

Ciklum UK Limited

Annual report and financial statements

Registered number 07322381

31 December 2018



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Directors' report

Research and development

The Company did not engage in any development activities in the period

Financial instruments

Details of the Company's financial risk management policies and objectives in respect of its use of financial instruments are included in Note 1 to the financial statements.

Proposed dividend

No dividend was proposed for 2018 (2017: nil).

Directors

The directors who held office during the year and subsequent to year-end were as follows:

James Martin Dalziel, who was appointed as a director on 12 February 2018

James Edward Donaldson, who was appointed as a director on 17 March 2016, resigned on 12 February 2018

Political contributions

The Company made no disclosable political donations or incurred any disclosable political expenditure during the year (2017: £Nil).

Disclosure of information to auditor

The director who held office at the date of approval of this directors' report confirms that, so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and the director has taken all the steps that he ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

The Company's principal activities are delivery of IT services, software development and related support services, sales and marketing services to other group companies, and facilitation and servicing of UK software companies.

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Company's principal financial liabilities comprise trade and other payables. The Company has trade and other receivables, and cash and cash equivalents that arrive directly from its operations. The Company is exposed to credit risk, liquidity risk and market risk.

The Board oversees the management of these risks and ensures financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk parameters. All activities for risk management purposes are carried out by specialist teams that have appropriate skills, experience and supervision.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised above.

Brexit impact

In a referendum held on June 23, 2016, the people of the United Kingdom voted in favour of the United Kingdom withdrawing from the European Union ("Brexit") and on March 29, 2017, the United Kingdom formally notified the European Union of its intention to withdraw from the European Union. The United Kingdom and the European Union are expected to reach an agreement by 2019, but it is still unclear when exactly the United Kingdom will exit and on what terms.

The Company's management believes the potential adverse impact of Brexit is not significant to the Company. The key risk associated with Brexit is potential GBP currency fluctuations, as part of the sales and most of the expenses are denominated in GBP, while the functional currency of this entity is USD. Management believes that the risk can be mitigated by cash flows structuring and developing natural hedges by increasing /decreasing proportion of non-GBP billings to maintain neutral GBP position.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

James Martin Dalziel

DocuSigned by:
James Dalziel
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Date: 01 July 2019

Registered office address:

2 Stone Buildings, Lincoln's Inn, London, England,
WC2A 3TH

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIKLUM UK LTD.

Opinion

We have audited the financial statements of Ciklum UK Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of profit and loss and other comprehensive income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Peter Hine (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5AH

04 July 2019

Statement of profit and loss and other comprehensive income
for the year ended 31 December 2018

	<i>Note</i>	2018 Total £000	2017 Total £000
Revenue	3	10,879	4,279
Cost of sales		(3,857)	(1,615)
Gross profit		7,022	2,664
Selling and distribution expenses		(5,049)	(1,394)
Administrative expenses		(1,222)	(824)
Other expenses		(150)	-
Operating profit		601	446
Finance expenses		(13)	(53)
Finance income		45	-
Profit on ordinary activities before taxation		633	393
Tax on profit on ordinary activities	6	(539)	(54)
Profit for the financial year		94	339
Total comprehensive income for the year		94	339


The notes on pages 12 to 23 form part of these financial statements

Balance Sheet
at 31 December 2018

	<i>Note</i>	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible fixed assets	7	58		57	
Intangible fixed assets	8	252		-	
			<u>310</u>		<u>57</u>
Current assets					
Trade and other debtors	9	2,863		577	
Cash at bank and in hand		71		12	
		<u>2,934</u>		<u>589</u>	
Creditors: amounts falling due within one year	10	(2,783)		(413)	
Income tax payable		(135)		-	
		<u>(2,918)</u>		<u>(413)</u>	
Net current assets			<u>16</u>		<u>176</u>
Total assets less current liabilities		326		233	
Net assets			<u>326</u>		<u>233</u>
Equity					
Called up share capital	11	-		-	
Retained earnings		326		233	
			<u>326</u>		<u>233</u>
Total equity			<u>326</u>		<u>233</u>

The notes on pages 12 to 23 form part of these financial statements

These financial statements were approved by the board of directors on 01 July 2019 and were signed on its behalf by:

DocuSigned by:

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James Martin Dalziel
 Director

Company registered number: 07322381

Statement of Changes in Equity

	Called up share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	-	(106)	(106)
Total comprehensive income for the year			
Profit for the year	-	339	339
Total comprehensive income for the year	-	339	339
Balance at 31 December 2017	<u>-</u>	<u>233</u>	<u>233</u>
Total comprehensive income for the year			
Profit for the year	-	93	93
Total comprehensive income for the year	-	93	93
Balance at 31 December 2018	<u>-</u>	<u>326</u>	<u>326</u>

The notes on pages 12 to 23 form part of these financial statements

Cash Flow Statement
for year ended 31 December 2018

	2018 £000	2017 £000
Cash flows from operating activities		
Cash receipts from customers	8,261	4,730
Cash paid to suppliers and employees	(8,153)	(4,811)
Net cash from operating activities	<u>108</u>	<u>(81)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(49)	(30)
Net cash from investing activities	<u>(49)</u>	<u>(30)</u>
Cash flows from financing activities	-	-
Net cash from financing activities	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	59	(111)
Cash and cash equivalents at 1 January	12	123
Cash and cash equivalents at 31 December	<u><u>71</u></u>	<u><u>12</u></u>

The notes on pages 12 to 23 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

Ciklum UK Limited (the "Company") is a company incorporated and domiciled in England, United Kingdom.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Management has a reasonable expectation that the Company has adequate resources to manage its liquidity position in the foreseeable future. Management believes it is taking all necessary measures to support the sustainability and growth of the Company's business in the current circumstances. For these reasons, management believes that the going concern assumption is appropriate for the preparation of these financial statements.

1.3 Accounting estimates and judgements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is described below:

- *Impairment of trade and other accounts receivable.* Management estimates impairment by assessing the likelihood of recovery of trade and other accounts receivable based on an analysis of individual accounts. Factors taken into consideration include the ageing of trade and other accounts receivable in comparison with the credit terms allowed to customers, and the financial position and collection history with the customer. Trade and other accounts receivable for which a provision was not created as a result of individual assessment and that are not individually significant are collectively assessed for impairment by grouping together based on similar risk characteristics. Should actual collections be less than management estimates, the Company would be required to record additional impairment expense.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Computer equipment	3 years
Fixtures and fittings	3 years
Other	4-5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7 Intangible assets

Intangible assets, including internal systems and capitalised costs, software and licenses, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is based on the cost of the asset less its estimated residual value.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for intangible assets for the current and comparative periods are as follows:

- Internal systems and capitalised costs 2-3 years
- Software and licenses 1-3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes (continued)**1 Accounting policies (continued)****1.8 Impairment excluding stocks, investment properties and deferred tax assets***Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.9 Employee benefits*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Notes (continued)

1 Accounting policies (continued)

1.11 Revenue

The Company has initially applied IFRS 15 from 1 January 2018. Due to the transition method chosen by the Company in applying this standard, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standard.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgement.

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

There was no material impact of adopting IFRS 15 on the Company's statement of financial position as at 31 December 2018 and its statements of profit or loss and other comprehensive income and cash flows for the year then ended. Policy applicable from and before 1 January 2018

IFRS 15 did not have significant impact on the Company's accounting policies with respect to its main revenue streams.

The Company's main types of revenue are the following:

- Revenue from outsourcing of IT teams (core software engineering and certain application development and testing projects) are determined either (a) based on cost plus method where remuneration of IT teams and related charges are absorbed within selling prices with a mark-up on top of direct costs, or (b) based on agreed charge-out rates per hour of IT consultant's work charged by the Company to the customers. Revenue from this type of services is recognised in profit or loss over time in the period when the services are provided, recovery of consideration is probable and when the amount of revenue can be measured reliably. Management believes that the Company acts as a principal rather than an agent substantially in all projects when it outsources IT teams of subcontractors to work on client assignments. Management believes that the substance of its contractual relationships with clients supports this determination as (a) the Company bears ultimate responsibility for providing services to its customers (b) the Company undertakes to settle direct damages and direct losses incurred by clients as a result of services by subcontractors engaged, predominantly limited to the amount of fees received from these clients, even though contracts with clients do not provide for such an obligation (c) the Company bears the credit risk as it is responsible for settlement of amounts due to subcontractors irrespective of collection of the amount receivable from clients (d) the Company exercises discretion in establishing prices as it is able to adjust profitability of a particular project through negotiations. Management exercises significant judgement in presentation of revenues from outsourcing of IT teams (core software engineering and certain application development and testing projects) as principal, since the contractual arrangements with clients, if taken in isolation from the substance of the arrangements, may in certain cases provide for a different view.

- Revenue from application development and testing projects are recognised in profit or loss over time in the period when the services are provided, recovery of consideration is probable and when the amount of revenue can be measured reliably.

- Revenue from consulting services and other revenues are recognised in profit or loss over time in the period when the services are provided, recovery of consideration is probable and when the amount of revenue can be measured reliably.

(i) Financing components

The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. So, as a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Notes (continued)

1 Accounting policies (continued)

1.12 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes (continued)

1 Accounting policies (continued)

1.14 Adopted IFRS not yet applied

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2018 and have not been applied in preparing these financial statements. Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Company's financial statements in the period of initial application.

(i) IFRS 16 Leases

The Company is required to adopt IFRS 16 Leases from 1 January 2019. The Company has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company will recognise new assets and liabilities for its operating leases of the office premises (see Note 12). The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Company estimates that it will recognise right-of-use asset of GBP 368,000, prepayments made of GBP 39,000 and short-term lease liabilities of GBP 329,000 as at 1 January 2019.

Transition

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Notes (continued)

2 Auditor's remuneration

	2018 £000	2017 £000
Audit of these financial statements	20	18

3 Revenue

All revenue is earned in the United Kingdom from continuing operations

	2018 £000	2017 £000
Revenue	10,879	4,279

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2018	2017
Employees	17	18
Directors	<u>1</u>	<u>1</u>
	<u>18</u>	<u>19</u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	2,910	1,572
Social security costs	<u>495</u>	<u>191</u>
	<u>3,405</u>	<u>1,763</u>

Certain employees are able to participate in SBPs on the Ciklum Group Ltd. (BVI) level. The amount of this expense for the year ended 31 December 2018 is £693,000 (2017: £319,000). The cost of this is borne by Ciklum Holding UK Limited and not recharged to Ciklum UK Limited.

Notes (continued)

5 Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration	<u>436</u>	<u>30</u>
	<u>436</u>	<u>30</u>

Directors are able to participate in SBPs on the Ciklum Group Ltd. (BVI) level. The amount of this expense for the year ended 31 December 2018 is £82,646 (2017: nil). The cost of this is borne by Ciklum Holding UK Limited and not recharged to Ciklum UK Limited.

6 Taxation

The current tax expense and deferred tax expense is £479,000 (2017: £54,000).

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit before tax	633	393
Expenses not deductible for tax purposes	80	-
	<u>713</u>	<u>393</u>
Tax using the UK corporation tax rate of 19 % (2017:19%; till April 2017: 20%)	135	76
Recognition of previously unrecognised tax losses	-	(22)
Tax expenses related to the prior periods	<u>404</u>	<u>-</u>
Total tax expense (including tax on discontinued operations)	<u>539</u>	<u>54</u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly

Notes (continued)

7 Tangible fixed assets

	Fixtures & Fittings £000	Total £000
Cost		
Balance at 1 January 2017	57	57
Additions	23	23
Balance at 31 December 2017	<u>80</u>	<u>80</u>
Additions	49	49
Balance at 31 December 2018	<u>129</u>	<u>129</u>
Depreciation and impairment		
Balance at 1 January 2017	8	8
Depreciation charge for the year	15	15
Balance at 31 December 2017	<u>23</u>	<u>23</u>
Depreciation charge for the year	48	48
Balance at 31 December 2018	<u>71</u>	<u>71</u>
Net book value		
At 1 January 2017	49	49
At 31 December 2017	57	57
At 31 December 2018	<u>58</u>	<u>58</u>

Notes (continued)

8 Intangible fixed assets

	Software & Licenses £000	Total £000
Cost		
Balance at 1 January 2017	-	-
Additions	-	-
Balance at 31 December 2017	<u>-</u>	<u>-</u>
Additions	290	290
Balance at 31 December 2018	<u>290</u>	<u>290</u>
Amortisation and impairment		
Balance at 1 January 2017	-	-
Amortisation charge for the year	-	-
Balance at 31 December 2017	<u>-</u>	<u>-</u>
Depreciation charge for the year	38	38
Balance at 31 December 2018	<u>38</u>	<u>38</u>
Net book value		
At 1 January 2017	-	-
At 31 December 2017	-	-
At 31 December 2018	<u>252</u>	<u>252</u>

9 Debtors

	2018 £000	2017 £000
Trade debtors	2,671	421
Prepayments	192	156
Other debtors	-	-
Due within one year	<u>2,863</u>	<u>577</u>
Total trade and other debtors	<u>2,863</u>	<u>577</u>

Notes (continued)

10 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Payables to related parties	1,423	143
Other creditors	1,360	270
Total Trade and other creditors	<u>2,783</u>	<u>413</u>

11 Capital and reserves

Share capital

	Ordinary shares	
	2018	2017
In number of shares		
On issue at 1 January 2018		
Issued for cash	<u>1</u>	<u>1</u>
On issue at 31 December – fully paid	<u>1</u>	<u>1</u>
	2018	2017
	£	£
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £ 1 each	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

12 Operating leases

Company has non-cancellable operating lease rentals in amount of £96,855 (2017: £73,500) payable within one year, and nil payable beyond one year.

During the year £387,333 (2017: £505,505) was recognised as an expense in the profit and loss account in respect of operating leases.

Notes (continued)

13 Related parties

Identity of related parties with which the Company has transacted

Companies are related as they have a common shareholder

Other related party transactions

	Sales to:	
	2018 £000	2017 £000
Ciklum SA (Switzerland)	-	1,100
	<u>-</u>	<u>1,100</u>
	Balances at 31 December:	
	2018 £000	2017 £000
Ciklum SA (Switzerland)	(3,734)	(1,392)
Ciklum Holding (Cyprus)	<u>2,311</u>	<u>1,249</u>
	<u>(1,423)</u>	<u>(143)</u>

14 Fair values of financial instruments

The estimated fair value of cash and cash equivalents, trade and other receivables, and accounts payable and accrued expenses approximate their carrying amounts due to the short maturity of these instruments.

15 Ultimate parent company

The Company is a subsidiary of Ciklum Holding UK Limited (United Kingdom), owned by Ciklum Holding Limited (Cyprus). The highest level at which Ciklum UK Limited is consolidated is Ciklum Group Holdings Ltd. (BVI), owner of Ciklum Group Limited (financial statements are not publicly available).

As at 31 December 2018 and 31 December 2017, Ciklum Group Holdings Ltd. (BVI) was under joint control by Mr. Torben Majgaard and Soros Fund Management.

16 Subsequent events

Subsequent to the year-end, in February 2019, Ciklum Holding Limited (Cyprus) sold its investment in Ciklum Holding UK Limited to Ciklum Group Limited that is owned by Ciklum Group Holdings Ltd. (BVI), the ultimate parent company of the Group.

Subsequent to the reporting period end, in January 2019, the Ciklum Group Holdings Ltd. (BVI) changed its ownership structure. Dragon Capital Group, represented by Dragon Capital Investments LLC and Dragon Capital New Ukraine Fund LP, and AVentures Capital acquired minority shares of ownership interest in the Group. Soros Fund Management has become the ultimate controlling party of Ciklum Group Holdings Ltd. (BVI)