

Ciklum Operations UK Limited

Annual report and financial statements

Registered number 10878338

31 December 2021

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COMPANY INFORMATION

Company registration number: 10878338

Registered office: 2 Stone Buildings
London
United Kingdom
WC2A 3TH

Director: Kulraj Singh Smagh.

Auditor: KPMG LLP
15 Canada Square
London
E14 5GL

Secretary: EDWIN COE SECRETARIES LIMITED
2 Stone Buildings,
London, England,
WC2A 3TH
Appointed 1 November 2017

Strategic report

The director presents their strategic report for the year ended 31 December 2021.

Business overview and key performance indicators.

Ciklum Operations UK Limited (the "Company") is a legal entity incorporated under the laws of United Kingdom on 21 July 2017. Its registered office is at 2 Stone Buildings, London, United Kingdom, WC2A 3TH.

The Company acts as a central entrepreneur of the Ciklum Group and performs entrepreneurial functions, in particular – manages the Group's strategy, pricing policy and other key issues as well bears the key risks associated with Ciklum's business. Ciklum Operations UK Limited plays key role in the supply chain of the Group and hires key personnel of the Group. It purchases services from development entities and invoices sales entities to ensure clear link between demand and proposition of IT services and develops unified standards for the Group. Since this company holds contacts with key clients, develops global Group's strategy and marketing strategies, business and pricing policies, the Company is responsible for coordination of all operational business entities of the Group and performs control over the business.

In 2021, the Company's revenue increased by GBP 23,197 thousand or 17.8% year-over-year due to the organic growth driven by increased demand for IT transformation and digital services. For the year ended the Company generated GBP (811) thousand net loss (2020: GBP 1,351 thousand net profit) and GBP (4,329) thousand net cash decrease (2020: GBP 7,264 thousand net cash increase) due to investments into sales and delivery teams to ensure further operations scaling. As at 31 December 2021, the Company has net assets of GBP 585 thousand (2020: net current assets GBP 1,396 thousand) and the Company's current assets are lower than current liabilities only by GBP 117 thousand (2020: current assets exceed current liabilities by GBP 2,284 thousand).

As at 31 December 2021, the Company utilized secured banking facility of GBP 3.9 million with external lender (2020: GBP 1.7 million) and short-term loan facility of GBP 6.6 million with related party lender (2020: GBP 1.3 million).

War in Ukraine impact

On 24 February 2022 Russian troops invaded Ukraine and commenced military activities in multiple locations. In current circumstances, the Company's and Group's management has considered various scenarios which included adverse but plausible scenarios related to consequences of military activities in Ukraine and concluded that the Company and Group will be able to continue as a going concern.

The impact of the war on the Company and Group and the going concern assumption has been discussed in detail in Note 1.2.

Principal risks and uncertainties

Credit risk

The Company is exposed to credit risk if a customer fails to meet its contractual obligations. The Company's exposure to credit risks is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Company's customers, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk. Management has established a policy under which a customer is analysed either individually or on collective basis regarding expected credit losses at each reporting date.

Liquidity risk

The Company is exposed to liquidity risk if the Company is not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Currency risk

The Company is exposed to currency risk on sales, purchases, cash and cash equivalents, loans and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities. The currencies in which these transactions are denominated are mainly USD, EUR and DKK.


The Company has entered into transactions designed to hedge against these foreign currency risks and the same time, management believes that the structure of cash flows within the Company is balanced to provide secure position against these foreign currency risks.

COVID-19 impact

The Company does not have any customers' concentration or over-presence in any specific industries, especially those that have been impacted the most, and there is no customer concentration. Governments restrictions, like lockdown and / or work from home doesn't have a significant impact on the demand for IT services from customers as IT development services are essential to customers' business, especially in the radically changed environment.

The Company continues to work remotely and ensures sufficient communication and checking technical requirements with developers and customers. The Company's business model and IT infrastructure naturally allows the remote work with no impact on services providing capabilities.

By order of the board
Kulraj Singh Smagh

DocuSigned by:

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Date: 28 June 2022
Registered office address:
2 Stone Buildings, Lincoln's Inn,
London, England, WC2A 3TH

Directors' report

Principal activities

The Company acts as a central entrepreneur of the Ciklum Group and performs entrepreneurial functions. It purchases services from development entities and invoices sales entities to ensure clear link between demand and proposition of IT services and develops unified standards for the Group. The Company is responsible for coordination of all operational business entities of the Group and performs control over the business.

Research and development

The Company was not committed to any research and development activities during the period ended 31 December 2021.

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 2021 (2020: Nil).

Directors

The directors who held office during the period and subsequent to period-end were as follows: Kulraj Singh Smagh, who was appointed as a director on 19 February 2019.

Political contributions

The Company made no disclosable political donations or incurred any disclosable political expenditure during the period.

Disclosure of information to auditor

The director who held office at the date of approval of this directors' report confirm 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.

Going concern

The Company's financial statements for the year ended 31 December 2021 have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

For the year ended the Company generated GBP (811) thousand net loss and GBP (4,329) thousand net cash decrease due to investments into sales and delivery teams to ensure further operations scaling. As at 31 December 2021, the Company has net assets of GBP 585 thousand and the Company's current assets are lower than current liabilities only by GBP 117 thousand.

As at 31 December 2021, the Company utilized secured banking facility of GBP 3.9 million with external lender and short-term loan facility of GBP 6.6 million with related party lender. The banking facility includes three financial covenants and based on the forecasts produced, the Company do not expect to be in breach of these covenants.

In March 2022, the Group's shareholders granted access to the short-term credit line in the amount of USD 20,000 thousand to provide the Group with additional liquidity. At the date of the financial statements, it was not used.

On 24 February 2022 Russian troops invaded Ukraine and commenced military activities in multiple locations. In current circumstances, the Directors have considered various scenarios which included adverse but plausible scenarios related to consequences of military activities in Ukraine and concluded that the Group will be able to continue as a going concern.

As a result, the Directors have concluded that the Company will be able to continue in operational existence and meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

Other information

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.

Directors' report (continued)

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 below.

Greenhouse gas emissions, energy consumption and energy efficiency action.

The Company has not disclosed information in respect of greenhouse gas emissions, energy consumption and energy efficiency action as its energy consumption in the United Kingdom for the year is 40,000kWh or lower.

The Company has an active position regarding decreasing negative impact on the environment by encouraging staff to travel by train and other public transport modes where possible, reducing the usage of motor vehicles. In addition to this, there is a switch-off memo to all staff to switch off lights and computers and other office equipment when not in use and at the end of the day. Photocopiers and printers are using the 'energy saver' or 'standby' mode when not in use.

There has been a conscious effort to ensure all heating and cooling systems were set correctly and to ensure no systems were left in overnight or when not required.


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.

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' regime under section 415A of the Companies Act 2006. The Directors have not presented a Strategic report in accordance with section 414B of the Companies Act 2006.

By order of the board

Kulraj Singh Smagh

DocuSigned by:

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Date: 28 June 2022

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 UK-adopted international accounting standards 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 UK-adopted international accounting standards;
- 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 OPERATIONS UK LIMITED

Opinion

We have audited the financial statements of Ciklum Operations UK Limited ("the Company") for the year ended 31 December 2021 which comprise the statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity, 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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.

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements which highlights the uncertainty of the impact of the Russian military invasion of Ukraine to the Group's operations. These events and conditions, along with the other matters explained in note 1.2, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud.

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk-assessment procedures included:

- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because it is simple in nature and therefore there is limited opportunity to commit fraud.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIKLUM OPERATIONS UK LIMITED (CONTINUED)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, clinical trials regulations, employment law and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

Our responsibility is to read the strategic report and 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIKLUM OPERATIONS UK LIMITED (CONTINUED)

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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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.

Paul Barron (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
30 June 2022

Statement of profit and loss and other comprehensive income
for the period ended 31 December 2021

	<i>Note</i>	2021	2020
		£000	£000
Revenue	4	153,218	130,021
Cost of sales	5	(144,352)	(121,902)
Gross profit		8,866	8,119
Selling and distribution expenses	6	(6,209)	(4,477)
Administrative expenses	7	(3,595)	(1,389)
Operating (loss)/profit		(938)	2,253
Financial income	8	567	16
Financial expenses	9	(440)	(918)
(Loss)/profit before taxation		(811)	1,351
Tax on profit/(loss)	12	-	-
(Loss)/profit for the financial period		(811)	1,351
Total comprehensive (loss)/ income for the period		<u>(811)</u>	<u>1,351</u>

The notes on pages 14 to 25 form part of these financial statements.

The whole of the (loss)/profit for each of the years noted above derives from continuing operations.


Ciklum Operations UK Limited
Annual report and financial statements
31 December 2021

Balance Sheet
at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	13	664		413	
Tangible assets		38		3	
			<u>702</u>		<u>416</u>
Current assets					
Trade and other debtors	14	10,192		3,215	
Cash at bank and in hand		4,139		8,468	
Derivative financial instruments	15	-		141	
		<u>14,331</u>		<u>11,824</u>	
Non-current liabilities					
Other interest-bearing loans and borrowings		-		(1,304)	
			=		<u>(1,304)</u>
Creditors: amounts falling due within one year	16	(3,934)		(7,838)	
Other interest-bearing loans and borrowings	17	(10,514)		(1,702)	
		<u>(14,448)</u>		<u>(9,540)</u>	
Net current (liabilities)/assets			<u>(117)</u>		<u>2,284</u>
Total assets less current liabilities		585		2,700	
Net assets			<u>585</u>		<u>1,396</u>
Equity					
Share capital	18	3,050		3,050	
Accumulated deficit		(2,465)		(1,654)	
Total equity			<u>585</u>		<u>1,396</u>

The notes on pages 14 to 25 form part of these financial statements.

These financial statements were approved by the board of directors on 28 June 2022 and were signed on its behalf by:

DocuSigned by:

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Kulraj Singh Smagh
 Director

Company registered number: 10878338

Ciklum Operations UK Limited
Annual report and financial statements
31 December 2021

Statement of Changes in Equity

	Share capital £000	Retained earnings £000	Total equity £000
Balance at incorporation of 31 December 2020	<u>2,280</u>	<u>(3,005)</u>	<u>(725)</u>
Issue of share capital	770	-	770
Total comprehensive income for the period			
Income	-	1,351	1,351
Total comprehensive income for the period	-	<u>1,351</u>	<u>1,351</u>
Balance at 31 December 2020	<u>3,050</u>	<u>(1,654)</u>	<u>1,396</u>
Transactions with owners, recorded directly in equity			
Issue of shares	-	-	-
Total comprehensive loss for the period			
Loss	-	(811)	(811)
Total comprehensive loss for the period	-	<u>(811)</u>	<u>(811)</u>
Balance at 31 December 2021	<u>3,050</u>	<u>(2,465)</u>	<u>585</u>

The notes on pages 14 to 25 form part of these financial statements.

Ciklum Operations UK Limited
Annual report and financial statements
31 December 2021

Cash Flow Statement
for period ended 31 December 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Cash receipts from customers	90,862	91,899
Cash paid to suppliers and employees	(100,348)	(84,990)
Interest paid	(55)	(75)
Net cash from operating activities	<u>(9,541)</u>	<u>6,834</u>
Cash flows from investing activities		
Acquisition of tangible and intangible fixed assets	(1,741)	(562)
Loans provided to related parties	(2,909)	-
Loans repayments from related parties	2,725	-
Interest received	80	-
Net cash from investing activities	<u>(1,845)</u>	<u>(562)</u>
Cash flows from financing activities		
Proceeds from loans	20,457	12,513
Repayments of loans	(13,400)	(12,291)
Proceeds from the issue of share capital	-	770
Net cash from financing activities	<u>7,057</u>	<u>992</u>
Net (decrease) / increase in cash and cash equivalents	(4,329)	7,264
Cash and cash equivalents at 1 January	8,468	1,204
Cash and cash equivalents at 31 December	<u>4,139</u>	<u>8,468</u>

The notes on pages 14 to 25 form part of these financial statements.

Notes

(forming part of the financial statements)

1. Accounting policies

Ciklum Operations 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") and Companies Act 2006.

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 1.3.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements for the year ended 31 December 2021 have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

For the year ended 31 December 2021, the Company generated £811k net loss and as at 31 December 2021, had net current liabilities of £117k.

The Company is a subsidiary of Ciklum Holding UK Limited ("the Group") and the principal activities of the Company of delivering IT services are reliant on other subsidiaries of the Group providing the IT personnel to fulfil contracts with the Company's customers. The Company having a trade is entirely dependent on the Group continuing to trade, and therefore the Group is relevant in the Director's assessment of the use of the going concern basis of preparation. The company meets its day to day working capital requirements from cash resources and intercompany balances with subsidiaries of the Group. Therefore, the going concern assessment of the company is dependent on that of the Group as a whole.

The Directors of the Group have considered the impact of the invasion on 24 February 2022 by the Russian army and have prepared various scenarios which include a plausible but downside scenario relating to the consequences of military activities in Ukraine. The Directors have concluded that the Group will be able to continue as a going concern as a result of moving a significant number of staff to safer locations abroad or in western Ukraine, diversifying delivery locations to reduce the Group's reliance on Ukraine, implementing a cost saving initiative to reduce non-essential expenditure and being provided access to a short-term credit funding amounting to USD 20.0m.

The continuation of military activities by the Russian army may create temporary IT personnel shortages that will impact the ability of the Group to service its contracts with existing customers. The Group's directors considered the specific downside scenario as a result of the war on the trading group's cash flows and concluded that the timing and conclusion of the war remains highly unpredictable that represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The Directors of the Company have assessed the conclusions reached by the directors of the Group and agree with their conclusions.

As with any company planning reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, given the reliance of Company on the Group, the directors consider the existence of a material uncertainty in the accounts of the Group to represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue to operate in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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 estimates 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.

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 Accounting policies (continued)

1.6 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.

1.7 Tangible 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
Low-value items	1-2 years
Other	4-5 years

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

1.8 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 Accounting policies (continued)

1.9 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.

1.10 Expenses

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.

1.11 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.

1.12 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issuance of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

1.13 Revenue

The Company provide IT-related services and IT consulting services to other Ciklum Group companies. Revenue from 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. The application of the IFRS 15 involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognised over a period. The Group's contracts with customers include a single performance obligation with a customer. Identification of this performance obligation does not involve significant judgement due to the simple nature of the revenue (as disclosed above). The Group exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Group considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc. Management believes that the Company acts as a principal rather than an agent substantially during providing these services. 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 bears the credit risk as it is responsible for settlement of amounts due to subcontractors irrespective of collection of the amount receivable from clients (c) the Company exercises discretion in establishing prices as it is able to adjust profitability of a particular project through negotiations.

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2. Ultimate parent company

The Company is a subsidiary of Ciklum Holding UK Limited (United Kingdom), owned by Ciklum Group Ltd. (BVI) (financial statements are not publicly available).

As at 31 December 2021 Recognize Partners I, L.P. (Cayman Islands) was the ultimate parent of the Group.

As at 31 December 2020 Recognize Partners Cheetah LP (Cayman Islands) was the ultimate parent of the Group.

3. Auditor's remuneration

	2021 £000	2020 £000
Audit of these financial statements	30	31

4. Revenue

	2021 £000	2020 £000
Sales to other Ciklum companies	153,218	130,021

5. Cost of sales

	2021 £000	2020 £000
Purchases from other Ciklum Companies	139,842	121,663
Purchases from third parties	4,017	239
Wages and salaries	431	-
Social security costs	62	-
	<u>144,352</u>	<u>121,902</u>

6. Selling and distribution expenses

	2021 £000	2020 £000
Wages and salaries	4,912	3,755
Social security costs	618	602
Marketing services	385	64
Transportation & accommodation	264	23
Other	30	33
	<u>6,209</u>	<u>4,477</u>

7. Administrative expenses

	2021 £000	2020 £000
Professional fees and other external services	2,322	854
Depreciation and amortisation	842	378
Tools and licenses	198	75
Other	<u>233</u>	<u>82</u>
	<u>3,595</u>	<u>1,389</u>

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8. Financial income

	2021	2020
	£000	£000
Foreign exchange gain	407	-
Interest income on interest-bearing loans and borrowings	86	-
Other	<u>74</u>	<u>16</u>
	<u>567</u>	<u>16</u>

9. Financial expenses

	2021	2020
	£000	£000
Foreign exchange loss	-	651
Interest expense on interest-bearing loans and borrowings	382	225
Other	<u>58</u>	<u>42</u>
	<u>440</u>	<u>918</u>

10. Staff numbers and costs

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

	2021	2020
Employees	37	15
Directors	<u>1</u>	<u>2</u>
	<u>38</u>	<u>17</u>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	5,343	3,755
Social security costs	<u>680</u>	<u>602</u>
	<u>6,023</u>	<u>4,357</u>

Certain employees are able to participate in the long-term incentive plan ("LTIP") on the Ciklum Group Ltd. (BVI) level. The amount of this expense for the year ended 31 December 2021 is GBP Nil (2020: GBP 76,930). The cost of this is borne by Ciklum Group Ltd. (BVI) and not recharged to Ciklum Operations UK Limited.

11. Directors' remuneration

	2021	2020
	£000	£000
Directors' remuneration	<u>223</u>	<u>1,383</u>
	<u>223</u>	<u>1,383</u>

Directors are able to participate in the "LTIP" on the Ciklum Group Ltd. (BVI) level. The amount of this expense for the year ended 31 December 2021 is GBP Nil (2020: GBP 91,367). The cost of this is borne by Ciklum Group Ltd. (BVI) and not recharged to Ciklum Operations UK Limited. The remuneration of the highest paid director for the year ended 31 December 2021 amount to GBP 223 thousand (2020: GBP 771 thousand).

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12. Taxation

The current tax (benefit)/expense and deferred tax (benefit)/expense is nil (2020: nil).

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit/(loss) before tax	<u>(811)</u>	<u>1,351</u>
Tax using the UK corporation tax rate of 19 %	-	257
Tax expenses covered by the tax losses	-	(257)
Total tax (benefit)/expense	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

Corporate tax rate in UK was 19% for both 2020 and 2021. It is expected to stay at the same level for 2022 and 2023. But due to announced raise of corporate tax rate to 25% (effective from 1 April 2023), we expect the respective increase in the company's current tax charge for 2023 and onwards.

13. Intangible assets

	Software & Licenses £000	Total £000
Cost		
Balance at 1 January 2020	10	10
Additions	783	783
Balance at 31 December 2020	<u>793</u>	<u>793</u>
Additions	1,093	1,093
Balance at 31 December 2021	<u>1,886</u>	<u>1,886</u>
Amortisation and impairment		
Balance at 1 January 2020	(3)	(3)
Amortisation charge for the year	(377)	(377)
Balance at 31 December 2020	<u>(380)</u>	<u>(380)</u>
Amortisation charge for the year	(842)	(842)
Balance at 31 December 2021	<u>(1,222)</u>	<u>(1,222)</u>
Net book value		
At 31 December 2020	<u>413</u>	<u>413</u>
At 31 December 2021	<u>664</u>	<u>664</u>

14. Trade and other debtors

	2021 £000	2020 £000
Receivables from related parties	8,616	2,762
Taxes receivable, other than income tax	1,142	395
Loans to related parties	206	-
Prepayments	177	58
Other accounts receivable	51	-
	<u>10,192</u>	<u>3,215</u>

Amounts due from related parties are interest free and repayable on demand.

15. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, presented as other current assets.

As at 31 December 2021, the Company had the following contracts, which are to be settled on a net basis:

£000	Notional amount at fair value of assets receivable	Notional amount at fair value of liabilities payable	Positive fair value of assets	Negative fair value of liabilities
Forward currency contracts				
Placement of DKK / attraction of USD	341	(345)	-	(4)
Total forward currency contracts	<u>341</u>	<u>(345)</u>	<u>-</u>	<u>(4)</u>

As at 31 December 2020, the Company had the following contracts, which are to be settled on a net basis:

£000	Notional amount at fair value of assets receivable	Notional amount at fair value of liabilities payable	Positive fair value of assets	Negative fair value of liabilities
Forward currency contracts				
Placement of USD / attraction of GBP	2,400	(2,259)	141	-
Placement of DKK / attraction of USD	1,076	(1,092)	-	(16)
Total forward currency contracts	<u>3,476</u>	<u>(3,351)</u>	<u>141</u>	<u>(16)</u>

16. Creditors

	2021 £000	2020 £000
Payables to related parties	2,008	7,182
Other current liabilities	1,926	656
	<u>3,934</u>	<u>7,838</u>

Amounts due to related parties are interest free and payable on demand.

17. Loans and borrowings

	2021 £000	2020 £000
Short-term loans and borrowings from third parties	3,862	1,702
Short-term loans and borrowings from related parties	6,652	-
Long-term loans and borrowings from related parties	-	1,304
	<u>10,514</u>	<u>3,006</u>

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As at 31 December 2021, the terms and debt repayment schedule of loans and borrowings are as follows:

31 December 2021 £000	Currency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount
Citibank Europe Plc	EUR	2.5%	3.2%	2022	3,862
Ciklum Holding UK Limited	USD	8.0%	8.0%	2022	6,652

As at 31 December 2020, the terms and debt repayment schedule of loans and borrowings are as follows:

31 December 2020 £000	Currency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount
Citibank Europe Plc	GBP	GBP LIBOR +3.5%	3.6%	2021	1,702
Ciklum Holding UK Limited	USD	8.0%	8.0%	2022	1,304

As at 31 December 2021, the Company has undrawn facilities committed by Citibank Europe Plc in the amount of USD 6,785 thousand (2020: USD 9,688 thousand) and by Ciklum Holding UK Limited in the amount of USD 10,017 thousand (2020: 5,343).

As at 31 December 2021 the Company has pledged property rights to the accounts receivable of Ciklum SA, Ciklum ApS, Ciklum Inc., Ciklum UK Ltd for USD 7,112 thousand under the loan from Citibank Europe Plc. (2020: USD 3,358 thousand).

18. Capital and reserves

Share capital

	Ordinary shares	
In number of shares	2021	2020
On issue at 1 January	3,050,108	1
Issued for cash	-	3,050,107
	<u>3,050,108</u>	<u>3,050,108</u>
On issue at 31 December – fully paid		
	2021 £	2020 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £ 1 each	<u>3,050,108</u>	<u>3,050,108</u>
	<u>3,050,108</u>	<u>3,050,108</u>

In April 2020, the Board of Directors approved to increase the share capital to 3,050,108 ordinary shares at £1 each (GBP 3,050,108) that were fully paid in the amount of GBP 3,050,108 by 31 December 2020.

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.

19. Related parties

Identity of related parties with which the Company has transacted

Transactions with key management personnel

The Directors of the Company are considered to be key management personnel and such compensation has been disclosed in note 10.

Companies are related as they have a common shareholder

	Country of incorporation	Balances at 31 December:		Sales to		Expenses incurred from	
		2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Related parties							
Ciklum UK Limited	UK	5,599	1,158	36,275	20,007	-	-
Ciklum Inc	USA	1,496	700	8,641	4,473	-	-
Ciklum LLC	Ukraine	468	(1,779)	-	-	108,460	95,242
Ciklum Services Ltd	Israel	449	-	449	-	-	-
Ciklum sp z.o.o	Poland	265	-	-	-	-	-
Ciklum Pakistan (Private) Limited	Pakistan	172	41	-	-	2,245	2,038
Ciklum ApS	Denmark	98	(2,700)	17,370	22,143	-	-
CN Group CZ a.s.	Czech Republic	69	-	69	-	-	-
Ciklum Software Services LLC	UAE	-	93	-	98	-	-
Ciklum SA	Switzerland	(930)	770	90,414	83,300	-	-
Ciklum IT Spain, S.L.	Spain	(409)	(789)	-	-	14,475	11,560
"Ciklum Bel" LLC	Belarus	(164)	(1,062)	-	-	3,029	4,042
Ciklum sp z.o.o	Poland	-	(674)	-	-	10,488	8,299
Ciklum Group Ltd.	BVI	-	(54)	-	-	-	-
Parent company							
Ciklum Holding UK Limited	UK	(505)	(124)	-	-	1,145	482
Loans from related parties							
Ciklum Holding UK Limited	UK	(6,652)	(1,304)	-	-	-	91
Loans to related parties							
Ciklum GmbH	Germany	176	-	-	-	-	-
Ciklum Group Ltd.	BVI	15	-	-	-	-	-
Ciklum Software Services LLC	UAE	15	-	-	-	-	-

20. Financial risk management

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The management has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, contract assets and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure.

(i) Trade receivables

The Company's exposure to credit risks is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Company's customers, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk.

Management has established a policy under which each customer is analysed either individually or on collective basis regarding expected credit losses as at reporting date.

(ii) Cash and cash equivalents

As at 31 December 2021, cash and cash equivalents are represented by cash at bank for the amounts of GBP 4,139 thousand (2020: GBP 8,468 thousand).

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures, due to which no impairment allowance has been recognized by the Company. The Company also considers that its cash and cash equivalents have low credit risk based on its assessment of the reliability of the bank where cash and cash equivalents are held.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The contractual maturities of financial liabilities are within one year. The estimated fair value approximates their carrying amounts due to the short maturity.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Company is exposed to currency risk on sales, purchases, cash and cash equivalents that are denominated in a currency other than the respective functional currencies of the Company. The currencies in which these transactions are denominated are mainly EUR and USD.

The management believes that the structure of cash flows is balanced to provide secure position against these foreign currency risks. Additionally, the Company has entered into forward currency transactions designed to mitigate parts of the remaining foreign currency risks.

The reasonably possible foreign exchange rate variances do not have significant impact on these financial statements as at 31 December 2021 and 2020.

(e) Capital management

The Company has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Company's operational and strategic needs, and to maintain confidence of market participants. This is achieved with constant monitoring of the Company's investment projects. With these measures the Company aims for steady profits growth. There were no changes in the Company's approach to capital management during the year.

(f) Fair values

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.

21. Subsequent events

Subsequent to the reporting date, on 24 February 2022, Russian troops invaded Ukraine and commenced military activities in multiple locations. These ongoing activities have led to casualties, significant dislocation of the population, damage to infrastructure, introduction of certain administrative restrictions on currency conversion transactions and payments abroad by the National Bank of Ukraine and overall significant disruption to economic activity in Ukraine. This might have a detrimental impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. The impact of these events on the business operations of the Company is described in Note 1.2. As at the date of these financial statements, the financial impact of military activities on the Company's financial position and financial results cannot be presently estimated.

In March 2022, the Group's shareholders granted access to the short-term credit line in the amount of USD 20,000 thousand to provide the Group with additional liquidity. At the date of the financial statements, it was not used.