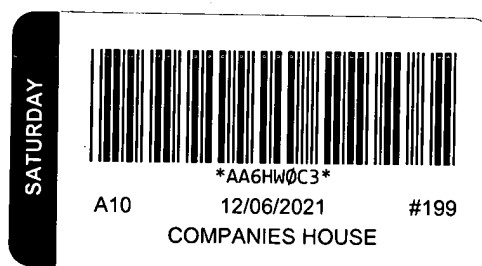


Ciklum Holding UK Limited

Annual consolidated financial
statements

Registered number: 10878347
31 December 2020



These consolidated financial statements contain 67 pages

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COMPANY INFORMATION

Company registration number:	10878347
Registered office:	2 Stone Buildings London United Kingdom WC2A 3TH
Directors:	Kulraj Singh Smagh.
Auditor:	KPMG LLP 15 Canada Square London E14 5GL
Secretaries:	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 2020.

Business overview and key performance indicators.

Ciklum Holding 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 principal activity of the Company and its subsidiaries (together referred to as the “Group”) is the delivery of IT services, software development and related support services. The Group operates in 11 countries and 24 locations, including developing centres in Ukraine, Belarus, Poland, Spain and Pakistan, and sales offices in the UK, Switzerland, Denmark, the USA, the United Arab Emirates and Israel.

In 2020, the Group’s operations largely remained on the prior year level. The Group’s revenue slightly decreased by USD 2,431 thousand or 1.2% year-over-year due to the descaling and exits of some clients in Q2-2020 hit by COVID pandemic. However, starting Q3- 2020 revenue has started to restore and grow, driven by increased demand for IT transformation and digital services. To support further growth and expansion the Group kept investing in the go-to-market and delivery operations redistributing its sales and distribution and administrative spends. Net profit of USD 4,117 thousand for the year ended 31 December 2020 significantly increased as compared to prior year, mostly driven by gross margins improvement and reduction in sales and distribution and administrative expenses.

As at 31 December 2020, the Group’s has net assets of USD 20,944 thousand and the Group’s current assets exceed current liabilities by USD 5,569 thousand.

The Group regularly monitors a number of financial and operational indicators to evaluate business measure performance, identify trends affecting the business, formulate projections and make strategic decisions.

The key performance indicators:

	2020	2019
Revenue, \$000	192,333	194,764
Gross margin, %	33.7%	31.6%
Adjusted EBITDA, \$000 (Note 13)	19,939	11,352
Free cash flow, \$000	16,783	6,694

Revenue has decreased by USD 2,431 thousand or 1.2% in the year ended 31 December 2020 due to some clients descaling and exits in Q2-2020 hit by COVID pandemic, however starting Q3-2020 revenue returned to the growing trajectory with increased share of higher margin digital projects segment compensating decrease in both digital services & other segments.

Gross margin of 33.7% improved by 2.1% in the year ended 31 December 2020, driven by increase in higher margin digital projects segment, improved billing rates and reduction in low margin other revenue, but also effect of changing in presentation of depreciation charge for property, plant and equipment provided for client’s use presented in administrative expenses

The Group monitors adjusted earnings before interest, tax, depreciation and amortization and the impact of IFRS 16 (Adjusted EBITDA) to evaluate core operating performance and trends, and develop future operating plans. Management believe that the exclusion of certain expenses in

calculating Adjusted EBITDA facilitates comparison of the performance on a period-over-period basis and provide comparable measure used in the market.

The Group calculates Adjusted EBITDA as a result from operating activities before tax and finance income and costs, adjusted for depreciation and amortization, IFRS 16 effect and certain expenses that management classifies as non-recurring and one-off. For the years ended 31 December 2020 and 2019, management excluded one-off expenses related to termination benefits to dismissed personnel, expenses related to impairment of certain intangible assets and onerous contracts, expenses arising on initial recognition of equity-settled share-based payment arrangements and other non-recurring expenses. Adjusted EBITDA for the year of USD 19,939 thousand increased by USD 8,587 thousand from last year driven by better operational performance.

The Group calculates free cash flow as net cash generated from operating and investing activities. The Group's free cash flow for the year ended 31 December 2020 increased to USD 16,783 thousand as compared to USD 6,694 thousand for the year ended 31 December 2019, driven by improved operational results and less capital expenditures.

Engaging with our stakeholders (section 172(1) statement)

The Director has a duty to promote the success of the Group and Company for the benefit of its members as a whole having regard to the interests of our customers, our people, our relationship with our suppliers and the impact of our operations on the communities in which we operate, and to ensure that we maintain a reputation for high standards of business conduct.

Our key stakeholders are our customers and our people. All key Group's decisions take into account the impact on relevant stakeholders. Increasingly, stakeholders are looking to understand our performance across multiple areas from performance to products and services, innovation, governance and workplace practices. The Group endeavors to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of different stakeholder groups do not align, the Group must decide on the best course of action to promote the Group's and Company's long-term success.

Customers

Customers are at the heart of our business. We aim to deliver truly outstanding, customer experiences, ensuring great delivery and value for money by building long-term, sustainable relationships with our customers.

Key issues for customers include:

- a flexible, tailored service that meets their business needs;
- high quality of service delivery.

People

As a service organisation, our people are key to our business. We want our people to feel engaged and empowered to deliver great outcomes for our customers and be healthier and happier themselves. There are a number of measures in place to keep employees up to date on recent developments and allow employee engagement with senior management through face to face meetings and electronic media. Please refer to the "Employees" section in the Director's report for further information.

Principal risks and uncertainties.

Credit risk.

The Group is exposed to credit risk if a customer fails to meet its contractual obligations. The Group'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 Group'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 Group is exposed to liquidity risk if the Group is not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

Currency risk.

The Group 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 Group's entities. The currencies in which these transactions are denominated are mainly EUR, DKK, UAH and GBP.

The Group 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 Group is balanced to provide secure position against these foreign currency risks.

Tax risk - independent contractors.

In the course of operations, substantially all the Group's IT and other professionals in Ukraine are registered as independent contractors. Such practice is widely deployed in Ukrainian market. Management believes that the Group properly classified these individuals as independent contractors taking into account contractual arrangements between the Group and the contractors. However, if the tax or other state authorities take a different view and classify the arrangements between the Group and the contractors as labour arrangements, the Group may incur significant costs, including for prior periods, in respect of social security charges, remuneration of IT and other professionals, or may be required to modify the existing business model, any of which could materially adversely affect the Group's business, financial position and results of operations.

Brexit impact.

The Group and the Company are exposed to the risk of adverse political or economic developments. In particular, on 23 June 2016, the UK electorate voted to discontinue its membership of the EU.

The Group's management believes the potential adverse impact of Brexit is not significant to the Group, considering the Group's operations structure and no revenue concentration in the UK region. Currently the Group has a holding company, a central entrepreneur company and a selling company in the UK. The key risk associated with Brexit is potential GBP currency fluctuations, as part of the UK companies' sales and most of expenses are denominated in GBP, while the functional currency of these entities 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.

The Directors have continued to refresh the original review across the business to assess and address any impact of the exit from the EU before and after the end of the transition period of 31 December 2020. No significant issues have been identified or arisen and the Directors are confident in the Company's ability to continue business as usual post Brexit.

COVID-19 impact.

The Group 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. However, to be ready for a potential slow-down in economic activities and any drop in revenues, the Group developed COVID-19 response plan aimed to reduce operating costs and capital expenditures and secure EBITDA and ensure sufficient liquidity position.

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

The impact of COVID-19 on the Group and the going concern assumption has been discussed in detail in Note 1(c).

By order of the board
Kulraj Singh Smagh



Date: 26 May 2021

Registered office address:

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

DIRECTOR'S REPORT

Principal activities

The principal activity of the Group is the delivery of IT services, software development and related support services. The Group operates in 11 countries and 24 locations, including developing centres in Ukraine, Belarus, Poland, Spain and Pakistan, and sales offices in the UK, Switzerland, Denmark, the USA, the United Arabian Emirates and Israel.

The information under Section 414 c (11) of the Companies Act 2006 such as business overview, principal risks and uncertainties is not shown in the directors' report because it is shown in the strategic report.

Financial instruments

Details of the Group's financial risk management policies and objectives in respect of its use of financial instruments are included to the financial statements (Note 2 (c)).

Proposed dividend

No dividend was proposed for 2020 (2019: £Nil).

Directors

The directors who held office during the year and subsequent to year-end was Kulraj Singh Smagh.

Political contributions

The Company and its subsidiaries made no disclosable political donations or incurred any disclosable political expenditure during the year (2019: £Nil).

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 Group's financial statements for the year ended 31 December 2020 have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

For the year ended the Group generated USD 4.1 million net profit and USD 23.3 million net cash from operating activities. As at 31 December 2020, the Group has net assets of USD 20.9 million and the Group's current assets exceed current liabilities by USD 5.6 million.

The directors have prepared cash flow and covenant compliance forecasts for the Group for the period to 30 June 2022, including reasonably possible downside scenarios.

As at 31 December 2020, the Group utilized two secured banking facilities totaling USD 3.3 million with external lenders. The Group also has USD 10.7 million over two uncommitted, secured facilities which, at the date of approval of these financial statements have not been utilized. The banking facility includes three financial covenants and based on the forecasts produced, the Group does not expect to be in breach of these covenants.

The Directors have also considered severe but plausible downside scenarios which show the Group has adequate cash to continue to operate well beyond the next 12 months without breaching the financial covenants and drawing down on any uncommitted facilities that are available.

The nature of the revenue streams is contractual where customers can terminate the agreement with a notice period ranging from 30 to 90 days. Given the current uncertainty in the market due to COVID-19 there can be no certainty that the customers will not terminate their contracts with the Group. However, on the other hand there is significant increase in demand for IT transformation and digital services that brings new customers to the Group.

Variable costs will follow the same trend as revenue and fixed costs will continue to be incurred as normal. The downside cash flow forecast indicates that the Group is expected, over the cash flow forecast period, to have positive cash flows, before consideration of its uncommitted facilities of USD 3.3 million. However these uncommitted facilities are contractually due within 1 year and due to current market uncertainty as a result of COVID-19, the Directors are aware there can be no certainty that the uncommitted funding will not be recalled by the lenders.

As a result, the Directors have concluded that the Group 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 Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Group 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 Group policies and Group risk parameters. All activities for risk management purposes are carried out by specialist teams that have appropriate skills, experience and supervision.

Employees

The Company's policy of providing employees with information about the Company and the Group has continued and regular meetings are held between management and employees to allow exchanges of information and ideas.

The Company gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

Greenhouse gas emissions, energy consumption and energy efficiency action.

The Group 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. We exclude carbon information from non-UK subsidiaries, because they are not obliged to include such data into its own accounts.

The Group 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.

By order of the board

Kulraj Singh Smagh

Date: 26 May 2021



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 Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

By order of the board

Kulraj Singh Smagh

Date: 26 May 2021



Registered office address:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIKLUM HOLDING UK LIMITED

Opinion

We have audited the consolidated financial statements of Ciklum Holding UK Limited ("the company") for the year ended 31 December 2020 which comprise the consolidated statement of profit and loss and other comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company 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 group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 group 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.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and 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 their 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the group's and company's financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the group or the company will continue in operation.

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:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any usual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIKLUM HOLDING UK LIMITED (continued)

Fraud and breaches of laws and regulations – ability to detect (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls.

We performed procedures including:

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

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 Group 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 Group 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 Group'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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIKLUM HOLDING UK LIMITED (continued)

Strategic report and directors' report (continued)

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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 group and parent 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 group or the parent 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

28 May 2021

Ciklum Holding UK Limited
Annual consolidated financial statements
Consolidated statement of financial position

	<i>Note</i>	Year ended 31 December 2020 USD'000	Year ended 31 December 2019 USD'000
Assets			
Non-current assets			
Property, plant and equipment	3	7,245	8,216
Intangible assets	4	3,089	4,617
Right-of-use assets	15(a)	24,321	26,338
Deferred tax asset	14(c)	1,341	1,411
		<hr/> 35,996	<hr/> 40,582
Current assets			
Trade and other receivables	5	12,810	18,087
Cash and cash equivalents	16(b)	16,150	7,637
		<hr/> 28,960	<hr/> 25,724
Total assets		<hr/> 64,956	<hr/> 66,306

The accompanying notes on pages 20 to 60 form an integral part to these consolidated financial statements.

Ciklum Holding UK Limited
Annual consolidated financial statements
Consolidated statement of financial position (cont.)

	<i>Note</i>	Year ended 31 December 2020 USD'000	Year ended 31 December 2019 USD'000
Equity and liabilities			
Shareholders' equity			
Share capital	6(a)	16,988	16,988
Additional paid-in capital	6(b)	3,417	-
Share-based payment reserve	6(b)	1,684	4,313
Accumulated deficit		(139)	(4,256)
Translation reserve		(1,006)	(931)
Total equity		20,944	16,114
Non-current liabilities			
Other interest-bearing loans	8	-	4,005
Lease liability	15, 16(g)	20,621	21,703
Total non-current liabilities		20,621	25,708
Current liabilities			
Other interest-bearing loans	8	3,300	3,506
Lease liability	15, 16(g)	5,804	5,221
Trade and other payables	7	14,029	15,311
Tax payable		258	446
Total current liabilities		23,391	24,484
Total liabilities		44,012	50,192
Total equity and liabilities		64,956	66,306

Kulraj Singh Smagh



Director

Registered number: 10878347

Date: 26 May 2021

The accompanying notes on pages 20 to 60 form an integral part to these consolidated financial statements.

Ciklum Holding UK Limited
Annual consolidated financial statements
Consolidated statement of profit or loss and other comprehensive income

	<i>Note</i>	Year ended 31 December 2020 USD'000	Year ended 31 December 2019 USD'000
Revenue	9	192,333	194,764
Cost of sales		(127,593)	(133,296)
Gross profit		64,740	61,468
Selling and distribution expenses		(9,010)	(9,714)
Administrative expenses		(43,101)	(46,085)
Share-based payment expense	6(b)	(788)	(777)
Other operating expenses	12	(3,555)	(909)
Operating profit		8,286	3,983
Financial income		-	-
Financial costs	16(g)	(2,820)	(1,952)
Profit before tax		5,466	2,031
Taxation	14	(1,349)	(964)
Net profit for the year		4,117	1,067
Other comprehensive loss			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign currency translation differences for foreign operations		(75)	(77)
Total comprehensive income for the year		4,042	990

The accompanying notes on pages 20 to 60 form an integral part to these consolidated financial statements.

Ciklum Holding UK Limited
Annual consolidated financial statements
Consolidated statement of cash flows

	<i>Note</i>	Year ended 31 December 2020 USD'000	Year ended 31 December 2019 USD'000
Cash flows from operating activities			
Net profit for the financial year		4,117	1,067
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	10,12,13	14,887	12,277
Provision for impairment of trade receivables	5	2,777	2,719
Gain on lease modification	16(g)	(342)	(965)
Interest expense on loans and borrowings, and lease liabilities	16(g)	3,098	2,658
Foreign exchange loss	16(g)	88	259
Gain on forward currency contracts	16(g)	(24)	-
Taxation	14	1,349	964
Equity-settled share-based payment expenses	6(b)	788	777
Cash from operating activities before changes in working capital		26,738	19,756
Change in trade and other receivables		2,703	(2,695)
Change in trade and other payables		(1,420)	860
Cash generated from operating activities		28,021	17,921
Tax paid		(1,337)	(1,025)
Interest paid	16(g)	(3,357)	(1,921)
Net cash generated from operating activities		23,327	14,975

The accompanying notes on pages 20 to 60 form an integral part to these consolidated financial statements.

Ciklum Holding UK Limited
Annual consolidated financial statements
Consolidated statement of cash flows (cont.)

	Note	Year ended 31 December 2020 USD'000	Year ended 31 December 2019 USD'000
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	3,4	(6,847)	(8,281)
Proceeds from sale of equipment, software, licenses and property	3,4	303	-
Net cash used in investing activities		(6,544)	(8,281)
Cash from financing activities			
Repayments of loans and borrowings	16(g)	(9,581)	(12,738)
Proceeds from loans and borrowings	16(g)	5,220	11,880
Issue of ordinary shares		-	4,602
Payment of lease liabilities	16(g)	(4,039)	(4,905)
Net cash used in financing activities		(8,400)	(1,161)
Net increase in cash and cash equivalents		8,383	5,533
Cash and cash equivalents at 1 January		7,637	2,125
Effect of exchange rates fluctuations on cash held		130	(21)
Cash and cash equivalents at the end of the year		16,150	7,637

The Group has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion of lease liabilities as operating activities consistent with the presentation of interest payments chosen by the Group.

The accompanying notes on pages 20 to 60 form an integral part to these consolidated financial statements.

Ciklum Holding UK Limited
Annual consolidated financial statements
Consolidated statement of changes in equity

	Share capital USD'000	Additional paid- in capital USD'000	Share-based payment reserve USD'000	Accumulated deficit USD'000	Translation reserve USD'000	Total equity USD'000
Balances as at 31 December 2019	16,988	-	4,313	(4,256)	(931)	16,114
Total comprehensive income for the year						
Profit for the year	-	-	-	4,117	-	4,117
Other comprehensive loss						
Foreign currency translation differences	-	-	-	-	(75)	(75)
Total other comprehensive income/(loss) for the year	-	-	-	4,117	(75)	4,042
Issue of ordinary shares	-	-	-	-	-	-
Additional paid-in capital (Note 6(b))	-	3,417	-	-	-	3,417
Equity-settled share-based payments (Note 6(b))	-	-	(2,629)	-	-	(2,629)
Total transactions with owners, recognised directly in equity (Note 6(b))	-	3,417	(2,629)	-	-	788
Balances at 31 December 2020	16,988	3,417	1,684	(139)	(1,006)	20,944

The accompanying notes on pages 20 to 60 form an integral part to these consolidated financial statements.

Ciklum Holding UK Limited
Annual consolidated financial statements
Consolidated statement of changes in equity

	Share capital	Share-based payment reserve	Accumulated deficit	Translation reserve	Other reserves	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balances as at 31 December 2018	12,386	3,441	(5,323)	(854)	-	9,650
Total comprehensive income for the year						
Profit for the year	-	-	1,067	-	-	1,067
Other comprehensive loss						
Foreign currency translation differences	-	-	-	(77)	-	(77)
Total other comprehensive income/(loss) for the year	-	-	1,067	(77)	-	990
Issue of ordinary shares	4,602	-	-	-	-	4,602
Equity-settled share-based payments (Note 6(b))	-	872	-	-	-	872
Total transactions with owners, recognised directly in equity	4,602	872	-	-	-	5,474
Balances at 31 December 2019	16,988	4,313	(4,256)	(931)	-	16,114

The accompanying notes on pages 20 to 60 form an integral part to these consolidated financial statements.

1. Basis of preparation

(a) Organisation and operations

Ciklum Holding UK Limited (the “Company”) is a private company incorporated, domiciled and registered in England, United Kingdom. The Company was incorporated on 21 July 2017. The registered number is 10878347 and the registered address is 2 Stone Buildings, Lincoln’s Inn, London, WC2A 3TH. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The principal activity of the Group is the delivery of IT services, software development and related support services.

As at 31 December 2020 and 2019, the Group is wholly owned by Ciklum Group Ltd.

The highest level, at which Ciklum Holding UK Limited is consolidated, is Ciklum Group Ltd. (BVI) (financial statements are not publicly available).

As at 31 December 2020 Recognize Partners Cheetah LP (Cayman Islands) was the ultimate parent of the Group. As at 31 December 2019 and up to 23 December 2020 Ukrainian Redevelopment Fund LP was the ultimate parent of the Group.

The list of subsidiaries included in these consolidated financial statements, their principal activities and the Group’s ownership interest is as follows:

Name	Country of incorporation	Activity	31 December 2020	31 December 2019
			% of ownership / voting rights	% of ownership / voting rights
Ciklum ApS	Denmark	IT services (sales office)	100.00%	100.00%
Ciklum SA	Switzerland	IT services (sales office)	100.00%	100.00%
Ciklum LLC	Ukraine	IT services (cost centre)	100.00%	100.00%
Ciklum Pakistan (Private) Limited	Pakistan	IT services (cost centre)	90.00%	90.00%
“Ciklum Bel” LLC	Belarus	IT services (cost centre)	100.00%	100.00%
Ciklum UK Limited	UK	IT services (sales office)	100.00%	100.00%
Ciklum Inc	USA	IT services (sales office)	100.00%	100.00%
Ciklum IT Spain, S.L.	Spain	IT services (cost centre)	100.00%	100.00%
Ciklum sp z.o.o	Poland	IT services (cost centre)	100.00%	100.00%
Ciklum Services Ltd	Israel	IT services (sales office)	100.00%	100.00%
Ciklum Software Services LLC	UAE	IT services (sales office)	49.00%	49.00%
Ciklum Operations UK Limited	UK	Central entrepreneur	100.00%	100.00%

During the year ended 31 December 2019 Kuadriga ApS (Denmark) and SCR Ciklum A/S (Denmark) merged with Ciklum ApS (Denmark).

The consolidated financial statements have been prepared and presented in accordance with the requirements of International Financial Reporting Standards (“IFRSs”) as adopted by European Union (EU) (“the applicable framework”) and the requirements of the Companies Act 2006.

(b) Basis of measurement

The consolidated financial statements have been presented in thousands of Dollars (USD'000), under the historical cost convention except for equity-settled share-based payment arrangements, which are measured at their intrinsic value, and forward currency contracts, measured at fair value.

(c) Going Concern

The Group's financial statements for the year ended 31 December 2020 have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

For the year ended the Group generated USD 4.1 million net profit and USD 23.3 million net cash from operating activities. As at 31 December 2020, the Group has net assets of USD 20.9 million and the Group's current assets exceed current liabilities by USD 5.6 million.

The directors have prepared cash flow and covenant compliance forecasts for the Group for the period to 30 June 2022, including reasonably possible downside scenarios.

As at 31 December 2020, the Group utilized two secured banking facilities totaling USD 3.3 million with external lenders. The Group also has USD 10.7 million over two uncommitted, secured facilities which, at the date of approval of these financial statements, have not been utilized. The banking facility includes three financial covenants and based on the forecasts produced, the Group does not expect to be in breach of these covenants.

The Directors have also considered severe but plausible downside scenarios which show the Group has adequate cash to continue to operate well beyond the next 12 months without breaching the financial covenants and drawing down on any uncommitted facilities that are available.

The nature of the revenue streams is contractual where customers can terminate the agreement with a notice period ranging from 30 to 90 days. Given the current uncertainty in the market due to COVID-19 there can be no certainty that the customers will not terminate their contracts with the Group. However, on the other hand there is significant increase in demand for IT transformation and digital services that brings new customers to the Group.

Variable costs will follow the same trend as revenue and fixed costs will continue to be incurred as normal. The downside cash flow forecast indicates that the Group is expected, over the cash flow forecast period, to have positive cash flows, before consideration of its uncommitted facilities of USD 3.3 million. However these uncommitted facilities are contractually due within 1 year and due to current market uncertainty as a result of COVID-19, the Directors are aware there can be no certainty that the uncommitted funding will not be recalled by the lenders.

As a result, the Directors have concluded that the Group 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

(d) Functional and presentation currency

The functional currency of the Group entities located in Ukraine, Belarus, Denmark and Switzerland, the US and United Kingdom was determined to be USD, as this is the currency in which sales prices for the Group's services are denominated and settled and which influences subcontractors' fees being the main cost of providing the services. The functional currency of other Group entities is the local currency of the country where the particular entity is located, which is the currency of the primary economic environment, in which the particular entity operates. Management chose to present these consolidated financial statements in USD, rounded to the nearest thousand, for the benefits of principal users.

The following policies are applied in presenting the consolidated financial statements in the Group's presentation currency:

- for the purpose of presenting the consolidated statement of financial position, assets and liabilities are translated using the closing rates at each reporting date;
- items of income and expense are translated at exchange rates ruling as at the dates of relevant transactions;
- capital transactions are translated at exchange rates ruling as at the dates of relevant transactions. Components of equity are not translated; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

The principal USD exchange rates used in the preparation of these consolidated financial statements are as follows:

Currency	31 December 2020	31 December 2019
Euro (EUR)	1.23	1.12
Ukrainian hryvnia (UAH)	0.04	0.04
Danish krone (DKK)	0.17	0.15
Swiss franc (CHF)	1.12	1.02
Pound sterling (GBP)	1.36	1.31

The average USD exchange rates for the years ended 31 December are as follows:

Currency	2020	2019
Euro (EUR)	1.14	1.12
Ukrainian hryvnia (UAH)	0.04	0.04
Danish krone (DKK)	0.15	0.15
Swiss franc (CHF)	1.06	1.00
Pound sterling (GBP)	1.28	1.28

As at the date that these consolidated financial statements are authorised for issue, 26 May 2021, the exchange rates are EUR 0.82 to USD 1.00, UAH 27.45 to USD 1.00, DKK 6.06 to USD 1.00, CHF 0.91 to USD 1.00 and GBP 0.71 to USD 1.00.

(e) Use of accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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:

- As noted in note 16(b(i)), the critical accounting estimate relate to impairment of Trade receivables and loans receivable from related parties.

- As noted in note 6(b), the critical accounting estimate relate to valuation of share-based payment arrangements.

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 included in the following notes:

- As noted in note 2(j), the critical accounting judgement relate to determination of whether the Group acts as an agent in the transaction rather than as a principal;
- As noted in note 15(d), the critical accounting judgement relate to lease term: whether the Group is reasonably certain to exercise extension options.

(f) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6(b) – share-based payment arrangements;
- Note 16(f) – fair values.

2. Accounting policies

Except as disclosed in Note 2(k)(iii), the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of other comprehensive income of the acquired entities are added to the same components within Group's other comprehensive income except that any share capital of the acquired entities is recognised as part of additional paid-in capital. Any cash paid for the acquisition is recognised directly in equity.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies

adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(c) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated.

All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(ii) Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

The Group's financial assets comprise trade and other receivables, loans receivable from related parties and cash and cash equivalents and are classified into the financial assets at amortised cost category.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Cash and cash equivalents comprise cash balances on the current accounts and cash in transit.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it meets the definition of held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss (except for the part of the fair value change that is due to changes in the Group's own credit risk, that is recognised in other comprehensive income). Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group measures all of its financial liabilities at amortised cost.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

(d) Capital and reserves

Share capital

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.

Share-based payment reserve

The Group established a long-term incentive plan (the "LTIP"), which entitles the program participants to obtain equity in the Group through common shares, equity options or growth shares in Ciklum Group Ltd. Such equity is presented within Share-based payment reserve.

Additional paid in capital

Additional paid in capital comprises additional equity contributions made by the shareholder or the parent company.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

(e) Compound financial instruments

The liability component of the compound financial instruments is initially recognised at the fair value of the similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to the initial recognition, the liability component of the compound financial instrument is measured as amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

• Computer equipment	3 years
• Fixtures and fittings	3 years
• Other	1-5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(g) Intangible assets

(i) Intangible assets

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

(i) Subsequent expenditure

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.

(ii) Amortisation

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.

(h) Impairment

(i) Impairment - Financial assets

The Group uses 'expected credit loss' (ECL) model. This impairment model applies to financial assets measured at amortised cost, contract assets, but not to investments in equity instruments.

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for Trade receivables at an amount equal to lifetime ECLs.

For cash and cash equivalents in banks, the Group assess the 12-month ECL if there was no significant increase in credit risk from the date of initial recognition.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses on financial assets are presented under 'General administrative expenses' and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Deferred revenue is a liability on a company's balance sheet that represents a prepayment by its customers for services that have yet to be delivered. Deferred revenue is recognized as earned revenue on the income statement as the service is delivered to the customer.

(j) Revenue

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

- Revenue from digital services (outsourcing of IT teams: software engineering and resourcing 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 Group 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. 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 in (a) and (b) 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 Group 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 Group bears ultimate responsibility for providing services to its customers (b) the Group 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 Group 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 Group 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 (software engineering and resourcing 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 digital 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 digital projects are determined based on agreed charge-out rates per hour of IT consultant's work charged by the Group to the customers. 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.
- Revenue from other sources (mainly reimbursable expenses) represents costs, incurred by the Group and reimbursed by customers as part of selling prices for Group's services, on top of direct costs incurred. 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 Group 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 Group bears ultimate responsibility for providing services to its customers (b) the Group 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 Group exercises discretion in establishing prices as it is able to adjust profitability of a particular project through negotiations.

(i) Financing components

The Group 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 Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group 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.

(k) Leases

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(ii) Leases as lessee

As a lessee, the Group leases office premises.

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all leases of office premises – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use

asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities as separate lines.

(iii) COVID-19-Related Rent Concessions – Amendment to IFRS 16

The Group has early adopted COVID-19-Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for the Group as a lessee to account for rent concessions that are a consequence of COVID-19. The practical expedient applies when the following conditions are met:

- the revised consideration for the lease is substantially the same or less than the original consideration immediately before the revision;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to other terms and conditions of the lease.

When applying the practical expedient, the Group as a lessee is not required to assess whether eligible rent concessions that are a direct consequence of COVID-19 pandemic are lease modifications.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions related to COVID-19 pandemic are lease modifications and account for them accordingly.

The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

(l) Finance income and costs

Finance income comprises interest income on funds invested and foreign currency gain on financial assets and financial liabilities. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, interest expenses on finance leases and foreign currency loss on financial assets and financial liabilities. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Share-based payment arrangements

The equity-settled share-based payment arrangements granted to employees are measured at intrinsic value, initially at the grant date and subsequently at the end of each reporting period and at the day of final settlement, with any change in intrinsic value recognised in profit or loss with a corresponding change in equity. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-

market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognised in profit or loss.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

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 reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(o) New Standards and Interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements and plans to adopt them from the respective dates stated below.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

(i) Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group does not expect these amendments to have a significant impact on the Group's consolidated financial statements.

(ii) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

Due to absence of hedge accounting the Group does not expect an effect because of IBOR transition.

(iii) Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to IAS 16).
- *Reference to Conceptual Framework* (Amendments to IFRS 3).
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1).
- IFRS 17 *Insurance Contracts* and amendments to IFRS 17 *Insurance Contracts*.

3. Property, plant and equipment

Movements in property, plant and equipment for the year ended 31 December 2020 are as follows:

<i>(in thousands of US dollars)</i>	Computer equipment	Fixtures and fittings	Other	Total
<i>Cost</i>				
At 31 December 2019	11,384	7,462	2,572	21,418
Additions	2,077	410	78	2,565
Disposals	(1,720)	(218)	(274)	(2,212)
At 31 December 2020	11,741	7,654	2,376	21,771
<i>Accumulated depreciation and impairment losses</i>				
At 31 December 2019	(7,932)	(4,094)	(1,176)	(13,202)
Depreciation charge (Note 10)	(2,132)	(822)	(279)	(3,233)
Disposals	1,431	217	261	1,909
At 31 December 2020	(8,633)	(4,699)	(1,194)	(14,526)
<i>Net book value</i>				
At 31 December 2019	3,452	3,368	1,396	8,216
At 31 December 2020	3,108	2,955	1,182	7,245

Movements in property, plant and equipment for the year ended 31 December 2019 are as follows:

<i>(in thousands of US dollars)</i>	Computer equipment	Fixtures and fittings	Other	Total
<i>Cost</i>				
At 31 December 2018	10,113	5,717	2,327	18,157
Additions	2,432	1,935	305	4,672
Disposals	(1,161)	(190)	(60)	(1,411)
At 31 December 2019	11,384	7,462	2,572	21,418
<i>Accumulated depreciation and impairment losses</i>				
At 31 December 2018	(6,842)	(3,104)	(935)	(10,881)
Depreciation charge (Note 10)	(2,251)	(1,180)	(301)	(3,732)
Disposals	1,161	190	60	1,411
At 31 December 2019	(7,932)	(4,094)	(1,176)	(13,202)
<i>Net book value</i>				
At 31 December 2018	3,271	2,613	1,392	7,276
At 31 December 2019	3,452	3,368	1,396	8,216

The Group has no property, plant and equipment pledged as a security as at 31 December 2020 and 2019.

Depreciation charge is presented in general administrative expenses (2019: depreciation charge for property, plant and equipment used internally amounting to USD 2,735 thousand is presented in general administrative expenses and for property, plant and equipment provided for client's use is presented in cost of sales in amount of USD 997 thousand).

4. Intangible assets

Movements in intangible assets for the year ended 31 December 2020 are as follows:

<i>(in thousands of US dollars)</i>	Internal systems and capitalised costs	Software and licenses	Total
<i>Cost</i>			
At 31 December 2019	7,302	5,237	12,539
Additions	1,196	3,086	4,282
Disposals	(814)	(272)	(1,086)
At 31 December 2020	7,684	8,051	15,735
<i>Accumulated amortisation and impairment losses</i>			
At 31 December 2019	(4,393)	(3,529)	(7,922)
Amortisation and impairment for the year (Note 10, 12)	(3,153)	(2,657)	(5,810)
Disposals	814	272	1,086
At 31 December 2020	(6,732)	(5,914)	(12,646)
<i>Net book value</i>			
At 31 December 2019	2,909	1,708	4,617
At 31 December 2020	952	2,137	3,089

Movements in intangible assets for the year ended 31 December 2019 are as follows:

<i>(in thousands of US dollars)</i>	Internal systems and capitalised costs	Software and licenses	Total
<i>Cost</i>			
At 31 December 2018	4,933	3,997	8,930
Additions	2,369	1,240	3,609
At 31 December 2019	7,302	5,237	12,539
<i>Accumulated amortisation and impairment losses</i>			
At 31 December 2018	(2,416)	(2,691)	(5,107)
Amortisation for the year (Note 10)	(1,977)	(838)	(2,815)
At 31 December 2019	(4,393)	(3,529)	(7,922)
<i>Net book value</i>			
At 31 December 2018	2,517	1,306	3,823
At 31 December 2019	2,909	1,708	4,617

Amortisation charge amounting to USD 4,931 thousand (2019: USD 2,815 thousand) is presented in general administrative expenses. Impairment charge of USD 879 thousand (2019: USD nil) is presented in other expenses.

In 2020 Group ceased using one of the systems; previously developed for internal use. Since Group has no plans to use the respective system, it is considered impaired and respective loss recognized in Other expenses (Note 12).

5. Trade and other receivables

Trade and other receivable as at 31 December are as follows:

	2020	2019
<i>(in thousands of US dollars)</i>		
Trade receivables from third parties	8,120	14,463
Contract assets	4,807	4,668
Provision for bad debt	(3,192)	(3,928)
Net trade receivables	9,735	15,203
Prepayments (Note 16(b))	1,623	2,076
Other taxation and social security	1,452	808
	<u>12,810</u>	<u>18,087</u>

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date.

Change in provision for bad debt of trade receivable during the years ended 31 December are as follows:

	2020	2019
<i>(in thousands of US dollars)</i>		
Balance as at 1 January	3,928	1,606
Provision for impairment (Note 10)	2,777	2,719
Utilisation of provision	(3,607)	(306)
Other changes	94	(91)
Balance as at 31 December	<u>3,192</u>	<u>3,928</u>

The Group's exposure to credit and currency risks, and impairment losses related to trade and other accounts receivable is disclosed in Note 16.

6. Equity

(a) Share capital

	2020	2019
<i>(in numbers of shares)</i>		
Issued and paid	12,886,333	12,886,333
Issued and unpaid	1,624,331	3,124,331
Balance as at 31 December	<u>14,510,664</u>	<u>16,010,664</u>

As at 31 December 2019, the authorised, issued and fully paid capital of the Company consists of 12,886,333 ordinary shares at £1 each and amounts to USD 16,988,000 (GBP 12,886,333). Unpaid capital as at 31 December 2019 consist of 3,124,331 ordinary shares at £1 each and amounts to USD 4,098,000 (GBP 3,124,331).

In March 2020, the Board of Directors approved to reduce the share capital by 1,500,000 ordinary shares at £1 each (GBP 1,500,000).

As at 31 December 2020, the authorised, issued and fully paid capital of the Company consists of 12,886,333 ordinary shares at £1 each and amounts to USD 16,988,000 (GBP 12,886,333). Unpaid capital as at 31 December 2020 consist of 1,624,331 ordinary shares at £1 each and amounts to USD 2,208,955 (GBP 1,624,331).

All shares rank equally with regard to the Company's residual assets. 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.

During the period ended 31 December 2020 and 2019, the Company did not declare any dividends.

(b) Share-based payment reserve

The Group established a long-term incentive plan (the "LTIP"), which entitles the program participants to obtain equity in the Group through common shares, equity options or growth shares in Ciklum Group Ltd.

Under the LTIP, participants acquire immediately vested common shares or are awarded growth shares and / or options with a strike price, subject to service and certain non-market vesting conditions (time- and performance-based) over five years. Contractual life of options is 10 years and all options are to be settled by physical delivery of shares.

In January 2020, the Group decided to execute its right to repurchase shares and options for shares from certain holders (former employees).

In December 2020 as part of the transaction with Recognize Partners Cheetah LP the Group: i) allowed current senior management team to elect to keep shares and vested options at the revised strike price and ii) decided to execute its authority and cancel the remaining outstanding options, common and growth shares held by current and former employees and contractors and pay out the net value of the cancelled equity in cash. Restatement of the initial LTIP did not have significant impact on the incremental fair value of the shares and share options.

Movement in the number of granted shares and options during the years ended 31 December is as follows:

	2020		2019	
	Common shares	Growth shares and options	Common Shares	Growth shares and options
Balance as at 1 January	942,223	8,735,185	942,223	4,656,382
Granted	-	5,497,673	-	4,975,000
Executed	4,473	(22,000)	-	-
Forfeited	-	(3,660,389)	-	(896,197)
Repurchased	(879,296)	(3,152,564)	-	-
Balance as at 31 December	67,400	7,397,905	942,223	8,735,185

As at 31 December 2020, 1,061,472 options are considered to be vested (2019: 3,477,022) and 67,400 common shares in Ciklum Group Ltd. are held by the participants of the LTIP (2019: 942,223).

In absence of the market quotations for the Group's shares, intrinsic value of shares in Ciklum Group Ltd. in 2020 was assessed with reference to the share price in sale of shares to Recognize Partners Cheetah LP. Intrinsic value of shares in 2019 was assessed with reference to the transaction with Dragon Capital and A Ventures Capital in January 2019, adjusted for changes in the Group performance during 2019.

Reconciliation of share-based payment arrangements during the years ended 31 December is as follows:

	2020	2019
<i>(in thousands of US dollars)</i>		
Balance as at 1 January	4,313	3,441
Granted in share options (vested)	1,141	644
Subscription price for options, financed by Ciklum Group Ltd. in the form of promissory notes to employees, presented as additional paid-in capital	1,300	95
Revaluation of the intrinsic value	(290)	133
Forfeited shares and shares options	(63)	-
Repurchased shares and share options – repurchased by Ciklum Group Ltd., presented as additional paid-in capital	(4,717)	-
Balance as at 31 December	1,684	4,313

Subscription price payable by some program participants to Ciklum Group Ltd. during the year ended 31 December 2020 amounted to USD 1,300 thousand (2019: USD 95 thousand). During the year ended 31 December 2020 the subscription price is financed in the form of promissory notes provided to these program participants by Ciklum Group Ltd. In addition, repurchase of shares and share options for USD 4,717 thousand was performed at an expense of Ciklum Group Ltd., therefore repurchase of shares and share options and effect of financing the subscription price by means of promissory notes issue amounting to USD 1,300 thousand, is presented within Additional paid-in capital of USD 3,417 thousand.

Weighted average exercise price of granted options as at 31 December 2020 is USD 2.17 per share (2019: USD 1.71 per share). Had the intrinsic value per option been lower by 10%, value of share-based payment arrangements would be lower by USD 73 thousand (2019: USD 806 thousand). Weighted average remaining contractual life of share options outstanding as at 31 December 2020 is 9.6 years (2019: 8.1 years).

7. Trade and other payables

Trade and other payables as at 31 December are as follows:

	2020	2019
<i>(in thousands of US dollars)</i>		
Trade payables due to subcontractors	2,499	2,502
Salary, bonuses and related charges payable	2,407	4,036
Other taxation	2,110	1,874
Accrued expenses and other provisions	1,829	1,607
Prepayments received	1,729	1,551
Deferred revenue	1,651	1,511
Trade payables due to suppliers	924	1,492
Provision for unused vacation	880	738
	14,029	15,311

For information about the Group's exposure to liquidity and foreign currency risks refer to Note 16.

8. Loans and borrowings

This note provides information about the contractual terms of loans, presented as other interest-bearing liabilities in the consolidated statement of financial position. For information about the Group's exposure to liquidity, interest rate and foreign currency risks refer to Note 16.

Loans and borrowings as at 31 December are as follows:

	2020	2019
<i>(in thousands of US dollars)</i>		
Long-term loans and borrowing from related parties	-	4,005
Short-term loans and borrowings from third parties	3,300	3,506
	3,300	7,511

(a) Terms and debt repayment schedule

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

31 December 2020 <i>(in thousands of US dollars)</i>	Currency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount
Citibank Europe Plc	GBP	GBP LIBOR +3.50%	3.6%	2021	2,314
JSC Ukrsibbank	EUR	3.00%	3.0%	2021	986

As at 31 December 2019, the terms and debt repayment schedule of loans and borrowings are as follows:

31 December 2019 <i>(in thousands of US dollars)</i>	Currency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount
Citibank Europe Plc	USD	LIBOR +3.50%	5.5%	2020	3,506
Ciklum Holding Limited	USD	8.35%	8.7%	2021	4,005

As at 31 December 2020, the Group has undrawn facilities committed by JSC Ukrsibbank in amount of USD 974 thousand and by Citibank Europe Plc in the amount of USD 9,688 thousand.

As at 31 December 2019, the Group has undrawn facilities committed by JSC Ukrsibbank in amount of USD 1,180 thousand and by Citibank Europe Plc in the amount of USD 8,500 thousand.

As at 31 December 2020 and 31 December 2019 the Group has a financial guarantee agreement with JSC Ukrsibbank in amount of USD 500 thousand.

(b) Pledged assets

As at 31 December 2020 the Group has pledged property rights to the cash flows from sales concluded or those to be concluded between Ciklum LLC (Ukraine) and Ciklum Operations UK Limited (as at 31 December 2019 between Ciklum LLC (Ukraine) and Ciklum SA) under the loan from JSC Ukrsibbank.

As at 31 December 2020 the Group has pledged property rights to the accounts receivable of USD 3,358 thousand (2019: USD 6,768 thousand) under the loan from Citibank Europe Plc.

9. Revenue

(a) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major services provided (see also Note 2(j)):

	2020	2019
<i>(in thousands of US dollars)</i>		
Digital services	143,763	148,734
Digital projects	44,585	39,469
Other	3,985	6,561
	192,333	194,764

(b) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	31 December 2020	31 December 2019
<i>(in thousands of US dollars)</i>		
Receivables, which are included in 'trade and other receivables' (Note 5)	4,928	10,535
Contract assets, which are included in 'trade and other receivables' (Note 5)	4,807	4,668
Contract liabilities, which are included in 'trade and other payables'	2,722	2,582

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers and deferred revenue for the services, for which revenue is recognised over time. The amount of USD 2,390 thousand recognised in contract liabilities as at 31 December 2019 has been recognised as revenue during the year ended 31 December 2020.

10. Expenses and auditor's remuneration

The Group's profit before tax for the years ended 31 December is stated after charging the following main expenses:

	2020	2019
<i>(in thousands of US dollars)</i>		
Amounts payable to auditor:		
Audit of these financial statements	79	78
Audit of financial statements of subsidiaries	122	123
Depreciation and amortisation (Notes 3,4)	8,164	6,547
Property rentals payable under operating leases	733	917
Depreciation of right-of-use assets (Note 15(a))	5,844	5,730
Provision for impairment of trade receivables (Note 5)	2,777	2,719
Subcontractors' fees	120,537	122,353

11. Employee and contractors, directors and key management information

Employee costs for the years ended 31 December are as follows:

	2020	2019
<i>(in thousands of US dollars)</i>		
Subcontractors' fees	120,537	122,353
Employee wages and salaries	24,199	26,637
Social security costs	2,844	2,757
Share-based payments expenses (Note 6(b))	788	777
	<u>148,368</u>	<u>152,524</u>

Subcontractors' fees are presented within Cost of sales.

Average monthly staff employed for the years ended 31 December are as follows:

	2020	2019
	No.	No.
Management	4	9
Employees	669	706
Contractors	2,726	2,894
	<u>3,399</u>	<u>3,609</u>

Directors' remuneration for the year ended 31 December 2020 amount to USD 2,325 thousand (2019: USD 3,697 thousand), including share-based payment expense in amount of USD 131 thousand (2019: USD 480 thousand). During the year ended 31 December 2020, the directors were granted 4,000,000 options for shares in Ciklum Group Ltd. (2019: 4,100,000 options). No directors exercised their options in 2020 and 2019. The remuneration of the highest paid director for the year ended 31 December 2020 amount to USD 968 thousand (2019: USD 1,506 thousand).

12. Other expenses

Other expenses for the years ended 31 December are as follows:

	2020	2019
<i>(in thousands of US dollars)</i>		
Termination benefits to dismissed personnel	1,868	122
Impairment of intangible assets (Note 4)	879	-
Onerous contracts expense	484	-
M&A related costs	-	275
Other expenses	324	512
	<u>3,555</u>	<u>909</u>

Management presents certain operating expenses that per management determination cannot be allocated to specific function within other expenses in profit or loss.

Termination benefits to dismissed personnel relates to Group's contractual obligation for severance pay to certain employees that were dismissed as a result of Group's structural changes.

In 2020 Group decided to cease using one of the systems, previously developed for internal use, while keep contractual liability for purchase of licenses needed for respective system functioning. Respective liability was provided by Group and presented as Onerous contracts expense.

13 Adjusted earnings before interest, tax, depreciation and amortisation, IFRS 16 effect (adjusted EBITDA)

The Group management presented the performance measure adjusted EBITDA as it monitors this performance measure at consolidated level and believes that this measure is relevant to an understanding of the Group's financial performance.

The Group calculates EBITDA as a result from operating activities before tax and finance income and costs, adjusted for depreciation and amortization, IFRS 16 effect and certain expenses that management classifies as non-recurring and one-off. For the years ended 31 December 2020 and 2019, management excluded one-off expenses related to termination benefits to dismissed personnel, expenses related to impairment of certain intangible assets and onerous contracts, expenses arising on initial recognition of equity-settled share-based payment arrangements and other non-recurring expenses. One-off expenses excluded for the purpose of EBITDA calculation are presented in other expenses for the years 31 December 2020 and 2019.

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

	2020	2019
<i>(in thousands of US dollars)</i>		
Operating profit	8,286	3,983
Depreciation, amortisation and impairment (Note 10, 12)	14,887	12,277
Equity-settled share-based payment arrangements	788	777
Termination benefits to dismissed personnel (Note 12)	1,868	122
Onerous contracts expense (Note 12)	484	-
Other non-recurring expenses (Note 12)	324	787
IFRS 16 effect adjustment (repayment of lease liabilities and interest on lease liabilities) (Note 16(g))	(6,698)	(6,594)
Adjusted EBITDA	19,939	11,352

14. Income tax expense

(a) Income tax expense

Income tax expense for the years ended 31 December is as follows:

	2020	2019
<i>(in thousands of US dollars)</i>		
Current tax expense	1,279	1,127
Deferred tax expense / (benefit)	70	(163)
Income tax expense	1,349	964

In 2020 the applicable corporate income tax rates are 18% for Ukrainian companies (2019: 18%), 19% for United Kingdom companies (2019: 19%), 18.2% for Swiss companies (2019: 14.0% based on a special tax regime applied), 22% for Danish companies (2019: 22%), 18% for companies incorporated in Belarus (2019: 18%), except for the companies with status of technological parks, which are tax exempt. In accordance with legislation valid in Pakistan, Pakistani companies engaged in export of software development services are tax exempt, provided they meet legislative criteria.

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The effective tax rate for year ended 31 December 2020 is 19% (2019: 19%). The deferred tax liability has been calculated using 19% (2019: 17%). Changes to the UK corporation tax rates which were announced in the Budget on 3 March 2021 to take effect from 1 April 2023 have yet to be substantively enacted. This will impact the company's future tax accordingly.

(b) Effective income tax reconciliation

The difference between the total expected tax expense computed by applying the UK statutory income tax rate to profit before tax and the reported income tax expense for the years ended 31 December is as follows:

	2020	%	2019	%
<i>(in thousands of US dollars)</i>				
Profit before tax	5,466	100%	2,031	100%
Income tax expense at 19% (2019: 19%)	1,039	19.0%	386	19.0%
Effect of tax rates in foreign jurisdictions	(319)	(5.8%)	79	3.9%
Effect of legacy taxes provision	226	4.1%	300	14.8%
Withholding tax and other corporate taxes	152	2.8%	-	0.0%
Expenses not deductible for tax purposes	251	4.6%	199	9.8%
Total tax expense	1,349	24.7%	964	47.5%

The actual tax rate of 24.7% is higher than the actual tax rate of 19.0%.

(c) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 December are attributable to the following items:

	Assets		Liabilities		Net	
<i>(in thousands of US dollars)</i>	2020	2019	2020	2019	2020	2019
Other current liabilities	372	545	-	(281)	372	264
Other	731	341	(268)	(386)	463	(45)
Tax value of loss carry-forwards	506	1,192	-	-	506	1,192
Deferred tax assets (liabilities)	<u>1,609</u>	<u>2,078</u>	<u>(268)</u>	<u>(667)</u>	<u>1,341</u>	<u>1,411</u>

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2020 are as follows:

	Balance as at 1 January 2020 Asset (liability)	Recognised in profit or loss Benefit (charge)	Foreign currency translation adjustment	Balance as at 31 December 2020 Asset (liability)
<i>(in thousands of US dollars)</i>				
Other current liabilities	264	108	-	372
Other	(45)	508	-	463
Tax value of loss carry-forwards	1,192	(686)	-	506
Net deferred tax assets	<u>1,411</u>	<u>(70)</u>	<u>-</u>	<u>1,341</u>

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2019 are as follows:

	Balance as at 1 January 2019 Asset (liability)	Effect from implementing new standards	Balance as at 1 January 2019 Asset (liability)	Recognised in profit or loss Benefit (charge)	Foreign currency translation adjustment	Balance as at 31 December 2019 Asset (liability)
<i>(in thousands of US dollars)</i>						
Other current liabilities	531	-	531	(267)	-	264
Other	(202)	129	(73)	28	-	(45)
Tax value of loss carry-forwards	790	-	790	402	-	1,192
Net deferred tax assets	<u>1,119</u>	<u>129</u>	<u>1,248</u>	<u>163</u>	<u>-</u>	<u>1,411</u>

During the years ended 31 December 2020 and 2019, no deferred taxes were recognised in other comprehensive income or directly in equity.

15. Leases

As a lessee, the Group leases office premises. The leases have different periods depends on the type of offices and locations. Lease payments are negotiated during the contract signing. Information about leases for which the Group is a lessee is presented below.

(a) Right-of-use assets

Right-of-use assets related to leased properties are presented as separate line.

	2020	2019
<i>(in thousands of US dollars)</i>		
Balance at 1 January	26,338	15,395
Depreciation charge for the year	(5,844)	(5,730)
Additions to right-of-use assets*	3,848	17,464
Derecognition of right-of-use assets**	(21)	(791)
Balance at 31 December	<u>24,321</u>	<u>26,338</u>

* Additions include effects of increase of lease term for major lease asset.

** Derecognition of the right-of-use assets during the year is a result of termination of lease contract.

(b) Amounts recognised in profit or loss

	2020	2019
<i>(in thousands of US dollars)</i>		
Depreciation of right-of-use assets	5,844	5,730
Finance cost	2,317	724
Deferred tax (benefit)/expense	(260)	27
	<u>7,901</u>	<u>6,481</u>

Gain from rent concession USD 255 thousand is presented in Finance cost for the year ended 31 December 2020 (2019: nil).

(c) Movements in lease liability

Disclosure of movements in lease liability is presented in Note 16(g).

(d) Extension option

Some property leases contain extension options exercisable by the Group according to lease contracts. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Had the lease term been 1 year longer, lease liability and right of use assets would be higher by USD 4,990 thousand (2019: USD 4,679 thousand).

16. Financial risk management

(a) Overview

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

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

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

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, contract assets and cash and cash equivalents.

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

In addition to the credit risk, as at 31 December 2020, the Group is exposed to the risk of non-recoverability of prepayments made for the amount of USD 1,623 thousand (2019: USD 2,076 thousand) (Note 5).

(i) Trade and other receivables and loans receivable from related parties

The Group'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 Group'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. Significant debtors or those with individual signs of impairment are analysed individually. In assessing the occurrence of a default event on the Group's receivables, the qualitative and quantitative indicators developed within the Group are taken into account. The key considerations in the analysis of impairment of receivables include the identification of whether payments are overdue for more than 60 days. Additional evidence of a credit impairment of a financial instrument are the following observable data: a debtor's significant financial difficulties, probability of a debtor's bankruptcy or liquidation.

The balance with customers, which is to be assessed individually, amounted to USD 1,319 thousand as at 31 December 2020. For these customers the Group has determined high credit risk – there are doubts

about borrowers' capacity to meet their contractual obligations in the near term. The Group recognized impairment provision from these customers of USD 1,319 thousand.

During the year ended 31 December 2019 the borrower, which was assessed individually, went bankrupt. The total balance with the customer amounted to USD 3,346 thousand as at 31 December 2019. The Group has recognized impairment provision related to receivables from this customer of USD 2,788 thousand, remaining amount relating to VAT part was recovered from the tax authorities in 2020.

For other individually insignificant debtors the Group uses an allowance matrix to measure expected credit loss (ECL). Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll-rates are calculated based on the Group's historical losses. Receivables are subject to write-offs (partially or in full) when there are no reasonable expectations of their recoverability and the Group doesn't expect to receive any amounts after enforcement activities.

Starting the COVID-19 pandemic in March 2020 the Group management has assessed an increase in the credit risk exposure and decided to create additional bad debt provision considering COVID-19 uncertainty and potential risks of a client's bankruptcy or payment insolvency.

The Group does not require collateral in respect of trade and other accounts receivable and contract assets.

As at 31 December 2020, the following table provides information about the exposure to credit risk and ECLs for trade and other accounts receivable in respect of collectively assessed portfolio of receivables:

<i>(in thousands of US dollars)</i>	Weighted-average loss rate	Gross carrying amounts	Loss allowance	Credit impaired
Current (not past due)	0%	7,802	-	NO
1-30 days due	12%	2,190	(257)	NO
31-60 days due	100%	398	(398)	NO
More than 60 days past due	100%	1,218	(1,218)	YES
Total	16%	11,608	(1,873)	

As at 31 December 2019, the following table provides information about the exposure to credit risk and ECLs for trade receivables:

<i>(in thousands of US dollars)</i>	Weighted-average loss rate	Gross carrying amounts	Loss allowance	Credit impaired
Current (not past due)	0%	8,930	-	NO
1-30 days due	0%	4,136	-	NO
31-60 days due	0%	541	-	NO
More than 60 days past due	52%	2,178	(1,140)	YES
Total	7%	15,785	(1,140)	

(ii) Cash and cash equivalents

As at 31 December 2020, cash and cash equivalents are represented by cash at bank and cash in transit for the amounts of USD 16,150 thousand and nil, respectively (2019: USD 7,631 thousand and USD 6 thousand, respectively).

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 Group. The Group 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.

The following table presents an analysis of cash and cash equivalents held with banks by rating agency designation based on Standard and Poor's ratings (S&P) or their equivalent:

Rating	2020	2019
<i>(in thousands of US dollars)</i>		
A1 – Aa3	15,761	6,712
B3 – Baa3	96	73
Caa1 – Caa2	5	1
Non-rated	288	851
Total	16,150	7,637

(iii) Guarantees

The Group's policy is not to provide financial guarantees. At 31 December 2020 and 2019, no guarantees are outstanding.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2020:

	Total carrying amount	Total contractual cash flows	Due on demand	Less than one year	More than one year
<i>(in thousands of US dollars)</i>					
Trade payables	3,423	3,423	-	3,423	-
Loans and borrowings	3,300	3,300	-	3,300	-
Lease liabilities	26,425	38,036	-	6,056	31,980
Forward currency contracts:					
Outflow	1,486	1,486	-	1,486	-
Inflow	(1,464)	(1,464)	-	(1,464)	-
	33,170	44,781	-	12,801	31,980

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2019:

	Total carrying amount	Total contractual cash flows	Due on demand	Less than one year	More than one year
<i>(in thousands of US dollars)</i>					
Trade payables	3,994	3,994	-	3,994	-
Loans and borrowings	7,511	8,193	-	3,854	4,339
Lease liabilities	26,924	40,665	-	5,504	35,161
	<u>38,429</u>	<u>52,852</u>	<u>-</u>	<u>13,352</u>	<u>39,500</u>

(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 Group'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 Group 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 Group's entities. The currencies in which these transactions are denominated are mainly EUR, UAH and GBP.

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

Exposure to currency risk

The Group's major exposure to foreign currency risk is as follows based on carrying values:

	31 December 2020					
<i>(in thousands of US dollars)</i>	USD	EUR	UAH	DKK	GBP	CHF
Trade receivables	-	2,883	-	1,010	398	45
Cash and cash equivalents	72	933	7	399	159	48
Trade payables	-	(278)	(1,940)	(2)	(198)	(10)
Loans and borrowings	-	(985)	-	-	(2,314)	-
	<u>72</u>	<u>2,553</u>	<u>(1,933)</u>	<u>1,407</u>	<u>(1,955)</u>	<u>83</u>

	31 December 2019					
<i>(in thousands of US dollars)</i>	USD	EUR	UAH	DKK	GBP	CHF
Trade receivables	-	2,163	-	2,322	494	530
Cash and cash equivalents	62	1,552	47	482	133	10
Trade payables	(1)	(86)	(2,406)	(16)	(235)	(402)
Loans and borrowings	-	-	-	-	-	-
Net exposure	61	3,629	(2,359)	2,788	392	138

Currency risk on forward currency contracts is disclosed in Note 17.

The reasonably possible foreign exchange rate variances do not have significant impact on these consolidated financial statements as at 31 December 2020 and 2019.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of obtaining new financing management uses its judgment to decide whether a fixed or variable rate would be more favourable to the Group over the expected period until maturity. Refer to Note 8 for information about maturity dates and effective interest rates of fixed rate and variable rate financial instruments. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instrument.

The Group does not account for any fixed rate financial instruments at fair value through profit or through other comprehensive income, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Further, the Group's borrowing at variable rate as at 31 December 2020 relate loans due to Citibank Europe Plc and fixed rate related to JSC Ukrsibbank amounting to USD 2,314 thousand and USD 986 thousand, respectively (as at 31 December 2019 amounting to USD 3,506 thousand and USD nil, respectively). Therefore, a change in interest rates at the reporting date would not affect significantly profit or loss and equity or deficit as at 31 December 2020 and 2019.

(e) Capital management

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

(f) Fair values

Estimated fair values of the financial assets and liabilities have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to produce the estimated fair values. Accordingly, the estimates are not necessarily indicative of the amounts that could be realised in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The estimated fair values of financial assets and liabilities are determined using discounted cash flow and other appropriate valuation methodologies, at year-end, and are not indicative of the fair value of those instruments at the date these consolidated financial statements are prepared or distributed. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Group's entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments. In addition, tax ramifications related to the realisation of the unrealised gains and losses can have an effect on fair value estimates and have not been considered.

The carrying value of financial assets and liabilities, except for fair value of forward currency contracts, is estimated to not significantly vary from their fair value as at 31 December 2020 and 2019. Forward currency contracts are measured at fair value as at 31 December 2020 (2019: nil).

Such determination for the Group's financial and non-financial assets and liabilities was made using valuations that fall within Level 2 of the fair value hierarchy. Key inputs and assumptions used in the fair value determinations are represented by market interest rates that approximate the Group's effective interest rates at the reporting date. Also, there has been no change in the valuation technique for fair value determination and there were no transfers between the fair value categories during the years ended 31 December 2020 and 2019.

(g) Reconciliation of movements of liabilities to cash flows arising from financing activities

<i>(in thousands of US dollars)</i>	Lease liabilities	Loans and borrowings
At 1 January 2020	26,924	7,511
Changes from financing cash flows		
Loans obtained	-	5,220
Repayment of loans and borrowings	-	(9,581)
Repayment of lease liabilities	(4,039)	-
Total changes from financing cash flows	(4,039)	(4,631)
Other changes		
Interest expense*	2,659	439
Interest paid	(2,659)	(698)
Lease additions	3,816	-
Lease derecognition	(21)	-
Other movements	(255)	409
Total other changes	3,540	150
At 31 December 2020	26,425	3,300

* Financial costs for the year ended 31 December 2020, as presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except for interest expense on lease liabilities and loans and borrowings, also include gain on lease modification of USD 87 thousand, gain from rent concession

USD 255 thousand, FV gain on forward currency contracts amounting to USD 24 thousand and foreign exchange loss of USD 88 thousand.

<i>(in thousands of US dollars)</i>	Lease liabilities	Loans and borrowings
At 1 January 2019	16,121	7,635
Changes from financing cash flows		
Loans obtained	-	11,880
Repayment of loans and borrowings	-	(12,738)
Repayment of lease liabilities	(4,905)	-
Total changes from financing cash flows	(4,905)	(858)
Other changes		
Interest expense *	1,689	969
Interest paid	(1,689)	(232)
Lease additions	17,464	-
Lease derecognition	(1,756)	-
Other movements	-	(3)
Total other changes	15,708	734
At 31 December 2019	26,924	7,511

* Finance costs for the year ended 31 December 2019, as presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except for interest expense on lease liabilities and loans and borrowings, also include gain on lease modification of USD 965 thousand and foreign exchange loss of USD 259 thousand.

17. Derivative financial instruments

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

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

<i>(in thousands of US dollars)</i>	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	3,263	(3,072)	191	-
Placement of DKK / attraction of USD	1,464	(1,486)	-	(22)
Total forward currency contracts	4,727	(4,558)	191	(22)

As at 31 December 2019, the Group had no derivative financial instruments.

18. Contingencies

(a) Litigations

The Group is involved in various legal proceedings in the ordinary course of the business. Management does not believe the result of any such actions will have a material effect on the financial position or results of operations.

(b) Ukrainian business environment

The Group conducts a significant part of its operations in Ukraine. Consequently, the Group is exposed to the economic and financial markets of Ukraine which display characteristics of an emerging market.

The political and economic situation in Ukraine has been subject to significant turbulence in recent years. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Ukraine. Additionally, an armed conflict in certain parts of Lugansk and Donetsk regions, which started in spring 2014, has not been resolved and part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory. Various events in March 2014 led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. Consequently, operations in the country involve risks that do not typically exist in other markets. COVID-19 coronavirus pandemic has further increased uncertainty in the business environment.

In 2020, Fitch and Standard&Poor's have improved Ukraine's sovereign rating to B, with a stable outlook. As of December 31, 2020, quarantine was in force in Ukraine and restrictive anti-epidemic measures were introduced to prevent the spread of COVID-19. Resolution of the Cabinet of Ministers of Ukraine №104 of February 17, 2021 extended the measures until April 30, 2021.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Taxation contingencies

The Group performs significant part of operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterised by numerous taxes and frequently changing legislation, which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

The transfer pricing rules valid for 2020 apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Tax Code of Ukraine, if the accumulated annual volume of the transactions between the same parties exceed equivalent of USD 354 thousand (UAH 10,000 thousand) and the taxpayer's annual revenue exceed equivalent of USD 5,305 thousand (UAH 150,000 thousand).

Currently there is lack of practice of applying the transfer pricing rules by the tax authorities and courts, however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on these consolidated financial statements. In course of operations, Ukrainian subsidiaries have significant volume of sales transactions with related parties, being the consolidated subsidiaries of the Company. The margin earned on these transactions varies from 1 to 3%. Management believes that it fully complies with transfer pricing regulations, has appropriate transfer pricing policy in place and margins applied correspond to the market level. Should the tax authorities take different view, the effect on these consolidated financial statements might be significant.

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

In the course of operations, Ukrainian subsidiaries engage independent contractors and substantially all the Group's IT and IT related professionals in Ukraine are registered as independent contractors. Such practice is being widely deployed in Ukrainian market and by the Group on an ongoing basis up to the date that these consolidated financial statements are authorised for issue. Management believes that the Group properly classified these individuals as independent contractors taking into account contractual arrangements between the Group and the contractors. However, if the tax or other state authorities take a different view and classify the arrangements between the Group and the contractors as labour arrangements, the Group may incur significant costs, including for prior periods, in respect of social security charges, remuneration of IT and other professionals, or may be required to modify the existing business model, any of which could materially adversely affect the Group's business, financial position and results of operations.

19. Post balance sheet event

In May 2021, unpaid capital of 1,624,331 ordinary shares at £1 each and amounts to USD 2,208,955 (GBP 1,624,331) was fully paid.

20. Related party transactions

The Group performs transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial and operational decisions. Related parties comprise the shareholders, key management personnel and their close family members, companies that are controlled or significantly influenced by the Group's shareholders and ultimate controlling party.

(a) Key management remuneration

Remuneration of key management personnel is represented by short-term employee benefits including salary and bonuses payable in cash in amount of USD 2,194 thousand for the year ended 31 December 2020 (2019: USD 3,217 thousand) and share-based payment expense for the year ended 31 December 2020 in amount of USD 131 (2019: USD 480 thousand). As at 31 December 2020, there was no key management remuneration payable (2019: USD 1,660 thousand).

During the year ended 31 December 2020 termination benefits to dismissed key management personnel amounted to USD 795 thousand (2019: nil).

Key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, and include members of the Group Management.

(b) Balances with companies under common control

As at 31 December, the Group had the following balances with companies under common control:

	2020	2019
<i>(in thousands of US dollars)</i>		
Liabilities		
Other payables	186	15
Long-term loans and borrowings (Note 8)	-	4,005

The terms and conditions of significant transactions and balances with related parties are described in Notes 8.

The terms of related party transactions may differ from the market terms.

For the year ended 31 December 2020 share-based payment gain related to options held by the shareholders are USD 53 thousand (2019: USD 434 thousand).

Ciklum Holding UK Limited
Annual consolidated financial statements
Company statement of financial position

	Note	Year ended 31 December 2020	Year ended 31 December 2019
		USD'000	USD'000
Assets			
Non-current assets			
Investments in subsidiaries	21	17,986	16,986
Loan receivables from related parties	26	1,773	-
		<u>19,759</u>	<u>16,986</u>
Current assets			
Receivables from related parties	26	158	439
Cash and cash equivalents		14	8
Other receivables		3	-
Prepayments		-	3
		<u>175</u>	<u>450</u>
Total assets		<u>19,934</u>	<u>17,436</u>
Equity and liabilities			
Shareholders' equity			
Share capital	6(a)	16,988	16,988
Retained earnings		2,756	5
Total equity		<u>19,744</u>	<u>16,993</u>
Current liabilities			
Payables to related parties	26	-	152
Other payables		190	284
Income tax payable		-	7
		<u>190</u>	<u>443</u>
Total equity and liabilities		<u>19,934</u>	<u>17,436</u>

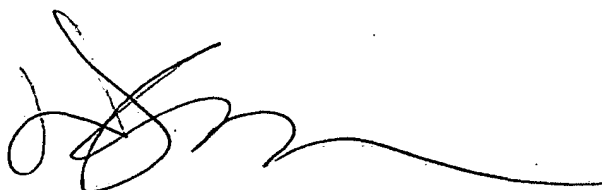
The accompanying notes on pages 64 to 67 form an integral part to these financial statements.

These financial statements were approved by the board of directors on 26 May 2021 and were signed on its behalf by:

Kulraj Singh Smagh

Director

Registered number: 10878347



Ciklum Holding UK Limited
Annual consolidated financial statements
Company statement of cash flows

	<i>Note</i>	Year ended 31 December 2020 USD'000	Year ended 31 December 2019 USD'000
Cash flows from operating activities			
Net profit for the financial year		2,751	5
<i>Adjustments for:</i>			
Dividend income		(2,660)	-
Interest income on loans and borrowings		(116)	-
Foreign exchange loss		40	14
		<hr/>	<hr/>
Cash from operating activities before changes in working capital		15	19
		<hr/>	<hr/>
Change in trade and other receivables		241	(456)
Change in trade and other payables		(253)	443
		<hr/>	<hr/>
Cash generated from operating activities		(12)	(13)
		<hr/>	<hr/>
Net cash generated from operating activities		3	6
		<hr/>	<hr/>
Cash flows from investing activities			
Investments in subsidiaries		(1,000)	(4,600)
Dividend income	25	2,660	-
		<hr/>	<hr/>
Net cash used in investing activities		1,660	(4,600)
		<hr/>	<hr/>
Cash from financing activities			
Loans granted to related parties		(1,657)	-
Issue of ordinary shares		-	4,602
		<hr/>	<hr/>
Net cash from generated from financing activities		(1,657)	4,602
		<hr/>	<hr/>
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 January		8	-
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		14	8
		<hr/>	<hr/>

The accompanying notes on pages 64 to 67 form an integral part to these financial statements.

	Share capital USD'000	Retained earnings USD'000	Total equity USD'000
Balances as at 31 December 2019	16,988	5	16,993
Total comprehensive income for the year			
Profit for the year	-	2,751	2,751
Other comprehensive loss			
Foreign currency translation differences	-	-	-
Total other comprehensive income/(loss) for the year	-	-	-
Total other comprehensive income/(loss) for the year	-	2,751	2,751
Issue of ordinary shares	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-
Balances at 31 December 2020	16,988	2,756	19,744

	Share capital USD'000	Retained earnings USD'000	Total equity USD'000
Balances as at 31 December 2018	12,386	-	12,386
Total comprehensive income for the year			
Profit for the year	-	5	5
Other comprehensive loss			
Foreign currency translation differences	-	-	-
Total other comprehensive income/(loss) for the year	-	-	-
Total other comprehensive income/(loss) for the year	-	5	5
Issue of ordinary shares	4,602	-	4,602
Total transactions with owners, recognised directly in equity	4,602	-	4,602
Balances at 31 December 2019	16,988	5	16,993

The accompanying notes on pages 64 to 67 form an integral part to these financial statements.

21. Accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by European Union (EU) and Companies Act 2006. Ciklum Holding UK Limited as the parent company is exempt from publishing its profit and loss account, according to Companies Act 2006.

(b) Significant accounting policies

(i) Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are stated at cost, which includes transaction costs, less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

(ii) 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.

22. Investments in subsidiaries

Investments in subsidiaries as at 31 December 2020 are as follows:

Name	Country of incorporation	Activity	31 December 2020 % of ownership / voting rights	31 December 2020 USD'000	Class of share
Ciklum ApS	Denmark	IT services (sales office)	100.00%	3,280	Ordinary
Ciklum SA	Switzerland	IT services (sales office)	100.00%	4,309	Ordinary
Ciklum LLC	Ukraine	IT services (cost center)	100.00%	2,395	Ordinary
Ciklum Pakistan Limited	Pakistan	IT services (cost center)	90.00%	278	Ordinary
Ciklum Bel LLC	Belarus	IT services (cost center)	100.00%	2,260	Ordinary
Ciklum UK Limited	UK	IT services (sales office)	100.00%	254	Ordinary
Ciklum Inc USA	USA	IT services (sales office)	100.00%	731	Ordinary
Ciklum IT Spain SL	Spain	IT services (cost center)	100.00%	145	Ordinary
Ciklum sp z.o.o	Poland	IT services (cost center)	100.00%	314	Ordinary
Ciklum Software Services LLC	UAE	IT services (sales office)	49.00%	20	Ordinary
Ciklum Operations UK Limited	UK	Central entrepreneur	100.00%	4,000	Ordinary
				<u>17,986</u>	

Investments in subsidiaries as at 31 December 2019 are as follows:

Name	Country of incorporation	Activity	31 December 2019 % of ownership / voting rights	31 December 2019 USD'000	Class of share
Ciklum ApS	Denmark	IT services (sales office)	100.00%	3,280	Ordinary
Ciklum SA	Switzerland	IT services (sales office)	100.00%	4,309	Ordinary
Ciklum LLC	Ukraine	IT services (cost center)	100.00%	2,395	Ordinary
Ciklum Pakistan Limited	Pakistan	IT services (cost center)	90.00%	278	Ordinary
Ciklum Bel LLC	Belarus	IT services (cost center)	100.00%	2,260	Ordinary
Ciklum UK Limited	UK	IT services (sales office)	100.00%	254	Ordinary
Ciklum Inc USA	USA	IT services (sales office)	100.00%	731	Ordinary
Ciklum IT Spain SL	Spain	IT services (cost center)	100.00%	145	Ordinary
Ciklum sp z.o.o	Poland	IT services (cost center)	100.00%	314	Ordinary
Ciklum Software Services LLC	UAE	IT services (sales office)	49.00%	20	Ordinary
Ciklum Operations UK Limited	UK	Central entrepreneur	100.00%	3,000	Ordinary
				<u>16,986</u>	

Investments in subsidiaries are direct.

23. Administrative expenses

The Company profit before tax for the years ended 31 December is stated after charging the following main expenses:

	2020	2019
<i>(in thousands of US dollars)</i>		
Employee wages and salaries	241	269
Professional fees and other external services	180	261
Audit services	172	174
Social security costs	26	35
Other	22	6
	<u>641</u>	<u>745</u>

24. Key management information

Employee costs for the years ended 31 December are as follows:

	2020	2019
<i>(in thousands of US dollars)</i>		
Employee wages and salaries	241	269
Social security costs	26	35
	<u>267</u>	<u>304</u>

Average monthly staff employed for the years ended 31 December are as follows:

	2020 No.	2019 No.
Management	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

25. Dividend income

In February 2020, the Company received dividends from Ciklum Bel LLC (Belarus) in amount of USD 2,660 thousand.

26. Related party transactions

The Company performs transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial and operational decisions. Related parties comprise the shareholders, key management personnel and their close family members, companies that are controlled or significantly influenced by the Company's shareholders and ultimate controlling party.

(a) Key management remuneration

Remuneration of key management personnel is represented by short-term employee benefits including salary and bonuses payable in cash in amount of USD 267 thousand for the year ended 31 December 2020 (2019: USD 304 thousand).

Key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, and include members of the Company Management.

(b) Balances and transactions with companies under common control

For the year ended 31 December and as at 31 December, the Company had the following operations and balances with companies under common control:

	2020	2019
<i>(in thousands of US dollars)</i>		
Revenue	655	771
Dividends income	2,660	-
Finance income	116	-
Assets		
Loan receivables from related parties	1,773	-
Receivables from related parties	158	439
Liabilities		
Payables to related parties	-	152

The terms of related party transactions may differ from the market terms.

The Company entered into the loan agreement with Ciklum Operations UK Limited for the total credit line loan facility of USD 7,000 thousand bearing interest at the rate of 8.0% per annum. The loan balance including interest is due for payment by 31 December 2022.

27. Post balance sheet event

In May 2021, unpaid capital of 1,624,331 ordinary shares at £1 each and amounts to USD 2,208,955 (GBP 1,624,331) was fully paid.