,208	(166,431)
Income tax expense / (income)	10	20,063	238,486	(34,890)
Depreciation and amortisation	7	577	2,276	3,954
Finance costs	9	26,525	33,718	55,694
EBITDA		**3,034,120**	**1,218,688**	**(141,673)**
Foreign exchange losses / (gains)		(43,528)	18,431	(13,811)
One-off items (penalties)	8	7,029	—	—
Adjusted EBITDA		**2,997,621**	**1,237,119**	**(155,484)**

29. Events after the reporting period

The Company has evaluated subsequent events for these financial statements through the date when the financial statements were issued on 24 September 2021.

At 30 April 2021 Softline Projects LLC became the major shareholder of the Company with a 99.99% stake with the remaining 0.01% stake being under control by Elena Solomatina, the previous sole owner.